



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 to the State of South Dakota, Department of Game,
Fish, and Parks, From July 1, 2010, Through June 30, 2012



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

June 4, 2013

Memorandum

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

From: Hannibal M. Ware *H. Ware*
Eastern Regional 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 South Dakota, Department of
Game, Fish, and Parks, From July 1, 2010, Through June 30, 2012
Report No. R-GR-FWS-0003-2013

This report presents the results of our audit of costs claimed by the State of South Dakota, Department of Game, Fish, 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 \$37.2 million on 36 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. The Department, however, lost control of its real property (repeat finding) and did not reconcile its land records with FWS.

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

Please provide us with a corrective action plan based on our recommendations by September 2, 2013. The plan should include information on the actions you and the Department have taken or are planning to take to address the recommendations, the 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.

Please address your response to:

Hannibal M. Ware
Eastern Regional Manager
For Audits, Inspections, and Evaluations
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Office of Inspector General, Eastern Region
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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, Lori Howard at 703-487-5345, or me at 703-487-8058.

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 South Dakota (State), Department of Game, Fish, 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 \$37.2 million on the 36 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 Pierre, SD, and visited two wildlife division offices, two fish hatcheries, four game production areas, and six other locations, which included the Elk Access Program sites, the Outdoor Campus West, the Lower Oahe Waterfowl Access Program sites, the Rapid City Trap and Skeet Club, and the Snyder and Staben Controlled Hunter Access sites (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

¹ 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.

Prior Audit Coverage

On April 17, 2009, we issued "U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the State of South Dakota, Department of Game, Fish, and Parks From July 1, 2006 Through June 30, 2008 (R-GR-FWS-0002-2009)." We followed up on the two 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 both recommendations resolved but not implemented. As discussed in the "Findings and Recommendations" section of this report, we are repeating the two unimplemented recommendations, which deal with loss of control of real property. Documentation on the implementation of repeat recommendations should be sent to PMB.

We reviewed single audit reports and comprehensive annual financial reports for SFYs 2010 and 2011. None of these reports contained any findings that would directly affect the Program grants.

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, the following conditions that resulted in our findings.

- A. Loss of Control of Real Property.** We repeated the two recommendations from our prior audit report. Similar conditions exist since the Department has not committed any resources to correcting the internal control weaknesses.
- B. Unreconciled Real Property Records.** The Department had not reconciled its Program-funded, real property records with those of FWS and could not provide an accurate database of lands purchased with Program funds or license revenue.

Findings and Recommendations

A. Loss of Control Of Real Property

In the prior audit (Report No. R-GR-FWS-0002-2009), we found that the Department was aware of land encroachments but took no action to either correct or mitigate deficiencies. We requested information from the Department about the status of the prior audit findings and found that the issues are still in the process of being resolved:

- Under a memorandum of agreement (MOA),² the Department's Parks and Wildlife Divisions divided the management, operations, and maintenance responsibilities for their lands to improve efficiency. As a result, the Parks Division granted the City of Madison a legal easement to build a bike trail at the Johnson's Point fishing access site, even though that property was purchased with Program funds. Managers in the Wildlife Division informed us that the Parks Division did not obtain their approval for the easement and that the MOA should be renegotiated to ensure that the Wildlife Division's lands are not managed as recreational properties.
- Under the MOA's management authority, the Parks Division issued an adjoining land owner a permit to access his property from Johnson's Point. Even though the permit was not renewed after 2005, the landowner still crosses the Wildlife Division's land and accesses his land through an unauthorized gate in the fence line dividing the two properties.

² The "Memorandum of Agreement Between the Division of Game and Fish and the Division of Parks and Recreation of the Department of Game, Fish and Parks on the Subject of the Motor Boat Fuel Fund and Associated Land Management Transfers" was dated November 14, 1977, and amended in 1992.

- At the Clear Lake game production area (GPA), five adjoining landowners have built structures (sheds, a trailer house, and a garage), moved a road onto GPA land, and stored a truck and boats on GPA land.
- At Dry Lake #2 GPA, an adjoining landowner has stored farm equipment and a grain bin on GPA land. We have learned recently that the farm equipment has been removed and the grain bin is no longer used, but since the bin remains on Program-purchased property, its disposal should be resolved.
- At Wentworth GPA, an adjoining landowner moved a property line about 10 feet onto the GPA and also planted crops on a GPA access road so that hunter access to the GPA was blocked. Although we learned recently that this situation has been mitigated and the State considers it to be resolved and implemented, the State has not submitted documentation to PMB to instigate the closure of this portion of the finding.

According to 50 C.F.R. § 80.90, 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.”

The Department has not made the resolution of the prior audit findings a priority, and there has been limited progress made since 2009. The Department stated that progress has been hindered by the complexity of the issues. As a result, the Department cannot ensure the lands encroached upon are available for their originally intended purposes.

We reported these conditions in our prior audit report (Report No. R-GR-FWS-0002-2009). We are therefore repeating recommendations A.1. and A.2. from that report, which will be tracked under the resolution process for the prior audit.

Repeat Recommendations

We recommend that FWS work with the Department to:

1. Resolve the encroachment issues on lands purchased with Program funds and license revenue; and
2. Establish a procedure to periodically review its lands for encroachments and resolve any identified issues.

Department Response

Department officials acknowledged the findings and recommendations and will work with FWS on a corrective action plan.

FWS Response

FWS Regional officials concurred with the findings 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

The State must ensure that its database of real property acquired with Program funds and license revenue reconciles with land records maintained by FWS. FWS and the Department agreed that reconciliation had not been performed.

Department officials stated that FWS has been unable to commit resources to the reconciliation. Even though the Department concurs with the finding, the Department stated that the real property records at the State level are accurate and complete and question the finding because it is beyond the State’s control as to when the reconciliation can be completed.

Until a reconciliation of real property records between the Department and FWS can be completed, the Department cannot ensure that its lands acquired under the Program are being used for their intended purposes.

Recommendation

We recommend that FWS work with the Department to reconcile their respective records of lands purchased with Program funds.

Department Response

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

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 South Dakota
Department of Game, Fish, and Parks
Financial Summary of Review Coverage
July 1, 2010, Through June 30, 2012

Grant Number	Grant Amount	Claimed Costs
F-15-R-45	\$791,309	\$656,115
F-15-R-46	1,085,406	943,831
F-21-R-43	1,237,950	1,102,796
F-21-R-44	1,282,600	1,086,827
F-38-DB-48	1,550,000	966,893
F-38-DB-49	852,400	452,453
F-38-DB-50	2,183,800	1,937,992
F-38-DB-51	772,200	274,360
F-41-D-20	1,322,590	1,322,591
F-41-D-21	2,868,495	2,868,495
F-43-D-22	188,200	90,860
F-43-D-23	489,900	78,131
F-43-D-24	441,000	347,342
F-45-E-24	198,000	135,717
F-45-E-25	108,000	108,000
F-111-D-3	280,442	280,443
F-111-D-4	293,000	365,000
F-111-D-5	309,742	309,743
F-W-23-D-1	2,651,000	1,114,684
W-75-R-53	1,162,486	1,071,370
W-75-R-54	1,265,110	1,216,185
W-81-D-52	2,427,290	2,674,050
W-81-D-53	2,899,717	2,621,191
W-95-R-44	701,000	644,743
W-95-R-45	762,000	646,025
W-96-E-39	492,266	356,619
W-96-E-40	466,000	347,343
W-117-L-20	375,645	275,353
W-117-L-21	313,141	275,977
W-142-E-6	542,688	403,123
W-142-E-7	207,317	193,123
W-148-L-1	396,850	396,851
W-149-L-1	1,730,150	1,730,151
W-150-C-1	32,000	32,000
W-150-C-2	32,000	0
W-151-L-1	9,847,309	9,847,309
Total	\$42,559,003	\$37,173,686

Appendix 2

**State of South Dakota
Department of Game, Fish, and Parks
Sites Visited**

Headquarters

Pierre

Wildlife Division Offices

Fort Pierre

Rapid City

Fish Hatcheries

Cleghorn Springs (Rapid City)

McNenny (Spearfish)

Game Production Areas

Battle Mountain (Hot Springs)

Cox Lake (Spearfish)

Friendshuh (Hot Springs)

Mirror Lake (Spearfish)

Other Offices and Programs

Elk Access Program (Wind Cave National Park)

Lower Oahe Waterfowl Access Program (Fort Pierre)

Outdoor Campus-West (Rapid City)

Snyder Controlled Hunting Access Program (Meade County)

Staben Controlled Hunting Access Program (Fall River County)

Trap and Skeet Club (Rapid City)

Appendix 3

**State of South Dakota
Department of Game, Fish, and Parks
Status of Audit Findings and Recommendations**

Recommendations	Status	Action Required
A.1, A.2, and B	FWS management concurred with the recommendations, but additional information is needed.	<p>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.</p> <p>We will refer the recommendations not resolved or implemented at the end of 90 days (after September 2, 2013) to the Assistant Secretary for Policy, Management and Budget for resolution or tracking of implementation.</p>

Report Fraud, Waste, and Mismanagement



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