



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 Government of Guam, Department of Agriculture,
From October 1, 2014, through September 30, 2016

This is a revised version of the report prepared for public release.




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

Memorandum

MAR 26 2018

To: Greg Sheehan
Principal Deputy 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 Government of Guam, Department of
Agriculture, From October 1, 2014, through September 30, 2016
Report No. 2017-EXT-006

This final report presents the results of our audit of costs claimed by the Government of Guam's Department of Agriculture under grants awarded by the U.S. Fish and Wildlife Service (FWS). The FWS provided the grants to Guam through the Wildlife and Sport Fish Restoration Program. The audit included claims totaling \$4.4 million on 31 grants that were open during the State fiscal years that ended September 30, 2015, and September 30, 2016 (see Appendix 1). The audit also covered the Department's compliance with applicable laws, regulations, and FWS guidelines, including those related to collecting and using hunting and fishing license revenues and reporting program income.

We found that although the Department complied, in general, with applicable grant accounting and regulatory requirements, it had not 1) established sufficient internal controls over employee time reports, 2) submitted Federal Financial Reports in a timely manner, 3) limited the use of grant-funded vehicles to official business, and 4) maintained complete property records for assets acquired with grant funds or hunting and fishing license revenues.

We also determined that Guam legislation could divert control of Program funds to the chief technology officer.

In addition, we identified prior year grant fund expenditures of \$139,764 that were related to Department administration building upgrades that will no longer benefit the Division, and that the relocation of the Division's coordination staff from the administration building to the fisheries building negatively affects the authorized and original purpose of the fisheries building.

Further, we found that the FWS failed to initiate and address, in a timely manner, the consultation processes regarding environmental compliance for the Program, specifically Section 7 of the Endangered Species Act, and Essential Fish Habitat consultation processes. Prior to issuing this draft report, we learned from FWS officials that additional processes have been established that will address the timeliness matter. Based on FWS' actions, we consider this issue resolved and implemented, requiring no further response.

We provided a draft of the report to FWS. In this report, we summarize the Department's and FWS Region 1'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 June 25, 2018. 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 response 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 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 Act¹ established the Wildlife and Sport Fish Restoration 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 the FWS to reimburse States up to 75 percent of the eligible costs incurred under the grants. For certain U.S. Government territories, including Guam, the Acts allow for full reimbursement of 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 Guam's Department of Agriculture:

- 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
- Reported and used program income in accordance with Federal regulations

Scope

Audit work included claims totaling approximately \$4.4 million on 31 grants open during State fiscal years ending September 30, 2015, and September 30, 2016 (see Appendix 1). We report only on those conditions that existed during this audit period. We performed our audit at the Department's Division of Aquatic and Wildlife Resources headquarters in Mangilao, and visited a pier and boat ramp facility, three fishing platforms, two marinas, a research project, a reservoir, and a wildlife laboratory (see Appendix 2).

We performed this audit to supplement—not replace—the audits required by the Single Audit Act.

Methodology

We conducted this audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to

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

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 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 hunting and fishing license revenues solely for the administration of fish and wildlife program activities
- Determining whether Guam 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 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 November 14, 2012, we issued *U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the Government of Guam, Department of Agriculture, From October 1, 2009, through September 30, 2011* (R-GR-FWS-0012-2012). We followed up on the three recommendations in that

report and found that the U.S. Department of the Interior, Office of the Secretary for Policy, Management, and Budget, considered the recommendations resolved and implemented.

We reviewed Guam's single audit report for SFY 2015, in which the auditor found that the Guam Department of Administration had not performed the required comprehensive physical inventory of the Department's properties since 2000. In our current audit work, we noted that a required inventory was completed in January 2016.

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, including \$139,764 in prior funds no longer benefitting the Program.

A. Actual Hours Needed to Document Proper Compensation

We found that the Division used budgeted (estimated) percentages for charging labor hours that have resulted in an incorrect distribution of personnel charges across the grants.

B. Untimely Submission of the Federal Financial Report (FFR)

Although numerous extensions were granted by the FWS, the Division did not submit grant FFRs in a timely manner.

C. Inadequate Internal Controls for Vehicle Use

We found that the Division did not limit the use of grant funded vehicles solely for official business.

D. Assent Legislation Implications

We found that Guam's legislature recently enacted Statute 5 Guam Code Annotated (GCA) § 20205(b)(3)) that allows for the chief technology officer (CTO) to overrule decisions concerned with information technology made by administrators of the various agencies, including the Division.

E. Inadequate Equipment Inventory Records

We found that property records for assets acquired with Program funds were incomplete.

F. Investment in Capital Equipment Not Benefitting the Division

The Department used grant funds for capital improvements (\$139,764) to its administration building to support the Program's staff. Those staff members were subsequently relocated to other facilities.

G. Use of Real Property Inhibited

The relocation of the Division's administration and coordination staff from the administration building to the fisheries building negatively affects the authorized and original purpose of the fisheries building.

Findings and Recommendations

A. Actual Hours Needed to Document Proper Compensation

Federal Regulation (2 C.F.R. 200.430(i)) *Standards for Documentation of Personnel Expenses*, requires that charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must be supported by an internal control system that provides reasonable assurance the charges are accurate, allowable, and properly allocated, be incorporated into the official records of the non-Federal entity, and reasonably reflect the total activity for which the employee is compensated by the non-Federal entity. Budget estimates or prior, estimated percentages determined before the services are performed, do not qualify as supportable grant charges.

We were told that Division managers, at times, required staff to complete personnel activity reports to coincide with grants that had funding available or to match the budgeted (estimated) program percentages determined by Division management. The use of budgeted percentages may have resulted in an incorrect distribution of personnel charges across the grants, or across grant and nongrant activities.

Recommendation

We recommend that FWS:

- I. Work with the Division to enhance payroll monitoring methods to ensure that all labor costs charged to the Program's grants are based on actual hours and not budgeted or estimated hours.

Department Response

Department officials concurred with the Notification of Potential Finding and Recommendation (NPFR) that we issued during fieldwork regarding this finding and recommendation.

FWS Response

The FWS concurred with our recommendation and will work with the Department and Division to enhance payroll monitoring methods to ensure that all labor costs charged to the Program grants are based on actual hours and not budgeted or estimated hours.

OIG Comments

Based on the responses from the Department and the FWS, we consider the recommendation resolved but unimplemented.

B. Untimely Submission of the Federal Financial Report (FFR)

The Division had not submitted most of the required FFRs within 90 days of the end-of-grant periods, the allotted time noted in regulations (2 C.F.R. § 200.343).

The *FWS Service Manual* § 516, Chapter 2.17, allows an additional 90-day extension for submitting the FFR. If the Division cannot provide the report within the original 90-day period, the Division must request an extension from the FWS at least 1 day before the original due date, and must include the type of report, the new due date, and a reason for the extension. FWS is required to document any approved extensions.

Based on our review of 30 open grants in which FFRs were due, we found that the Division requested an extension and received approval for all 30 grants. In addition, out of the 30 requested for an extension, only 11 FFRs (37 percent) were resubmitted within the allotted time. Out of 19 grants that were not received timely, 6 did not meet the extended deadline granted by FWS, nor did the Division provide any written explanation to FWS after a first and second notice of noncompliance was issued.

The untimeliness was a result of the Division's loss of its Administrator of [REDACTED] years (retired [REDACTED]), and the inadequate reconciliation of the FFRs between the Division and Guam's Department of Administration.

Recommendation

We recommend that FWS:

2. Work with the Division to ensure that the FFRs are submitted within the required 90-day timeframe, and reduce the need for extensions.

Department Response

No response received.

FWS Response

The FWS concurred with the recommendation and will work with the Division to ensure that the Federal Financial Reports are submitted within the required 90 day time frame and reduce the need for extensions.

OIG Comments

Based on the FWS response, we consider the recommendation resolved but unimplemented.

C. Inadequate Internal Controls for Vehicle Use

We found the division did not have adequate controls over the use of vehicles. Specifically, we found a damaged, grant-funded vehicle that had not been reported, vehicles that were used for personal errands, and vehicles driven without proper documentation of their use. For example, we identified a Program funded vehicle with a dent on its right rear bumper. When asked, a Division official stated that the damage had not been repaired because no one reported the accident or admitted being the driver of the vehicle.

We witnessed a Division employee make a stop by a private residence to do “an errand” since the residence was on the way. On that same trip, the employee also mentioned needing gas, but because of a lost gas card, someone else would have to fill the vehicle. We received no further explanation or details about how the card was lost but was told that it takes months to replace gas cards.

We also found that Division employees did not always document vehicle use in the vehicle log sheets. We reviewed the individual vehicle log sheets and found that odometer readings were not in sequence or were missing.

43 C.F.R. § 12.60(b)(3) requires that effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes.

Federal regulation 2 C.F.R. § 200.303 requires that the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

According to the Department’s “Standard Operating Procedures,” for Government Vehicles (Section 10.0) division chiefs are responsible for ensuring that vehicles assigned to their respective divisions are maintained and used properly, and they will ensure that each employee authorized to use its vehicles, if at fault, will be liable to pay for damages. Division procedures also mandate recording all instances of vehicle use. These vehicles are restricted to official business and are not for personal use.

Our observations indicated to us that the Program had a lax vehicle management system. As a result of inadequate monitoring, we believe the Division has increased the risk that vehicles purchased with grant funds or license revenues could be used for unauthorized purposes.

Recommendation

We recommend that FWS:

3. Work with the Division to establish and implement internal controls to ensure proper vehicle use according to vehicle policies and procedures.

Department Response

In response to our NPFR, Department officials concurred with the finding and recommendation.

FWS Response

The FWS concurred with the recommendation and will work with the Division to establish and implement internal controls to ensure proper vehicle use according to vehicle policies and procedures.

OIG Comments

Based on the responses from the Department and the FWS, we consider the recommendation resolved but unimplemented.

D. Assent Legislation Implications

Regulations require that before any funds are apportioned to a State, the State must assent to the provisions of the Acts and shall have passed laws for the conservation and restoration of wildlife and fish (50 C.F.R. § 80.10). We found that Guam has appropriate assent legislation in place. Guam's legislature, however, also enacted 5 GCA § 20205 (b)(3). This 2013 legislation allows the CTO to:

exercise authority delegated by *I Maga'lahi* (the Governor) by executive order to overrule and supersede the decisions made by the administrators of the various executive agencies of government with respect to the design and management of information systems and the purchase, lease, or acquisition of information equipment and contracts for related services.

Because the CTO has the authority to overrule and supersede the decisions made by administrators of the various executive agencies, which includes the Department, we would consider this a loss of control by the administrators, and could lead to a potential diversion of funds if enforced by the CTO. The Department was unaware of the implications of the enacted legislation.

We have no observed effects (potential diversions) based on this policy; however, we believe that the wording of the CTO authority represents a loss of control, and is counter to Federal requirements and Guam's assent legislation.

Recommendation

We recommend that FWS:

4. Work with the Department to ensure that the authority given to Guam's CTO does not conflict with assent legislation requirements.

Department Response

In response to our NPFR, the Department concurred with the finding and recommendation.

FWS Response

The FWS concurred with our recommendation and will work with the Department to ensure that the authority given to Guam's CTO does not conflict with assent legislation requirements. The FWS stated that it will identify target dates and the official(s) responsible for implementing this recommendation in its corrective action plan.

OIG Comments

Based on the responses from the Department and the FWS, we consider the recommendation resolved but unimplemented.

E. Inadequate Equipment Inventory Records

Property records for assets acquired with grant funds, or hunting and fishing license revenues, were not always complete. The records did not always list property tag numbers, identify the actual location of equipment, or document property disposal. Not all the property in our sample were found in the Division's master inventory list. Some of the items were on separate tracking systems that are not reconciled with the master list. In our sample of 80 property items, we found that:

- 35 percent of the items in the master inventory list did not indicate the associated cost of the property
- 18 percent had no location or assigned custody information
- 9 percent had no funding source identified
- 18 items were valued over \$5,000, but only 3 had tag numbers or a control number listed

In addition, we found that required inventories at the Division level had not been completed or reconciled with other tracking systems used by staff.

Regulation 43 C.F.R. § 12.72(b) requires each State or Territory to use, manage, and dispose of equipment acquired under a grant in accordance with State or Territory laws and procedures. The Department’s “Standard Operating Procedures” for equipment inventory (Section 12.1) states that, at a minimum, property records must be maintained to include the type of equipment, purchase order number, purchase date, place of purchase, specific type of equipment and its assigned location, control number, and other pertinent information. In addition, Section 12.2 states that any Division employee assigned any equipment worth more than \$50 must sign an “Acknowledgement Form,” which indicates that the employee will be responsible to pay for any damaged, lost, or destroyed Government property due to the employee’s negligence.

Through our interview with a Division official, we learned that equipment invoices are sometimes lost or not provided to the administrative officer who is responsible for tracking inventory. The official also indicated that employees are not aware of proper procedures for receiving, transferring, or disposing of federally purchased equipment. As a result, the Division may not be able to ensure that equipment purchased with grant funds and license revenues are not lost, misplaced, or used for unauthorized purposes.

Recommendation

We recommend that FWS:

5. Work with the Division to ensure Division inventory lists are accurate and reconciled to other tracking lists used by Department staff as well as the Department of Administration.

Department Response

In response to our NPFR, the Department concurred with the finding and recommendation.

FWS Response

The FWS concurred with our recommendation and will work with the Division to ensure Division inventory lists are accurate and reconciled to other tracking lists used by Department staff as well as the Department of Administration.

OIG Comments

Based on the responses from the Department and the FWS, we consider the recommendation resolved but unimplemented.

F. Investment in Capital Equipment Not Benefitting the Division

The Department used grant funds for capital equipment in its administration building when that building housed the Division’s administrative and

coordination staff. Specifically, Program funds were used to pay for an emergency generator and air conditioning units (see Figure 1) through a series of acquisitions from 2008 to 2013.

Grant	Item	Amount
FW-3-C-14	Generator	\$60,750
FW-3-C-18	Generator	60,000
F11AF00051	A/C	5,926
F12AF00991	A/C	13,088
Total		\$139,764

Figure 1. Capital Improvements.

In September 2015, the Department directed the Division's staff members to permanently relocate to the fisheries building.

Regulation 50 C.F.R. § 80.2 specifies that, where agencies have multiple responsibilities beyond fish and wildlife programs, the Program is intended to benefit only the administrative unit responsible for managing fish and wildlife resources. For Guam, this means that the Division is the beneficiary not the Department as a whole.

Regulation 50 C.F.R. § 80.90(f) indicates that the Division is responsible for maintaining control of all assets acquired under Program grants to ensure that they serve the purpose for which they were acquired throughout their useful life.

The movement of Division staff away from the administration building means that the Division is no longer benefitting from the investment in capital equipment. As such, the investment is no longer allocable to Program purposes. We did not validate the residual value or remaining useful life of the equipment, and the costs were borne prior to our audit period. We therefore do not quantify questioned costs.

Recommendation

We recommend that FWS:

6. Work with the Department to determine whether, and in what manner, the Program should be compensated for capital equipment no longer used for Program purposes.

Department Response

In response to our NPFR, the Department concurred with the finding and recommendation.

FWS Response

The FWS concurred with our recommendation and will work with the Department to determine whether, and in what manner, the Division should be compensated for capital equipment no longer used for Program purposes.

OIG Comments

Based on the responses from the Department and the FWS, we consider the recommendation resolved but unimplemented.

G. Use of Real Property Inhibited

The relocation of the Division's coordination staff from the administration building to the fisheries building negatively affects the authorized and original purpose of the fisheries building. Constructed with Program grant funds (F05AF00010), the original purpose of the fisheries building was to house only the Division's fisheries biologists and technicians. Federal regulation 50 C.F.R. § 80.135 states, "When a State fish and wildlife agency allows a use of real property that interferes with its authorized purpose under a grant, the agency must fully restore the real property to its authorized purpose."

Based on our observations of the space and our discussions with FWS and Division personnel, we are concerned that the consolidation is inhibiting activities in the fisheries research and the Aquatic Education sub-programs. For example, the displacement of affiliated agencies' fisheries staff and loss of visiting scientist space impact collaborative opportunities for fisheries research and analysis. In addition, the Division does not have the space to fill existing vacancies, nor to hire additional staff as anticipated when the building was funded.

Department officials stated that when another building was condemned, relocating personnel from the administration building to the fisheries building was the only option available.

Recommendation

We recommend that FWS:

7. Work with the Department to address the reduction in the Division's available facilities and mitigate any interference with Program purposes.

Department Response

In response to our NPFR, the Department concurred with the finding and recommendation.

FWS Response

The FWS concurred with our recommendation and will work with the Department to address the reduction in the Division's available facilities and mitigate any interference with Program purposes.

OIG Comments

Based on the responses from the Department and the FWS, we consider the recommendation resolved but unimplemented.

Appendix I

Government of Guam,
Department of Agriculture,
Division of Aquatics and Wildlife Resources
Grants Open during the Audit Period
October 1, 2014, Through September 30, 2016

FBMS Grant Number	Grant Amount	Claimed Costs
F05AF00010	\$1,480,244	\$1,480,244
F10AF00007	297,661	242,290
F10AF00014	250,067	176,409
F11AF00184	209,600	204,812
F13AF01298	70,325	37,263
F14AF00020	99,926	26,831
F14AF00694	483,958	328,160
F14AF00695	52,544	25,734
F14AF00696	12,378	8,119
F14AF00697	505,344	163,819
F14AF00698	128,447	107,225
F14AF00699	5,069	5,027
F14AF00700	5,916	5,006
F14AF00701	18,809	11,134
F14AF00702	32,865	12,407
F14AF01263	637,572	452,945
F14AF01264	419,715	0
F14AF01265	274,488	167,098
F15AF01040	274,488	171,108
F15AF01066	730,202	541,162
F15AF01154	28,238	6,339
F15AF01155	330,216	72,414
F15AF01156	12,378	8,252
F15AF01157	22,809	5,294
F15AF01158	7,662	5,234
F15AF01159	8,042	4,646
F15AF01160	65,755	13,375
F15AF01161	490,969	306,364
F15AF01162	1,000	0
F15AF01345	166,005	0
F16AF00566	109,522	0
Total	\$7,232,214	\$4,588,710

Appendix 2

**Government of Guam,
Department of Agriculture,
Division of Aquatics and Wildlife Resources**

Sites Visited

Headquarters

Mangilao

Facility

Merizo Pier and Boat Ramp

Fishing Platforms

Paseo de Susana Park

Ylig Bay

Togcha Bay

Marinas

Agat

Gregorio D. Perez

Research Project

Cocos Island

Reservoir

Masso

Wildlife Lab

Mangilao

Appendix 3

**Government of Guam,
Department of Agriculture,
Division of Aquatics and Wildlife Resources**

Recommendations	Status	Action Required
I, 2, 3, 4, 5, 6, and 7	We consider the recommendations resolved but not implemented.	<p>Complete a corrective action plan that includes 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 the actions taken or planned by the State.</p> <p>We will refer the recommendations not implemented at the end of 90 days (after June 25, 2018) to the Assistant Secretary for Policy, Management and Budget for tracking of implementation.</p>

Report Fraud, Waste, and Mismanagement



Fraud, waste, and mismanagement in Government concern everyone: Office of Inspector General staff, departmental employees, and the general public. We actively solicit allegations of any inefficient and wasteful practices, fraud, and mismanagement related to departmental or Insular Area programs and operations. You can report allegations to us in several ways.



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