



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

**INDEPENDENT BIENNIAL AUDITORS'
REPORT ON THE AUDIT OF
EXPENDITURES AND OBLIGATIONS USED
BY THE SECRETARY OF THE INTERIOR IN
THE ADMINISTRATION OF THE WILDLIFE
AND SPORT FISH RESTORATION
PROGRAMS IMPROVEMENT ACT OF 2000
FOR FISCAL YEARS 2007 THROUGH 2008
AND FISCAL YEARS 2009 THROUGH 2010**



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

APR 04 2011

Memorandum

To: Rowan W. Gould
Director, U.S. Fish and Wildlife Service

From: Kimberly Elmore *Kimberly Elmore*
Assistant Inspector General for Audits, Inspections, and Evaluations

Subject: Independent Biennial Auditors' Report on the Audit of Expenditures and Obligations Used by the Secretary of the Interior in the Administration of the Wildlife and Sport Fish Restoration Programs Improvement Act of 2000 for Fiscal Years 2007 Through 2008 and Fiscal Years 2009 Through 2010
Report No. X-IN-FWS-0007-2010

Introduction

This memorandum transmits the results of the Brown and Company, CPAs, PLLC (Brown and Company) biennial auditors' report to address the performance audit objectives related to the expenditures and obligations used by the Secretary of the Interior (Secretary) in the administration of the Wildlife and Sport Fish Restoration Programs Improvement Act of 2000 (Act), Public Law 106-408, for fiscal years 2007 through 2008 and fiscal years 2009 through 2010. The U.S. Fish and Wildlife Service (FWS) has administrative responsibility for the programs covered by the Act.

The Act requires the Inspector General to procure the performance of independent biennial audits of the expenditures and obligations used by the Secretary in the administration of the Act. Under a contract issued by the U.S. Department of the Interior (DOI) and monitored by the Office of Inspector General (OIG), Brown and Company, an independent public accounting firm, performed the required audit of the expenditures and obligations for fiscal years 2007 through 2008 and fiscal years 2009 through 2010. The contract required that the audit be performed in accordance with the "Government Auditing Standards" issued by the Comptroller General of the United States.

Results of Independent Audit

In its biennial audit report dated December 15, 2010, Brown and Company identified deficiencies in each of the fiscal years audited that were a result of ineffective internal controls and unsupported costs. FWS did not ensure that existing internal controls were fully implemented or effective. In addition, FWS did not properly maintain appropriate documentation to support the expenditures and obligations incurred in the administration of the programs. As a result, Brown and Company was unable to determine whether expenditures and obligations

incurred in the administration of the Act were appropriate or allowable and, therefore, in compliance with the requirements of the Act. The report contains two recommendations that, if implemented, should resolve the findings.

Status of Recommendations

In its February 25, 2011 response to the draft report, FWS generally agreed with the two recommendations (see Enclosure). We will refer the two resolved recommendations to the Assistant Secretary for Policy, Management and Budget for tracking of implementation (see Attachment).

Evaluation of Brown and Company Audit Performance

To fulfill our monitoring responsibilities, the OIG:

- reviewed Brown and Company's approach and planning of the audit;
- evaluated the qualifications and independence of the auditors;
- monitored the progress of the audit at key points;
- participated in periodic meetings with FWS management to discuss audit progress, findings, and recommendations;
- reviewed Brown and Company's audit report; and
- performed other procedures we deemed necessary.

Brown and Company is responsible for the attached auditors' report and for the conclusions expressed in therein. We do not express an opinion on findings and recommendations nor on Brown and Company's conclusions regarding effectiveness of internal controls or compliance with laws and regulations.

Report Distribution

The legislation, as amended, creating the OIG requires semiannual reporting to Congress on all audit reports issued, actions taken to implement audit recommendations, and recommendations that have not been implemented. We will include this report in our next semiannual report. Distribution of this report is unrestricted and copies are available for public inspection.

As required by the Act, this report was transmitted to the Secretary and the Acting Inspector General on March 11, 2011, and has been transmitted to the appropriate Senate and House of Representative Chairpersons. We appreciate the courtesies and cooperation extended to Brown and Company and OIG staff during the audit. If you have any questions regarding the report, please contact me at 202-208-5745.

Attachment
Enclosure

cc: Assistant Secretary, Fish and Wildlife and Parks

Audit Liaison Officer, Fish and Wildlife and Parks
Chief Financial Officer, Fish and Wildlife Service
Audit Liaison Officer, Fish and Wildlife Service
Director, Office of Financial Management
Division Chief, Internal Control and Audit Follow-up, Office of Financial
Management

STATUS OF AUDIT REPORT RECOMMENDATIONS

<u>Recommendation</u>	<u>Status</u>	<u>Action Required</u>
1 and 2	Resolved; not implemented	Recommendations will be referred to the Assistant Secretary for Policy, Management and Budget for tracking of implementation.



BROWN & COMPANY CPAs, PLLC

CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT CONSULTANTS

**Performance Audit of Expenditures and Obligations Used
by the Secretary of the Interior in the Administration of the
Wildlife and Sport Fish Restoration Programs Improvement
Act of 2000, Public Law 106-408, for
Fiscal Years 2007-2008 and 2009-2010**

Prepared for:
U.S. Department of the Interior, Office of Inspector General

As of Date: December 15, 2010

Prepared by:
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**Performance Audit of Expenditures and Obligations Used by the Secretary of
the Interior in the Administration of the Wildlife and Sport Fish Restoration
Programs Improvement Act of 2000, Public Law 106-408,
for Fiscal Years 2007-2008 and 2009-2010**

Table of Contents

1	EXECUTIVE SUMMARY	1
2	BACKGROUND	5
3	OBJECTIVES, SCOPE, AND METHODOLOGY	8
	3.1 Objectives	8
	3.2 Scope	8
	3.3 Methodology	8
	3.3.1 Internal Control Over Payroll Expenditures	9
	3.3.2 Payroll Compliance Controls	10
	3.3.3 Internal Control Over Non-Payroll Expenditures	10
	3.3.4 Non-Payroll Compliance Controls	11
	3.3.5 Undelivered Orders Compliance Controls	12
	3.3.6 Internal Control Testing	12
	3.3.7 Compliance Testing	12
	3.3.8 Reporting Phase	13
4	RESULTS	13
5	FINDINGS	16
	5.1 Findings/Condition	16
	5.1.1 Findings: FWS-Payroll-FYs 2007/2008	16
	5.1.2 Findings: FWS-Non-Payroll-FYs 2007/2008	17
	5.1.3 Findings: FWS-Undelivered Orders-FYs 2007/2008	19
	5.1.4 Findings: FWS-Payroll-FYs 2009/2010	19
	5.1.5 Findings: FWS-Non-Payroll-FYs 2009/2010	20
	5.1.6 Findings: FWS-Undelivered Orders-FYs 2009/2010	22
	5.2 Criteria	22
	5.3 Cause	23
	5.4 Effect	23
6	DEFICIENCIES IN INTERNAL CONTROL	23
7	CONCLUSIONS	23
8	RECOMMENDATIONS	23
9	MANAGEMENT RESPONSE TO REPORT	25



1 EXECUTIVE SUMMARY

December 15, 2010

Mr. Ken Salazar, Secretary
U.S. Department of the Interior
1849 C Street, N.W.
Washington, DC 20240

Ms. Mary L. Kendall, Acting Inspector General
Office of Inspector General
U.S. Department of the Interior
1849 C Street, N.W.
Washington, DC 20240

Dear Mr. Salazar and Ms. Kendall:

This report presents the results of our work conducted to address the performance audit objectives relative to the expenditures and obligations used by the Secretary of the U.S. Department of the Interior ("Interior") in the administration of the Wildlife and Sport Fish Restoration Programs Improvement Act of 2000 ("the Act"), Public Law 106-408, for fiscal years 2007-2008 and 2009-2010. Our work was performed during the period of August 2, 2010 through December 15, 2010, and our results are as of December 15, 2010.

We conducted this performance 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 believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The audit objectives of our work were to determine whether the expenditures and obligations used by the Secretary of the Interior, as reported by the U.S. Fish and Wildlife Service ("FWS"), in administration of the Act for fiscal years 2007-2008 and 2009-2010 were appropriate, adequately supported by appropriate documentation, and in accordance with the criteria set forth in the Act, and to report on the FWS's compliance with applicable laws and regulations and the internal control system for effectively accounting for expenditures and obligations under the Act.

As our report further describes, we identified the following as a result of the work performed:

We identified a finding for each of the fiscal years 2007-2008 and 2009-2010 that are a result of ineffective internal controls and certain unsupported costs. This finding is:

1. Internal Controls Over the Expenditures and Obligations Incurred in the Administration of the Act are Not Operating Effectively and Certain Expenditures and Obligations Incurred in the Administration of the Act are Unsupported.

FWS should ensure that existing internal controls are fully implemented and ensure their operating effectiveness as well as ensure that appropriate documentation is properly maintained to support the expenditures and obligations incurred in the administration of the Act.

A summary of the internal control and compliance control exceptions identified in the sample items we tested is provided below:

Non-Payroll Expenditures

Fiscal Year 2007-2008				Fiscal Year 2009-2010			
Year	Number of Items Sampled	Number of Samples with Exceptions	Number of Control Exceptions	Year	Number of Items Sampled	Number of Samples with Exceptions	Number of Control Exceptions
2007	45	4	31	2009	45	2	10
2008	45	4	19	2010	60	2	13
Total	90	8	50	Total	105	4	23

Payroll Expenditures

Fiscal Year 2007-2008				Fiscal Year 2009-2010			
Year	Number of Items Sampled	Number of Samples with Exceptions	Number of Control Exceptions	Year	Number of Items Sampled	Number of Samples with Exceptions	Number of Control Exceptions
2007	45	14	33	2009	45	15	27
2008	45	18	33	2010	45	13	21
Total	90	32	66	Total	90	28	48

Each individual sample item is subject to more than one internal control, which has resulted in the number of exceptions being greater than the number of sample items in certain fiscal years/bi-annual reporting periods.

A summary of exceptions of expenditures and obligations incurred in the administration of the Act is provided below:

Non-Payroll Expenditures Fiscal Year 2007-2008

Year	Number of Items Sampled	Dollar Amount of Exceptions (Absolute Valute)	Dollar Amount Sampled	Absolute Dollar Amount of Exceptions as a Percentage of Amounts Sampled
2007	45	\$36,377	\$4,920,493	0.7%
2008	45	\$55,828	\$2,352,983	2.4%
Total	90	\$92,205	\$7,273,476	

Non-Payroll Expenditures Fiscal Year 2009-2010

Year	Number of Items Sampled	Dollar Amount of Exceptions (Absolute Valute)	Dollar Amount Sampled	Absolute Dollar Amount of Exceptions as a Percentage of Amounts Sampled
2009	45	\$4,690	\$3,416,588	0.1%
2010	60	\$4,942	\$1,576,608	0.3%
Total	105	\$9,632	\$4,993,196	

Payroll Expenditures Fiscal Year 2007-2008

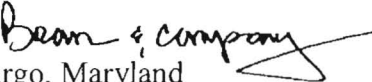
Year	Number of Items Sampled	Dollar Amount of exceptions (Absolute Valute)	Dollar Amount Sampled	Absolute Dollar Amount of Exceptions as a Percentage of Amounts Sampled
2007	45	\$1,045,821	\$3,257,156	32.1%
2008	45	\$1,276,974	\$3,466,444	36.8%
Total	90	\$2,322,795	\$6,723,600	

Payroll Expenditures Fiscal Year 2009-2010

Year	Number of Items Sampled	Dollar Amount of exceptions (Absolute Valute)	Dollar Amount Sampled	Absolute Dollar Amount of Exceptions as a Percentage of Amounts Sampled
2009	45	\$1,074,010	\$3,652,715	29.4%
2010	45	\$1,031,733	\$3,812,695	27.1%
Total	90	\$2,105,743	\$7,465,410	

FWS management involved in the administration of the Act did not implement internal controls effectively in fiscal years 2007-2008 and 2009-2010. Additionally, management did not implement policies and procedures to ensure that appropriate documentation was maintained to support the costs expended in accordance with the requirements of the Act for fiscal years 2007-2008 and 2009-2010. As a result, we were not able to determine that the expenditures and obligations incurred in administration of the Act were appropriate and allowable, and therefore, in compliance with the requirements of the Act in fiscal years 2007-2008 and 2009-2010.

This performance audit did not constitute an audit of financial statements in accordance with *Government Auditing Standards*. Brown & Company was not engaged to, and did not, render an opinion on the Interior's or FWS's internal controls over financial reporting or over financial management systems (for purposes of OMB's Circular No. A-127 *Financial Management Systems*, July 23, 1993, as revised). Brown & Company cautions that projecting the results of our evaluation to future periods is subject to the risks that controls may become inadequate because of changes in conditions or because compliance with controls may deteriorate.


Largo, Maryland
December 15, 2010

2 BACKGROUND

The Act was enacted to provide guidance on allowable expenditures in the administration of the Federal Assistance Programs for State Wildlife and Sport Fish Restoration. The Act requires that the administrative expenses be determined from a specific funding amount and incurred in accordance with twelve specific cost categories as listed below.

U.S. Code Title 16: Chapter 5B: Section 669h, *Requirements and restrictions concerning use of amounts of expenses for administration*, states:

“The Secretary of the Interior may use available amounts under section 699c(a)(1) of this title only for expenses for administration that directly support the implementation of this chapter that consist of:

1. Personnel costs of employees who directly administer this chapter on a full-time basis;
2. Personnel costs of employees who directly administer this chapter on a part-time basis for at least 20 hours each week, not to exceed the portion of those costs incurred with respect to the work hours of the employee during which the employee directly administers this chapter, as those hours are certified by the supervisor of the employee;
3. Support costs directly associated with personnel costs authorized under paragraphs (1) and (2), excluding costs associated with staffing and operation of regional offices of the United States Fish and Wildlife Service and the Department of the Interior other than for the purposes of this chapter;
4. Costs of determining under section 669e (a) of this title whether State comprehensive plans and projects are substantial in character and design;
5. Overhead costs, including the costs of general administrative services, that are directly attributable to administration of this chapter and are based on—
 - a. actual costs, as determined by direct cost allocation methodology approved by the Director of the Office of Management and Budget for use by Federal agencies; and
 - b. in the case of costs that are not determinable under subparagraph (A), an amount per full-time equivalent employee authorized under paragraphs (1) and (2) that does not exceed the amount charged or assessed for costs per full-time equivalent employee for any other division or program of the United States Fish and Wildlife Service;
6. Costs incurred in auditing, every 5 years, the wildlife and sport fish activities of each State fish and game department and the use of funds under section 669e of this title by each State fish and game department;
7. Costs of audits under subsection (d) of this section;
8. Costs of necessary training of Federal and State full-time personnel who administer this chapter to improve administration of this chapter;
9. Costs of travel to States, territories, and Canada by personnel who—
 - a. administer this chapter on a full-time basis for purposes directly related to administration of State programs or projects; or
 - b. administer grants under section 669e, 669h-1, or 669h-2 of this title;
10. Costs of travel outside the United States (except to Canada), by personnel who administer this chapter on a full-time basis, for purposes that directly relate to administration of this chapter and that are approved directly by the Assistant Secretary for Fish and Wildlife and Parks;

11. Relocation expenses for personnel who, after relocation, will administer this chapter on a full-time basis for at least 1 year, as certified by the Director of the United States Fish and Wildlife Service at the time at which the relocation expenses are incurred; and
12. Costs to audit, evaluate, approve, disapprove, and advise concerning grants under sections 669e, 669h-1, and 669h-2 of this title.”

The Act establishes specific spending levels for the administration of the Pittman-Robertson Wildlife Restoration Act (“Wildlife Restoration”) and the Dingell-Johnson Sport Fish Restoration Act (“Sport Fish Restoration”) (collectively “the program”). For the following fiscal years, the funds for administration of each program were limited as follows:

	<u>Spending Levels</u>
FY 2007	\$9,205,000
FY 2008	\$9,459,000
FY 2009	\$9,926,000
FY 2010	\$9,798,000

Following are the actual administrative costs reported by FWS in the Report to Congress for fiscal years 2007-2008 and 2009-2010. The following information was compiled by FWS and submitted to Congress:

Costs for Fiscal Year 2007
(in thousands of dollars)
Unaudited

Costs Distributed by Improvement Act Category (Section 133(c)(1))

	Wildlife Restoration	Sport Fish Restoration	Total
1. Personnel working full time to administer the Act (salary plus benefits)	\$4,858	\$5,291	\$10,149
2. Personnel working part time to administer the Act (salary plus benefits)	16	85	\$101
3. Support costs for personnel	671	658	\$1,329
4. Determining substantiality of character and design of State plans and projects	0	0	\$0
5a. Overhead - Based on Actual Costs	515	524	\$1,039
5b. Overhead - Based on FTE	663	802	\$1,465
6. Audits of States	1487	1073	\$2,560
7. Audits of administration expenditures	100	100	\$200
8. Training of Federal and State Full-time personnel	55	36	\$91
9. Travel to the States, territories, Canada	384	309	\$693
10. Travel outside of the United States	0	0	\$0
11. Relocation of Personnel	331	259	\$590
12. Audit, evaluate, approve, etc., concerning grants under Section 6, 10, 11	<u>0</u>	<u>0</u>	\$0
FY 2007 Costs to Administer the Progrms Under P.L. 106-408	<u>\$9,080</u>	<u>\$9,137</u>	<u>\$18,217</u>

Note: Categories 4 and 12 are not tracked separately. Costs for these administrative activities are included primarily in categories 1 and 9. (Amount allowed in the Act is \$9,205K for each program.)

Costs for Fiscal Year 2008
(in thousands of dollars)
Unaudited

Costs Distributed by Improvement Act Category (Section 133(c)(1))

	Wildlife Restoration	Sport Fish Restoration	Total
1. Personnel working full time to administer the Act (salary plus benefits)	\$5,211	\$5,826	\$11,037
2. Personnel working part time to administer the Act (salary plus benefits)	29	56	\$85
3. Support costs for personnel	909	849	\$1,758
4. Determining substantiality of character and design of State plans and projects	0	0	\$0
5a. Overhead - Based on Actual Costs	541	542	\$1,083
5b. Overhead - Based on FTE	594	774	\$1,368
6. Audits of States	1464	811	\$2,275
7. Audits of administration expenditures	100	100	\$200
8. Training of Federal and State Full-time personnel	51	42	\$93
9. Travel to the States, territories, Canada	439	339	\$778
10. Travel outside of the United States	2	2	\$4
11. Relocation of Personnel	119	118	\$237
12. Audit, evaluate, approve, etc., concerning grants under Section 6, 10, 11	<u>0</u>	<u>0</u>	\$0
 FY 2008 Costs to Administer the Programs Under P.L. 106-408	 <u>\$9,459</u>	 <u>\$9,459</u>	 <u>\$18,918</u>

Note: Categories 4 and 12 are not tracked separately. Costs for these administrative activities are included primarily in categories 1 and 9.

Costs for Fiscal Year 2009
(in thousands of dollars)
Unaudited

Costs Distributed by Improvement Act Category (Section 133(c)(1))

	Wildlife Restoration	Sport Fish Restoration	Total
1. Personnel working full time to administer the Act (salary plus benefits)	\$5,271	\$5,912	\$11,183
2. Personnel working part time to administer the Act (salary plus benefits)	44	114	\$158
3. Support costs for personnel	1070	831	\$1,901
4. Determining substantiality of character and design of State plans and projects	0	0	\$0
5a. Overhead - Based on Actual Costs	534	558	\$1,092
5b. Overhead - Based on FTE	644	871	\$1,515
6. Audits of States	1684	1258	\$2,942
7. Audits of administration expenditures	50	50	\$100
8. Training of Federal and State Full-time personnel	46	41	\$87
9. Travel to the States, territories, Canada	453	290	\$743
10. Travel outside of the United States	2	1	\$3
11. Relocation of Personnel	128	0	\$128
12. Audit, evaluate, approve, etc., concerning grants under Section 6, 10, 11	<u>0</u>	<u>0</u>	\$0
 FY 2009 Costs to Administer the Programs Under P.L. 106-408	 <u>\$9,926</u>	 <u>\$9,926</u>	 <u>\$19,852</u>

Note: Categories 4 and 12 are not tracked separately. Costs for these administrative activities are included primarily in categories 1 and 9.

Costs for Fiscal Year 2010
(in thousands of dollars)
Unaudited

Costs Distributed by Improvement Act Category (Section 133(c)(1))

	Wildlife Restoration	Sport Fish Restoration	Total
1. Personnel working full time to administer the Act (salary plus benefits)	\$5,841	\$5,931	\$11,772
2. Personnel working part time to administer the Act (salary plus benefits)	57	91	\$148
3. Support costs for personnel	1138	981	\$2,119
4. Determining substantiality of character and design of State plans and projects	0	0	\$0
5a. Overhead - Based on Actual Costs	613	620	\$1,233
5b. Overhead - Based on FTE	604	808	\$1,412
6. Audits of States	820	924	\$1,744
7. Audits of administration expenditures	100	100	\$200
8. Training of Federal and State Full-time personnel	61	57	\$118
9. Travel to the States, territories, Canada	435	273	\$708
10. Travel outside of the United States	0	0	\$0
11. Relocation of Personnel	128	11	\$139
12. Audit, evaluate, approve, etc., concerning grants under Section 6, 10, 11	<u>0</u>	<u>0</u>	\$0
 FY 2010 Costs to Administer the Programs Under P.L. 106-408	 <u>\$9,797</u>	 <u>\$9,796</u>	 <u>\$19,593</u>

Note: Categories 4 and 12 are not tracked separately. Costs for these administrative activities are included primarily in categories 1 and 9.

3 OBJECTIVES, SCOPE, AND METHODOLOGY

3.1 Objectives

The objectives of the performance audit were to:

- Determine whether the expenditures and obligations used by the Secretary of the Interior, as reported by the FWS, in the administration of the Act for fiscal years 2007-2008 and 2009-2010 were appropriate, adequately supported by appropriate documentation, and in accordance with the criteria set forth in the Act;
- Report on FWS's compliance with applicable laws and regulations; and
- Report on FWS's internal control system for effectively accounting for expenditures and obligations under the Act.

3.2 Scope

The scope of the performance audit included expenditures and obligations incurred by the Secretary of the Interior in the administration of the Act for fiscal years 2007-2008 and 2009-2010. The Secretary of the Interior has delegated the administration of the Act to FWS, and, accordingly, FWS reports all related expenditures and obligation incurred.

3.3 Methodology

In planning the engagement, we performed inquiries of FWS personnel involved in the administration of the Act, including personnel in Region 9 in order to understand the process for administering the expenditures and obligations incurred under the Act, and to identify the

relevant internal controls developed and operating at FWS during fiscal years 2007-2008 and 2009-2010.

For each FYs 2007-2008 and FYs 2009-2010, we performed the following procedures in order to select a sample of items to subject to test work procedures. We obtained the electronic general ledger transaction detail of expenditures and obligations ("transactional detail") reported by FWS and reconciled it without material exception to the Report to Congress for the administration of the Act to ensure the completeness of the population. We selected a sample of 45 payroll transactions for each year 2007, 2008, 2009, and 2010, based on statistical and non-statistical methods. We also selected a sample of 45 non-payroll transactions for each fiscal year 2007, 2008, 2009, and a sample of 60 non-payroll transactions for fiscal year 2010, based on statistical and non-statistical methods. For each sample item selected, we determined whether the identified relevant controls were operating effectively through a review of supporting documentation such as Acquisition Requests, purchase orders, invoices, personnel records, timesheets and charge card statements. In addition to evaluating the operating effectiveness of internal controls, we utilize the supporting documentation to evaluate whether the selected expenditures and obligations are adequately supported and in compliance with the Act. Since the samples were selected statistically and non-statistically, the results cannot be projected to the population.

3.3.1 Internal Control Over Payroll Expenditures

The relevant controls we identified for testing included:

Control #1: The amount of basic pay as shown on payroll list must match the amount in personnel file.

Control #2: Form SF-2809 Health Benefit Election Form is in the personnel file for employees who elected coverage.

Control #3: Time card is signed and approved by the approving official.

Control #4: Employee's gross pay is accurate.

Control #5: The annual leave accrual is accurate and total annual leave hours carried over at calendar year-end did not exceeded 240, unless the employee is exempt.

Control #6: The employee is paid overtime at the correct rate.

Control #7: The employee retirement withholding for Civil Service Retirement System (CSRS) or Federal Employees Retirement System (FERS) is correct.

Control #8: The entity's contribution for CSRS and FERS are correct.

Control #9: The amount of health insurance withheld (15% of total premium per FHFB policy) from employee agrees with the amount indicated on schedule of health insurance and is correct.

Control #10: The employee's cost of life insurance agrees with the actual amount withheld and is correct.

3.3.2 Payroll Compliance Controls

The relevant controls that we identified for testing included:

Control #C1 (a): Timesheet is reviewed and signed by the employee for each pay cycle.

Control #C1 (b): Timesheet is validated by the timekeeper on each pay cycle.

Control #C1 (c): Timesheet is reviewed and approved by the employee's supervisor for each pay cycle.

Control #C1 (d): Timekeeper must be on the list of authorized timekeepers.

Control #C1 (e): Timesheet is charged correctly to FWS Wildlife Restoration Administration and/or Sport Fish Restoration Administration for each pay cycle.

Control #C1 (f): Timekeepers' timesheets are reviewed and approved by their supervisor for each pay cycle.

Control #C1 (g): Certifiers must be on the authorized official list.

Control #C2: The U.S. OPM Standard Form 50 Notification of Personnel Action (SF-50) documentation is received for employee, and as such, documented evidence of authorization could be verified.

Control #C3: The Human Resources ("HR") Manager reviews and signs the SF-50 electronically in FPPS.

Control #C4: The earning and leave statement is received and as such, documented evidence of earnings and leave could be verified.

Control #C5: The position description is received and as such, documented evidence of qualifications could be verified.

3.3.3 Internal Control Over Non-Payroll Expenditures

The relevant controls that we identified for testing included:

Control #1: The program approver reviews the Acquisition Request ("AR") for program need and electronically signs the AR if it has been entered into IDEAS, or signs the AR manually if it was created using Form 3-2109 and forwards it to the funds certifier.

Control #2: Using the Purchase Order ("PO") number, the invoice is compared to the PO and receiving report to ensure that it is a valid invoice and the amount is within \$100 of the PO. If the final amount is not within \$100 of the original PO, it is returned to the Contracting Officer (CO) for further action.

Control #3: Interest owed under the Prompt Payment Act is automatically calculated by FFS.

Control #4: The cardholder must sign and date their monthly statements verifying that the reconciliation has been performed and submit the statement to an approving official for review within ten (10) days of receipt.

Control #5: The approving official reviews the cardholder statement for activity and the appropriateness of charges. If approved, it is signed and dated after review within ten (10) days of receipt.

Control #6: Payment must be properly recorded.

Control #7: The funds certifier reviews the Budget Tracking System and/or the Federal Financial System to confirm that funds are available for purchases. To document funds availability, the funds certifier signs the AR either electronically or manually.

Control #8: Obligor document must be properly kept.

Control #9: A Contracting Officer ("CO") may only approve an AR up to their warrant authority limit.

Control #10: Procurement documents must be signed by the contractor and contracting office.

Control #11: Goods and services are certified as received.

Control #12: GSA charges for space allocation is adequately supported journal entries and monthly bills.

Control #13: Contracting office is on the authorization list.

3.3.4 Non-Payroll Compliance Controls

The relevant controls that we identified for testing included:

Control #1a: Transaction is adequately supported by sufficient and appropriate documentation.

Control #1b: Transaction is recorded at the correct amount.

Control #1c: Transaction is recorded in the correct period.

Control #1d: Transaction is recorded in the correct cost category as required by the Act and is a cost allowed under the Act.

Control #1e: Cost charged is reasonable and appropriate under the Act.

3.3.5 Undelivered Orders Compliance Controls

The relevant controls that we identified for testing included:

Control #1: Aged Undelivered Orders Report (FWS 35203/35202) is reviewed and certified by the Regional Director or delegate.

Control #2: Undelivered Orders balances are researched and marked valid or invalid.

3.3.6 Internal Control Testing

In order to test the operating effectiveness of relevant internal controls, we performed the following procedures:

1. In assessing the relevant internal controls related to payroll-related transactions selected, we obtained and reviewed:
 - a. A copy of the employee's timesheet and verified that it was properly approved by the employee's supervisor.
 - b. A copy of the SF-50 to assess whether it was properly approved by the HR Manager.
2. In assessing the relevant internal controls related to non-payroll related transactions selected, we:
 - a. Obtained and reviewed the AR form for completeness, and reviewed it for proper approval of the program approver and funds certifier.
 - b. Obtained and reviewed the supporting documentation to assess whether the CO approved a purchase in excess of their warrant authority.
 - c. Obtained and reviewed the supporting documentation to assess whether the PO, invoice, and receiving report agree within \$100.
 - d. For any transactions which did not agree, assessed whether supporting documentation existed to evidence that the difference was researched and resolved.
3. In assessing the relevant internal controls related to charge card related transactions selected, we obtained and reviewed the cardholder statement to assess whether:
 - a. All receipts are properly attached and that the cardholder signed the statement within 10 days of receipt.
 - b. It was signed by the approving official to evidence their review within 10 days of the cardholder's signature.

3.3.7 Compliance Testing

In order to assess the adequacy and appropriateness of supporting documentation and assess compliance with the Act, we obtained supporting documentation for each transaction selected and determined whether each transaction was:

- a. Adequately supported by sufficient and appropriate documentation;

- b. Recorded at the correct amount;
- c. Recorded in the correct period;
- d. Recorded in the correct cost category as required by the Act and is a cost that is allowed under the Act; and
- e. Reasonable and appropriate under the Act.

3.3.8 Reporting Phase

During the reporting phase we:

- a. Identified any recommended actions that may be needed;
- b. Performed independent referencing between work papers and report;
- c. Determined whether the expenditures and obligations used by the Secretary of the Interior, as reported by the FWS, in the administration of the Act for fiscal years 2007-2008 and 2009-2010 were appropriate, adequately supported by appropriate documentation, and in accordance with the criteria -set forth in the Act;
- d. Report on FWS's compliance with applicable laws and regulations; and
- e. Report on FWS's internal control system for effectively accounting for expenditures and obligations under the Act.

4 RESULTS

Internal Control Procedures Results Summary

The following is a summary of the internal control exceptions we identified as a result of our procedures:

Non-Payroll Expenditures FY 2007-2008						
FY 2007			FY 2008		Total	
Control	No. of Internal Control Exceptions	Error Rate (% of 45 Samples)	No. of Internal Control Exceptions	Error Rate (% of 45 Samples)	No. of Internal Control Exceptions	Error Rate (% of 90 Samples)
1	3	7%	1	2%	4	4%
2	2	4%	1	2%	3	3%
3	3	7%	1	2%	4	4%
4	0	0%	0	0%	0	0%
5	0	0%	0	0%	0	0%
6	3	7%	2	4%	5	6%
7	2	4%	1	2%	3	3%
8	2	4%	1	2%	3	3%
9	2	4%	1	2%	3	3%
10	2	4%	1	2%	3	3%
11	2	4%	1	2%	3	3%
12	0	0%	0	0%	0	0%
13	0	0%	1	2%	1	1%
Total	21		11		32	

Non-Payroll Expenditures FY 2009-2010

FY 2009			FY 2010		Total	
	No. of Internal	Error Rate	No. of Internal	Error Rate	No. of Internal	Error Rate
Control	Control Exceptions	(% of 45 Samples)	Control Exceptions	(% of 60 Samples)	Control Exceptions	(% of 105 Samples)
1	2	4%	2	3%	4	4%
2	1	2%	1	2%	2	2%
3	0	0%	1	0%	1	1%
4	0	0%	0	0%	0	0%
5	0	0%	0	0%	0	0%
6	0	0%	1	0%	1	1%
7	2	4%	2	3%	4	4%
8	1	2%	1	2%	2	2%
9	1	2%	0	3%	1	1%
10	1	2%	0	2%	1	1%
11	1	2%	0	2%	1	1%
12	0	0%	0	0%	0	0%
13	1	2%	0	2%	1	1%
Total	10		8		18	

Payroll Expenditures FY 2007-2008

FY 2007			FY 2008		Total	
	No. of Internal	Error Rate	No. of Internal	Error Rate	No. of Internal	Error Rate
Control	Control Exceptions	(% of 45 Samples)	Control Exceptions	(% of 45 Samples)	Control Exceptions	(% of 90 Samples)
1	1	2%	2	4%	3	3%

Payroll Expenditures FY 2009-2010

FY 2009			FY 2010		Total	
	No. of Internal	Error Rate	No. of Internal	Error Rate	No. of Internal	Error Rate
Control	Control Exceptions	(% of 45 Samples)	Control Exceptions	(% of 45 Samples)	Control Exceptions	(% of 90 Samples)
1	1	2%	0	0%	1	1%

As each control may not pertain to a all transaction types (payroll, non-payroll, and charge card), the error rate for each control was calculated considering only the transactions to which it related, which is detailed in the finding below:

Compliance Controls Procedures Results Summary

The following is a summary of the compliance control procedures exceptions we identified as a result of our testing:

Non-Payroll Expenditures FY 2007-2008

FY 2007			FY 2008		Total	
	No. of Compliance	Error Rate	No. of Compliance	Error Rate	No. of Compliance	Error Rate
Procedure	Exceptions	(% of 45 Samples)	Exceptions	(% of 45 Samples)	Exceptions	(% of 90 Samples)
1a	2	4%	3	7%	5	6%
1b	2	4%	1	2%	3	3%
1c	2	4%	1	2%	3	3%
1d	2	4%	1	2%	3	3%
1e	2	4%	1	2%	3	3%
Total	10		7		17	

Non-Payroll Expenditures FY 2009-2010

FY 2009			FY 2010		Total	
Procedure	No. of Compliance Exceptions	Error Rate (% of 45 Samples)	No. of Compliance Exceptions	Error Rate (% of 60 Samples)	No. of Compliance Exceptions	Error Rate (% of 105 Samples)
1a	0	0%	1	2%	1	1%
1b	0	0%	1	2%	1	1%
1c	0	0%	1	2%	1	1%
1d	0	0%	1	2%	1	1%
1e	0	0%	1	2%	1	1%
Total	0		5		5	

Payroll Expenditures FY 2007-2008

FY 2007			FY 2008		Total	
Control	No. of Compliance Exceptions	Error Rate (% of 45 Samples)	No. of Compliance Exceptions	Error Rate (% of 45 Samples)	No. of Compliance Exceptions	Error Rate (% of 90 Samples)
C1 (a)	3	7%	0	0%	3	3%
C1 (b)	8	18%	1	2%	9	10%
C1 (c)	3	7%	0	0%	3	3%
C1 (d)	8	18%	9	20%	17	19%
C1 (e)	0	0%	0	0%	0	0%
C1 (f)	0	0%	3	7%	3	3%
C1 (g)	4	9%	12	27%	16	18%
C2 (a)	3	7%	6	13%	9	10%
C3 (a)	3	7%	6	13%	9	10%
Total	32		37		69	

Payroll Expenditures FY 2009-2010

FY 2009			FY 2010		Total	
Control	No. of Compliance Exceptions	Error Rate (% of 45 Samples)	No. of Compliance Exceptions	Error Rate (% of 45 Samples)	No. of Compliance Exceptions	Error Rate (% of 90 Samples)
C1 (a)	0	0%	0	0%	0	0%
C1 (b)	0	0%	0	0%	0	0%
C1 (c)	0	0%	0	0%	0	0%
C1 (d)	11	24%	10	22%	21	23%
C1 (e)	0	0%	0	0%	0	0%
C1 (f)	2	4%	2	4%	4	4%
C1 (g)	9	20%	9	20%	18	20%
C2 (a)	4	9%	0	0%	4	4%
C3 (a)	4	9%	0	0%	4	4%
Total	30		21		51	

A summary of the absolute value of the total amount of unsupported costs identified, including those, which we were unable to recalculate, is as follows:

FY 2007-2008				FY 2009-2010			
	FY 2007	FY 2008	Total		FY 2009	FY 2010	Total
Unsupported costs:				Unsupported costs:			
NonPayroll	\$ 36,377	\$ 55,828	\$ 92,205	NonPayroll	\$ 4,690	\$ 4,942	\$ 9,632
Payroll	\$ 1,045,821	\$ 1,276,974	\$ 2,322,795	Payroll	\$ 1,074,010	\$ 1,031,733	\$ 2,105,743
Total	<u>\$ 1,082,198</u>	<u>\$ 1,332,802</u>	<u>\$ 2,415,000</u>	Total	<u>\$ 1,078,700</u>	<u>\$ 1,036,675</u>	<u>\$ 2,115,375</u>
Total sampled costs:				Total sampled costs			\$ -
NonPayroll	\$ 4,920,493	\$ 2,352,983	\$ 7,273,476	NonPayroll	\$ 3,416,588	\$ 1,576,608	\$ 4,993,196
Payroll	\$ 3,257,156	\$ 3,466,444	\$ 6,723,600	Payroll	\$ 3,652,715	\$ 3,812,695	\$ 7,465,410
Total	<u>\$ 8,177,648</u>	<u>\$ 5,819,427</u>	<u>\$ 13,997,075</u>	Total	<u>\$ 7,069,303</u>	<u>\$ 5,389,303</u>	<u>\$ 12,458,606</u>

5 FINDINGS

5.1 Findings/Conditions

Internal Controls Over Expenditures and Obligations Incurred in the Administration of the Act are Not Operating Effectively and Certain Expenditures and Obligations Incurred in the Administration of the Act are Unsupported.

In performance of our test work over fiscal years 2007-2008 and 2009-2010, we noted that the FWS did not maintain adequate supporting documentation to demonstrate that appropriate internal control were operating effectively, and that certain costs were appropriately classified, calculated, documented, and recorded.

5.1.1 Findings: FWS-Payroll-FYs 2007/2008

We noted the following control exceptions in our sample of 90 transactions (45 each period) for FYs 2007 and 2008 expenditures and obligations incurred:

Control #1: The amount of basic pay as shown on payroll list must match the amount in personnel file. Three of the 90 transactions are considered exceptions, as they did not have supporting documentation and/or SF 50, and employee's earning could not be verified.

We noted the following the compliance exceptions in our sample of 90 transactions (45 each period) for FYs 2007 and 2008 expenditures and obligation incurred:

Control #C1 (a): Timesheet is reviewed and signed by the employee for each pay cycle. Three of the 90 transactions are considered exceptions, as they did not have supporting documentation and /or time and attendance, and as such, proper validation, verification and certification could not be verified.

Control #C1 (b): Timesheet is validated by the timekeeper on each pay cycle. Nine of the 90 transactions are considered exceptions, as they did not provide adequate supporting document, and as such, proper approval of the time and attendance sheets could not be verified.

Control #C1 (c): Timekeeper is reviewed and approved by the employee's supervisor for each pay cycle. Three of the 90 transactions are considered exceptions, as they did not provide adequate supporting document, as such, proper validation by timekeeper could not be verified.

Control #C1 (d): Timekeeper must be on the list of authorized timekeepers. Seventeen of the 90 transactions are considered exceptions, as they did not have adequate supporting documentation, and as such, timekeeper was not on the list or the authorized timekeepers.

Control #C1 (f): Timekeepers' timesheets are reviewed and approved by their supervisor for each pay cycle. Three of the 90 transactions are considered exceptions, as they did not have adequate supporting document; as such, personal time could not be verified by the timekeeper.

Control #C1 (g): Certifiers must be on the authorized official list. Sixteen of the 90 transactions are considered exceptions as they did not have adequate supporting documentation, and as such, certifier was not on the authorized list of valid certifier.

Control #C2 (a): The U.S. OPM Standard Form 50 Notification of Personnel Action (SF-50) documentation is received for employee, and as such, documented evidence of authorization could be verified. Nine of the 90 transactions are considered exception as they did not have SF 50 available for testing.

Control #C3 (a): The Human Resources ("HR") Manager reviews and signs the SF-50 electronically in FPPS. Nine of the 90 transactions are considered exception as they did not have SF 50 available for testing.

5.1.2 Findings: FWS-Non-Payroll-FYs 2007/2008

We noted the following exceptions in our sample of 90 transactions (45 each period) for FYs 2007 and 2008 expenditures and obligations incurred:

Control #1: The program approver reviews the Acquisition Request ("AR") for program need and electronically signs the AR if it has been entered into IDEAS, or signs the AR manually if it was created using Form 3-2109 and forwards it to the funds certifier. Four of the 90 transactions are considered exceptions as follows:

- Three transactions did not have supporting documentation.
- One transaction did not have the signature of the requestor or program official on the acquisition request.

Control #2: Using the purchase order ("PO") number, the invoice is compared to the PO and receiving report to ensure that it is a valid invoice and the amount is within \$100 of the PO. If the final amount is not within \$100 of the original PO, it is returned to the CO for further action. Three of the 90 transactions are considered exceptions, as they did not have supporting documentation and /or did not agree with documentation provided.

Control #3: Interest owed under the Prompt Payment Act is automatically calculated by FFS. Four of the 90 transactions are considered exceptions as follow:

- Four transactions did not have supporting documentation to determine the payment date, and as such, we could not determine compliance with the Prompt Payment Act.

Control #6: Payment must be properly recorded. Five of the 90 transactions are considered exceptions as follow:

- Three transactions did not have supporting documentation.
- One transaction did not have adequate supporting documentation, and the preparer and approver signatures on the redistribution data sheet were signed by the same person.
- One transaction did not have adequate supporting documentation, and Acquisition Request, invoice and receipt of service could not be verified.

Control #7: The funds certifier reviews the Budget Tracking System and/or the Federal Financial System to confirm that funds are available for purchases. To document funds availability, the funds certifier signs the AR either electronically or manually. Three of the 90 transactions are considered exceptions, as they did not have supporting documentation.

Control #8: Obligor documents must be properly kept. Three of the 90 transactions are considered exceptions, as they did not have supporting documentation.

Control #9: A Contracting Officer ("CO") may only approve an AR up to their warrant authority limit. Three of the 90 transactions are considered exceptions, as they did not have supporting documentation.

Control #10: Procurement documents must be signed by the contractor and contracting office. Three of the 90 transactions are considered exceptions, as they did not have supporting documentation.

Control #11: Goods and services are certified as received. Three of the 90 transactions are considered exceptions, as they did not have supporting documentation.

Control #13: Contracting office is on the authorization list. One of the 90 transactions is considered an exception, as it did not have supporting documentation.

We noted the following compliance exceptions in our sample of 90 transactions (45 each period) for FYs 2007 and 2008 expenditures and obligation incurred:

Control #1a: Transaction is adequately supported by sufficient and appropriate documentation. Five of the 90 transactions are considered exceptions, as they did not have supporting documentation.

Control #1b: Transaction is recorded in the correct amount. Three of the 90 transactions are considered exceptions, as they did not have supporting documentation.

Control #1c: Transaction is recorded in the correct period. Three of the 90 transactions are considered exceptions, as they did not have supporting documentation.

Control #1d: Transaction is recorded in the correct cost category as required by the act and is a cost allowed under the act. Three of the 90 transactions are considered exceptions, as they did not have supporting documentation.

Control #1e: Cost charged is reasonable and appropriate under the act. Three of the 90 transactions are considered exceptions, as they did not have supporting documentation.

5.1.3 Findings: FWS-Undelivered Orders-FYs 2007/2008

We selected the fourth quarter Aged Undelivered Order (UDO) Report (FWS 35203/35202) for the fiscal years 2007 and 2008 for each of the nine regions, totaling 18 reports. We noted the following compliance exceptions in our sample of 18 Aged UDO reports and supporting schedules:

Control #1: Aged Undelivered Orders Report (FWS 35203/35202) is reviewed and certified by the Regional Director or delegate. Six of the 18 Aged UDO reports were missing a certification statement by the Regional Director or delegate.

Control # 2: Undelivered Orders balances are researched and marked as valid or invalid. Six of the 18 supporting schedules of UDO balances were missing and/or did not provide evidence of review and validation by the Director or delegate.

Office of Management and Budget (OMB) Circular A-123, Management's responsibility for Internal Control, Section I. Introduction, A. Agency implementation states:

"Management should have a clear, organized strategy with well-defined documentation processes that contain an audit trail, verifiable results, and specify documentation retention periods so that someone not connected with the procedures can understand the process."

5.1.4 Findings: FWS-Payroll-FYs 2009/2010

We noted the following exceptions in our sample of 90 transactions (45 each period) for FYs 2009 and 2010 expenditures and obligations incurred:

Control #1: The amount of basic pay as shown on payroll list must match the amount in personnel file. One of the 90 transactions is considered an exception, as it did not have supporting documentation and SF 50, and as such, employee's earning could not be verified.

We noted the following the compliance exceptions in our sample of 90 transactions (45 each period) for FYs 2009 and 2010 expenditures and obligation incurred:

Control #C1 (d): Timekeeper was on the list of authorized timekeepers. Twenty- one of the 90 transactions are considered exceptions, as they did not have adequate supporting documentation; as such, timekeeper was not on the list or the authorized timekeepers.

Control #C1 (f): Timekeepers' timesheets are reviewed and approved by their supervisor for each pay cycle. Four of the 90 transactions are considered exceptions, as they did not have adequate supporting document, and as such, personal time could not be verified by the timekeeper.

Control #C1 (g): Certifiers are on the authorized official list. Eighteen of the 90 transactions are considered exceptions, as they did not have adequate supporting documentation, and as such, certifier was not on the authorized list of valid certifier.

Control #C2 (a): The U.S. OPM Standard Form 50 Notification of Personnel Action (SF-50) documentation is received from employees, and as such, documented evidence of authorization could be verified. Four of the 90 transactions are considered exception as they did not have SF 50 available for testing.

Control #C3 (a): Human Resources (HR) Manager reviewed and signed the SF-50 electronically in FPPS. Four of the 90 transactions are considered exception as they did not have SF 50 available for testing.

5.1.5 Findings: FWS-Non-Payroll-FYs 2009/2010

We noted the following exceptions in our sample of 45 transactions for FY 2009 and 60 transactions (total 105 samples) FY 2010 expenditures and obligations incurred:

Control #1: The program approver reviews the Acquisition Request ("AR") for program need and electronically signs the AR if it has been entered into IDEAS, or signs the AR manually if it was created using Form 3-2109 and forwards it to the funds certifier. Four of the 105 transactions for FYs 2009 and FY 2010 are considered exceptions as follows:

- Three transactions did not have supporting documentation.
- One transaction did not have the signature of the requestor or program official on the acquisition request.

Control #2: Using the purchase order ("PO") number, the invoice is compared to the PO and receiving report to ensure that it is a valid invoice and the amount is within \$100 of the PO. If the final amount is not within \$100 of the original PO, it is returned to the CO for further action. Two of the 105 transactions for FYs 2009 and 2010 are considered exceptions, as they did not have supporting documentation.

Control #3: Interest owed under the Prompt Payment Act is automatically calculated by FFS. One of the 105 transactions for FYs 2009 and 2010 is considered an exception, as it did not have adequate supporting documentation.

Control #6: Payment must be properly recorded. One of the 105 transactions for FYs 2009 and 2010 is considered an exception, as it did not have adequate supporting documentation, and Acquisition Request, invoice and receipt of service could not be verified.

Control #7: The funds certifier reviews the Budget Tracking System and/or the Federal Financial System to confirm that funds are available for purchases. To document funds availability, the funds certifier signs the AR either electronically or manually. Four of the

105 transactions for FYs 2009 and 2010 are considered exceptions, as they did not have adequate supporting documentation.

Control #8: Obligor document must be properly kept. Two of the 105 transactions for FYs 2009 and 2010 are considered exceptions as they did not have adequate supporting documentation.

Control #9: A Contracting Officer ("CO") may only approve an AR up to their warrant authority limit. One of the 105 transactions for FYs 2009 and 2010 is considered an exception as it did not have adequate supporting documentation, data input sheets were not signed, and Acquisition Request and payment history details were not provided.

Control #10: Procurement documents must be signed by the contractor and contracting office. One of the 105 transactions for FYs 2009 and 2010 is considered an exception, as it did not have supporting documentation, and obligor documents or payment history were not provided.

Control #11: Goods and services are certified as received. One of the 105 transactions for FYs 2009 and 2010 is considered an exception, as it did not have adequate supporting documentation, data input sheets were not signed, and Acquisition Request and payment history details were not provided .

Control #13: Contracting Officer is on the authorization list. One of the 105 transactions for FYs 2009 and 2010 is considered an exception, as it did not have supporting documentation, and obligor documents or payment history details were not provided.

We noted the following compliance exceptions in our sample of 45 transactions for FY 2009 and 60 transactions for FY 2010 (total 105 samples) expenditures and obligation incurred:

Control #1a: Transaction is adequately supported by sufficient and appropriate documentation. One of the 105 transactions for FYs 2009 and 2010 is considered an exception, as it did not have adequate supporting documentation, and Acquisition Request and payment history details were not provided.

Control #1b: Transaction is recorded at the correct amount. One of the 105 transactions for FYs 2009 and 2010 is considered an exception, as it did not have adequate supporting documentation, and Acquisition Request and payment history details were not provided.

Control #1c: Transaction is recorded in the correct period. One of the 105 transactions for FY 2009 is considered an exception, as it did not have adequate supporting documentation, and Acquisition Request and payment history details were not provided.

Control #1d: Transaction is recorded in the correct cost category as required by the act and is a cost allowed under the Act. One of the 105 transactions for FYs 2009 and 2010 is considered an exception, as it did not have adequate supporting documentation, and Acquisition Request and payment history details were not provided.

Control #1e: Cost charged is reasonable and appropriate under the Act. One of the 105 transactions for FYs 2009 and 2010 is considered an exception, as it did not have adequate

supporting documentation, and Acquisition Request and payment history details were not provided.

5.1.6 Findings: FWS-Undelivered Orders-FYs 2009/2010

We selected the fourth quarter Aged Undelivered Order (UDO) Report (FWS 35203/35202) for the fiscal years 2009 and 2010 for each of the nine regions, totaling 18 reports. We noted the following compliance exceptions in our sample of 18 Aged UDO reports and supporting schedules:

Control #1: Aged Undelivered Orders Report (FWS 35203/35202) is reviewed and certified by the Regional Director or delegate. Four of the 18 Aged UDO reports were missing a certification statement by the Regional Director or delegate.

Control #2: Undelivered Orders balances are researched and marked valid or invalid. Four of the 18 supporting schedules of UDO balances were missing and/or did not provide evidence of review and validation by the Director or delegate.

5.2 Criteria

U.S. Code Title 16: Chapter 5B: Section 669h, *Requirements and restrictions concerning use of amounts of expenses for administration*, states: “The Secretary of the Interior may use available amounts under section 699c(a)(1) of this title only for expenses for administration that directly support the implementation of this chapter that consist of:

1. Personnel costs of employees who directly administer this chapter on a full-time basis;
2. Personnel costs of employees who directly administer this chapter on a part-time basis for at least 20 hours each week, not to exceed the portion of those costs incurred with respect to the work hours of the employee during which the employee directly administers this chapter, as those hours are certified by the supervisor of the employee;
3. Support costs directly associated with personnel costs authorized under paragraphs (1) and (2), excluding costs associated with staffing and operation of regional offices of the United States Fish and Wildlife Service and the Department of the Interior other than for the purposes of this chapter;
4. Costs of determining under section 669e (a) of this title whether State comprehensive plans and projects are substantial in character and design;
5. Overhead costs, including the costs of general administrative services, that are directly attributable to administration of this chapter and are based on—
 - c. actual costs, as determined by direct cost allocation methodology approved by the Director of the Office of Management and Budget for use by Federal agencies; and
 - d. in the case of costs that are not determinable under subparagraph (A), an amount per full-time equivalent employee authorized under paragraphs (1) and (2) that does not exceed the amount charged or assessed for costs per full-time equivalent employee for any other division or program of the United States Fish and Wildlife Service;
6. Costs incurred in auditing, every 5 years, the wildlife and sport fish activities of each State fish and game department and the use of funds under section 669e of this title by each State fish and game department;
7. Costs of audits under subsection (d) of this section;

8. Costs of necessary training of Federal and State full-time personnel who administer this chapter to improve administration of this chapter;
9. Costs of travel to States, territories, and Canada by personnel who—
 - c. administer this chapter on a full-time basis for purposes directly related to administration of State programs or projects; or
 - d. administer grants under section 669e, 669h-1, or 669h-2 of this title;
10. Costs of travel outside the United States (except to Canada), by personnel who administer this chapter on a full-time basis, for purposes that directly relate to administration of this chapter and that are approved directly by the Assistant Secretary for Fish and Wildlife and Parks;
11. Relocation expenses for personnel who, after relocation, will administer this chapter on a full-time basis for at least 1 year, as certified by the Director of the United States Fish and Wildlife FWS at the time at which the relocation expenses are incurred; and
12. Costs to audit, evaluate, approve, disapprove, and advise concerning grants under sections 669e, 669h-1, and 669h-2 of this title.”

5.3 Cause

FWS internal controls were not properly implemented to evidence that documentation was retained to support expenditures and obligations incurred in the administration of the Act.

5.4 Effect

Administrations expenditures and obligation incurred in the administration of the Act in fiscal years 2007-2008 and 2009-2010 may not be appropriate or allowed.

6 DEFICIENCIES IN INTERNAL CONTROL

As noted above, we identified deficiencies in internal controls over the expenditures and obligations incurred in the administration of the Act in fiscal years 2007-2008 and 2009-2010.

7 CONCLUSIONS

FWS management involved in the administration of the Act did not implement internal controls effectively in fiscal years 2007-2008 and 2009-2010. Additionally, management did not implement policies and procedures to ensure that appropriate documentation was maintained to support the costs expended in accordance with the requirements of the Act for fiscal years 2007-2008 and 2009-2010. As a result we were not able to determine that the expenditures and obligations incurred in administration of the Act were appropriate and allowable, and therefore, in compliance with the requirements of the Act in fiscal years 2007-2008 and 2009-2010.

8 RECOMMENDATIONS

FWS should:

1. Implement appropriate internal controls to ensure that the expenditures and obligations incurred in the administration of the Act are properly reviewed and approved.

2. Develop and implement policies and procedure to ensure that appropriate documentation is properly maintained to support that expenditures and obligations were transacted in accordance with the requirements of the Act.

9 MANAGEMENT'S RESPONSE TO REPORT



United States Department of the Interior

FISH AND WILDLIFE SERVICE
Washington, D.C. 20240



In Reply Refer To:
FWS/AWSR/AIM:047237

FEB 25 2011

Robert Romanyshyn
Assistant Inspector General for Audits
U.S. Department of the Interior
Office of Inspector General
1849 C Street NW, MS 4428
Washington, DC 20240

Gail H. Jenifer, Partner
c/o Brown & Company, CPAs, PLLC
1101 Mercantile Lane
Suite 122
Largo, MD 20774

Dear Mr. Romanyshyn and Ms. Jenifer:

Thank you for the opportunity to comment on the U.S. Fish and Wildlife Service's (Service) Wildlife and Sport Fish Restoration Program (WSFR) FY 2007, 2008, 2009 and 2010 audits of administrative funds. Enclosed please find the response to the *Draft Independent Auditors' Report on the Expenditures and Obligations Used by the Secretary of the Interior in the Administration of the Wildlife and Sport Fish Restoration Programs for Fiscal Years 2007 and 2008 and Fiscal Years 2009 and 2010*. We have included the Corrective Action Plan in our response.

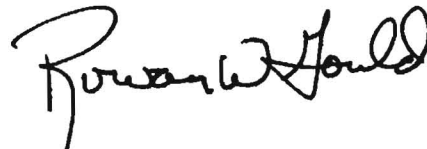
Upon reviewing the draft audit report, the Service believes that existing Department of the Interior (DOI) and Service policies, procedures and controls are adequate and appropriate to reasonably ensure compliance with the Wildlife and Sport Fish Restoration Acts (Acts). The Service notes that the audit did not have any findings of noncompliance with these Acts. The Service agrees that findings in the report may indicate areas of improvement related to financial internal controls. However, as the FY 2007 and 2008 audits were not performed in a timely manner, their relevance to current operations is significantly reduced. The older the transactions, the more difficult it was to obtain requested documentation from the Service's support offices that are responsible for each document.



Many of the findings indicated in the draft report are related to the Service's support programs and none of them are in violation of the Wildlife and Sport Fish Restoration Improvement Acts. WSFR is dependent on these support programs and agencies such as Human Capital, Contracting and Facilities Management, the National Business Center, and Division of Financial Management to perform various centralized duties. WSFR relies on these specialized agencies/programs to perform HC, contracting, space and related duties and relies on them to maintain documentation in accordance with DOI and Service policies, and procedures.

If you have any questions or concerns, please contact Hannibal Bolton, the Assistant Director for WSFR Program by calling (202) 208-1050.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert W. Gould". The signature is fluid and cursive, with the first name "Robert" and last name "Gould" being the most prominent parts.

DIRECTOR
Acting

Enclosures

Corrective Action Plan
2007-2010 Wildlife and Sport Fish Restoration Administrative Funds Audits

Audit Recommendations:

- 1) Implement appropriate internal controls to ensure that the expenditures and obligations incurred in the administration of the Act are properly reviewed and approved.

Action: The Wildlife and Sport Fish Restoration Program (WSFR) will reiterate current policies and procedures regarding supervisory review and approval of timesheets, charge cards, and acquisition requests. Although WSFR has been emphasizing the necessity of having the internal controls in place and operating, WSFR will continue its diligence at a national level at the WSFR Regional Chief's meeting in November 2011. Regional Chiefs will discuss the current requirements in place for supervisory review of financial documents and emphasize that we must follow the guidelines already established by the Program. Evidence of this will be documented in both the Chief's Meeting agenda, as well as the notes from the meeting. Discussions will be also held at the Fiscal Conference in May, 2011, as well. Evidence of the discussion will be in the form of meeting minutes and agendas.

Responsible Official(s): Steve Barton, Chief, Division of Administration and Information Management; Stephen Lee, Chief, Branch of Budget and Administration

Target Closeout: November 15, 2011

- 2) Develop and implement policies and procedures to ensure that appropriate documentation is properly maintained to support that expenditures and obligations were transacted in accordance with the requirements of the Act.

Action: Implement an annual certification by Regional WSFR divisions to submit to the Assistant Director –WSFR, indicating all employees have completed document retention training.

Responsible Official: Fred Caslick, Region 1; Stephen Robertson, Region 2; Jim Hodgson, Region 3; Mike Piccirilli, Region 4; John Organ, Region 5; David McGillivray, Region 6; Steve Klein, Region 7; Sue Detweiler, Region 8; Steve Barton, Region 9.

Target Closeout: September 30, 2011

Action: The Wildlife and Sport Fish Restoration Program (WSFR) has and will reiterate current policies and procedures regarding document retention. This will occur on a national level at the WSFR Regional Chief's meeting in November 2011. Regional Chiefs will discuss the current requirements in place for retention of financial documents and emphasize that we must follow the guidelines already established by the Program. Evidence of this will be documented in both the Chief's Meeting agenda, as well as the notes from the meeting. Evidence will be documented in the meeting agenda. Discussions will be also held at the Fiscal Conference in May, 2011, as well. Evidence of the discussion will be in the form of meeting minutes and agendas. In addition, the Service will migrate to FBMS in November of 2012. The functionality of the new program will allow all documents related to a transaction to be linked and will provide for easy access to the documents in the future.

Responsible Official(s): Steve Barton, Chief, Division of Administration and Information Management; Stephen Lee, Chief, Branch of Budget and Administration

Target Closeout: November 15, 2011

Action: Review the findings of the 2007-2010 audits and of applicable documentation policies, processes and support services in Washington and Regional Servicing HC Offices relating to records retention and data availability as it relates to program charges for background checks.

Responsible Official: Peggy Phelps, Chief, Division of Human Capital

Target Closeout: May 15, 2011

United States Fish and Wildlife Service

Management Response To

Performance Audit of Expenditures and Obligation Used by the Secretary of the Interior in the Administration of the Wildlife and Sport Fish Restoration Programs Improvement Act of 2000, Public Law 106-408, for Fiscal Years 2007-2008 and 2009-2010

Summary:

The Fish and Wildlife Service (Service) partially concurs with the audit findings, as they relate to financial internal controls. The Service believes none of the findings indicate a use of funds outside of the twelve required categories. The Wildlife and Sport Fish Restoration Program (WSFR) is committed to take all necessary actions to assure the integrity of the Wildlife and Sport Fish Restoration Acts, and has, since its reorganization, taken action to enhance its internal controls.

The primary focus of the audit testing was on the financial internal controls, which is duplicative of the annual financial statement audit of the Department of Interior. While an understanding of Service policies and procedures are necessary for auditors to perform their work, the testing should be related to the compliance of the expenditure of being within the 12 categories.

For some functions, WSFR is dependent on servicing programs and agencies such as Human Capital (HC), Contract and Facilities Management (CFM), Division of Finance (DFM), the National Business Center (NBC), and the Office of Personnel Management (OPM) for which WSFR has little control. WSFR relies on these specialized support services and offices to perform their related duties and to properly maintain documentation in accordance with relevant acts and rules. For the period under audit, much of the information was archived off site and some, as with the case of retired employees, with agencies outside Department of the Interior (DOI).

WSFR believes that existing DOI and Service policies, procedures and controls are adequate and appropriate to reasonably ensure compliance with the Acts. WSFR adheres to the Service's document retention policy (6 years and 3 months in most cases) and, therefore, does not keep all documentation for all transactions indefinitely. Due to physical storage requirements, off-site storage is often utilized and made older documents less accessible. A timelier audit should alleviate any issues with providing documentation.

In the future, the Service requests that WSFR program management be allowed to provide input and comment on the necessary statement of work before a contract is let by the Inspector General's office. This will assist in ensuring adequate compliance testing.

Control Finding:

The Service partially agrees with the Control finding.

Payroll Controls: The Service does not concur with the finding that timesheets were not approved. For FY2007, the Service used FPPS to record and approves time sheets. FPPS required supervisor electronic certification within the process which is considered

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Management Response To

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the official supervisor approval and constitutes official documentation of that action. For FY2008, FY2009, and FY2010, The Service used QuickTime to record and approves timesheets. Department of Interior policy requires all employees be validated by a timekeeper and certified by an authorized approving official before any payroll payments are made. In addition, the auditors selected payroll samples that were outside the WSFR program. While these individuals did charge time to the administrative funds, they are support staff employed by other programs within the Service. As such, those employees were outside the WSFR authorization chain as it relates to validation and certification. The end result was that it created some time delays and the misidentification of certain sample items as deficiencies.

WSFR is required to rely on HC for payroll records. WSFR has provided the auditors with a full listing of all supervisor approvers and timekeepers, as well as their backups for all Service employees. The auditors did not provide WSFR or HC a full listing of missing documents until late in the audit process. As such, HC was pulling the “missing” documents as the draft report was being written. WSFR provided the auditors with a total of 62 additional SF-50’s. During the exit conference, the auditors informed WSFR staff that these additional items would be factored into the final report. Also during the conference, the auditors indicated they would indicate receipt of these items in the draft report. There was no mention of the items in the report received by the Service. In addition, the dollar amount of the exceptions is not 88% for 2007/2008 or 67.6% for 2009/2010 of the total amount sampled, but 43.8% (\$2,908,948/6,636,182) for 2007/2008 and 33.8% for 2009/2010. These numbers will be adjusted downward significantly once the additional information is included in the final report.

WSFR does agree that timekeepers should not validate their own time, and those employed by the WSFR program will be addressed in the corrective action plan.

Non-Payroll controls: WSFR partially concurs with the finding. We realize that several supporting documents were irretrievable due the fact that the audit fiscal years are so old. But WSFR asserts that at least \$17,327 of the \$36,377 in 2007 and \$9,160 of the \$55,828 in FY 2008 of non-payroll exceptions were related to GSA space costs. The GSA bills are maintained by regional finance and contracting offices, however, the bills for those exact amounts had been archived. In addition for 2007, \$16,800 of the \$36,377 related to a cross-program charge and a data sheet showing the entry and the cause of the charge was provided, but did not have a signature other than the budget officer. WSFR agrees that an approver’s signature should have been on the data sheet.

For 2008, \$41,973.99 of the \$55,828 related to a deobligation. A final invoice marked as “final payment” and signed by the receiving officer was provided, as well as e-mails from the administrative officer requesting the deobligation was provided. WSFR followed the

United States Fish and Wildlife Service
Management Response To
*Performance Audit of Expenditures and Obligation Used by the Secretary of the Interior
in the Administration of the Wildlife and Sport Fish Restoration Programs Improvement
Act of 2000, Public Law 106-408, for Fiscal Years 2007-2008 and 2009-2010*

Service's procedures for requesting deobligation. The Service believes that this finding is inappropriate, as Service policy was followed.

For 2009, \$2,375 related to a redistribution of costs for regional shared costs and \$2,315.40 related to a Xerox maintenance contract. Invoices and data distribution sheets were provided, however acquisition requests were not provided, and the data redistribution sheet was only signed by one person. The Service provided documentation for the actual transaction selected (i.e. obligation or payment).

For 2010, \$1,845.84 relates to a cell phone bill for a regional office. That region's policy does not require an acquisition request to be completed for recurring bills. The remaining \$3,096 relates to a background check performed by OPM. HC redistributes the charges to the affected programs and WSFR is not provided any bill or other support from HC. In addition, as DOI holds the contract with OPM to perform the background checks, the Department receives the bills, and does not submit them to the FWS HC offices.

In summary, the Service has \$19,050 in control findings in 2007, \$4,694 in control findings for 2008, \$2,375 in control findings for 2009 and \$0 in control findings for 2010. None of these findings indicate an obligation of funds for any item outside the twelve categories allowable in the Acts.

WSFR will discuss and reiterate the records retention policy at the WSFR Chiefs' meeting in November and the WSFR Fiscal meeting in May 2011 to ensure that all regional WSFR and support servicing offices are aware of and are following Service policies on records retention.

Undelivered Orders Control Finding: This finding corresponds to a similar finding the Service's financial statement audit. As such, corrective actions will be put in place by the Division of Financial Management. It does not indicate a misuse of funds from the Acts.

Compliance Finding:

The Service asserts that the audit report should not state that any of the exceptions were for expenditures outside of the 12 categories of allowable expenditures listed in *U.S. Code Title 16: Chapter 5B: Section 669h*. All expenditures were within the twelve categories allowable and the items identified are simply control deficiencies.

WSFR agrees that several supporting documents were irretrievable due the fact that some of audit fiscal years are so old. In addition WSFR must rely on HC and OPM for documentation for payroll records.

United States Fish and Wildlife Service

Management Response To

Performance Audit of Expenditures and Obligation Used by the Secretary of the Interior in the Administration of the Wildlife and Sport Fish Restoration Programs Improvement Act of 2000, Public Law 106-408, for Fiscal Years 2007-2008 and 2009-2010

Recognizing that improvements were needed, WSFR has reviewed and re-emphasized internal controls since its reorganization in 2007. WSFR believes that any issues regarding non-payroll items within the program have been addressed in the attached CAP and will be borne out in audits of subsequent years. WSFR will discuss and reiterate the records retention policy at the WSFR Chiefs' meeting in November 2011 to ensure that all regional WSFR offices are aware of and are following our records retention policy for all records that WSFR controls. We have an action item for HC or OPM policies to be reviewed by all WSFR and related servicing offices in the attached CAP.

AUDITOR RECOMMENDATIONS

FWS should:

1. Implement appropriate internal controls to ensure that the expenditures and obligations incurred in the administration of the Act are properly reviewed and approved.
2. Develop and implement policies and procedures to ensure that appropriate documentation is properly maintained to support that expenditures and obligations were transacted in accordance with the requirements of the Act.

WSFR RESPONSE TO AUDITOR RECOMMENDATIONS

1. WSFR feels it currently has appropriate internal controls to ensure that expenditures and obligations incurred in the administration of the Acts and are being properly reviewed and are approved. WSFR reorganized in 2007 and since has reviewed and re-emphasized internal controls and feels that any issues regarding non-payroll items within the program have been addressed. WSFR concurs that the documents must be reviewed and will continue to address this issue within the Program as part of its response to this audit. Steve Barton, Chief, Division of Administration and Information Management, will discuss and reiterate the internal controls policy at the WSFR Chiefs' meeting in November, 2011 to ensure that all regional WSFR offices are aware of and are following the supervisor review policy. The Regional WSFR Chiefs (Fred Caslick (R-1), Steve Robertson (R-2), Jim Hodgson (R-3), Mike Piccirilli (R-4), John Organ (R-5), Dave McGillivray (R-6), Steve Klein (R-7) and Sue Detweiler (R-8)) will then discuss and reiterate the supervisory review policy with their staffs by November 15, 2011. The Fiscal Chiefs of each regional office will also meet in May, 2011, where the policies and procedures will be discussed. WSFR has requested that these supporting offices review the policies and procedures to ensure a more timely and accurate response in the future.

United States Fish and Wildlife Service
Management Response To
*Performance Audit of Expenditures and Obligation Used by the Secretary of the Interior
in the Administration of the Wildlife and Sport Fish Restoration Programs Improvement
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2. WSFR feels that appropriate policies and procedures are in place to ensure that documentation is properly maintained to support the assertion that expenditures and obligations were transacted in accordance with the requirements of the Act. WSFR concurs that the records must be retained until audited and will discuss the audit findings and the Service's policies on records retention as necessary during its scheduled weekly WSFR Chiefs' conference call, and will continue to address this issue within the Program as part of its response to this audit as well as with supporting offices. Steve Barton, Chief, Division of Administration and Information Management, will discuss and reiterate the records retention policy at the WSFR Chiefs' meeting in November 2011 to ensure that all regional WSFR offices are aware of and are following the records retention policy. The Regional WSFR Chiefs (Fred Caslick (R-1), Steve Robertson (R-2), Jim Hodgson (R-3), Mike Piccirilli (R-4), John Organ (R-5), Dave McGillivary (R-6), Steve Klein (R-7) and Sue Detweiler (R-8)) will then discuss and reiterate the records retention policy with their staffs by November 15, 2011. A new document retention certification will be implemented by the regional divisions and submitted to the Assistant Director-WSFR each year. The WSFR fiscal officers of each regional office will also meet in May 2011, where the policies and procedures will be discussed. WSFR has requested these supporting offices to review the policies and procedures to ensure a more timely and accurate response in the future.

WSFR is committed to ensuring the proper use and expenditure of WSFR administrative funds. WSFR's CAP that addresses the auditor's recommendations is attached.

Report Fraud, Waste, and Mismanagement



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