AUDIT

OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants

Awarded to the State of Vermont, Agency of Natural Resources, Department of Fish and Wildlife, From July 1, 2010, Through June 30, 2012

Report No.: R-GR-FWS-0014-2013

August 2014

OFFICE OF
INSPECTOR GENERAL
U.S.DEPARTMENT OF THE INTERIOR

August 1, 2014

Memorandum

To: Daniel M. Ashe
Director, U.S. Fish and Wildlife Service

From: Charles Haman
Central Region Manager for Audits, Inspections, and Evaluations

Subject: Final Audit Report – U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the State of Vermont, Agency of Natural Resources, Department of Fish and Wildlife, from July 1, 2010, Through June 30, 2012
Report No. R-GR-FWS-0014-2013

This report presents the results of our audit of costs claimed by the State of Vermont, Agency of Natural Resources, Department of Fish and Wildlife (Department), under grants awarded by the U.S. Fish and Wildlife Service (FWS). FWS provided the grants to the Department under the Wildlife and Sport Fish Restoration Program (Program). The audit included claims totaling $19 million on 45 grants that were open during the Department's fiscal years that ended June 30, 2011, and June 30, 2012 (see Appendix 1). The audit also covered the Department's compliance with applicable laws, regulations, and FWS guidelines, including those related to the collection and use of hunting and fishing license revenues and the reporting of program income.

We found that the Department complied, in general, with applicable grant accounting and regulatory requirements. We questioned costs totaling $57,497 due to ineligible and unsupported grant expenditures, inaccurate accounting and reporting of program income, and incorrect calculations of in-kind contributions. We also found that the Department (1) potentially diverted license revenue, (2) did not maintain adequate control over real property purchased with Program funds, (3) did not report program income correctly, (4) could not provide support used to allocate payroll costs, and (5) did not adequately manage its grant-and-license-revenue-funded equipment.

We provided a draft report to FWS for a response. In this final report, we summarize the Department's and FWS Region 5's responses, as well as our comments on the responses. We list the status of the recommendations in Appendix 3.

Please provide us with a corrective action plan based on our recommendations by October 30, 2014. The plan should provide information on actions taken or planned to address the recommendations, the target dates, and title(s) of the official(s) responsible for implementation.

Please address your response to me at:

U.S. Department of the Interior
Office of Inspector General
12345 West Alameda Parkway, Suite 300
Lakewood, CO 80228

The legislation creating the Office of Inspector General requires that we report to Congress semiannually on all audit, inspection, and evaluation reports issued; actions taken to implement our recommendations; and recommendations that have not been implemented.

If you have any questions regarding this report, please contact the audit team leader, Debby Darby, at 703-487-8065 or me at 303-236-9243.

cc: Regional Director, Region 5, U.S. Fish and Wildlife Service

Table of Contents

Introduction

Background

The Pittman-Robertson Wildlife Restoration Act and the Dingell-Johnson Sport Fish Restoration Act (Acts)[1] established the Wildlife and Sport Fish Restoration Program (Program). Under the Program, the U.S. Fish and Wildlife Service (FWS) provides grants to States to restore, conserve, manage, and enhance their sport fish and wildlife resources. The Acts and Federal regulations contain provisions and principles on eligible costs and allow FWS to reimburse States up to 75 percent of the eligible costs incurred under the grants. The Acts also require that hunting and fishing license revenues be used only for the administration of the States' fish and game agencies. Finally, Federal regulations and FWS guidance require States to account for any income earned using grant funds.

Objectives

We conducted this audit to determine if the State of Vermont, Agency of Natural Resources, Department of Fish and Wildlife (Department)—

- claimed the costs incurred under the Program grants in accordance with the Acts and related regulations, FWS guidelines, and grant agreements;
- used State hunting and fishing license revenues solely for fish and wildlife program activities; and
- reported and used program income in accordance with Federal regulations.

Scope

Audit work included claims totaling approximately $19 million on the 45 grants open during the State fiscal years (SFYs) that ended June 30, 2011, and June 30, 2012 (see Appendix 1). We report only on those conditions that existed during this audit period. We performed our audit at the Department's office in Montpelier, VT, and visited one regional office, one wildlife habitat management area, two fish culture stations, two boat ramps, and a shooting range (see Appendix 2). We performed this audit to supplement—not replace—the audits required by the Single Audit Act Amendments of 1996 and by Office of Management and Budget Circular A-133.

Methodology

We conducted this audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We tested records and conducted auditing procedures as necessary under the circumstances. We believe

[1] 16 U.S.C. §§ 669 and 777, as amended, respectively.

that the evidence obtained from our tests and procedures provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our tests and procedures included—

- examining the evidence that supports selected expenditures charged to the grants by the Department;
- reviewing transactions related to purchases, direct costs, drawdowns of reimbursements, in-kind contributions, and program income;
- interviewing Department employees to ensure that personnel costs charged to the grants were supportable;
- conducting site visits to inspect equipment and other property;
- determining whether the Department used hunting and fishing license revenues solely for the administration of fish and wildlife program activities; and
- determining whether the State passed required legislation assenting to the provisions of the Acts.

We also identified the internal controls over transactions recorded in the labor- and license-fee accounting systems and tested their operation and reliability. Based on the results of our initial assessments, we assigned a level of risk to these systems and selected a judgmental sample of transactions for testing. We did not project the results of the tests to the total population of recorded transactions or evaluate the economy, efficiency, or effectiveness of the Department's operations.

We relied on computer-generated data for other direct costs and personnel costs to the extent that we used these data to select Program costs for testing. Based on our test results, we either accepted the data or performed additional testing. For other direct costs, we took samples of costs and verified them against source documents such as purchase orders, invoices, receiving reports, and payment documentation. For personnel costs, we selected Department employees who charged time to Program grants and verified their hours against timesheets and other supporting data.

Prior Audit Coverage

On June 3, 2008, we issued "Audit on U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the State of Vermont, Agency of Natural Resources, Fish and Wildlife Department, From July 1, 2005, Through June 30, 2007" (Report No. R-GR-FWS-0013-2007). We followed up on all of the recommendations in the report and found that the U.S. Department of the Interior, Office of the Assistant Secretary for Policy, Management and Budget, considered the recommendations resolved and implemented. Although FWS considers the prior audit recommendations related to equipment management resolved, we still identified problems in this area.

On September 16, 2004, we issued "Audit Report on the U.S. Fish and Wildlife Service Federal Assistance Grants Administered by the State of Vermont, Agency of Natural Resources, Department of Fish and Wildlife, from July 1, 2001, through June 30, 2003" (Report No. R-GR-FWS-0005-2004). We followed up on all of the recommendations in the report and found that the Office of the Assistant Secretary for Policy, Management and Budget considered all but two of the recommendations resolved and implemented. The open recommendations (E.1 and E.2) are related to an inadequate land management system and are noted in Appendix 3.

We also reviewed single audit reports and comprehensive annual financial reports for SFYs 2011 and 2012. The SFY 2012 single audit report included two findings related to reporting of indirect costs and annual hunting and fishing license certification. These issues did not affect the Department's Program grant funding.

Results of Audit

Audit Summary

We found that the Department complied, in general, with applicable grant agreement provisions and requirements of the Acts, regulations, and FWS guidance. We identified, however, the following conditions that resulted in our findings, including questioned costs totaling $57,497.

A. **Questioned Costs: $57,497**

   1. **Unsupported Other Direct Costs: $16,378 (Federal share)**
      The Department did not have adequate supporting documentation for two grant expenditures.

   2. **Excess Reimbursement Due to Incorrect Reporting of Program Income: $15,149**
      The Department incorrectly reported program income on nine Federal financial reports. It received excess reimbursement because it did not correctly account for the 75 percent Federal share of program income on the aquatic education grant, resulting in an overstatement of the State's share of expenditures.

   3. **Ineligible and Unsupported Mileage Expenses: $14,469 (Federal share)**
      The Department improperly charged mileage expenses totaling $1,586 (Federal share) to the aquatic education grant and did not have supporting documentation for mileage expenses of $12,883 (Federal share) charged to the boat access maintenance grant.

   4. **Potential Excess Reimbursement Due to Overstated In-Kind Contributions: $11,501**
      The Department may have received excess reimbursement because it overstated the State share of expenditures by $11,501 due to inaccurate calculations of in-kind contributions.

B. **Potential License Revenue Diversion.** The Department did not provide adequate supporting documentation for a journal entry charging $3,841 to license revenues.

C. **Inadequate Control of Real Property.** The Department has identified potential encroachments onto license- and Program-funded Wildlife Management Areas. In addition, the Department had not reconciled its Program-funded real property records with FWS' records.

D. **Unreported Program Income.** The Department did not report revenue totaling $7,260 from selling fish eggs or $1,200 from fish breeding and importing permit sales on the Federal financial reports for the hatchery operations grants.

E. **Unsupported Payroll Cost Allocations.** The Department could not provide support for allocating 75 percent of the accounting staff's time to the fish and wildlife coordination grant.

F. **Inadequate Equipment Management and Records.** The Department did not maintain accurate and complete equipment records or ensure grant- and license-funded equipment are used solely for fish and wildlife purposes.

Findings and Recommendations

A. Questioned Costs: $57,497

1. Unsupported Other Direct Costs: $16,378

The Department occasionally requires infrastructure construction and repairs at its facilities. We found that rather than contracting with outside firms, the Department obtained such services from other State agencies. The Department of Environmental Conservation's engineering division prepared a journal entry charging State Wildlife Habitat Development grant W-46-D-31 $14,726 ($11,045 Federal share) to construct a storage building used for multiple purposes at the Sandbar Wildlife Management Area. Neither Department, however, could provide documentation supporting the cost.

We found that the Department also hired temporary staff through an agency to perform administrative duties. The Department paid the agency based on invoices listing the employee name, the hourly rate, and the number of hours worked. A portion of the services, totaling $7,111 ($5,333 Federal share), was charged to grant FW-19-C-21. The Department, however, could not provide support for the allocation of costs among the various purposes benefited.

The Code of Federal Regulations (2 C.F.R. part 225, Appendix A, Subsections C.1., a, b, and j) specifies that to be allowable costs must be necessary and reasonable, allocable, and adequately documented. In addition, 2 C.F.R. part 225, Appendix A, Subsection C.3.a., states that to be allowable under Federal awards, a cost is allocable to a particular cost objective if the goods or services involved are chargeable in accordance with relative benefits received.

The Department could not ensure that Program grants are charged only for goods and services benefiting the grants because it did not follow regulations requiring equitable allocation of expenses and did not adequately review journal entries prepared by other State departments.

Recommendations
We recommend that FWS work with the Department to: 1. Resolve the unsupported costs of $16,378 (Federal share); and 2. Ensure that grant expenditures are adequately supported and allocated equitably.

Department Response
Department officials concurred with the finding and recommendations.

FWS Response
FWS Regional officials concurred with the finding and recommendations and will work with the Department on a corrective action plan.

OIG Comments
We consider the recommendations resolved but not implemented (see Appendix 3).

2. **Excess Reimbursement Due to Incorrect Reporting of Program Income: $15,149**

Federal regulations allow grantees to earn income because of grant-supported activities, but they must account for the income in an agreed-upon manner. Typically, they should report the gross "program income" received and report associated expenses as grant outlays. The Department was approved to use the additive method for reporting program income on the Federal financial reports (SF-425) for most grants. Under the additive method, 75 percent of the income is added to the Federal share of expenditures and 25 percent is included in the State share of expenditures.

We found, however, that the Department incorrectly reported its share of expenditures and the Federal share of program income on nine SF-425s submitted to FWS.

On grant F-19-E-23, the incorrect calculation of program income resulted in an overstatement of the State's share and an excess reimbursement of $15,149.

Federal regulations (43 C.F.R. § 12.61(f)(2)) require that grantees disburse program income before requesting reimbursement. FWS sent the Department's prior business manager an email explaining how to calculate and report the Federal and State shares of program income, but the instructions were not followed. As a result, the Department received an excess reimbursement of $15,149.

We issued a Notice of Potential Findings and Recommendations (NPFR) to the Department addressing our concerns related to the calculation of program income on the SF-425s. In response to our NPFR, the Department submitted revised SF-425s to FWS.

Recommendations

We recommend that FWS work with the Department to:

1. Resolve the excess reimbursement of $15,149 on grant F-19-E-23; and
2. Ensure corrected financial reports are submitted for the nine grants to reflect accurate recipient and Federal shares of expenditures and Federal program income.

Department Response
Department officials concurred with the finding and recommendations.

FWS Response
FWS Regional officials concurred with the finding and recommendations and will work with the Department on a corrective action plan.

OIG Comments
We consider the recommendations resolved but not implemented (see Appendix 3).

3. Ineligible and Unsupported Mileage Expenses: $14,469

Department employees use State vehicles to accomplish grant objectives and record mileage on log sheets. This information is used to determine charges to Program grants. Based on our review, we found that the Department charged mileage costs to Program grants for nongrant activities and for costs that were inadequately supported.

Federal regulations (2 C.F.R. part 225, Appendix A, Subsections C.1., a, b, and j) require that to be allowable under Federal awards, costs must be necessary and reasonable, allocable, and adequately documented. In addition, 2 C.F.R. part 225, Appendix A, Subsection C.3.a., states that to be allowable, a cost is allocable to a particular cost objective if the goods or services involved are chargeable in accordance with relative benefits received. Lastly, the State's Agency of Administration, Bulletin No. 2.3, states that taking a State vehicle home more than 30 days per year requires the written approval of the Secretary of Administration.

We determined that Department employees inconsistently record mileage charged to Program grants because they do not have proper guidance on how to complete the mileage logs. For example, an employee who worked on multiple projects charged all of his mileage to Program grants F-18-D-30 and F-18-D-31. The mileage included his commute to and from his duty station, which is a nongrant activity. No documentation existed to determine mileage related to each grant activity or how many days he commuted. Therefore, we question $6,903 ($5,177 Federal share) to grant F-18-D-30 and $10,275 ($7,706 Federal share) to grant F-18-D-31 as unsupported charges.

We also found that another employee recorded mileage to projects based on travel to and from specific sites, not all of which should have been charged as grant activity. As a result, we question $2,115 ($1,586 Federal share) in mileage costs charged to Program grant F-19-E-23 that were not related to grant activities.

We issued an NPFR to the Department detailing our concern that Department employees improperly charged Program grants with mileage expenses incurred from nongrant activities. In response, the Department submitted revised financial reports and a plan to FWS to resolve the recommendations.

Recommendations

We recommend that FWS work with the Department to:

1. Resolve the questioned costs totaling $14,469; and

2. Establish and implement guidance to ensure that employees properly and consistently log and support mileage expenses to reflect actual miles benefiting Program grants.

Department Response

Department officials concurred with the finding and recommendations.

FWS Response

FWS Regional officials concurred with the finding and recommendations and will work with the Department on a corrective action plan.

OIG Comments

We consider the recommendations resolved but not implemented (see Appendix 3).

4. Potential Excess Reimbursements due to Overstated In-Kind Contributions: $11,501

States must use "State matching" (non-Federal) funds to cover at least 25 percent of costs incurred in performing projects under the grants. The Department included noncash ("in-kind") contributions in its matching share of costs on some of its Program grants. Federal regulations (2 C.F.R. part 225, Appendix A, Section C.1.j.) state that for a cost to be allowable under Federal awards, the cost must be adequately documented. Also, 43 C.F.R. § 12.64(a)(2) and (b)(6) outline requirements for matching or cost-sharing records and state that the value of third-party in-kind contributions counting toward satisfying a cost-sharing or matching requirement must be verifiable.

The Department's methodology for reporting in-kind contributions for seven grants resulted in overstated expenditures of $85,353 on seven SF-425s. While preparing the reports, the Department's former business manager calculated the recipient share of expenditures by dividing the in-kind value by 75 percent—the Federal grant participation rate. This methodology increased the in-kind value to an amount greater than documented in the Department's records. Department officials stated that they are no longer using this methodology. Our review determined that two of the seven grants had sufficient expenditures to cover the required matching share; therefore, we questioned costs totaling $11,501 on five grants (see table below).

Grant No.	In-Kind Contributions Claimed on Federal Financial Report	Actual In-Kind Contributions	Overstatement of Recipient Share of Expenditures
F-19-E-22	$33,408	$25,056	$8,352
W-33-R-49	4,019	3,014	1,005
W-33-R-50	4,504	3,378	1,126
W-47-R-18	3,463	2,597	866
W-47-R-19	606	454	152
Total			**$11,501**

We issued an NPFR to the Department addressing our concerns related to the calculation of in-kind contributions when preparing the SF-425s. In response to our recommendation, the Department submitted revised SF-425s to FWS.

Recommendations

We recommend that FWS work with the Department to:

1. Resolve the questioned costs totaling $11,501; and

2. Ensure corrected financial reports are submitted for the seven grants to reflect accurate in-kind contributions and recipient and Federal shares of expenditures.

Department Response
Department officials concurred with the finding and recommendations.

FWS Response
FWS Regional officials concurred with the finding and recommendations and will work with the Department on a corrective action plan.

OIG Comments
We consider the recommendations resolved but not implemented (see Appendix 3).

B. Potential License Revenue Diversion: $3,841

The Department sells hunting and fishing licenses and collects fees from hunters and anglers. We found that the Department did not maintain sufficient supporting documentation or adequately review journal entries to demonstrate that revenue from sales of these licenses was used appropriately. Under the Program, the Department must use revenue from these sales only for the administration of the fish and wildlife agency (50 C.F.R. § 80.21). During our audit, we discovered a journal entry that charged the license fund $3,841 for "other contract and third party services." The Department could not provide documentation to support this entry. As a result, we classify the $3,841 charge as a potential diversion of license revenue.

Recommendations

We recommend that FWS work with the Department to:

1. Resolve the potential diversion of license revenues of $3,841; and

2. Follow procedures that ensure costs are adequately supported and reviewed.

Department Response
Department officials concurred with the finding and recommendations.

FWS Response
FWS Regional officials concurred with the finding and recommendations and will work with the Department on a corrective action plan.

OIG Comments
We consider the recommendations resolved but not implemented (see Appendix 3).

C. Inadequate Control of Real Property

We determined that neither FWS nor Department officials have completed reconciliation of records of real property acquired using Program funds. In addition, Department officials stated that they have identified at least four properties with potential encroachments by neighboring landowners onto Wildlife Management Areas purchased with license revenue and Program funds.

We found that the Department has not committed sufficient resources to perform the land surveys needed to identify and resolve these encroachment issues. To ensure that real property acquired under Program grants continues to serve the purpose for which it was acquired, the Department must ensure that its database of real property acquired with Program grant funds is accurate and complete and reconciles with land records maintained by FWS (50 C.F.R. § 80.90(f)).

Federal regulations (50 C.F.R. § 80.135(a)) require that when an agency allows a use of real property that interferes with its authorized purpose, the agency must restore the property to its authorized purpose or replace it with property of equal value at current price and benefits consistent with the original grant. The FWS Director also reiterated land management requirements to Program participants in a March 29, 2007 letter, requesting that each State maintain a real property management system that includes a comprehensive inventory of lands acquired with both Federal financial assistance and State hunting and fishing license revenue to ensure that its inventory is accurate and complete.

Department officials told us that they had started the reconciliation process, but until a complete reconciliation occurs, neither the Department nor FWS can ensure that lands acquired under the Program are being used for their intended purposes. Furthermore, without performing the necessary land surveys, the Department cannot ensure that the lands encroached upon are available for their originally intended purposes.

Recommendations
We recommend that FWS work with the Department to: 1. Ensure that the Department reconciles its real property records with those of FWS; 2. Resolve encroachment issues on lands purchased with Program funds and license revenue; and 3. Establish a schedule to regularly review its lands for encroachments and timely resolve identified issues.

Department Response
Department officials concurred with the finding and recommendations.

FWS Response
FWS Regional officials concurred with the finding and recommendations and will work with the Department on a corrective action plan.

OIG Comments
We consider the recommendations resolved but not implemented (see Appendix 3).

D. Unreported Program Income: $8,460

We found that the Department did not report program income, totaling $8,460, earned from selling fish eggs and permits to import or breed fish during SFYs 2011 and 2012. The hatchery producing the eggs and the biologists working on the permits charged the associated costs to grants F-31-D-20 and F-31-D-21.

Federal regulations (43 C.F.R. § 12.65(b)) define program income as gross income a grantee receives that is "directly generated by a grant supported activity, or earned only as a result of the grant agreement during the grant period." The regulations (43 C.F.R. § 12.61(f)(2)) permit program income to be added to the funds committed to the grant agreement by the Federal agency and the grantee and to be used for grant purposes. The regulations also require that grantees disburse program income, and interest on such funds before requesting reimbursement. Under the Department's Fish Culture Operations grant, FWS provided that program income should be added to grant funds and used for grant-related purposes.

According to Department officials, grant reimbursements were not affected by these sales because an amount equal to the revenue earned from fish egg sales was deducted from grant expenditures. They said that the revenue earned from permit fees was used for grant purposes because the Department spent more than its required matching share of expenditures.

Although the Department failed to report the $8,460 as program income, we determined that there was no effect on grant reimbursement because the Department did spend more than the amounts required to justify reimbursements under the grants. Proper identification and reporting of future program income will help the Department and FWS to ensure appropriate accounting for program income and that program income is used for the purposes of the grant agreement.

In response to our NPFR that addressed our concerns related to unreported program income, the Department submitted revised financial reports and a plan to resolve the recommendation.

Recommendation

We recommend that FWS work with the Department to ensure that it identifies and reports revenues earned from grant-supported activities as program income on an SF-425 in accordance with the grant agreement and Federal regulations.

Department Response
Department officials concurred with the finding and recommendation.

FWS Response
FWS Regional officials concurred with the finding and recommendation and will work with the Department on a corrective action plan.

OIG Comments
We consider the recommendation resolved but not implemented (see Appendix 3).

E. Unsupported Payroll Cost Allocations

During our audit, we found that FWS awarded the Department an annual Fish and Wildlife Coordination grant that included funding for a Federal grant coordinator and an accountant. These two employees worked on various Federal assistance grants, including Program grants and the State Wildlife Grant. Although the payroll system used by the Department has the capability to record the amount of time an employee spends on a project, we found that these two employees charged labor based on predetermined percentages instead of actual hours worked. The two employees charged 75 percent of their time to grants FW-19-C-20 and FW-19-C-21 and 25 percent of their time to nongrant project codes based on the methodology used by the prior accounting staff. They did not track their time to support the hours charged to these grants. As a result, the Department may have been reimbursed for payroll costs that did not represent the actual number of hours worked on Program grants.

According to 2 C.F.R. part 225, Appendix A, Subsection C.3.a., to be allowable under Federal awards, a cost is allocable to a particular cost objective if the goods or services involved are chargeable in accordance with relative benefits received. In addition, 2 C.F.R. part 225, Appendix B, Section 8.h.(4), states that "where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports." Furthermore, 2 C.F.R. part 225, Appendix B, Section 8.h.(5)(e), notes that budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards.

We issued an NPFR detailing our concerns related to unsupported payroll cost allocations. In response, the Department submitted a plan to FWS to resolve the recommendation.

Recommendation

We recommend that FWS work with the Department to implement policies and procedures to ensure payroll expenses are properly supported by personnel activity reports reflecting actual time worked on program grants.

Department Response
Department officials concurred with the finding and recommendation.

FWS Response
FWS Regional officials concurred with the finding and recommendation and will work with the Department on a corrective action plan.

OIG Comments
We consider the recommendation resolved but not implemented (see Appendix 3).

F. Inadequate Equipment Management and Records

Federal and State regulations require that grantees maintain adequate control and accountability over Program-funded equipment to ensure that the equipment serves the purpose for which it was acquired. To test the Department's compliance with Federal and State requirements, we reviewed the Department's Asset Management Module (AMM) of the State's financial system, Vermont Integrated Solution for Information and Organizational Needs, and selected 44 equipment items for testing.

Based on our review, we found that the Department had not adequately controlled fixed assets purchased with Program funds and license revenue. Specifically, we found that—

- a truck that had been disposed of in 2011 was still on the inventory;
- a tractor was included on the inventory twice;
- 38—or 86 percent—of the items selected for review did not have property tags affixed;
- two items were used for purposes unrelated to fish and wildlife: an all-terrain vehicle that was purchased under grant W-46-D and stored in a Vermont Forest, Parks and Recreation Department facility, and a printer that was purchased with license funds was used by employees from other departments;
- 15 items were listed on the inventory with the location of "Waterbury," but equipment from this site was moved to various other sites after a flood in 2011, and Department personnel did not update AMM to reflect the new locations;
- computers were entered into AMM with a State information technology storage area location code when purchased, and the inventory was not always updated to reflect current locations; and
- 25—or 57 percent—of the items reviewed were entered into the system with incorrect information, such as a serial number or location.

Federal regulations (50 C.F.R. § 80.90(a) and (f) and 43 C.F.R. § 12.72(b)) require that equipment purchased with Program funds be controlled and used only for Program activities and that each State must follow its own laws and procedures when managing equipment.

The State's Asset Management Procedures, Part I, 1 a., and Part III, 2, require fixed assets costing $5,000 or more and computers costing $1,000 or more to be properly recorded in AMM. The procedures require the Department to maintain equipment data related to the acquisition fund code and location and to assign items a property tag number. The procedures also require the Department to record disposal of equipment and to make adjustments resulting from annual physical inventories.

The Department did not follow the State's requirement to attach property tags to items and to enter specific details of equipment acquisitions into the inventory listing.

During our site visits, we found that Department personnel responsible for managing equipment expressed uncertainty about their duties. Department officials assign property tag numbers when entering acquisitions into AMM, but they did not provide, or advise staff to use, property tags. As a result, the Department cannot ensure that equipment purchased with Program funds is being used for its intended purpose or that license-funded equipment is used solely for fish and wildlife purposes.

Although our prior audit report (Report No. R-GR-FWS-0013-2007) identified the issue of inadequate equipment management, and FWS and the Office of Policy, Management and Budget closed the recommendations, we again make recommendations to resolve this issue.

Recommendations

We recommend that FWS work with the Department to:

1. Follow the State's procedures to update the data in AMM to reflect the correct status and location of items;

2. Clarify and communicate the responsibilities of staff in charge of equipment management, including ensuring all items are tagged; and

3. Implement policy and procedures to ensure equipment is used for approved purposes or to reimburse the Department for grant expenses and license funds used.

Department Response
Department officials concurred with the finding and recommendations.

FWS Response
FWS Regional officials concurred with the finding and recommendations and will work with the Department on a corrective action plan.

OIG Comments
We consider the recommendations resolved but not implemented (see Appendix 3).

Appendix 1

State of Vermont
Agency of Natural Resources
Department of Fish and Wildlife
Financial Summary of Review Coverage
July 1, 2010, Through June 30, 2012

FWS Grant Number	FBMS Grant Number	Grant Amount	Claimed Costs	Ineligible Costs	Un-supported Costs
F-18-D-30	-	$545,000	$556,647		$5,177
F-18-D-31	F11AF00436	605,000	786,165		7,706
F-19-E-22	-	275,527	213,778	$8,352	
F-19-E-23	F12AF00137	275,527	231,226	1,586	15,149
F-22-D-51	-	31,482	48,069		
F-22-D-54	-	40,425	36,540		
F-22-D-55	-	68,040	77,427		
F-22-D-56	F11AF00840	72,000	71,667		
F-31-D-20	-	2,918,478	2,790,644		
F-31-D-21	F12AF00143	2,950,136	2,873,016		
F-34-R-13	-	175,000	163,224		
F-34-R-14	F12AF00142	175,000	89,043		
F-35-R-13	-	750,000	501,229		
F-35-R-14	F12AF00139	780,000	494,742		
F-36-R-13	-	1,150,000	1,029,339		
F-36-R-14	F12AF00138	1,150,000	1,003,450		
F-100-R-27	-	5,000	4,999		
F-100-R-28	-	5,000	5,000		
F-100-R-29	F12AF00001	5,000	5,000		
FW-17-T-37	-	900,000	829,611		
FW-17-T-38	F11AF00387	914,000	1,016,614		
FW-19-C-20	-	109,900	142,213		
FW-19-C-21	F11AF00416	160,888	152,449		5,333
W-33-R-49	F11AF00381	170,400	166,856	1,005	
W-33-R-50	F11AF00381	170,400	162,100	1,126	
W-34-R-48	F10AF00473	266,667	273,233		
W-34-R-49	F11AF00379	310,000	299,011		
W-35-R-39	F07AF00070	42,000	42,000		
W-35-R-40	F12AF00238	7,000	7,000		
W-37-R-43	F10AF00441	73,500	70,511		
W-37-R-44	F11AF00424	73,500	61,688		

FWS Grant Number	FBMS Grant Number	Grant Amount	Claimed Costs	Ineligible Costs	Un-supported Costs
W-38-R-43	F10AF00467	$97,000	$77,111		
W-38-R-44	F11AF00380	97,000	97,300		
W-41-S-40	-	645,750	908,171		
W-41-S-41	F11AF00513	679,083	794,250		
W-45-R-31	F10AF00466	252,662	222,861		
W-46-D-30	F10AF00431	2,276,820	1,408,243		
W-46-D-31	F11AF00568	1,121,100	1,036,998		$11,045
W-47-R-18	-	173,000	188,851	$866	
W-47-R-19	F11AF00473	172,000	121,312	152	
W-61-L-1	-	43,100	-		
W-62-D-1	F10AF00497	213,333	249,292		
W-63-C-1	F11AF00853	40,000	-		
W-63-C-2	-	-	-		
W-64-L-1	F11AF00849	621,099	71,220		
Total		**$21,606,817**	**$19,380,100**	**$13,087**	**$44,410**

Appendix 2

State of Vermont
Agency of Natural Resources
Department of Fish and Wildlife
Sites Visited

Headquarters
Montpelier

Regional Office
Barre

Wildlife Habitat Management Area
Sandbar

Fish Culture Stations
Ed Weed
Salisbury

Boat Ramps
Chittenden Reservoir
Magoon (Lake Dunmore) Boat Access Area, Salisbury

Other
Montpelier Gun Club

Appendix 3

State of Vermont
Agency of Natural Resources
Department of Fish and Wildlife
Status of Audit Findings and Recommendations

Recommendations	Status	Action Required
A.1.1, A.1.2, A.2.1, A.2.2, A.3.1, A.3.2, A.4.1, A.4.2, B.1, B.2, C.1, C.2, C.3, D, E, F.1, F.2, and F.3.	We consider the recommendations resolved but not implemented. FWS regional officials concurred with the findings and recommendations and will work with the Department on a corrective action plan.	Based on the FWS response, the corrective action plan should include specific action(s) taken or planned to address the recommendations, targeted completion dates, title(s) of the official(s) responsible for implementing the action taken or planned, and verification that FWS headquarters officials reviewed and approved of actions taken or planned by the Department. We will refer any unimplemented recommendations by October 30, 2014, to the Assistant Secretary for Policy, Management and Budget for implementation tracking.
E.1 and E.2 (from our prior report, No. R-GR-FWS-0005-2004)	We consider these recommendations resolved but not implemented. The Assistant Secretary for Policy, Management and Budget considers these recommendations open.	Provide documentation to the Assistant Secretary for Policy, Management and Budget regarding the implementation of these recommendations.

Report Fraud, Waste, and Mismanagement

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Office of Inspector General
Mail Stop 4428 MIB
1849 C Street, NW.
Washington, DC 20240