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 Utah, Department of Natural Resources, Division of Wildlife Resources, From July 1, 2012, Through June 30, 2014

Report No.: 2015-EXT-009

September 2016

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

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Memorandum

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

From: Charles Haman
Director, Grant Audits

Subject: Final Audit Report – U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the State of Utah, Department of Natural Resources, Division of Wildlife Resources, From July 1, 2012, Through June 30, 2014
Report No. 2015-EXT-009

This report presents the results of our audit of costs claimed by the State of Utah's Department of Natural Resources, Division of Wildlife Resources (Division), under grants awarded by the U.S. Fish and Wildlife Service (FWS). FWS provided the grants to the State under the Wildlife and Sport Fish Restoration Program (Program). The audit included claims totaling approximately $50.5 million on 78 grants that were open during the State fiscal years that ended June 30, 2013, and June 30, 2014 (see Appendix 1). The audit also covered the Division'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 Division complied, in general, with applicable grant accounting and regulatory requirements. However, we questioned costs totaling $3,753,791 due to inaccurate and unsupported Federal financial reports, unsupported and other unallowable payroll costs, unsupported and other unallowable third-party contributions, and unallowable other direct costs. We also found that the Division (1) potentially diverted license revenues of $120,000 related to an equipment transfer, (2) had not adequately managed its equipment, and (3) had not reconciled its grant-funded real property records with FWS' records.

We provided a draft report to FWS for a response. In this report, we summarize the Division's and FWS Region 6's responses to our recommendations, as well as our comments on their responses. We list the status of the recommendations in Appendix 3.

Please provide us with a corrective action plan based on our recommendations by December 19, 2016. The plan should provide information on actions taken or planned to address the recommendations, as well as target dates and title(s) of the official(s) responsible for implementation. Formal responses can be submitted electronically. Please address your response to me and submit a signed PDF copy to WSFR_Audits@doioig.gov. If you are unable to submit your response electronically, please send your response to me at:

U.S. Department of the Interior
Office of Inspector General
12345 West Alameda Parkway, Suite 300
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The legislation creating the Office of Inspector General requires that we report to Congress semiannually on all audit 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 Tim Horsma, Program Audit Coordinator, at 916-978-5668, or me at 303-236-9243.

cc: Regional Director, Region 6, U.S. Fish and Wildlife Service

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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 they earn using grant funds.

Objectives

We conducted this audit to determine if the State of Utah, Department of Natural Resources, Division of Wildlife Resources (Division)—

- 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 State fish and wildlife activities; and
- reported and used program income in accordance with Federal regulations.

Scope

Audit work included claims totaling approximately $50.5 million on the 78 grants open during the State fiscal years (SFYs) that ended June 30, 2013, and June 30, 2014 (see Appendix 1). We report only on those conditions that existed during this audit period. We performed our audit at the Division's office in Salt Lake City, UT, and visited four regional offices, six wildlife/waterfowl management areas, two fish hatcheries, and a fisheries experiment station (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 believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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

Our tests and procedures included—

- examining the evidence that supports selected expenditures charged to the grants by the Division;
- reviewing transactions related to purchases, direct costs, drawdowns of reimbursements, in-kind contributions, and program income;
- interviewing Division employees to ensure that personnel costs charged to the grants were supportable;
- conducting site visits to inspect equipment and other property;
- determining whether the Division 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 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 Division'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 Division employees who charged time to Program grants and verified their hours against timesheets and other supporting data.

Prior Audit Coverage

On January 29, 2010, we issued "Audit on U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the State of Utah, Department of Natural Resources, Division of Wildlife Resources, From July 1, 2006, Through June 30, 2008" (Report No. R-GR-FWS-0011-2009). We followed up on all six recommendations in the report and found that the U.S. Department of the Interior, Office of the Assistant Secretary for Policy, Management, and Budget (PMB) considered five recommendations resolved and implemented and one recommendation resolved but not yet implemented.

Our current audit scope included the areas covered in the prior audit. As discussed in the "Findings and Recommendations" section of this report (under Finding D), we are repeating the prior report's unimplemented recommendation (B.3), which deals with the Division's need to reconcile its records of lands acquired with grant funds with FWS' records. Documentation of implementation of the repeat recommendation should be sent to PMB.

We reviewed single audit reports and comprehensive annual financial reports for SFYs 2013 and 2014. None of these reports contained any findings that would directly affect the Program grants.

Results of Audit

Audit Summary

We found that the Division 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 $3,753,791.

A. **Questioned Costs.** We questioned inaccurate and unsupported Federal financial reports, unsupported and other unallowable payroll costs, unsupported and other unallowable third-party contributions, and unallowable other direct costs claimed by the Division.

B. **Potential Diversion of License Revenue.** The Division potentially diverted property acquired with license revenue to the Parks and Recreation Division.

C. **Inadequate Equipment Management and Recordkeeping.** The Division had not maintained accurate and complete equipment records.

D. **Unreconciled Real Property Records.** The Division had not reconciled its grant-funded real property inventory with FWS' records.

Findings and Recommendations

A. Questioned Costs—Totaling $3,753,791

1. Inaccurate and Unsupported Federal Financial Reports—$3,545,039 (Federal Share)

In our draft report, we questioned $3,545,039 (Federal share) as unsupported costs because we were unable to reconcile four of the Division's annual Federal financial reports, known as SF-425s, with the State's accounting system. The Division provided additional information to FWS, including accounting system data. FWS officials concluded that the additional information adequately supported the Divisions claims.

Federal regulations (50 C.F.R. § 80.90(b)(3)) provide that the State fish and wildlife agency is responsible for submission of complete and accurate Federal financial reports. Regulations (43 C.F.R. § 12.60(a) and 2 C.F.R. § 225, Appendix A, C.1.a, b, and j) also require that a State's fiscal control and accounting procedures must permit (1) the preparation of required reports and (2) the tracing of funds to a level of expenditure adequate to establish that the funds have not been used in violation of Federal statutes. Finally, under Federal regulations (50 C.F.R. § 80.83) and Program grant agreements, the grantee is required to pay 25 percent of the grant's costs.

The Division records all revenues and expenditures in FINET, the State's accounting system. Each day, data from FINET, payroll, and other systems are uploaded to Data Warehouse, a system that serves as a statewide repository of financial information for reporting and analysis. The "Grant Accounting" section in the policy and procedure manual for Utah's Division of Finance (section FIACCT 14-00.00) states: "Each Department will establish and maintain the grant accounting information and data elements in FINET such that accurate and timely reports and drawdowns are possible. Coordination and reconciliation of grant information and balances between FINET and an agency controlled system is the Department's responsibility."

We found that the Division did not have policies and procedures detailing how data for required Federal financial reports should be compiled. To prepare SF-425s, which note Federal and State expenditures for each Program grant, the Division's Federal aid coordinator compiles a variety of Data Warehouse reports and then performs manual calculations in off-book spreadsheets. We noted that no one reviewed the coordinator's calculations or the SF-425s for accuracy. The Division then submits its SF-425s to FWS, which uses these reports to monitor the Program grants.

We attempted to reconcile four of the Division's SF-425s to FINET, using the Federal aid coordinator's spreadsheets, but were unable to do so because certain adjustments made in the spreadsheets were not then recorded to FINET, and the spreadsheets did not contain transaction details needed to verify the information. Specifically—

- The Federal aid coordinator moved expenditures coded under three different grants to a fourth grant's spreadsheet. Specifically, the Division reported $99,253 on the SF-425 for Grant No. F11AF01307, even though in Data Warehouse, those costs were assigned to accounting codes for Grant Nos. F10AF00701, F10AF00700, and F10AF00702. Journal entries were not posted in FINET to reflect these changes. A Division official agreed that the Division should prepare a revised SF-425 for Grant No. F11AF01307.
- The spreadsheets did not detail individual transactions to support the expenditures claimed on the Division's SF-425s for Grant Nos. F12AF01473 and F13AF01240. Instead, the spreadsheets recorded transactions under these two grants in an aggregate amount by expenditure type (payroll, equipment, etc.). We were therefore unable to trace the amounts claimed on the SF-425s for these grants to transactions recorded in FINET or supporting documentation, such as purchase orders and invoices.

Because we could not verify all of the amounts claimed on the Division's SF-425s when we completed our audit testing, we had no assurance that the financial management system appropriately accounts for Program grant expenditures. Furthermore, the Division's spreadsheets could not demonstrate whether the State was reimbursed the correct amount of Federal funds. As noted previously, based on our testing we consider the costs in FINET to be the supported grant expenditures.

The amount of State match claimed on each grant can exceed the State share required. Therefore, to avoid overstating the questioned costs, we started with the total grant outlays reported and then subtracted the unsupported amounts before applying the Federal participation rate (these calculations are shown in Figure 1).

	Grant No. F10AF00612	Grant No. F11AF01307	Grant No. F12AF01473	Grant No. F13AF01240
Total grant outlays reported (SF-425)	$276,995	$6,602,498	$6,697,865	$7,969,533
Less unsupported grant outlays (State match claimed, excluding in-kind contributions)	69,249	1,670,594	2,334,783	1,916,418
Total supported grant outlays (recorded FINET expenditures)	207,746	4,931,904	4,363,082	6,053,115
Federal share percentage	75%	75%	75%	75%
Supported Federal share	**$155,810**	**$3,698,928**	**$3,272,312**	**$4,539,836**
Total Supported Federal Share (Across Grants)				**$11,666,886**
Original Federal share claimed	$207,746	$4,931,904	$4,173,185	$5,929,011
Less supported Federal share	155,810	3,698,928	3,272,312	4,539,836
Federal share of questioned costs	**$51,936**	**$1,232,976**	**$870,952***	**$1,389,175**
Total Federal Share of Questioned Costs (Across Grants)				**$3,545,039**

* Excludes $29,921 cited as questioned costs under Finding A.3 for waived university overhead claimed as a portion of contributed State matching share of expenditures.

Figure 1. Unsupported costs claimed on the four Federal financial reports we examined.

Recommendations
We recommend that FWS: 1. Resolve the unsupported questioned costs of $3,545,039; 2. Require the Division to submit corrected SF-425s and related expenditure support for all Program grants open during the audit period; and 3. Require the Division to develop policies and procedures to ensure that Federal financial reports are accurate and supported by expenditures recorded in the accounting system.

Division Response
The Division did not concur with the finding, believing it to be inaccurate. The Division requested that FWS review additional documentation provided to demonstrate the nature and eligibility of grant costs claimed.

FWS Response
Based on its review, FWS concluded that the questioned costs are appropriately supported and therefore no corrective action is required. FWS also stated that it will work with the Division to ensure that proper policy and procedures are in place to be able to reconcile FINET with the SF- 425s.

OIG Comments
Based on the Division's and FWS' responses, we consider Recommendation 1 resolved and implemented. We consider Recommendations 2 and 3 resolved but not fully implemented (see Appendix 3).

2. Unsupported and Other Unallowable Payroll Costs—$101,048 (Federal Share)

Federal regulations (2 C.F.R. § 225, Appendix A, C.1.a, b, and j) specify that for a cost to be allowable under Federal awards it must be necessary and reasonable, allocable, authorized or not prohibited, and adequately documented. Regulations (2 C.F.R. § 225, Appendix A, C.3.a) provide that 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, regulations (2 C.F.R. § 225, Appendix B, 8.h(4)) require that "where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports." Regulations (2 C.F.R. § 225, Appendix B, 8.h(5)(e)) also state that budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards.

The Division's fiscal policies and procedures require that only hours worked on accomplishing grant tasks can be charged to a grant and that ineligible activities must not be charged to any grant.

In our review, we identified unsupported and other unallowable payroll costs charged to Program grants, specifically the following instances:

1. We found journal entries transferring payroll expenses on the last day of SFY 2013 to be unsupported because of insufficient documentation. Originally recorded as time charged to the general fund, the entries transferred $111,517 to Grant No. F12AF00541 and $2,795 to Grant No. F13AF00595. A Division official agreed that the recorded description "correct budget, program and unit numbers" was not adequate to determine whether these expenditures were eligible under the grants.

2. The Division's Federal aid coordinator and grant accountant charged their time to coordination Grant Nos. F12AF00482 and F13AF00633, even though these two employees worked on nongrant activities, including preparation of monthly State accounting reports for Division-wide activities. Although the payroll system used by the Division is capable of recording the amount of time an employee spends on a project, these employees did not track their time to support the hours charged to these grants. We could not determine how much of the cost is unallowable.

3. The Division made a journal entry in FINET on June 30, 2014, the final day of the fiscal year, transferring $842 from a nongrant program to Grant No. F13AF00595, even though the program was not eligible for reimbursement under the grant. The description said: "Overspent moved to DJ." A Division official said that the nongrant program's original budget was exceeded; therefore, the overspent balance was moved to Grant No. F13AF00595.

The Division claimed unsupported payroll costs of $97,856 and $2,453 on Grant Nos. F12AF00541 and F13AF00595, respectively, for a total of $100,309 (calculated as ($111,517 + $2,795 + 17 percent of indirect costs) × 75 percent) and other unallowable payroll costs of $739 (calculated as ($842 + 17 percent indirect costs) × 75 percent) on Grant No. F13AF00595. In addition, we could not determine additional unallowable payroll costs because no records existed for the actual number of hours that employees worked on Program coordination grants.

Division officials could not provide adequate documentation to support the journal entries and acknowledged that the payroll costs charged for the Federal aid coordinator and the grant accountant included time spent on nongrant activities. Division officials also told us that they plan to train employees to document in journal entries the original source of payroll data for charging grants and to charge other activities when their work is not related to Program grants.

As a result of the deficiencies identified, we are questioning $101,048 as unallowable.

Recommendations

We recommend that FWS:

4. Resolve the unsupported payroll costs of $100,309 and other unallowable payroll costs of $739; and

5. Require the Division to ensure that grant payroll expenses are properly supported by personnel activity reports reflecting actual time worked on Program grants, and that journal entries are adequately documented.

Division Response
The Division partially concurred with the finding in that (1) a journal entry description was insufficient; (2) a small percentage of the Federal assistance coordinator's and grant accountant's time was spent doing work that was not eligible under the grants; and (3) a journal entry moved an expenditure to an inappropriate funding source.

FWS Response
FWS will address the recommendations in collaboration with the Division during the preparation of the corrective action plan.

OIG Comments
Based on the Division's and FWS' responses, we consider the recommendations resolved but not fully implemented (see Appendix 3).

3. Unsupported and Other Unallowable Third-Party Contributions—University Waived Overhead of $79,803 (Federal Share)

Federal regulations (50 C.F.R. § 80.90(b)(3)) provide that as a grantee, the State fish and wildlife agency is responsible for submission of complete and accurate Federal financial reports. According to further Federal regulations (50 C.F.R. §§ 80.83, 80.84(a), and 80.85) and the grant agreements, States are required to use State matching, or non-Federal, funds to cover at least 25 percent of costs incurred in performing projects under the grants. States may use noncash, or in-kind, contributions to meet the matching share of costs, but as with costs claimed for reimbursement, States must support the value of these contributions. In addition, Federal regulations (2 C.F.R. § 225, Appendix A, C.1.a, b, and j) specify that allowable costs must be necessary and reasonable, be allocable to the award only if they provide a benefit to the grant, and be adequately supported. Finally, Federal regulations (43 C.F.R. § 12.60(a)(1) and (2)) require that a State's fiscal control and accounting procedures must permit preparation of required reports and tracing of funds to a level of expenditures adequate to establish compliance.

The Division has a cooperative agreement with Utah State University to perform grant projects. According to the agreement, the university does not charge the Division its full indirect cost rate; however, the university does include an administrative fee in the amount payable on its invoices. The balance of the university's indirect costs (after deducting the administrative fee) should subsequently be claimed as waived overhead and reported as a third-party contribution to the Division's State matching share of costs. In our review, we found errors in the calculations of the university's waived overhead, resulting in questioned costs.

The correct applicable rates for waived overhead that should have been used were 31 percent and 28.84 percent for SFYs 2013 and 2014, respectively. The university had an approved indirect cost rate to recover its administrative expenses: for SFY 2013, the rate was 41 percent, and for SFY 2014 the rate was 38.84 percent. The cooperative agreement provides for the Division to pay the university 10 percent of the rate as an administrative fee and claim the balance as a third-party contribution.

Instead of following the terms of the cooperative agreement, the Division's Federal aid coordinator said that he multiplied university project expenditures by 40 percent on the spreadsheets to calculate total outlays for Program grants. As a result, total outlays reported on SF-425s were overstated due to the following errors:

- The rate was to be applied to modified total direct costs, as defined by the agreement, which excludes equipment and rental costs, and not the total of the invoices paid, as the Federal aid coordinator calculated.

- The rate was incorrectly applied to the administrative fee, resulting in duplicate claims.

We identified issues with waived university overhead for the four grants we reviewed, as detailed below:

- According to the spreadsheet, the amount of waived overhead claimed on Grant No. F10AF00700 was $98,784. We determined that the excess reimbursement was $49,882. (Reported total outlays of $391,436 minus waived overhead of $98,784 equals the corrected total outlays of $292,652; Federal reimbursement is limited to 75 percent, or $219,489, which is $49,882 less than the actual reimbursement of $269,371.)

- We found that the expenditures for one project code (E4C360) on Grant No. F12AF01473 were multiplied by 40 percent, but there may be other instances because we did not sample all expenditures on the spreadsheet. We are questioning the waived overhead we found calculated on the spreadsheet of $29,921 (Federal share) on Grant No. F12AF01473.

- The amount of calculated waived overhead on the spreadsheet on Grant No. F10AF00701 is $139,313. We did not calculate questioned costs for this grant because the Division met its match requirement, even excluding the unallowable waived overhead, according to the amounts reported on the SF-425.

- We could not compute the total waived overhead claimed on Grant No. F11AF01307, because it was not separately identified on the spreadsheet supporting the grant's total outlays.

Due to the Division's incorrect calculations of waived university overhead, we determined that the Division received excess reimbursements. We are therefore questioning unallowable costs totaling $79,803—on Grant No. F10AF00700 in the amount of $49,882 and on Grant No. F12AF01473 in the amount of $29,921. As previously noted, we were unable to determine the amount of waived overhead claimed on Grant No. F11AF01307. In addition, we have no assurance that waived overhead amounts claimed on all Program grant SF-425s are accurate, given our findings on the four we selected for review.

Recommendations

We recommend that FWS:

6. Resolve the unallowable questioned costs of $79,803 claimed as waived overhead and reported as a third-party contribution to the Division's State matching share of costs; and

7. Require the Division to prepare and submit corrected SF-425s for Program grants claiming waived university overhead.

Division Response
The Division concurred with the finding and recommendations.

FWS Response
FWS will address the recommendations in collaboration with the Division during the preparation of the corrective action plan.

OIG Comments
Based on the Division's and FWS' responses, we consider the recommendations resolved but not fully implemented (see Appendix 3).

4. Unallowable Out-of-Period In-Kind Contribution—$16,966 (Federal Share)

According to Federal regulations (50 C.F.R. §§ 80.83 and 80.85) and Program grant agreements, the grantee is required to pay 25 percent of the grant's costs, which may be in the form of expenditures or in-kind contributions, and any costs incurred before the grant period are not allowable. Federal regulations (50 C.F.R. § 80.93) further provide that a State fish and wildlife agency may incur costs under a grant only from the effective date of the grant period to the end of the grant period.

In addition, the Division's "Administration Policy for Fiscal Procedures," Part V.14.f, states that: "any cost incurred prior to the beginning date of the Grant Agreement must not be charged to the grant even though the item is otherwise allowable."

In December 2009, the Division claimed a contribution of deer collar transmitters valued at $120,490 on Grant No. F10AF00702 ("Estimating Mule Deer Doe and Fawn Survival"). The grant award period was January 15, 2010, through September 30, 2013.

Because this in-kind contribution occurred before the award period, the State share on Grant No. F10AF00702 was overstated by $120,490. According to the SF-425 submitted to FWS, the total corrected expenditures are $529,616, and the Federal share is limited to 75 percent, or $397,212. The Division was reimbursed $414,178, resulting in unallowable costs of $16,966 (Federal share).

Recommendation

We recommend that FWS:

8. Resolve the unallowable questioned costs of $16,966 (Federal share) on Grant No. F10AF00702.

Division Response

The Division concurred with the finding and recommendation.

FWS Response

FWS will address the recommendation in collaboration with the Division during the preparation of the corrective action plan.

OIG Comments

Based on the Division's and FWS' responses, we consider the recommendation resolved but not fully implemented (see Appendix 3).

5. Unallowable Other Direct Costs—$10,935 (Federal Share)

Federal regulations (2 C.F.R. § 225, Appendix A, C.1.a, b, and j) specify that allowable costs must be necessary and reasonable, are allocable to the award only if they provide a benefit to the grant, and must be adequately supported. According to Federal regulations (50 C.F.R. § 80.83(a) and § 80.84(a)) and the Program grant agreements, the grantee is required to pay 25 percent of the grant's costs.

As previously noted, the Division has a cooperative agreement with Utah State University to perform grant projects. The agreement provides for a 10 percent administrative fee to be added on the university's invoices, excluding equipment and rental costs.

We found that the Federal share on Grant No. F10AF00701 was overstated by $9,851 and on Grant No. FA11AF01307 by $1,084, for total questioned costs of $10,935. Specifically—

- We found that the administrative fee was overstated by $4,269 and $5,582 on two invoices coded to Grant No. F10AF00701. This grant's costs are fully reimbursed because the required State share consists of waived university overhead expense as a third-party contribution. Therefore, we are questioning $9,851 (Federal share) as unallowable.

- For Grant No. FA11AF01307, we reviewed a claim for reimbursement of $8,674 for deer surveys, with supporting documentation (a "DWR Monthly Flight Report") that cited a total cost of $10,120 for this activity. The Federal aid coordinator explained that the $8,674 charged to the grant represents the 75 percent reimbursable amount, but he acknowledged that the calculation is incorrect. He later said that the percentage reimbursed was intentionally budgeted. We determined that the reimbursable amount is limited to 75 percent of the $10,120 cost, or $7,590, resulting in an excess reimbursement of $1,084 ($8,674 – $7,590). Therefore, we question $1,084 (Federal share) as unallowable costs.

According to the Federal aid coordinator, he had not read the cooperative agreement and therefore was unaware of the terms.

We have no assurance that the university's administrative fees, or the reimbursable amounts claimed on Program grants, are accurate, given our findings on those grants we selected for review.

Recommendations

We recommend that FWS:

9. Resolve unallowable questioned costs of $10,935 (Federal share) for other direct costs on Grant Nos. F10AF00701 and FA11AF01307;

10. Require the Division to develop policies and procedures to ensure that invoice calculations are correctly computed before payment; and

11. Require the Division to develop policies and procedures to ensure that grant costs are recorded accurately in the accounting system.

Division Response
The Division partially concurred with the finding and will submit revised grant SF-425s.

FWS Response
FWS will address the recommendations in collaboration with the Division during the preparation of the corrective action plan.

OIG Comments
Based on the Division's and FWS' responses, we consider the recommendations resolved but not fully implemented (see Appendix 3).

B. Potential Diversion of License Revenue

Federal regulations (50 C.F.R. § 80.20(b)) state that hunting and fishing license revenue includes personal property acquired with license revenue. Regulations (50 C.F.R. § 80.10(c)) also require that revenue from hunting and fishing licenses be (1) controlled only by the State fish and wildlife agency, and (2) used only for administration of the State fish and wildlife agency. According to 50 C.F.R. § 80.21, a State may be declared to be in diversion if it violates the requirements of 50 C.F.R. § 80.10 by diverting license revenue from the control of its fish and wildlife agency to purposes other than the agency's administration.

We found that the Division transferred 10 decontamination sprayers to the Parks and Recreation Division. The sprayers were to be used in State parks for controlling quagga mussels, which are mussels that can clog water pipes and boat motors. These units may have been paid for, wholly or partially, with license revenues of more than $120,000. The Division potentially diverted license revenue funded equipment by transferring the items to the Parks and Recreation Division.

Recommendation
We recommend that FWS: 12. Resolve the potential diversion of license revenue funded equipment.

Division Response
The Division did not concur with the finding and stated that the equipment was funded by State general funds, not license revenue.

FWS Response
FWS will work with the Division to prepare a corrective action plan for this recommendation.

OIG Comments
Based on the Division's and FWS' responses, we consider the recommendation resolved but not fully implemented (see Appendix 3).

C. Inadequate Equipment Management and Recordkeeping

Federal regulations (43 C.F.R. § 12.72(b)) require States to manage equipment acquired under a grant in accordance with State laws and procedures. Federal regulations (50 C.F.R. § 80.90(f)) also require a State fish and wildlife agency to be responsible for the control of all assets acquired under Program grants to ensure that they serve the purpose for which acquired throughout their useful life.

Further, the State of Utah's financial accounting policies and procedures require that fixed assets costing $5,000 or more be properly accounted for when purchased. The policies and procedures of both the State and its Department of Natural Resources require that items be tagged with an identification number and that certain data be recorded for each item in the fixed asset system.

State FINET fixed asset policies require that assets be inventoried by the owner agency a minimum of once every fiscal year. Any differences between an agency's assets and the inventory report should be investigated and, if necessary, correcting entries posted to FINET's fixed asset system within 30 days of completing the inventory. Each agency must make sure that fixed assets—

- are accounted for properly when acquired;
- are inventoried annually and safeguarded;
- are tagged with an agency identification number promptly upon receipt; and
- are accounted for properly when retired.

In addition, inventory listings must be reconciled to FINET capital expenditures monthly.

To test compliance with these Federal and State requirements, we reviewed FINET's fixed asset inventory for the Division. Based on our review, the Division has not maintained accurate and complete equipment records.

Specifically, we tested a sample of 63 items identified in the Division's fixed asset inventory, costing a total of $1,113,714, plus an additional four items we found during site visits to the regional offices. We noted the following:

- We could not rely on the inventory to accurately list the Division's assets. For example, we found three decontamination sprayers, costing more than $12,000 each, listed on the inventory, even though they had been transferred to the Parks and Recreation Division in 2012. We also found a bulldozer, a tractor, and a boat in custody of regional office staff that were not recorded on the Division's fixed asset inventory.

- We found several assets listed in the system that were missing information that is required by the Department of Natural Resources' policies and procedures. At minimum, each asset listing must include a unique identifying number, description, location, custodian, and Federal aid identification number.

- During site visits, we found 15 items (24 percent) that were not tagged as required by Department regulations.

Overall, the Division did not follow the State's and Department's requirements to attach property tags to items and to enter equipment acquisitions and disposals into the inventory listing. Division officials assign property tag numbers when entering acquisitions into FINET, but they did not provide, or advise staff to use, property tags.

As a result, the Division cannot ensure that equipment purchased with Program funds is being used for its intended purpose, that license revenue funded equipment is used solely for fish and wildlife purposes, or that equipment is recorded according to policies and procedures.

Recommendation

We recommend that FWS:

13. Require the Division to follow State and Department policies and procedures for tagging and recording equipment in the fixed asset system and managing assets.

Division Response
The Division partially concurred with the finding and has recently updated its asset policy.

FWS Response
FWS will work with the Division to prepare a corrective action plan for this recommendation.

OIG Comments
Based on the Division's and FWS' responses, we consider the recommendation resolved but not fully implemented (see Appendix 3).

D. Unreconciled Real Property Records

In our review, we found that the Division had not reconciled its grant-funded real property records with FWS' records. To ensure that real property acquired under Program grants continues to serve the purpose for which it was obtained, the Division must ensure that its database of real property is accurate and complete and reconciles with FWS' land records.

Federal regulations (50 C.F.R. § 80.90(f)) require that the Division maintain control of all assets acquired under Program grants to ensure that they serve the purpose for which acquired throughout their useful life.

In addition, the FWS Director 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 to ensure that its inventory is accurate and complete.

Although our prior audit report (Report No. R-GR-FWS-0011-2009), issued in January 2010, identified the issue of inadequate control of real property, FWS and Division officials both agreed that reconciliation had not yet been performed.

The Division and FWS have been unable to commit sufficient resources to ensure completion of the reconciliation. During our review, however, a Division official indicated that the Division recently received funding and is having an independent review conducted of its real property in anticipation of reconciling its records with those of FWS.

Without reconciliation, neither the Division nor FWS can ensure that lands acquired under the Program are used for their intended purposes. Therefore, we repeat the applicable recommendation from our previously issued report (Recommendation B.3) and make a new recommendation. We will track implementation of the repeat recommendation under the resolution process for that report.

Recommendations

Repeat Recommendation

We recommend that FWS require the Division to reconcile its records of lands acquired with Program funds with FWS' records.

New Recommendation

14. We recommend that FWS require the Division to certify that grant-funded land is being used for its intended purposes.

Division Response
The Division concurred with the finding and will work with FWS to reconcile records of lands that were purchased with Federal assistance funds and ensure these lands are being used for the intended purpose.

FWS Response
FWS concurred with the finding and recommendation to require the Division to certify that grant-funded land is being used for its intended purpose, and will work with the Division to prepare a corrective action plan.

OIG Comments
Based on the Division's and FWS' responses, we consider the recommendations resolved but not fully implemented (see Appendix 3).

Appendix 1

State of Utah
Department of Natural Resources, Division of Wildlife Resources
Grants Open During the Audit Period
July 1, 2012, Through June 30, 2014

Grant Number	Grant Amount	Claimed Costs	Unallowable Costs	Unsupported Costs	Total Questioned Costs
Fish					
F10AF00606	$196,000	$196,000			
F10AF00612	276,996	276,995		$51,936	$51,936
F11AF01171	162,023	162,023			
F11AF01195	100,000	76,027			
F11AF01221	85,000	66,420			
F11AF01226	88,347	88,347			
F11AF01227	69,000	49,767			
F11AF01228	69,000	68,605			
F12AF00367	250,000	30,730			
F12AF00393	45,100	29,508			
F12AF00394	26,199	0			
F12AF00395	29,219	0			
F12AF00517	69,445	53,781			
F12AF00518	92,733	95,976			
F12AF00539	1,070,550	1,023,824			
F12AF00541	2,098,514	1,960,508		97,856	97,856
F12AF00545	4,530,975	4,311,794			
F12AF00568	77,140	52,619			
F12AF00569	379,171	379,131			
F12AF00571	13,420	10,776			
F12AF00609	100,000	81,193			
F12AF00624	157,356	147,521			
F12AF00918	175,300	175,300			
F12AF01085	174,827	174,827			
F13A000010	347,405	0			
F13AF00002	25,488	25,488			
F13AF00008	29,712	29,711			
F13AF00009	10,194	0			
F13AF00011	19,872	19,872			
F13AF00012	60,000	46,256			
F13AF00083	106,500	58,187			

Grant Number	Grant Amount	Claimed Costs	Unallowable Costs	Unsupported Costs	Total Questioned Costs
Fish (continued)					
F13AF00331	$290,051	$270,300			
F13AF00385	29,315	21,208			
F13AF00386	18,745	18,745			
F13AF00387	16,880	0			
F13AF00564	100,000	94,636			
F13AF00570	16,830	17,673			
F13AF00571	11,704	12,289			
F13AF00572	85,552	89,830			
F13AF00573	127,355	105,722			
F13AF00577	1,044,673	1,010,772			
F13AF00595	4,572,265	4,493,177	$739	$2,453	$3,192
F13AF00697	3,493,448	3,774,023			
F13AF01049	40,000	35,749			
F13AF01050	347,405	0			
F13AF01051	79,888	58,760			
F13AF01052	278,852	277,652			
F13AF01053	49,896	48,396			
F13AF01055	148,387	0			
F13AF01056	167,035	142,603			
F13AF01057	36,507	0			
F13AF01063	22,000	0			
F13AF01064	60,000	60,000			
F13AF01066	34,128	7			
F13AF01265	7,000	0			
Fish and Wildlife					
F12AF00482	$359,473	$331,345			
F13AF00633	366,082	341,902			
Wildlife					
F10AF00596	$1,687,776	$1,976,440			
F10AF00698	160,667	168,700			
F10AF00700	359,480	391,436	$49,882		$49,882
F10AF00701	557,200	658,557	9,851		9,851
F10AF00702	869,500	650,106	16,966		16,966
F11AF01307	6,575,872	6,602,498	1,084	$1,232,976	1,234,060
F11AF01308	582,391	592,831			
F12AF00484	106,667	118,747			
F12AF00485	587,359	839,192			
F12AF00493	71,375	62,195			

Grant Number	Grant Amount	Claimed Costs	Unallowable Costs	Unsupported Costs	Total Questioned Costs
Wildlife (continued)					
F12AF01473	$6,575,872	$7,224,234	$29,921	$870,952	$900,873
F12AF01474	599,861	441,224			
F13AF00569	59,407	40,380			
F13AF00634	436,396	102,154			
F13AF01008	583,015	861,000			
F13AF01010	102,728	237,752			
F13AF01240	8,507,389	8,172,447		1,389,175	1,389,175
F13AF01264	617,857	351,235			
F14AF00222	145,000	9,500			
F14AF00223	1,110,717	0			
W-171-C-1	100,000	100,000			
Totals	**$53,135,486**	**$50,496,603**	**$108,443**	**$3,645,348**	**$3,753,791**

Appendix 2

State of Utah
Department of Natural Resources, Division of Wildlife Resources
Sites Visited

Headquarters
Salt Lake City

Regional Offices
Central
Northern
Southeastern
Southern

Wildlife/Waterfowl Management Areas
Burraston Ponds
Farmington Bay
Howard Slough
Mona Bench
Ogden Bay
Santaquin

Fish Hatcheries
Mantua
Springville

Other Facilities
Fisheries Experiment Station

Appendix 3

State of Utah
Department of Natural Resources, Division of Wildlife Resources

Status of Audit Recommendations

Recommendations	Status	Action Required
1	We consider the recommendation resolved and implemented.	No further action required.
2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14	We consider the recommendations resolved but not implemented. FWS regional officials concurred with or acknowledged these recommendations and will work with the Division to resolve all findings and recommendations.	Complete a corrective action plan that includes information on actions taken or planned to address the recommendations, target dates and title(s) of the official(s) responsible for implementation, and verification that FWS headquarters officials reviewed and approved of the actions taken or planned by the Commission. We will refer the recommendations not resolved or implemented at the end of 90 days (after December 19, 2016) to the Assistant Secretary for Policy, Management and Budget for resolution and tracking of implementation.

Recommendations	Status	Action Required
Repeat Recommendation under Finding D	We consider this recommendation (Recommendation B.3 from our prior report, No. R-GR-FWS-0011-2009) resolved but not implemented. The Assistant Secretary for Policy, Management and Budget considers this recommendation resolved but not implemented.	Provide documentation to the Assistant Secretary for Policy, Management and Budget regarding the implementation of this recommendation.

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