



# **Department of the Interior Office of Inspector General**

## **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, 2006, Through June 30, 2008**

**Report No.  
R-GR-FWS-0011-2009**

**January 2010**



# United States Department of the Interior

OFFICE OF INSPECTOR GENERAL  
12030 Sunrise Valley Drive, Suite 230  
Reston, VA 20191

January 29, 2010

## AUDIT REPORT

### Memorandum

To: Director  
U.S. Fish and Wildlife Service

From: Suzanna I. Park *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 State of Utah, Department of Natural Resources, Division of Wildlife Resources, From July 1, 2006, Through June 30, 2008 (No. R-GR-FWS-0011-2009)

This report presents the results of our audit of costs claimed by the State of Utah (State), Department of Natural Resources (Department), 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 (the Program). The audit included claims totaling approximately \$38.9 million on 51 grants that were open during State fiscal years (SFYs) ended June 30 of 2007 and 2008 (see Appendix 1). The audit also covered Division 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 found that the Division did not have adequate controls over equipment and land management systems and access to its network data systems.

We provided a draft report to FWS for a response. We summarized the Division and FWS Region 6 responses and provided our comments on the responses after the recommendations. We list the status of each recommendation in Appendix 3.

Please respond in writing to the findings and recommendations included in this report by April 29, 2010. Your response should include information on actions taken or planned, targeted completion dates, and titles of officials responsible for implementation.

If you have any questions regarding this report, please contact the audit team leader, Mr. W. S. Streifel, or me at 703-487-5345.

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

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# Introduction

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## Background

The Pittman-Robertson Wildlife Restoration Act and the Dingell-Johnson Sport Fish Restoration Act (Acts)<sup>1</sup> established the Wildlife and Sport Fish Restoration Program. Under the Program, 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 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 Division:

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

## Scope

Audit work included claims totaling approximately \$38.9 million on the 51 grants that were open during SFYs 2007 and 2008 (see Appendix 1). We report only on those conditions that existed during this audit period. We performed our audit at Division headquarters in Salt Lake City, UT, and visited a regional office, a fish hatchery, two wildlife management areas, four State parks, two national forests, a research center, a national recreation area, and waterfowl management area (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 performed our 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 conclusions based on our audit objectives. We tested records and conducted auditing procedures

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<sup>1</sup> 16 U.S.C. §§ 669 and 777, as amended, respectively.

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 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 Department used hunting and fishing license revenues solely for administration of the Division; 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 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 Division's operations.

### **Prior Audit Coverage**

On July 9, 2004, we issued "Final Audit Report on U.S. Fish and Wildlife Service Federal Assistance Grants Administered by the State of Utah, Department of Natural Resources, Division of Wildlife Resources, from July 1, 2001 through June 30, 2003" (No. R-GR-FWS-0028-2003). We followed up on all seven recommendations in the report and found that the Department of the Interior, Office of Assistant Secretary for Policy, Management, and Budget considered them resolved and implemented.

We also reviewed Utah's Comprehensive Annual Financial Reports and Single Audit Reports for SFYs 2007 and 2008. The Division's Wildlife and Sport Fish Restoration Programs were identified as major programs and were tested for the SFY 2007 Single Audit only. None of these reports contained any findings that would directly impact the Program grants.

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# Results of Audit

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## Audit Summary

We found that the Division complied, in general, with applicable grant agreement provisions and requirements of the Acts, regulations, and FWS guidance. However, we identified several conditions that resulted in the findings listed below. We discuss the findings in more detail in the Findings and Recommendations section.

**Inadequate Equipment Management.** The Division did not maintain an accurate inventory list nor identify the funding source of all equipment purchased with Program funds and license revenue.

**Inadequate Land Management Records.** The Division could not support accounting entries related to revenue from land transactions and had not reconciled its land records to the FWS for land purchased with Program funds.

**Improper Access to the State's Accounting System.** The Division did not terminate user access privileges to the State's accounting system when staff left employment with the Division.

## Findings and Recommendations

### A. Inadequate Equipment Management

The Division maintains a fixed asset (equipment) inventory system. However, based on our review, the Division's inventory was not accurate and did not identify the funding source of all equipment purchased with Program funds and license revenue. Specifically, we found that the:

- Inventory maintained by the Division's field offices did not include 19 of the 26 items we viewed during our site visits, including a forklift and a bulldozer.
- Division's inventory system did not identify the source of funding (Program funds, license revenues, State funds, etc.) used to purchase equipment. For example, a tractor and an excavator were purchased for \$232,750 (federal share \$183,938) under Grant W-65-M-56, but the inventory did not identify them as Program-funded.

The Code of Federal Regulations (50 C.F.R. 80.18(c)) and the FWS Manual (522 FW 1.16) require that the State account for and control all assets acquired with Program funds. Furthermore, the State of Utah Financial Accounting Policies and Procedures Manual (FAPPM) requires assets purchased with federal funds to be identified and safeguarded as federal property.

The issues arose because (1) the Division's headquarters office depends on the field locations to keep the equipment records current and complete, and (2) the Division did not follow the FAPPM's requirement to record the funding source of all equipment. As a result, the Division risks losing or misplacing its equipment and is unable to ensure that its property is used only for authorized purposes.

### **Recommendations**

We recommend that FWS require the Division to:

1. update its policies and procedures to require the field offices to reconcile their equipment records with headquarters, and
2. identify the funding source of equipment purchased with Program funds and license revenue in the inventory system.

### **Division Response**

The Division concurred with the finding and recommendations and stated that it is revising the Inventory Policy and Procedures for the Accounting of Fixed and Assigned Assets to ensure that fixed assets are properly accounted for, safeguarded, physically inventoried, and reconciled annually with headquarters. The Division also stated that it will identify and record the funding source of (1) inventoried accountable capital equipment for which adequate records are available and (2) all new equipment.

### **FWS Response**

FWS did not have any comments on the finding or recommendations and will consider the Division's comments in preparing the corrective action plan.

### **OIG Comments**

Based on the Division and FWS responses, additional information is needed in the corrective action plan, indicating verification that FWS headquarters officials reviewed and approved of actions taken or planned by the Division.

## **B. Inadequate Land Management Records**

The Division is required to maintain sufficiently detailed land records to ensure that lands purchased with Program funds and license revenues are used for fish and wildlife purposes. However, the Division could not provide supporting documentation for \$302,431 from the sale of land and water rights. As a result, we could not determine whether the lands sold had been originally acquired with Program funds, license revenue, or funds from another source. Furthermore, the Division did not reconcile its land records with FWS land database.

The Code of Federal Regulations (50 C.F.R. § 80.18(c)) requires that States exercise accountability and control of all assets to assure that they serve the purpose for which acquired throughout their useful life. Furthermore, the FWS Director issued a letter in March 2007, requesting each State to maintain a real property management system that includes a comprehensive inventory of lands and to ensure that the inventory is accurate and complete.

Because the Division did not maintain adequate land records and lacked procedures to reconcile real property inventory data with FWS, it could not ensure the accountability and control of lands purchased with Program funds and license revenue.

### **Recommendations**

We recommend that FWS require the Division to:

1. provide detailed support for \$302,431 from the sale of land which identifies the purchase funding sources,
2. establish policies and procedures to document the funding source of all lands acquired with Program funds or license revenue and maintain adequate support for all land and water rights sold, and
3. reconcile its records of lands acquired with Program funds with FWS' records.

### **Division Response**

The Division concurred with the finding and recommendations and stated that it will provide sufficient information regarding the funding source of land and water rights that were sold for \$302,431 and develop and implement policies and procedures to document the funding source for all lands and water rights, which they have acquired. The Division also stated that it will work with FWS to ensure that a reconciliation of land records is completed.

### **FWS Response**

FWS did not have any comments on the finding or recommendations and will consider the Division's comments in preparing the corrective action plan.

### **OIG Comments**

Based on the Division and FWS responses, additional information is needed in the corrective action plan, indicating verification that FWS headquarters officials reviewed and approved of actions taken or planned by the Division.

### **C. Improper Access to the State's Accounting System**

The Division restricts access to the State's accounting system, known as the Financial Information Network (FINET), by providing user identifications (IDs) and passwords to employees who need to access the system. Industry standards and Division policy dictate that employees' access privileges be removed in a timely manner when access is no longer required to perform day-to-day job functions. When employees change job responsibilities, resign, or retire, the Division should terminate their access privileges to maintain the security of information in FINET. We identified 13 former employees who still had active IDs for FINET as of July 2009, and 2 seasonal employees who should not have had access during nonemployment periods.

The Division's Finance Manager informed us that this issue occurred because the Division's exit procedures do not require the removal of terminated employees' access to FINET. Such unauthorized access increases the risk of modification, loss, damage, or theft of valuable information and may ultimately affect data reliability.

#### **Recommendation**

We recommend that FWS ensure the Division implements routine procedures to remove inactive employee's access to FINET.

#### **Division Response**

The Division concurred with the finding and recommendation and stated that it will develop and implement policy that will address the issue of inactive employees still having access to FINET.

#### **FWS Response**

FWS did not have any comments on the finding or recommendation and will consider the Division's comments in preparing the corrective action plan.

#### **OIG Comments**

Based on the Division and FWS responses, additional information is needed in the corrective action plan, indicating verification that FWS headquarters officials reviewed and approved of actions taken or planned by the Division.

**UTAH DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF WILDLIFE RESOURCES  
FINANCIAL SUMMARY OF REVIEW COVERAGE  
JULY 1, 2006, THROUGH JUNE 30, 2008**

Grant Number	Grant Amount	Claimed Costs
F-44-R-27	\$2,832,464	\$3,829,556
F-44-R-28	2,811,376	3,668,438
F-47-R-20	213,359	213,215
F-63-B-23	93,084	73,312
F-63-B-24	112,123	68,470
F-74-R-17	808,968	873,573
F-74-R-18	999,808	898,568
F-79-D-2	252,560	181,583
F-84-M-16	2,682,744	2,867,954
F-84-M-17	3,185,219	3,253,577
F-98-B-43	75,000	75,000
F-98-B-51	83,811	83,810
F-98-B-56	193,680	179,612
F-98-B-57	128,200	57,601
F-98-B-58	39,260	32,579
F-98-B-59	210,700	211,795
F-98-B-60	150,000	150,000
F-98-B-61	365,760	340,067
F-98-B-62	31,371	31,371
F-98-B-63	119,700	98,920
F-98-B-64	269,796	265,973
F-98-B-65	250,963	247,995
F-98-B-66	192,000	192,000
F-98-B-67	387,187	0
F-98-B-68	35,000	35,000
F-98-B-69	232,000	50,701
F-98-B-71	370,000	0
F-98-B-72	16,064	17,111
F-98-B-76	16,068	0
F-101-M-3	22,641	16,850
F-101-M-4	79,494	46,451
F-101-M-5	20,852	20,660

UTAH DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF WILDLIFE RESOURCES  
FINANCIAL SUMMARY OF REVIEW COVERAGE  
JULY 1, 2006, THROUGH JUNE 30, 2008

Grant Number	Grant Amount	Claimed Costs
F-102-M-1	\$135,280	\$117,546
F-102-M-7	30,000	0
F-102-M-8	31,500	0
F-104-M-1	100,000	29,506
FW-16-C-66	275,000	198,983
FW-16-C-67	275,000	294,664
FW-16-C-68	275,000	292,849
W-65-M-54	4,673,887	4,671,853
W-65-M-55	4,711,887	5,823,704
W-65-M-56	5,657,363	6,347,913
W-82-R-51	564,112	360,691
W-82-R-52	540,511	421,672
W-82-R-53	539,631	501,786
W-159-E-5	106,667	148,247
W-159-E-6	106,667	135,814
W-161-E-4	764,371	1,260,099
W-162-R-3	83,827	29,596
W-162-R-4	83,827	82,068
W-163-R-1	72,474	83,025
<b>Totals</b>	<b>\$36,308,256</b>	<b>\$38,881,758</b>

**UTAH DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF WILDLIFE RESOURCES  
SITES VISITED**

**Headquarters**

Salt Lake City, Utah

**Regional Office**

Southeastern Region

**Fish Hatchery**

Whiterocks

**Wildlife Management Areas**

Currant Creek  
Tabby Mountain

**State Parks**

Deer Creek  
Jordanelle  
Rockport  
Utah Lake

**Other Areas**

Antelope Flats Boat Ramp, Flaming Gorge National Recreation Area  
Desert Lake Waterfowl Management Area  
East Park Reservoir, Ashley National Forest  
Great Basin Research Center  
Mill Hollow Reservoir, Uinta-Wasatch-Cache National Forest

**UTAH DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF WILDLIFE RESOURCES  
STATUS OF AUDIT FINDINGS AND RECOMMENDATIONS**

<b>Recommendations</b>	<b>Status</b>	<b>Action Required</b>
<b>A.1, A.2, B.1, B.2, B.3, and C</b>	FWS did not have any comments on the findings or recommendations and will consider the Division's comments in preparing the corrective action plan.	The corrective action plan should include the actions taken or planned to implement the recommendations, titles of officials responsible for implementing the actions taken or planned, targeted completion date(s), and verification that FWS officials reviewed and approved of actions taken or planned by the State. We will refer recommendations not resolved and/or implemented at the end of 90 days (after April 29, 2010) to the Assistant Secretary for Policy, Management and Budget for resolution and/or tracking of implementation.

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