



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 Montana Department of Fish, Wildlife and Parks  
From July 1, 2010, Through June 30, 2012



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

FEB 24 2014

Memorandum

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

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

Subject: Final Audit Report – U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the State of Montana Department of Fish, Wildlife and Parks From July 1, 2010, Through June 30, 2012  
Report No. R-GR-FWS-0011-2013

This report presents the results of our audit of costs claimed by the State of Montana Department of Fish, Wildlife and Parks (Department) 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 audit included claims totaling approximately \$69.3 million on 33 grants that were open during the State fiscal years that ended June 30, 2011, and June 30, 2012 (see Appendix 1). The audit also covered the Department's compliance with applicable laws, regulations, and FWS guidelines, including those related to the collection and use of hunting and fishing license revenues and the reporting of program income.

We found that the Department complied, in general, with applicable grant accounting and regulatory requirements, but we questioned costs totaling \$230,660 of in-kind contributions because volunteers did not certify their time. We also found that the Department did not reconcile its real property records and had not eliminated duplicate license holders in its annual license certifications.

We provided a draft report to FWS for a response on December 4, 2013. In this report, we summarize the Department's and FWS Region 6's responses, as well as our comments. We list the status of the recommendations in Appendix 3.

Please provide us with a corrective action plan based on our recommendations by May 19, 2014. 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.

Please address your response to:

Charles Haman  
Central Region Manager  
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U.S. Department of the Interior  
Office of Inspector General  
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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 the audit team leader, Bill Streifel, at 916-978-5625, or me at 303-236-9342.

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)<sup>1</sup> 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 Montana Department of Fish, Wildlife and Parks (Department)—

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

## Scope

Audit work included claims totaling approximately \$69.3 million on the 33 grants open during the State fiscal years (SFYs) that ended June 30, 2011, and June 30, 2012 (see Appendix 1). We report only on those conditions that existed during this audit period. We performed our audit at Department headquarters in Helena, MT, and visited two regional offices, two area resource offices, two boat access sites, three hatcheries, one fishing access location, and nine wildlife management areas (see Appendix 2). We performed this audit to supplement—not replace—the audits required by the Single Audit Act Amendments of 1996 and by Office of Management and Budget Circular A-133.

## Methodology

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

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

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

Our tests and procedures included—

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

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

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

## **Prior Audit Coverage**

On August 4, 2008, we issued "Audit on U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the State of Montana, Department of Fish, Wildlife and Parks, From July 1, 2005, Through June 30, 2007" (Report No. R-GR-FWS-0004-2008). We reported no findings or recommendations.

We reviewed single audit reports and comprehensive annual financial reports for SFYs 2010 and 2011. Our review of the single audit reports found that the Department's Program grants were considered major programs and assessed them as a medium risk. The reports did not contain any findings that would directly impact the Program grants.

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# Results of Audit

## Audit Summary

We found that the Department complied, in general, with applicable grant agreement provisions and requirements of the Acts, regulations, and FWS guidance. We identified, however, three conditions that resulted in our findings, including questioned costs totaling \$230,660:

- A. Questioned Costs—Unsupported In-Kind Contributions.** We questioned undocumented in-kind costs of \$230,660 used as the match on Program grants.
- B. Unreconciled Real Property Records.** The Department's records have not been reconciled to FWS Region 6 property records.
- C. Inaccurate License Certifications.** The Department did not eliminate duplicate conservation-license holders in its annual license certifications to FWS.

## Findings and Recommendations

### A. Questioned Costs—Unsupported In-Kind Match: \$230,660

Under the Wildlife and Sport Fish Restoration Program, States must use State matching (non-Federal) funds to cover at least 25 percent of costs incurred in performing projects under the grants. The State's matching share of costs on its program grants was composed of non-cash (in-kind) and third-party contributions, which consisted of the value of volunteer instructor hours and third-party contributions from several Montana schools.

All of the volunteer instructors should have individually certified their donations of time, but none did. The Department also used either summary report forms from various Montana public schools or an automated timekeeping system controlled and accessed by the lead instructors to track and value individual in-kind contributions.

The Code of Federal Regulations (2 C.F.R. § 225.55 C1 (j)), which outlines basic guidelines on cost principles, states that for a cost to be allowable under Federal awards, the cost must be adequately documented. In addition, 43 C.F.R. § 12.64 (b)(6), which outlines requirements for matching or cost-sharing records, states that third-party in-kind contributions counting toward satisfying a cost-sharing or matching requirement must be verifiable from the records of grantees and subgrantees. It further states that to the extent feasible, the allocability of volunteer services will be supported by the same methods that the organization uses to support the allocability of regular personnel costs.

The Department did not have adequate procedures requiring volunteers to certify their time and document donated costs. Therefore, the Department was unable to support \$230,660, which resulted in unsupported cost reimbursements for the grants indicated in Appendix 1.

### **Recommendations**

We recommend that FWS work with the Department to:

1. Resolve the \$230,660 of questioned costs related to unsupported in-kind costs; and
2. Establish and implement procedures requiring volunteer instructors to certify their hours worked and to document donated costs.

### **Department Response**

Department officials concurred with the finding and recommendations.

### **FWS Response**

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

### **OIG Comments**

We consider the recommendations resolved but not implemented.

## **B. Unreconciled Real Property Records**

To ensure that real property acquired under Program grants continues to serve its intended purpose, the Department must ensure that its database of real property acquired with Program grant funds is accurate and complete and that it reconciles with land records maintained by FWS. FWS and the Department agreed that their real property records had not been reconciled. FWS had not committed sufficient resources to prepare its records to be reconciled with the Department's records.

According to 50 C.F.R. § 80.90 (previously 50 C.F.R. § 80.18 (c)), the Department is responsible for "the control of all assets acquired under the grant 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. The letter requested each State maintain a real property management system that includes a comprehensive inventory of lands to ensure that its inventory is accurate and complete.

## Recommendations

We recommend that FWS:

1. Commit adequate resources to complete its real property records; and
2. Work with the Department to reconcile their respective records of lands purchased with Program funds.

### Department Response

Department officials did not concur with the finding. The officials requested that the finding and recommendations be rescinded.

### FWS Response

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

### OIG Comments

We consider the recommendations resolved but not implemented.

## C. Inaccurate License Certifications

The Department sells conservation licenses to hunters and fishers before hunting or fishing permits can be purchased. The Department's automated licensing system assigns a unique identifier to each purchaser of a conservation license, and the identifier is used to determine when a licensee has purchased more than one type of permit.

Each State must provide a certified count of hunting and fishing license sales to FWS every year. License certifications are used by FWS to determine the amount of Program funds to be apportioned to each State. Federal regulations (50 C.F.R. § 80.30) require each State to annually certify the number of paid hunting and fishing license holders to FWS. In addition, 50 C.F.R. § 80.31(b)(3) requires States to eliminate multiple counting of the same individual.

The Department, however, did not eliminate duplicate counting of individuals that purchased more than one conservation license during SFYs 2011 and 2012. According to Department officials, the Department did not ensure that its automated licensing system had properly eliminated multiple counting of individuals who purchased more than one conservation license before submitting its license certification data to FWS.

By reporting a higher number of license certifications than it actually had, the Department may have received a larger apportionment of Program funds from FWS.

**Recommendation**

We recommend that FWS require the Department to ensure that its license certifications do not include duplicate counting of conservation licenses.

**Department Response**

Department officials concurred with the finding and recommendation.

**FWS Response**

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

**OIG Comments**

We consider the recommendation resolved but not implemented.

# Appendix I

State of Montana  
Department of Fish, Wildlife and Parks  
Financial Summary of Review Coverage  
July 1, 2010, Through June 30, 2012

Grant Number	Federal Project Number	Grant Amount	Claimed Costs	Unsupported Costs
F-109-D-2		\$1,658,370	\$1,546,524	
F-109-D-3	F11AF01082	2,219,603	2,837,850	
F-113-R-11		6,101,213	5,366,305	
F-113-R-12	F11AF01185	6,355,019	5,773,138	
F-119-B-3		301,000	207,178	
F-119-B-4		75,057	93,822	
F-122-LB-3		387,000	411,239	
F-128-B-1		85,100	43,282	
F-130-B-1		265,604	255,863	
F-131-B-1	F11AF01045	62,743	83,225	
F-132-B-1	F11AF01149	166,140	237,567	
F-133-LB-1	F11AF01150	421,340	704,987	
F-134-B-1	F11AF01199	1,224,292	2,155,306	
F-135-B	F12A00123	73,769		
F-51-D-22	F10AF00719	366,667	366,667	
F-51-D-23		2,925,999	2,813,682	
F-51-D-24	F11AF01219	2,796,431	2,773,148	
F-61-E-21		528,314	515,837	
F-61-E-22	F11AF01190	507,564	507,565	\$123,516
F-69-B-3		283,710	218,127	
F-89-R-14		49,260	39,069	
F-94-B-3		3,291,000	2,594,833	
F-95-B-15		673,211	795,316	
F-95-B-16	F11AF01177	201,767	400,443	
FW-9-D-1		1,108,244	2,230,611	
FW-9-D-2	F11AF01065	204,607	192,979	
W-133-E-41		583,742	583,742	39,663
W-133-E-42		845,820	845,534	67,481
W-154-R-11		8,602,228	7,687,297	

<b>Grant Number</b>	<b>Federal Project Number</b>	<b>Grant Amount</b>	<b>Claimed Costs</b>	<b>Unsupported Costs</b>
<b>W-154-R-12</b>	F11AF01206	\$9,077,732	\$8,449,712	
<b>W-155-L-1</b>		16,000,000	18,461,623	
<b>W-155-L-2</b>	F12AF01161	150,638	150,638	
<b>W-156-R-1</b>	F11AF01282	533,974		
<b>Total</b>		<b>\$68,127,158</b>	<b>\$69,343,109</b>	<b>\$230,660</b>

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# Appendix 2

**State of Montana  
Department of Fish, Wildlife and Parks  
Sites Visited**

**Headquarters**

Helena

**Regional Offices**

Region 4 Great Falls

Region 6 Glasgow

**Area Resource Offices**

Havre

Lewistown

**Boat Access**

Eureka Reservoir

Lewis and Clark

**Hatchery**

Big Springs Trout Hatchery

Fort Peck State Fish Hatchery

Giant Springs Trout Hatchery

**Fishing Access**

Brewery Flats

**Wildlife Management Areas**

Beckman

Blackleaf

Bowdoin

Dodson Creek

Ear Mountain

Freezeout Lake

Hinsdale

Sun River

Vandalia

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# Appendix 3

**State of Montana**  
**Department of Fish, Wildlife and Parks**  
**Status of Audit Findings and Recommendations**

Recommendations	Status	Action Required
A.1, A.2, B.1, B.2, and C	FWS regional officials concurred and will work with the Department on a corrective action plan.	Based on the FWS response, the corrective action plan should include 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 Department.

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