



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 Hawaii, Department of Land and Natural Resources From
July 1, 2013, Through June 30, 2015



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

Memorandum

NOV 27 2017

To: Gregory Sheehan
Acting Director, U.S. Fish and Wildlife Service

From: Charles Haman 
Audit Manager

Subject: Final Audit Report – U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the State of Hawaii, Department of Land and Natural Resources From July 1, 2013, Through June 30, 2015
Report No. 2016-EXT-042

This audit report presents the results of our audit of costs claimed by the State of Hawaii (State), Department of Land and Natural Resources (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 (Program). The audit included claims totaling \$18.4 million on 30 grants that were open during the State fiscal years that ended June 30, 2014, and June 30, 2015 (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, did not properly manage program income. In addition, it inappropriately allowed grant-funded facilities to be used for non-grant activities.

We provided a draft report to FWS for its response to our recommendations. In this report, we note that FWS concurs with our recommendations and will work with the Department to implement 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 February 20, 2018. The response 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 AIE_Reports@doioig.gov. If you are unable to submit your response electronically, please send your response to me at:

U.S. Department of the Interior
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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 me at 303-236-9243.

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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 wildlife and sport fish 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 Hawaii (State), Department of Land and Natural Resources (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 \$18.4 million on the 30 grants open during the State fiscal years (SFYs) that ended June 30, 2014, and June 30, 2015 (see Appendix 1). We report only on those conditions that existed during this audit period. We performed our audit at the Headquarters office in Honolulu, and visited several other sites throughout the State (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.

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

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.

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 December 13, 2011, we issued audit report on “U.S. Fish and Wildlife Service Wildlife and Sport fish Restoration Program Grants Awarded to the State of Hawaii, Department of Land and Natural Resources, From July 1, 2008, through June 30, 2010” (R-GR-FWS-0009-2011). We followed up on all recommendations in the report and found that the U.S. Department of the Interior,

Office of the Assistant Secretary for Policy, Management and Budget, considered the recommendations resolved and implemented.

We reviewed Single Audit reports for SFYs 2014 and 2015 in which the Program was identified as a major program for audit purposes. The reports identified some findings relating to the management of Federal funds, but did not identify significant deficiencies pertaining to 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.

Improper Program Income Management

- A. The Department did not use Hunter Education Program income in furtherance of hunter education grant objectives and did not report all program income.

Inappropriate Use of a Grant-Funded Facility

- B. The Department allowed non-profit entities to use one of its hunter education facilities.

Findings and Recommendations

We provided a draft report to FWS and the Department for review. The Department agreed with the recommendations and has begun to take the requested actions. In its response dated October 12, 2017, FWS concurred with all four recommendations and will work with the Department to implement corrective actions. We therefore consider all four recommendations resolved but not yet implemented (see Appendix 3).

A. Improper Program Income Management

FWS awarded the Department annual grants for the State's Hunter Education Program. The State's Division of Conservation and Resource Enforcement (DOCARE) administers the Hunter Education Program and earns program income through a fee for issuing replacement certificates when a hunter's original class completion certificate is damaged or misplaced. DOCARE earned a total of \$5,593 for SFYs 2013, 2014, and 2015. The program income was deposited, however, into an account controlled by the Division of Forestry and Wildlife. DOCARE was therefore not able to spend the program income on grant-related activities as required by the regulations. In addition, of the \$5,593 collected, \$1,387 was not properly reported on the Federal financial form.

The Code of Federal Regulations (43 C.F.R. § 12.65(b)) defines program income as gross income a grantee receives that is "directly generated by a grant supported activity, or earned only as a result of the grant agreement during the grant period." In addition, 50 C.F.R. §80.123 (b)(2)(ii) requires the grantee to spend program income using the applicable method approved in the grant award. Regulations 43

C.F.R. § 12.60(a)(1)(2) also require that each State’s fiscal control and accounting procedures must be sufficient to permit (1) preparation of required reports, and (2) tracing, through its financial management system, funds at a level that is adequate to demonstrate compliance with grant provisions.

Instructions for completing lines 10.1 to 10.o on the Federal Financial Report require reporting the amount of Federal program income earned, the amount expended in accordance with the approved method to further eligible project or program activities, and the unexpended program income.

We identified \$5,593 in program income for the three hunter education grants. DOCARE does not have a mechanism to collect revenue in the State’s accounting system for the Hunter Education Program. The moneys were therefore deposited into the Wildlife Revolving Fund of the Division of Forestry and Wildlife. DOCARE was not notified that the program income was available for its use, and was therefore unable to use the program income on hunter education activities.

Further, the program income of \$1,387 for FY 2015 was not included on the financial report because of a vacancy in the accounting position in DOCARE. In addition, the fiscal office at the Department was not involved in the review and submission of the financial reports. As a result, the Department did not properly (1) use the program income for the grants on which it was earned, and (2) report \$1,387 in program income.

Recommendations

We recommend that the FWS:

1. Resolve the program income of \$5,593 collected from hunter education activities.
2. Ensure that earned program income is used for grant purposes on the appropriate grant.
3. Require the Department to follow the policies and procedures to ensure program income is reported correctly.

B. Inappropriate Use of a Grant-Funded Facility

FWS awarded the Department grants for its Hunter Education Program, which provides hunter education courses at designated facilities. Specifically, the facility constructed in Waimea was funded by a FWS grant to provide hunter education classes to the public. The property is maintained with hunter education funds. Previous Department staff allowed various non-profit entities to use the facility for activities not related to hunter education. The Department did not charge any

fees for the use of the facility, however, the Department incurred costs to open and maintain the facility for non-profit entities. One non-profit entity asserted that it used the facility for a hunter education-related purpose and provided hunter education in-kind support, however, there is no supporting documentation to substantiate its claim.

The Code of Federal Regulations (50 C.F.R. § 80.134 (b)) states that if a grant funds construction of a capital improvement, the agency must use the capital improvement for the purpose authorized in the grant during the useful life of the capital improvement. Regulation 50 C.F.R. § 80.134 (c) states that if a grant funds the management, operation, or maintenance of a parcel of land or a capital improvement, the agency must use it for the purpose authorized in the grant during the grant period. The Department does not have a policy in place to control the use of the facility for secondary uses.

The Department incurred costs for staff time, paid by FWS grant funds, to accommodate and support the secondary use of the facility by non-profit entities for purposes not related to hunter education.

Recommendation

We recommend that FWS:

4. Ensure that grant-funded properties are used for only grant-permitted uses, or that the Program is compensated for costs associated with other compatible uses.

Appendix 1

State of Hawaii,
Department of Land and Natural Resources
Grants Open during the Audit Period
July 1, 2013, Through June 30, 2015

This table presents costs awarded and claimed for each grant. Our audit did not reveal any questioned costs.

FBMS Grant Number	Grant Amount	Claimed Costs
FISH		
F10AF00021	\$166,996	\$166,748
F11AF00185	1,109,300	1,052,017
F12AF00301	144,850	147,341
F13AF00282	804,200	0
F13AF00661	298,000	350,799
F13AF00662	1,040,000	411,419
F13AF00663	80,000	90,629
F13AF00664	200,000	151,993
F13AF00665	450,000	479,074
F13AF00666	65,000	58,931
F13AF00667	2,565,000	1,908,760
F13AF00768	160,000	174,391
F13AF01290	470,000	0
F14AF00508	250,000	274,451
F14AF00510	450,000	479,871
F14AF00512	1,040,000	418,691
F14AF00514	2,113,000	1,927,263
F14AF00515	65,000	52,489
F14AF00516	80,000	78,128
F14AF00517	200,000	184,596
F14AF00530	160,000	165,092
Fish Totals	\$11,911,346	\$8,572,683
WILDLIFE		
F09AF00018	696,167	654,899
F11AF00147	1,696,874	384,028
F13AF00951	698,850	818,384
F13AF00962	2,881,977	3,761,684
F13AF00963	328,667	985,094
F14AF00911	926,671	1,126,050

FBMS Grant Number	Grant Amount	Claimed Costs
WILDLIFE		
F14AF00912	\$695,400	\$805,482
F14AF01023	3,139,747	1,253,897
F14AF01320	209,487	0
Wildlife Totals	\$11,273,840	\$9,789,518
Total	\$23,185,186	\$18,362,201

Appendix 2

State of Hawaii
Department of Land and Natural Resources
Sites Visited

Headquarters

Honolulu

Division & Branch Offices

Division of Boating and Ocean Recreation
Kauai Branch Office
Maui Branch Office

Hunter Education

Hawaii Hunter Education Office
Hilo Trap and Skeet Range
Kokee Hunter Check Station
Waimea Classroom Facility

Boat Ramps

Honokohau
Keehi

Others

Ānuenuue Fisheries Research Center
Kahana Pond Wildlife Sanctuary
Kekaha Game Management Area
Kula Forest Reserve

Appendix 3

State of Hawaii
Department of Land and Natural Resources
Status of Audit Recommendations

Recommendations	Status	Action Required
1, 2, 3, and 4	<p>We consider the recommendations resolved but not implemented.</p> <p>U.S. Fish and Wildlife Service (FWS) regional officials concurred with findings and recommendations and will work with the Department of Land and Natural Resources (Department) to implement the recommendations.</p>	<p>Complete a corrective action plan that includes information on actions taken or planned to address the recommendations, targeted completion dates, titles of the officials 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 Department.</p> <p>We will refer the recommendations not implemented at the end of 90 days (after February 20, 2018) to the Assistant Secretary for Policy, Management and Budget for tracking of implementation.</p>

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