



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 Commonwealth of Massachusetts, Division of
Marine Fisheries, From July 1, 2012, Through June 30, 2014

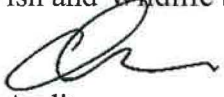


**OFFICE OF
INSPECTOR GENERAL**
U.S. DEPARTMENT OF THE INTERIOR

FEB 04 2016

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 Sport Fish Restoration Program Grants Awarded to the Commonwealth of Massachusetts, Department of Fish and Game, Division of Marine Fisheries, From July 1, 2012, Through June 30, 2014
Report No. 2015-EXT-006

This report presents the results of our audit of costs claimed by the Commonwealth of Massachusetts (Commonwealth), Department of Fish and Game, Division of Marine Fisheries (Division), under grants awarded by the U.S. Fish and Wildlife Service (FWS). FWS provided the grants to the Commonwealth under the Sport Fish Restoration Program (Program). The audit included claims totaling \$6.1 million on 20 grants that were open during the State fiscal years (SFYs) 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 fishing license revenues and the reporting of program income.

We found that the Division complied, in general, with applicable grant accounting and regulatory requirements. We questioned costs totaling \$121,168, as unallowable, due to improperly charging a person's salary and excessive overtime compensation. We also found that the Division had not: 1) reported the correct number of unique license holders on the License Certification for SFY 2011, and 2) submitted its Federal financial reports in a timely manner.

We provided a draft report to FWS for a response. In this report, we summarize the Division's and FWS Region 5'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 May 4, 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:

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The legislation creating the Office of Inspector General requires that we report to Congress semiannually on all audit, inspection, and evaluation 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 5, U.S. Fish and Wildlife Service

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Introduction

Background

The Dingell-Johnson Sport Fish Restoration Act (Act)¹ established the 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 resources. The Act 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 Act also requires that 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 Commonwealth of Massachusetts, Division of Marine Fisheries (Division):

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

Scope

Audit work included claims totaling approximately \$6.1 million on the 20 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 Boston, MA, and visited two field offices, one field station, one fish hatchery, two fishing piers, and one beach property (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. § 777, as amended.

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 fishing license revenues solely for the administration of fish program activities; and
- determining whether the Commonwealth passed required legislation assenting to the provisions of the Act.

We also identified the internal controls over transactions recorded in the payroll and 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 August 12, 2010, we issued "U.S. Fish and Wildlife Service Sport Fish Restoration Program Grants Awarded to the Commonwealth of Massachusetts, Division of Marine Fisheries, From July 1, 2007 Through June 30, 2009" (No. R-GR-FWS-0009-2010). We followed up on the report's one recommendation and found that the U.S. Department of the Interior, Office of Assistant Secretary for Policy, Management and Budget considered it to be resolved and implemented.

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 Program grants.

Results of Audit

Audit Summary

We found that the Division complied, in general, with applicable grant agreement provisions and requirements of the Act, regulations, and FWS guidance. We identified, however, the following conditions that resulted in our findings including questioned costs totaling \$\$121,168 (Federal Share).

A. Questioned Costs—\$121,168.

- 1. Improper charging of personnel salary as both direct and indirect costs.** The Division improperly charged a staff member's salary as both direct and indirect costs to annual Federal coordination grants. The questioned amount totaled \$63,597 (Federal share).
- 2. Excessive overtime compensation.** The Division reported and received excessive overtime compensation because of a miscalculation of overtime hours. The questioned amount totaled \$57,571 (Federal share).

B. Inadequate license certification—elimination of duplicate license holders. The Division overstated the number of unique license holders on the SFY 2011 license certification.

C. Late Federal financial reports (FFRs). The Division did not submit required FFRs in a timely manner.

Findings and Recommendations

A. Questioned Costs—\$121,168

1. Improper charging a person's salary as both direct and indirect costs (\$63,597)

The Division improperly charged one staff member's salary as both direct and indirect costs to annual Federal aid coordination grants. Specifically, the Division directly charged grants for an employee's salary, an accountant IV, which were already included in the indirect cost rates for SFYs 2013 and 2014.

The questioned costs resulted from improper charges during the audit period totaling \$63,597 (Federal share, see Figure 1).

Grants	F13AF00984	F12AF00961†	Total
Direct Salary Cost	\$34,303	\$32,901	\$67,204
Fringe 26.26%	9,008	0	9,008
Payroll 1.42%	487	0	487
Indirect Cost Rate 23.60%	8,096	0	8,096
Total Questioned Costs	\$51,894	\$32,901	\$84,795
	x 75% Federal Share	x 75% Federal Share	
Federal Share of Questioned Costs	\$38,921	\$24,676	\$63,597
† No fringe, payroll, and indirect cost rates were applied to grant F12AF00961.			

Figure 1. Questioned costs—improper salary charges to grants.

According to Federal regulation 2 C.F.R. § 225, Appendix A, Section D (2): “There is no universal rule for classifying certain costs as either direct or indirect under every accounting system. . . . Therefore, it is essential that each item of cost be treated consistently in like circumstances either as a direct or an indirect cost.”

Management failed to exclude one employee’s salary from the indirect cost pool when her duties and office location changed from Boston, MA, to Gloucester, MA, which occurred 3 years ago. As a result, the Division improperly charged the employee’s salary to two grants as both direct and indirect costs.

We question costs of \$63,597, therefore, for the Division’s improper charging of employee’s salary to two grants as both direct and indirect costs.

Recommendation

We recommend that FWS:

- I. Resolve the questioned costs of \$63,597 (\$38,921 related to grant F13AF00984 plus \$24,676 related to grant F12AF00961) for direct costs charged to the grants for a person’s salary included in the indirect cost pool.

Division Response

The Division concurs with the finding and intends to work with FWS Region 5’s Wildlife and Sport Fish Restoration Office to resolve the issues addressed in the draft report.

FWS Response

FWS concurs with the auditor's finding and recommendation identified in the draft audit report and has reviewed and accepted the Division's response. The Service will work closely with the Division staff in developing and implementing a corrective action plan that will resolve the finding and recommendation.

OIG Comments

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

2. Excessive overtime compensation (\$ 57,571).

When Division employees work beyond their normal work hours, they are eligible to receive overtime pay. When employees work overtime, they are required to record the duration of work hours (starting and ending time) and total overtime hours on their overtime request form.

Based on our judgmental review of three employees, we determined that they consistently overstated their overtime hours under grants of Massachusetts Fishery Resource Assessment in 2012 (F12AF00099) and 2013 (F13AF00647). For instance, these employees miscalculated the total overtime hours on their overtime request form, which ranged from 3 hours to 9 hours, by including the nonpayable 30-minute meal time into their total overtime hours. As a result, the Division charged overtime costs that did not represent the actual number of overtime hours employees worked, and they received excess overtime compensation based on overtime rates.

We question, therefore, the overtime costs that were charged against these grants, Massachusetts Fishery Resources Assessment, for a total of \$57,571 (Federal share consisting of \$31,766 for F12AF00099, and \$25,805 for F13AF00647, see Figures 2 and 3).

Grant F12AF00099	
Overtime costs (January-June 2012)	\$17,575
Indirect cost rate, 21.14%, on overtime (January-June 2012)	3,715
Overtime costs (July-December 2012)	17,042
Indirect cost rate, 23.60%, on overtime (July-December 2012)	4,022
Total Questioned Costs	\$42,354
	x 75% Federal Share
Federal Share of Questioned Costs	\$31,766

Figure 2. Questioned costs—excessive overtime on grant F12AF00099.

Grant F13AF00647	
Overtime costs (June 2013)	\$8,594
Indirect cost rate, 23.6%, on overtime (June 2013)	2,028
Overtime costs (July-December 2013)	19,243
Indirect cost rate, 23.60%, on overtime (July-December 2013)	4,541
Total Questioned Costs	\$34,406
	x 75% Federal Share
Federal Share of Questioned Costs	\$25,805

Figure 3. Questioned costs—excessive overtime on grant F13AF00647.

Federal regulation 2 C.F.R. § 225, Appendix B, section 8.h.(1) provides that charges to Federal awards for salaries and wages must be based on payrolls documented in accordance with generally accepted practices of the governmental unit and approved by a responsible official of that unit.

Regulations 2 C.F.R. § 225, Appendix B, sections 8.h.(4) and (5) also state that where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports that must: 1) reflect an after-the-fact distribution of the actual activity of each employee, 2) account for the total activity for which each employee is compensated, and 3) be signed by the employee.

According to Massachusetts General Laws (Chapter 149, section 100), no person shall be required to work more than 6 hours during a calendar day without an interval of at least 30 minutes for a meal.

This issue arose for two reasons. First, the Division did not have policies and procedures in place to ensure proper calculation for overtime hours. Second, the Division does not have sufficient oversight and procedures in place to verify the accuracy of overtime costs that are charged to the Federal grants.

The Division was excessively reimbursed for overtime costs that did not represent the actual number of overtime hours employees worked on Program grants. We question, therefore, the overtime hours charged to grants, Massachusetts Fishery Resource Assessment in 2012 (\$31,766 for F12AF00099) and 2013 (\$25,805 for F13AF00647), a total of \$57,571.

Recommendations

We recommend that FWS:

2. Resolve the questioned costs of \$57,571 (\$31,766 related to grant F12AF00099 plus \$25,805 related to grant F13AF00647).
3. Require the Division to implement policies and procedures to ensure that only eligible costs associated with overtime are charged to the Program's grants.

Division Response

The Division concurs with the findings and intends to work with FWS Region 5's Wildlife and Sport Fish Restoration Office to resolve the issues addressed in the draft report.

FWS Response

FWS concurs with the auditor's findings and recommendations identified in the draft audit report and has reviewed and accepted the Division's response. FWS will work closely with the Division's staff in developing and implementing a corrective action plan that will resolve the finding and recommendations.

OIG Comments

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

B. Inadequate License Certification—Elimination of Duplicate License Holders

All States provide a certified count of paid fishing license holders to FWS each year. FWS uses the license certifications to determine the amount of Program funds to be apportioned to each State.

Based on our review, the Division did not report the correct number of unique license holders on the SFY 2011 license certification. Specifically, although the Division in its initial analysis identified and eliminated duplicate license holders, it reported the total number of unique license holders using an incorrect formula that overstated the count of paid license holders.

Federal regulations 50 C.F.R., Subpart D, § 80.31(a)(2) and (b)(3) require State fish and wildlife agencies to annually certify the number of paid fishing license holders, and require eliminating multiple counts of the same individuals. Essentially, States may count each individual sport fish license holder only once in the annual certification.

Although the Division overstated its sport fish license holders by 13,608 for SFY 2011, the overreporting may not affect the Commonwealth's apportionment of Program funds because the Commonwealth typically receives the minimum annual apportionment of 1 percent of funds available.

Recommendation

4. We recommend FWS work with the Division to ensure that it reports the correct number of unique license holders on the annual license certifications.

Division Response

The Division concurs with the finding and intends to work with FWS Region 5's Wildlife and Sport Fish Restoration Office to resolve the issue addressed in the draft report.

FWS Response

FWS concurs with the auditor's finding and recommendation identified in the draft audit report and has reviewed and accepted the Division's response. FWS will work closely with Division staff in developing and implementing a corrective action plan that will resolve the finding and recommendation.

OIG Comments

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

C. Late Federal Financial Reports

Grantees are required to file an FFR with FWS within 90 days after the end of the grant period. FWS can extend this reporting period for an additional 90 days. Based on our review of the 20 grants included in the audit universe, we found 8 grants with FFRs submitted an average 48 days after the original, or if applicable, extended due date; and 2 grants with FFRs, due in December 2014, had not been submitted by March 5, 2015 (see Figure 4).

Grant Number	Due Date	Date Submitted	Days Late	Extension
FI2AF00099	6/28/2013	8/13/13	46	Y
FI2AF00160	6/28/2013	8/14/13	47	Y
FI2AF00193	6/28/2013	8/13/13	46	Y
FI2AF00194	6/28/2013	8/13/13	46	Y
FI2AF00257	6/28/2013	8/13/13	46	Y
FI2AF00709	6/28/2013	8/13/13	46	Y
FI2AF00715	4/30/2014	6/30/14	61	N
FI2AF00961	9/28/2013	11/19/13	52	N
FI3AF00998	12/27/2014	Not Yet Submitted		Y
FI3AF00999	12/27/2014	Not Yet Submitted		Y

Figure 4. Late Federal financial reports.

Federal Regulation 43 C.F.R. § 12.952(a)(1)(iv) requires final financial reports be submitted no later than 90 calendar days after the end of the reporting period. Extensions of reporting due dates may be approved by FWS when requested by the grantee. FWS guidance for financial and performance reporting published on May 15, 2009, however, states that only one extension may be approved for up to a maximum of 90 days. In addition, 43 C.F.R. § 12.60 relating to the standards for financial management systems, states that fiscal control and accounting procedures must be sufficient to permit preparation of financial reports.

This issue arose even though FWS approved reporting extensions for 8 of the 10 grants. Commonwealth personnel explained that additional time was necessary to coordinate with the Commonwealth's accounting office on final drawdowns.

Until the Division implements a process to ensure that final FFRs comply with reporting requirements, FWS may not be able to rely on the FFRs to determine whether Program funds have been expended appropriately and whether grant objectives were met.

Recommendation

5. We recommend that FWS work with the Division to ensure timely submission of Federal financial reports and ensure that appropriate extensions are filed.

Division Response

The Division concurs with the finding and intends to work with FWS Region 5's Wildlife and Sport Fish Restoration Office to resolve the issues addressed in the draft report.

FWS Response

FWS concurs with the auditor's finding and recommendation identified in the draft audit report and has reviewed and accepted the Division's response. FWS will work closely with Division staff in developing and implementing a corrective action plan that will resolve the finding and recommendation.

OIG Comments

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

Appendix I

Commonwealth of Massachusetts,
Division of Marine Fisheries
Grants Open during the Audit Period
July 1, 2012 Through June 30, 2014

FBMS Grant Number	Grant Amount	Claimed Costs	Unallowable Costs
F04AF00017	\$1,004,261	\$1,040,719	\$0
FI2AF00099	422,495	417,583	31,766
FI2AF00160	286,314	281,452	0
FI2AF00193	820,460	461,980	0
FI2AF00194	589,420	552,417	0
FI2AF00257	555,869	658,668	0
FI2AF00259	146,701	60,833	0
FI2AF00709	159,635	195,217	0
FI2AF00715	147,350	147,350	0
FI2AF00961	178,000	160,172	24,676
FI3AF00235	273,553	280,716	0
FI3AF00647	289,344	323,506	25,805
FI3AF00984	249,000	249,542	38,921
FI3AF00998	736,179	552,134	0
FI3AF00999	707,981	446,184	0
FI4AF00243	290,373	265,516	0
FI4AF00244	376,828	0	0
FI4AF00245	134,928	0	0
FI4AF00322	342,243	0	0
FI4AF00324	513,379	0	0
TOTAL	\$8,224,313	\$6,093,989	\$121,168

Appendix 2

**Commonwealth of Massachusetts
Division of Marine Fisheries
Sites Visited**

Headquarters

Division of Marine Fisheries Headquarters (Boston)

Field Offices

Quest Campus (New Bedford)

Naval Reserve Center Campus (New Bedford)

Field Station

Annisquam River Marine Fisheries Station (Gloucester)

Fish Hatchery

East Sandwich Hatchery (Sandwich)

Fishing Piers

Oak Bluffs Fishing Pier (Oak Bluff)

Bass River Fishing Pier (South Yarmouth)

Other

Leland Beach (Edgartown)

Appendix 3

**Commonwealth of Massachusetts
Division of Marine Fisheries
Status of Audit Recommendations**

Recommendations	Status	Action Required
1, 2, 3, 4 and 5	<p>We consider the recommendations resolved but not implemented.</p> <p>FWS regional officials concurred with findings and recommendations and will work with the Division on a corrective action plan.</p>	<p>Complete a corrective action plan that includes information on action(s) taken or planned to address the recommendations, targeted completion dates, title(s) of the official(s) responsible for implementing the action taken or planned, and verification that FWS Headquarters officials reviewed and approved of the actions taken or planned by the Division.</p> <p>We will refer the recommendations not implemented at the end of 90 days (after May 4, 2016) to the Assistant Secretary for Policy, Management and Budget for tracking of implementation.</p>

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