



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 Government of the Virgin Islands,
Department of Planning and Natural Resources,
From October 1, 2008, Through September 30, 2010



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

November 3, 2011

AUDIT REPORT

Memorandum

To: Director
U.S. Fish and Wildlife Service

From: Suzanna I. Park 
Director of External Audits

Subject: Audit on U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the Government of the Virgin Islands, Department of Planning and Natural Resources, From October 1, 2008, Through September 30, 2010 (No. R-GR-FWS-0006-2011)

This report presents the results of our audit of costs claimed by the Government of the Virgin Islands, Department of Planning and Natural Resources (the Department), under grants awarded by the U.S. Fish and Wildlife Service (FWS). FWS provided the grants to the Virgin Islands under the Wildlife and Sport Fish Restoration Program (the Program). The audit included claims totaling approximately \$3.1 million on 26 grants that were open during fiscal years (FYs) ended September 30, 2009 and September 30, 2010 (see Appendix 1). The audit also covered the Department's compliance with applicable laws, regulations, and FWS guidelines.

We found that the Department complied, in general, with applicable grant accounting and regulatory requirements. We questioned costs totaling \$65,618, however, because the Department (1) did not have adequate documentation to support several purchases and (2) paid for two items outside of the grant period. We also determined that the Virgin Islands had not passed legislation assenting to the Sport Fish Restoration Act. Furthermore, the Department did not consistently expend its own funds on goods and services before requesting Federal reimbursement and did not adequately manage equipment purchased with Program funds.

We provided a draft report to FWS for a response. We summarized the Department and FWS Region 4 responses, as well as our comments, on the responses after the recommendations. We list the status of the recommendations in Appendix 3.

Please respond in writing to the findings and recommendations included in this report by February 1, 2012. Your response should include information on actions taken or planned, targeted completion dates, and titles of officials responsible for implementation. Please address your response to:

Director of External Audits
U.S. Department of the Interior
Office of Inspector General
12030 Sunrise Valley Drive, Suite 230
Reston, VA 20191

If you have any questions regarding this report, please contact the audit team leader, Ms. Lori Howard, or me at 703-487-5345.

cc: Regional Director, Region 4, 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 (the Acts)¹ established the Wildlife and Sport Fish Restoration Program. Under the Program, FWS provides grants to States² 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. For certain Government entities, including the Virgin Islands, the Acts allow for full reimbursement of eligible costs incurred under the grants. The Acts also require that hunting and fishing license revenues be used only for the administration of the State's fish and game agency. Finally, Federal regulations and FWS guidance require States to account for any income they earn using grant funds.

Objectives

Our audit objectives were to determine if the Department:

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

Scope

Audit work included claims totaling approximately \$3.1 million on the 26 grants that were open during FYs ended September 30, 2009 and September 30, 2010 (see Appendix 1). We report only on those conditions that existed during this audit period. We performed our audit at Department headquarters in St. Thomas, VI. We also visited two Division of Fish and Wildlife offices and five boat access facilities (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 our performance audit in accordance with the "Government Auditing Standards" issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and

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

² The Acts define the term "State" to include the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands.

conclusions based on our audit objectives. We tested records and conducted auditing procedures as necessary under the circumstances. We believe that the evidence obtained from our tests and procedures provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our tests and procedures included:

- Examining the evidence that supports selected expenditures charged to the grants by the Department.
- Reviewing transactions related to purchases, direct costs, and drawdowns of reimbursements.
- Interviewing Department employees to ensure that personnel costs charged to the grants were supportable.
- Conducting site visits to inspect equipment and other property.
- Determining whether the Virgin Islands passed required legislation assenting to the provisions of the Acts.

We also identified the internal controls over transactions recorded in the labor 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 recorded in these systems for testing. We did not project the results of the tests to the total population of recorded transactions or evaluate the economy, efficiency, or effectiveness of the Department's operations.

Prior Audit Coverage

On October 7, 2002, we issued "Final Advisory Report on Costs Claimed by the U.S. Virgin Islands, Department of Planning and Natural Resources, Division of Fish and Wildlife, Under Federal Aid Grants from the U.S. Fish and Wildlife Service from October 1, 1996 through September 30, 1998" (No. 2003-E-0001). We followed up on the nine recommendations in the report and found that three of the recommendations were resolved and implemented, and six were resolved but not implemented.

On October 18, 2007, we issued "Audit on U.S. Fish and Wildlife Service Federal Assistance Program Grants Awarded to the Virgin Islands, Department of Planning and Natural Resources, Division of Fish and Wildlife, From October 1, 2003, Through September 30, 2005" (No. R-GR-FWS-0006-2007). We followed up on the eight recommendations in the report and found that two of the recommendations were resolved and implemented, and six were resolved but not implemented.

Our current audit scope included the areas covered in these prior audits. When we found the same conditions still existed, we included them in the Findings and Recommendations section of this report and repeated prior recommendations or made new recommendations, as applicable. Documentation on the implementation of repeat recommendations should be sent to the U.S. Department

of the Interior, Office of the Assistant Secretary for Policy, Management and Budget.

We also reviewed the Single Audit report for the Virgin Islands for the year ending September 30, 2008. The FWS grants were not considered a major program for that audit. The Single Audit report for the year ending September 30, 2009, had not been issued before we completed our fieldwork.

Results of Audit

Audit Summary

We found that the Department complied, in general, with applicable grant agreement provisions and requirements of the Acts, regulations, and FWS guidance. We identified several conditions, however, that resulted in the findings listed below, including questioned costs totaling \$65,618. We discuss the findings in more detail in the Findings and Recommendations section.

Questioned Costs. We questioned costs totaling \$65,618 because the Department (1) did not have adequate documentation to support several purchases and (2) paid for two items outside of the grant period.

Lack of Required Assent Legislation. The Virgin Islands has not passed legislation assenting to the Sport Fish Restoration Act, which is a prerequisite for participation in the Sport Fish Restoration Program.

Unapproved Advance Drawdowns. The Department did not ensure that it paid Program expenses with its own funds before requesting and receiving Federal reimbursement.

Inadequate Equipment Management. The Department did not maintain a complete listing of equipment purchased with Program funds and is therefore unable to adequately manage and control these items.

Findings and Recommendations

A. Questioned Costs — \$65,618

1. Unsupported Direct Cost Charges — \$25,409

Federal regulations state that grantees must support claimed costs with adequate documentation; the Department's own policies also reflect this requirement. We reviewed expenditures totaling \$432,860 that the Department charged to its Program grants, and found that it could not provide invoices or proof of payment for transactions totaling \$37,014. In response to the draft report, the Department provided documentation to support \$11,605 in expenditures. The remainder of unsupported costs is identified in the table below.

Grant Number	Unsupported Costs (Federal Share)
F-16-REO-3	\$2,081
FW-18-6	20,728
W-17-6	2,600
TOTAL	\$25,409

According to the Code of Federal Regulations (CFR), in 2 CFR § 225, Appendix A, subsections C.1.a, b, and j, to be eligible for reimbursement under the Program, grant expenses must be reasonable, allowable, allocable, and adequately supported. In addition, the Department’s “Standard Operating Procedures” states that documentation for a completed procurement transaction must include a request for purchase, requisition from the accounting system, purchase order, vendor invoice, and proof of payment.

Because the Department did not follow its own process to ensure it maintained sufficient supporting documentation for grant expenditures, we are questioning \$25,409 in unsupported costs.

Recommendations

We recommend that FWS:

1. Resolve the unsupported questioned costs of \$25,409.
2. Require the Department to follow its own procedures to ensure that it maintains sufficient documentation for grant expenditures.

Department Response

The Department did not concur with the finding but provided documentation in support of the \$37,014 in the draft report.

FWS Response

FWS Regional officials acknowledge the finding and requested additional information from the Department to be incorporated into a pending corrective action plan.

OIG Comments

The Department provided additional supporting documentation in response to the draft report. Based on our review, \$11,605 of the \$37,014 was supported. Therefore, we are questioning the remainder of \$25,409 as unsupported. We revised the table to exclude those questioned costs that were deemed supported.

Based on the Department and FWS responses, additional information is needed in the corrective action plan including:

- The specific action(s) taken or planned to address the recommendations.
- Targeted completion date.
- Titles of officials responsible for implementing the actions taken or planned.
- Verification that FWS headquarters officials reviewed and approved of actions taken or planned by the Department.

2. Out-of-Period Costs — \$40,209

During our testing of direct cost charges, we found two transactions, totaling \$40,209, that were paid 5 months or more after the end of the grant period. Specifically, the Department:

- Charged Grant FW-18-6, for operations and maintenance, \$24,650 for paving services that were performed and paid 5 months after the end of the grant period.
- Charged Grant F-16-REO-2, for sport fish monitoring, enhancement, and restoration activities, \$15,559 for supplies that were received and paid 7 months after the end of the grant period.

Under 43 CFR § 12.63(a), a grantee may charge to the grant award only costs resulting from obligations of the funding period. Furthermore, 43 CFR § 12.63(b) states that a grantee must liquidate all obligations incurred under the award not later than 90 days after the end of the funding period.

This issue arose because the Department did not have a process to ensure that it liquidated its obligations within 90 days at the end of the grant period. As a result, we are questioning \$40,209 in ineligible costs.

Recommendations

We recommend that FWS:

1. Resolve the ineligible questioned costs of \$40,209.
2. Ensure the Department establishes a process to liquidate all grant obligations within 90 days of the end of the grant period.

Department Response

The Department did not concur with the finding but provided a justification to support the expenses.

FWS Response

FWS Regional officials acknowledge the finding and requested additional information from the Department to be incorporated into a pending corrective action plan.

OIG Comments

We disagreed with the Department's justification using the criteria cited. Based on the Department and FWS responses, additional information is needed in the corrective action plan including:

- The specific action(s) taken or planned to address the recommendations.
- Targeted completion date.

- Titles of officials responsible for implementing the actions taken or planned.
- Verification that FWS headquarters officials reviewed and approved of actions taken or planned by the Department.

B. Lack of Required Assent Legislation

According to 50 CFR § 80.3, a State may participate in the benefits of the Wildlife and Sport Fish Restoration Acts only after it has passed legislation assenting to the provisions of those Acts. The Virgin Islands, however, has not assented to the Sport Fish Restoration Act. In spite of that fact, the Department has continued to expend Sport Fish Restoration funds, including \$2,653,200 from Program grants open in FYs 2009 and 2010. Without proper assent legislation, FWS could render the Virgin Islands ineligible to partake in the Sport Fish Program and could withhold its apportionment of funds.

We commented on this issue twice in the past decade, first in a 2002 advisory report (No. 2003-E-0001 (X-GR-FWS-0001-2003)) and again in a 2007 audit report (No. R-GR-FWS-0007-2007). We are therefore repeating the original recommendation from our advisory report (Recommendation D.1), which will be tracked under the resolution process for that report.

Repeat Recommendation

We recommend that FWS require the Department to enact assent legislation to ensure continued participation in the Sport Fish Restoration Program.

Department Response

The Department did not concur with the finding, but submitted documentation for the Legislature to revise the assent legislation.

FWS Response

FWS Regional officials concurred with the finding and the Department's proposed corrective actions.

OIG Comments

The implementation of this recommendation will be tracked under the prior audit reports. Accordingly, FWS should send documentation regarding the implementation of this recommendation to the U.S. Department of the Interior, Office of the Assistant Secretary for Policy, Management, and Budget.

C. Unapproved Advance Drawdowns

Under the Program, The Department must obtain approval from FWS for an advance. The Department draws down Program grant funds after it issues a purchase order, which obligates grant funds for purchase of materials or services. For example, on June 21, 2010, the Department issued a purchase order and drew

down \$55,685 from FWS under Grant FW-18-7, for operations and maintenance. The Department did not begin to expend these funds until July 14, 2010, however, when it made the first payment under a contract to replace fencing at its Red Hook offices. The final payment for this work was made on December 20, 2010, 6 months after the initial drawdown. The Department did not obtain prior approval from FWS for this advance.

According to United States Code (U.S.C.), 16 U.S.C. § 669f(a) and 16 U.S.C. § 777f(a), payments under the Program are to be made after projects are completed. Payments may also be made in advance or as projects progress, but only at the discretion of the U.S. Department of the Interior.

This issue occurred because the Department did not follow the procedures to pay expenses with its own funds before submitting drawdown requests. As a result, the Department risks drawing down more Federal funds than it needs and using them for unallowable purposes.

Recommendations

We recommend that FWS:

1. Ensure the Department follows procedures to pay Program expenses with its own funds before requesting Federal reimbursement.
2. Require the Department to submit paid receipts to FWS before drawing down Federal funds.

Department Response

The Department did not concur with the finding and interpreted that a drawdown can be made when the cost is incurred, not paid.

FWS Response

FWS Regional officials acknowledge the finding and requested additional information from the Department to be incorporated into a pending corrective action plan.

OIG Comments

We disagreed with the Department's interpretation on when a drawdown can be made. Based on the United State Code, drawdowns are to be made only after projects are completed or in advance with approval from FWS. Based on the Department and FWS responses, additional information is needed in the corrective action plan including:

- The specific action(s) taken or planned to address the recommendations.
- Targeted completion date.
- Titles of officials responsible for implementing the actions taken or planned.

- Verification that FWS headquarters officials reviewed and approved of actions taken or planned by the Department.

D. Inadequate Equipment Management

Federal regulations found in 43 CFR § 12.72(b) require each State to use, manage, and dispose of equipment acquired under a grant in accordance with its own laws and procedures. The Department’s “Standard Operating Procedures” states that upon receipt of property, items are assigned a property number, which is recorded in the Department’s inventory records. These records must include detailed information on each piece of equipment, such as relevant dates and amounts, descriptions, and the division and program using the item.

The Department, however, did not maintain a comprehensive inventory of its equipment. Although staff in St. Croix and Red Hook kept an inventory of their offices’ equipment, their lists did not contain all the required information. Therefore, to test controls over equipment, we obtained a list of equipment procured with purchase orders in FYs 2009 and 2010. We selected a sample of 34 items and found that six items were not accurately recorded and one item was not being used for its intended purpose, as follows:

- The Department incorrectly issued a property tag for a contractor’s work related to photographing wildlife, which is a service rather than an equipment item.
- Property tag numbers were not readable or were not correctly affixed to five items, including a laptop computer, a car, a hanging scale, a desk, and an all-terrain vehicle.
- One vehicle, purchased for Grant FW-15-18 (Coordination of Federal Aid Activities), was not being used solely for the purposes of that grant.

Because the Department did not follow its own procedures, it could not properly identify and manage all of its equipment purchased with Program funds. Therefore, it cannot ensure that equipment is being used only for intended purposes. These issues also increase the risk of equipment being lost or stolen.

Recommendation

We recommend that FWS ensure the Department follows its “Standard Operating Procedures” to accurately identify and record all equipment.

Department Response

The Department did not concur with the finding but submitted an updated inventory listing.

FWS Response

FWS Regional officials acknowledge the finding and requested additional information from the Department to be incorporated into a pending corrective action plan.

OIG Comments

We were unable to determine whether the inventory listing accurately identifies and records all equipment. Based on the Department and FWS responses, additional information is needed in the corrective action plan including:

- The specific action(s) taken or planned to address the recommendation.
- Targeted completion date.
- Titles of officials responsible for implementing the actions taken or planned.
- Verification that FWS headquarters officials reviewed and approved of actions taken or planned by the Department.

Appendix I

Government of the Virgin Islands
Department of Planning and Natural Resources
Financial Summary of Review Coverage
October 1, 2008, Through September 30, 2010

Grant Number	Grant Amount	Claimed Costs	Questioned Costs (Federal Share)	
			Ineligible	Unsupported
F-7-22	\$52,261	\$28,997		
F-8-18	51,613	28,009		
F-8-19	33,542	19,115		
F-9-14	155,615	37,328		
F-9-15	431,408	77,011		
F-10-16	171,819	124,755		
F-16-REO-1	462,061	374,932		
F-16-REO-2	413,505	122,882	\$15,559	
F-16-REO-3	507,103	222,694		\$2,081
F-17-D-1	705,000	2,191		
F-19-MTBHM-1	97,093	28,569		
FW-14-17	332,374	310,742		
FW-14-18	332,342	245,853		
FW-15-17	230,560	88,317		
FW-15-18	193,290	130,499		
FW-18-6	461,650	461,650	24,650	20,728
FW-18-7	368,900	349,656		
W-17-6	69,575	53,395		2,600
W-17-7	55,813	18,616		
W-20-R-1	35,109	32,695		
W-23-HM-1	146,653	130,775		
W-23-HM-2	122,550	87,635		
W-23-HM-3	110,272	36,713		
W-24-R-1	33,803	29,396		
W-24-R-2	30,717	15,044		
W-25-P-1	\$18,213	\$12,599		
TOTAL	\$5,622,841	\$3,070,068	\$40,209	\$25,409

Appendix 2

**Government of the Virgin Islands
Department of Planning and Natural Resources
Sites Visited**

Department Headquarters
Cyril E. King Airport, St. Thomas

Division of Fish and Wildlife Offices
Frederiksted, St. Croix
Red Hook, St. Thomas

Boat Access Facilities
Altona Lagoon
Frederiksted
Gallows Bay
Hull Bay
Krum Bay

Appendix 3

**Government of the Virgin Islands
Department of Planning and Natural Resources
Status of Audit Findings and Recommendations**

Recommendations	Status	Action Required
<p>A.1.1, A.1.2, A.2.1, A.2.2, C.1, C.2, and D</p>	<p>FWS management acknowledges the recommendations, but additional information is needed as outlined in the “Action Required” column.</p>	<p>Based on the FWS response, additional information is needed in the corrective action plan, as listed in the Findings and Recommendations section under OIG Comments. We will refer the recommendations, if not resolved and/or implemented at the end of 90 days (after February 1, 2012), to the Assistant Secretary for Policy, Management and Budget (PMB) for resolution and/or tracking of implementation.</p>
<p>Repeat Recommendation B</p>	<p>Repeat recommendation from our prior report (No. 2003-E-0001 (X-GR-FWS-0001-2003), Recommendation D.1). PMB considered this recommendation resolved not implemented.</p>	<p>Provide documentation regarding the implementation of this recommendation to PMB.</p>

