



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 the Virgin Islands,
Department of Planning and Natural Resources,
From October 1, 2012, Through September 30, 2014




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

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Memorandum

To: Jim Kurth
Acting Director, U.S. Fish and Wildlife Service

From: Charles Haman 
Director, Grant Audits

Subject: Final Audit Report – U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the Government of the Virgin Islands, Department of Planning and Natural Resources, From October 1, 2012, Through September 30, 2014
Report No. 2016-EXT-005

This report presents the results of our audit of costs claimed by the Government of the Virgin Islands, Department of Planning and Natural Resources (Department), under grants awarded by the U.S. Fish and Wildlife Service (FWS). FWS provided the grants to the Virgin Islands under the Wildlife and Sport Fish Restoration Program (Program). The audit included claims totaling approximately \$3.9 million on 37 grants that were open during the State fiscal years that ended September 30, 2013, and September 30, 2014 (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 revenue and the reporting of program income.

We determined that the Department's financial management system does not provide for accurate recording and reporting of program revenues and expenditures. Specifically, the Department was unable to provide sufficient accounting system support for expenditures claimed and reimbursed on Program grants. We are therefore questioning all \$3.9 million claimed as unsupported. In addition, we found that the Department—

- was not able to provide adequate support for drawdown (reimbursement) requests;
- could not demonstrate that it followed Virgin Islands Government procurement policy related to the St. Croix Brugal Property project and was not able to provide adequate support for costs claimed;
- claimed unallowable and unsupported payroll expenditures;
- did not adequately manage its Program-funded equipment; and
- had not submitted accurate grant financial reports and performance reports in a timely manner.

We provided a draft report to FWS for a response. In this report, we summarize the Department's and FWS Region 4'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 22, 2017. 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:

U.S. Department of the Interior
Office of Inspector General
12345 West Alameda Parkway, Suite 300
Lakewood, CO 80228

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 Tim Horsma, Program Audit Coordinator, at 916-978-5650, or me at 303-236-9243.

cc: Regional Director, Region 4, 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 States² 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. For certain government entities, including that of the U.S. Virgin Islands (VI), 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 the Government of the Virgin Islands, Department of Planning 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 hunting 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 \$3.9 million on the 37 grants that were open during the State fiscal years (SFYs) that ended September 30, 2013, and September 30, 2014 (see Appendix 1). We performed our audit at Department headquarters in St. Thomas, VI, and visited two Division of Fish and Wildlife offices, another property (Brugal), and four boat access facilities (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.

² The Acts define the term “State” to include the District of Columbia, the Commonwealth of Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands.

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 VI Government 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 November 3, 2011, we issued “Audit on U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the Government of the Virgin Islands, Department of Planning and Natural Resources, From October 1, 2008, Through September 30, 2010” (Report No. R-GR-FWS-0006-2011). In that audit, we found that the Department (1) did not have adequate

documentation to support several purchases, (2) paid for two items outside of the grant period, and (3) had not consistently expended its own funds on goods and services before requesting Federal reimbursement. We followed up on all eight recommendations in the report and found that the U.S. Department of the Interior, Office of Policy, Management and Budget (PMB), considered two of the recommendations resolved and implemented, and six resolved but not implemented. The six unimplemented recommendations to FWS are listed below:

A.1.2. Require the Department to follow its own procedures to ensure that it maintains sufficient documentation for grant expenditures.

A.2.1. Resolve the ineligible [out of period] questioned costs of \$40,209.

A.2.2. Ensure the Department establishes a process to liquidate all grant obligations within 90 days of the end of the grant period.

C.1. Ensure the Department follows procedures to pay Program expenses with its own funds before requesting Federal reimbursement.

C.2. Require the Department to submit paid receipts to FWS before drawing down Federal funds.

D. Ensure the Department follows its “Standard Operating Procedures” to accurately identify and record all equipment.

On October 18, 2007, we issued “Audit on U.S. Fish and Wildlife Service Federal Assistance Program Grants Awarded to the Virgin Islands, Department of Planning and Natural Resources, Division of Fish and Wildlife, From October 1, 2003, Through September 30, 2005” (Report No. R-GR-FWS-0006-2007). We followed up on the eight recommendations in the report and found that PMB considered two of the recommendations, related to real property controls, resolved and implemented, and six resolved but not implemented. The six unimplemented recommendations to FWS are listed below:

A. Work with the Division to resolve the \$60,000 in questioned costs [related to payment made for work not performed].

B.1. Require the Division to develop controls to ensure Division personnel follow the September 6, 2005 FWS guidance memorandum [relating to indirect costs].

B.2. Require the Division to determine whether the 3 percent limit [on central services costs] was exceeded for FYs 2004 and 2005.

B.3. Require the Division to resolve any questioned costs—if the Division received excess reimbursement.

D.1. Require the Division to submit the delinquent [financial status and performance] reports.

D.2. Work with the Division to develop controls to ensure that it
a) submits financial status reports and performance reports within the required reporting timeframes, or b) requests a written extension prior to the original reporting deadline.

On October 7, 2002, we issued “Final Advisory Report on Costs Claimed by the U.S. Virgin Islands, Department of Planning and Natural Resources, Division of Fish and Wildlife, Under Federal Aid Grants from the U.S. Fish and Wildlife Service from October 1, 1996 through September 30, 1998” (Report No. 2003-E-0001). We followed up on the nine recommendations in the report and found that all of the recommendations were resolved and implemented as of August 4, 2015.

Our current audit scope included the areas covered in the prior audits. We repeat Recommendation D from our 2011 report, regarding equipment inventory, because conditions exist that still need improvement. Documentation on the implementation of the repeat recommendation should be sent to PMB.

We also reviewed single audit reports and comprehensive annual financial reports for SFYs 2013 and 2014. The VI’s 2013 single audit found that insufficient controls over the accounting system’s accounts payable module and accounts payable reconciliations led to significant adjustments to the financial statements. The audit also found that internal control over policies and procedures related to transfers of Federal funds for programs did not appear to be operating effectively to minimize the time gap between the release of the funds and the completion of the transfer, which should be as small as administratively feasible.

The VI’s 2014 single audit found that the government did not have the necessary internal controls to adequately prepare and review the schedule of expenditures relating to Federal funds. Specifically, expenditures had erroneously been recorded to the wrong grant programs. The report also noted that outstanding Federal receivables were not monitored on a regular basis, and there did not appear to be a process to reconcile the receivable balances on a per grant/project basis.

Results of Audit

Audit Summary

We determined that the Department's financial management system and practices did not allow for accurate recording and reporting of program revenues and expenditures. In addition, we identified the conditions described below that resulted in other specific findings. Questioned cost amounts associated with each finding overlap in some cases, and are all included in the \$3.9 million total identified under the first finding.

- A. Inadequate Grantee Financial Management.** The Department was unable to provide official, detailed accounting records to support claims for reimbursement on the 37 grants open during the scope of our audit, totaling about \$3.9 million.
- B. Unsupported Procurement—Brugal Property.** The Department does not maintain complete contract files. Thus, Department officials were unable to provide sufficient supporting documentation for the procurement process used for the Brugal property construction and restoration project. In addition, the Department does not have a process in place to adequately monitor project accomplishment. Therefore, we question \$691,724 as unsupported.
- C. Insufficient Support for Drawdowns.** In an effort to verify that the Department's requests for reimbursement were reasonable, consistent with need, and based on expenditures incurred, we reviewed 10 drawdowns totaling \$739,185. From the data provided we determined that the Department could not provide support for transactions totaling \$474,206.
- D. Unsupported and Other Unallowable Payroll Costs.** Due to the systemic deficiencies in support provided, we are questioning all the Department's grant labor charges during the scope of the audit. In addition, the Department may have been reimbursed for payroll costs that did not represent the actual number of hours employees worked on Program grants. Due to the conditions reported in Findings A and C, we were unable to fully quantify this issue. We note that the questioned payroll costs are no less than \$470,080.
- E. Inadequate Support for Other Direct Costs.** The Department was unable to demonstrate that expenses claimed were incurred for grant purposes or that it had followed its standard operating procedures. We therefore question the validity of payments totaling \$107,287 charged to the grants.
- F. Inadequate Equipment Management.** The inventory lists from the property manager and from each of the field offices had different information but none had all the information required by the Department's policy. A number of items were not on the inventory list provided by the property manager.

Because of the inadequacies in the lists, we could not rely on the information and were unable to ensure that equipment purchased with Program funds was not lost, misplaced, or used for unauthorized purposes.

G. Late and Inadequate Federal Financial and Performance Reports. We found that the Department had submitted late and inaccurate Federal financial reports and either had not submitted performance reports or had submitted reports that were missing key information, such as a description of specific accomplishments.

Findings and Recommendations

A. Inadequate Grantee Financial Management—Questioned Costs Totaling \$3.9 Million

Under the Program, grantees are required to submit Federal financial reports (SF-425s) reporting total grant expenditures and Federal reimbursements upon completion of each grant period. Based on our review, the Department was unable to provide official, detailed accounting records to support claims for reimbursement on the 37 grants open during SFYs 2013 and 2014, totaling about \$3.9 million.

The VI Government's official accounting system is an enterprise resource planning (ERP) system. To support grant claims, the Department provided summary information from the ERP and "unofficial" data from a supplemental accounting software package, QuickBooks. The Department uses QuickBooks for tracking other direct costs, i.e., nonpayroll costs. However, QuickBooks does not interface with the ERP, and the Department had not documented a reconciliation between the two systems.

As a result of prior audit issues related to funding discrepancies, the Department was designated a "high-risk grantee" by FWS in July 2013. The "high-risk grantee" designation required the Department to submit all supporting documentation for expenses that would be charged to each grant for FWS review before the Department could draw down any Federal funds. According to FWS officials, as of December 18, 2015, the Department had satisfied the requirements of the corrective action plan dated July 11, 2013, and was no longer designated a high-risk grantee.

Federal regulations (43 C.F.R. § 12.60(a)) require accounting for grant funds to be done in accordance with State laws and accounting procedures. Regulations (43 C.F.R. §§ 12.60(a)(1) and (2)) also require that State fiscal control and accounting procedures allow for preparation of required reports and the tracing of funds to a level of expenditure adequate to establish compliance.

As a result of the Department's inability to provide official accounting support for costs claimed on Program grants, the Department was unable to demonstrate that it had incurred sufficient costs or that costs claimed were for authorized purposes. We are therefore questioning the total claimed on 37 grants open during SFYs 2013 and 2014, which is about \$3.9 million.

Recommendations

We recommend that FWS:

1. Resolve the questioned costs of about \$3.9 million related to reimbursement on 37 grants open during SFYs 2013 and 2014; and
2. Require the Department to establish and implement policies and procedures to ensure that grant costs claimed are supported in the VI's official accounting system.

Department Response

The Department did not agree with the finding and maintained that all expenses claimed on Program grants were allowable. However, the Department also stated that for several years it has attempted to reconcile direct costs, specifically payroll charges, with the ERP (its official accounting system), but due to its inability to equitably distribute employee hours among grants worked on within a 2-week period, it developed QuickBooks as an alternative internal solution. Although the Department acknowledged that QuickBooks is not the VI's official accounting system, the VI Government has initiated several methods that, when completed, will assist agencies with reconciliations to the official accounting system.

FWS Response

FWS acknowledged the recommendations and is gathering additional information from the Department, to address the questioned costs and policy and procedures in detail in a forthcoming corrective action plan.

OIG Comments

Based on Department and FWS responses and subsequent discussion with FWS, we consider these recommendations resolved but not implemented (see Appendix 3).

B. Unsupported Procurement—Brugal Property

The Department was unable to demonstrate that it followed U.S. Virgin Islands Code procurement requirements and Department of Property and Procurement (DPP) guidelines related to its St. Croix office building project, known as the Brugal property. Specifically, the Department was unable to provide supporting documentation for approval of its request to serve as its own general contractor

for this project (by subcontracting the services of various vendors), nor could it demonstrate that the subcontracts were awarded based on the best value bids received and in accordance with required contracting procedures.

FWS initially awarded Grant No. F08AF00116 to the Department for a 3-year sport fish restoration project (totaling \$705,000) to identify, purchase, renovate, and/or construct a new centralized office for the Division of Fish and Wildlife on St. Croix. The initial grant period of performance was October 1, 2009, through September 30, 2011. Subsequent amendments extended the grant's period of performance to March 31, 2015; therefore, the grant term was 6.5 years.

In its interim performance report for the period ending September 30, 2010, the Department reported that additional time was needed due to staff shortages and the Department's inability to identify a site that met specific criteria.

Property previously used for the Brugal Rum Factory was selected and approved for the new centralized office location in August 2012. In September 2013, the Department requested approval from DPP to manage the project "in-house," be its own general contractor, and provide project oversight directly. DPP is responsible for assisting VI Government departments and agencies with procurement transactions.

In its interim performance report for the period ending September 30, 2013, the Department reported that it had—

- engaged its Permits Division to draft the plans for construction of the St. Croix office;
- submitted the plans to DPP to advertise for the required competitive bidding processes; and
- determined that, as bids received exceeded the FWS grant award, it would be in the best interest of the Department that the project be subcontracted according to the work needed, and that construction management be performed by the Permits Division Chief.

During the grant term, FWS expressed concern over the perceived slow progress the Department was making on the construction/restoration of the Brugal property. In the building inspection report, the Department found that not all work was completed. Specifically, more than 80 items needed to be completed or fixed because the initial work was not done according to the statement of work. In addition, although the Permits Division issued a certificate of building occupancy to the Department, it was later pulled because the building was not suitable for staff to move into.

FWS determined that additional information was needed about project management, and suspended reimbursement at \$325,373 as of February 26, 2015, pending the outcome of this audit. As of November 12, 2015, the Department had

claimed grant expenditures of \$691,724. Therefore, we question \$691,724 as unsupported.

Federal regulations (43 C.F.R. § 12.80(a)) require that grantees monitor grant and subgrant supported activities to assure compliance with applicable requirements and that performance goals are being achieved. Federal regulations (43 C.F.R. § 12.80(d)) also state that if significant events affecting the grant objectives occur between the scheduled performance reporting dates, the grantee must inform the Federal agency as soon as the grantee becomes aware of the problems, delays, or adverse conditions. This disclosure must include a statement of the action taken or contemplated and any assistance needed to resolve the situation. In addition, Federal regulations (50 C.F.R. § 80.90) state that a grantee's responsibilities include maintenance of records, submission of complete and accurate Federal financial reports and performance reports by the due dates specified in the terms and conditions of the grant, and regular inspection and monitoring of work in progress.

The U.S. Virgin Islands Code, Title 31, "Public Works and Property," Part II, Chapter 23, details procurement requirements, including those for competitive bidding (§ 235), contract procedure (§ 236), and open market purchases (§ 239). In addition, Department standard operating procedures require that a request for purchase in excess of \$5,000 be accompanied by three vendor price quotations, a justification letter describing the need for purchase, and a determination that the product or service chosen provides the greatest government benefit and that competitive prices were obtained.

Further, the Department's procedures manual³ states that the Department is responsible for keeping and maintaining procurement files, including all documentation pertinent to grants and grant program activities.

We found that the Department did not maintain complete contract files. Thus, Department officials were unable to provide adequate supporting documentation for the procurement process used for the Brugal property construction and restoration project. In addition, the Department did not have a process in place to adequately monitor project accomplishment.

³ Specifically, the Division of Business and Administrative Services' "Standard Operating Procedures Manual."

Recommendations

We recommend that FWS:

3. Resolve the questioned costs related to grant expenditures claimed totaling \$691,724 on Grant No. F08AF00116 for the St. Croix Building Project (the Brugal property);
4. Require the Department to follow VI Government procurement policy and retain supporting documentation; and
5. Require the Department to develop and implement policies and procedures to ensure that project monitoring requirements are met.

Department Response

The Department did not agree with the finding and believes that all documentation for these expenses, including contracts and invoices, was provided to FWS for review and approval.

FWS Response

FWS acknowledged the recommendations and is gathering additional information from the Department, to address the questioned costs and VI Government procurement policy in detail in a forthcoming corrective action plan.

OIG Comments

While the Department's response provided supporting documentation for approval of its request to serve as its own general contractor, the Department could not demonstrate that it followed VI Government procurement policy requirements for obtaining best value bids and adequate performance monitoring.

Based on Department and FWS responses and subsequent discussion with FWS, we consider these recommendations resolved but not implemented (see Appendix 3).

C. Insufficient Support for Drawdowns

Under the Program, FWS may reimburse the Department 100 percent of grant-related expenditures, provided the Department expends its funds on grant activity prior to seeking reimbursement. Federal regulations require grantees to support costs claimed with adequate documentation. The Department, however, was unable to provide adequate supporting documentation from the ERP and could not provide support to demonstrate that funds were expended on grant activity prior to seeking reimbursement. In response to our request for claim support, the Department provided payroll data and supplemental information from QuickBooks. We determined that although the Department used QuickBooks for

tracking certain costs, QuickBooks does not interface with the ERP, and the Department had not documented a reconciliation between its supplemental data and the official accounting system.

In an effort to verify that the Department's requests for reimbursement (drawdown requests) were reasonable, consistent with need, and based on expenditures incurred, we reviewed 10 drawdowns totaling \$739,185 (see Figure 1). From the data provided, we determined that the Department could not provide support for transactions totaling \$474,206 (part of the \$3.9 million questioned in Finding A).

Project No.	Award No.	Drawdown Amount	Questioned Costs		
			Payroll	Other	Total
F99SX	F08AF00116	\$182,983	–	–	\$0
FX0F6	F11AF00747	14,061	\$3,834	–	3,834
FX0F3	F12AF00031	41,956	35,364	–	35,364
FX030	F12AF00039	73,450	73,450	–	73,450
FV030	F13AF01330	299,026	241,506	–	241,506
FVW30	F13AF01331	57,480	46,016	\$4,126	50,142
FV0W3	F14AF00081	2,657	2,338	–	2,338
FV0W9	F14AF00304	2,059	2,059	–	2,059
FVW27	F14AF00311	43,362	43,362	–	43,362
FU0F6	F14AF01378	22,151	22,151	–	22,151
Total	–	\$739,185	\$470,080	\$4,126	\$474,206

Figure 1. Drawdowns we reviewed and resulting questioned costs.

Federal regulations (50 C.F.R. §§ 80.15(b) and 80.16) state that all costs must be supported by source documents or other records as necessary to substantiate the application of funds and that payments shall be made for the Federal share of allowable costs incurred in accomplishing approved projects.

Federal regulations (2 C.F.R. § 225, Appendix A, C.1) also provide basic guidelines for cost allowability. Specifically, to be allowable under Federal awards, costs must be necessary, reasonable, allocable, authorized and not prohibited, and not used to meet cost-sharing or matching requirements of any other Federal award. As noted previously, regulations (43 C.F.R. § 12.60(a)(2)) require each State's accounting procedures to allow for report preparation and for tracing funds to an expenditure level adequate to demonstrate compliance with grant provisions.

Without regular reconciliation of data in the ERP and QuickBooks, the Department cannot assure that it is not claiming duplicate or unallowable costs.

In addition, because no supporting documentation was provided, we could not determine whether expenditures were allowable or paid before the drawdowns were made. As a result, we are questioning \$474,206 in costs that were not adequately supported.

Recommendations

We recommend that FWS:

6. Resolve the questioned costs of \$474,206 related to the drawdowns reviewed; and
7. Require the Department to maintain adequate documentation for paid expenditures that supports the amounts requested through the drawdown process.

Department Response

The Department did not agree with the finding. The Department reiterated the limitations of the ERP (its official accounting system), which required the implementation of QuickBooks, and stated that although reconciliations between QuickBooks and the ERP were not documented, the information entered into QuickBooks and subsequently provided as support for drawdowns was generated directly from employee timesheets.

FWS Response

FWS acknowledged the recommendations and is gathering additional information from the Department, to address the questioned costs and documentation maintained for the drawdown process in detail in a forthcoming corrective action plan.

OIG Comments

Based on Department and FWS responses and subsequent discussion with FWS, we consider these recommendations resolved but not implemented (see Appendix 3).

D. Unsupported and Other Unallowable Payroll Costs

Federal regulations require an equitable distribution of labor costs for employees who work on multiple projects, based on the benefits received, and that costs be allocable to the grant and adequately supported. Based on our review, we identified unsupported and other unallowable payroll costs charged to Program grants. (See Finding C for additional discussion of unsupported labor.)

Although the ERP is the official accounting system, Department officials noted that it cannot accurately record time distribution for federally funded employees

working on multiple grants. To address this issue, the Department uses QuickBooks as a supplemental accounting system to capture payroll and other grant costs. However, QuickBooks does not interface with the ERP, and the Department had not documented a reconciliation comparing the QuickBooks data to the ERP.

In addition, the Department recently implemented a Standard Automated Time and Attendance System (STATS) to facilitate paying employee salaries from multiple Federal grants. Through STATS, employees are supposed to be able to electronically allocate their time to the various Federal grants on a daily basis. Staff told us that the system did not work correctly. Staff also informed us that an employee's time is initially charged to a single project, and by the 10th of each month a journal adjustment is submitted to apply the charges to additional grants as appropriate.

During our payroll review, we found that (1) the Department was missing timesheets signed by the employees or supervisors, (2) time was charged to a specific project on the timesheets but to different projects in the ERP, and (3) time had been charged to Grant No. F12AF00043 after the period of performance. We compared the ERP reports, attached to the timesheets, with the payroll data received from the Department of Finance and were unable to reconcile the information. We were also unable to see where the original payroll charges were posted, as the Department did not provide support for the adjusting journal entries.

Federal regulations (2 C.F.R. § 225, Appendix A, C.1.a) state that to be allowable, costs must be necessary and reasonable for proper and efficient performance and administration of Federal awards. Regulations (2 C.F.R. § 225, Appendix A, C.3.a) further provide that a cost is allocable to a particular cost objective if the goods or services involved are chargeable in accordance with the relative benefits received. Regulations (2 C.F.R. § 225, Appendix B, 8.h(4) and (5)) also state that when employees work on multiple activities or cost objectives, a distribution of their salaries or wages must be supported by personnel activity reports that reflect an after-the-fact distribution of actual activity for each employee, and each report must account for the employee's total compensated activities.

As a result, the Department may have been reimbursed for payroll costs that did not represent the actual number of hours employees worked on Program grants. Due to the systemic deficiencies in support provided, we are questioning all the Department's grant labor charges during the scope of the audit (SFYs 2013 and 2014). We were not able to fully quantify this issue, but note that the questioned amount is no less than \$470,080 as identified in Figure 1 under Finding C.

Recommendations

We recommend that FWS:

8. Require the Department to identify and support grant labor charges for SFYs 2013 and 2014; and
9. Require the Department to develop and implement policy and procedures sufficient to ensure that grant payroll charges and related journal entries are adequately supported by personnel activity reports reflecting actual time worked on Program grants.

Department Response

The Department did not agree with the finding. The Department stated that recent upgrades to the ERP, once implemented, will allow a distribution of employee time to grants worked on within the pay cycle.

FWS Response

FWS acknowledged the recommendations and is gathering additional information from the Department, to identify and support grant labor charges for SFYs 2013 and 2014 and to address policies and procedures in detail in a forthcoming corrective action plan.

OIG Comments

Based on Department and FWS responses and subsequent discussion with FWS, we consider these recommendations resolved but not implemented (see Appendix 3).

E. Inadequate Support for Other Direct Costs

To be eligible for reimbursement under the Program, grant expenses must be necessary, reasonable, allocable, allowable, and adequately supported. To determine whether expenses claimed were appropriate and to test the adequacy of support provided, we reviewed 20 direct cost (nonlabor) payment transactions claimed on Grant No. F08AF00116 (St. Croix Building Project – Brugal Property), totaling \$191,022, and found that the Department could not provide adequate documentation to support its claimed expenses. Specifically, we found that 15 transactions, totaling \$107,287, had purchase orders authorized under the signature of a former certifying officer (former Department Commissioner Barnes) who no longer worked for the Department. We question the validity of these transactions and the effectiveness of related internal controls.

In addition, the Department could not provide invoices to support three transactions totaling \$39,302. (Note: These transactions are included in the 15 transactions described above.)

Federal regulations (2 C.F.R. § 225, Appendix A, C.1.a, b, and j) specify that allowable costs must be necessary and reasonable, be allocable to the award only if they provide a benefit to the grant, and be adequately supported. In addition, regulations (50 C.F.R. § 80.15) state that allowable costs are limited to those that are necessary and reasonable for accomplishing approved project purposes and that comply with the cost principles of Office of Management and Budget Circular A-87 (recently codified at 2 C.F.R. § 225). These regulations also state that all costs must be supported and substantiated by source documents or other records.

Grantees and subgrantees are required to maintain records that adequately identify the source and application of funds provided for financially assisted activities (per 43 C.F.R. § 12.60(b)(2)). These records must contain information pertaining to grant or subgrant awards, including obligations, outlays, and expenditures. Furthermore, the accounting records must be supported by source documentation such as canceled checks and paid bills (per 43 C.F.R. § 12.60(b)(6)).

The Department's procedures manual contains procurement process requirements: essentially, there must be adequate records for the complete purchase history. At a minimum, copies of the purchase order, receipts, invoices, and supporting correspondence are required as part of the purchase file.

The Department was not able to provide assurance that costs it had claimed were for authorized grant purposes because it had not followed its own standard operating procedures for procurement and payment processes.

Recommendations

We recommend that FWS:

10. Resolve the questioned costs totaling \$107,287 charged to Grant No. F08AF00116; and
11. Require the Department to follow VI Government procurement policies and procedures to ensure proper internal controls, adequate documentation, and accountability for grant expenditures.

Department Response

The Department did not agree with the finding and clarified that after a purchase order is issued, and when invoices are received and vendor payments processed, the ERP does not generate a new purchase order number for each vendor (invoice) but continues to deduct the amount from the original purchase order (which is considered the document that encumbers the funds for the project).

FWS Response

FWS acknowledged the recommendations and is gathering additional information from the Department, to address the questioned costs and VI Government policies and procedures in detail in a forthcoming corrective action plan.

OIG Comments

Based on Department and FWS responses and subsequent discussion with FWS, we consider these recommendations resolved but not implemented (see Appendix 3).

F. Inadequate Equipment Management

During our review, we found that property records for assets acquired with Program grant funds did not list information needed to ensure accountability. Specifically, we found the following information was missing: acquisition date, serial number, cost of item, grant title, and grant number. We also found items that were not on the inventory list, and items listed with inaccurate location and division identified.

We received an inventory list from the property manager and from all of the field offices we visited (on St. Croix and St. Thomas). Each list had different information but did not have all the information required by VI Government policy. A number of items were not on the inventory list provided by the property manager. Because of the inadequacies in the lists, we could not rely on the information.

We compared each field office inventory list to the official list from the property manager. We found all 223 items from the St. Thomas inventory spreadsheet on the property manager's list; however, these items had the wrong location and division. Then we examined the St. Croix inventory list and could not find any of the 424 items listed there on the property manager's list.

When we visited the Frederiksted office (on St. Croix), we selected 27 property items in the office and could not find any of them on the inventory list provided by the property manager. Then, reviewing the inventory list, we asked where the Go-Pro camera, rifles, and ATV were. The Go-Pro was at one employee's house; the office had been broken into and the rifles stolen and taken into police custody as evidence. The ATV, we were told, was in the shop being repaired. We were also told that the ATV was at one employee's house. The next day, the ATV was at the office; we were unable to determine where it had been.

In Red Hook (on St. Thomas), we selected 19 items, and 10 could not be found on the local inventory list; the other 9 were on the inventory list but had the wrong location and division. In addition, we filtered the inventory list from the property

manager for the division and Red Hook location and could not find any of the items that were supposed to be at that office.

Federal regulations (43 C.F.R. § 12.72(b)) require States to use, manage, and dispose of equipment acquired under a grant in accordance with State laws and procedures. The Department's procedures manual states that upon receipt of property, the Department is required to assign a property number, acquisition date, description, serial number, cost of item, funding source, grant title and number, division, location, use and condition, and disposition (if applicable). Federal regulations (43 C.F.R. § 12.72(c)(1)) state that equipment shall be used by the grantee or subgrantee for the program or project for which it was acquired as long as needed, regardless of whether the program or project continues to be supported by Federal funds. When no longer needed for the original program or project, the equipment may be used for other activities currently or previously supported by a Federal agency. Regulations (43 C.F.R. § 12.72(d)(3)) provide that a control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property.

Regulations (50 C.F.R. §§ 80.15(b) and 80.16)) also state that all costs must be supported by source documents or other records as necessary to substantiate the application of funds and that payments shall be made for the Federal share of allowable costs incurred in accomplishing approved projects.

Inadequate recordkeeping for equipment can lead to a misappropriation of assets and noncompliance with Federal regulations. As a result, the Department may not be able to ensure that equipment purchased with Program funds is not lost, misplaced, or used for unauthorized purposes.

As inadequate equipment management is an outstanding issue from our 2011 audit (Report No. R-GR-FWS-0006-2011, Finding D), we are repeating the recommendation, which will be tracked under the resolution process for that audit.

Repeat Recommendation

We recommend that FWS ensure the Department follows its "Standard Operating Procedures" to accurately identify and record all equipment.

Department Response

The Department agreed in part with the finding and stated that it has developed procedures for reconciliation of division equipment on a biannual basis.

FWS Response

FWS concurred with the recommendation.

OIG Comments

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

G. Late and Inadequate Federal Financial and Performance Reports

The Department is required to submit (1) Federal financial reports (SF-425s) to document Program grant expenditures and (2) performance reports to document grant accomplishments, to FWS within 90 days of the grant ending date. With FWS approval, this reporting period can be extended for an additional 90 days.

Based on our review of the 37 grants open during the scope of our audit, we determined that the Department submitted late and inaccurate SF-425s and inadequate performance reports. Specifically, we found the following:

1. The Department submitted 14 (out of 37, or 38 percent) SF-425s after the due dates. Ten of the 14 SF-425s were late due to FWS' review and approval of drawdowns of grant reimbursement. The remaining four SF-425s were filed late, from 4 to 18 months late.
2. Four SF-425s contained inaccurate amounts. On Grant Nos. F11AF00745, F12AF00039, and F14AF00081, the expenditure amounts submitted on the form were not correct, and on Grant Nos. F14AF00081 and F14AF00311, the form had the wrong grant number listed.
3. Interim performance reports were required on 28 of the grants, and 25 (89 percent) were missing these reports. The Department was also missing 17 (46 percent) of the final performance reports. In addition, some of the performance reports we reviewed were missing key information, such as a description of specific accomplishments, a comparison of accomplishments to grant objectives, and percentage-of-completion data.

Federal regulations (50 C.F.R. § 80.90(b)(3)) direct that the State fish and wildlife agency is responsible for submission of complete and accurate Federal financial reports and performance reports by the due date established in the terms and conditions of the grant, which for both types of reports is 90 days from the grant ending date (per 43 C.F.R. § 12.81 for financial reports and 50 C.F.R. § 80.90(b)(3)) for performance reports).

For nonconstruction grants, Federal regulations (43 C.F.R. § 12.80(b)(2)) require performance reports that compare actual accomplishments to the objectives established for the grant period, the reasons for slippage if the objectives were not met, and additional pertinent information. For construction grant performance reports, 43 C.F.R. § 12.80(c) notes that onsite technical inspections and certified percentage-of-completion data are relied on heavily by Federal agencies to monitor progress. Federal regulations also indicate that the awarding agency will

prescribe the frequency of submission for performance reports (43 C.F.R. § 12.951(b)) and that the awarding agency will require additional formal performance reports when considered necessary (43 C.F.R. § 12.80(c)). FWS required the Department to submit performance reports every 6 months for construction projects in the grant terms and conditions.

Lastly, regulations (43 C.F.R. § 12.951(f)) require recipients to immediately notify the Federal awarding agency of developments that have a significant impact on the award-supported activities, for example in the case of problems, delays, or adverse conditions that materially impair the ability to meet the objectives of the award. This notification must include a statement of the action taken or contemplated, and any assistance needed to resolve the situation.

The issues we identified regarding submission of SF-425s and performance reports occurred because the Department did not have an adequate process in place to ensure that (1) its Federal financial and performance reports met Program requirements and contained accurate information, and (2) it fully and in a timely manner reported adverse conditions affecting grant objectives to FWS.

Without timely submission of accurate Federal financial and performance reports, the Department cannot demonstrate that grant expenditures were necessary and reasonable for project completion, and FWS may not be able to rely on the reports to determine whether Program funds were expended appropriately and whether grant objectives were met.

Recommendation

We recommend that FWS:

12. Require the Department to develop policies and implement controls to ensure that it submits complete and accurate Federal financial and performance reports, as required by the due dates in the terms and conditions of the grant agreement.

Department Response

The Department agreed with the finding and will address the recommendation in the corrective action plan.

FWS Response

FWS concurred with the recommendation.

OIG Comments

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

Appendix I

U.S. Virgin Islands
Grants Open During the Audit Period
October 1, 2012, Through September 30, 2014

Grant Number	Grant Amount	Claimed Costs	Questioned Costs Ineligible	Questioned Costs Unsupported
Fish				
F08AF00116	\$705,000	\$691,724	\$0	\$691,724
F11AF00745	73,871	16,266	0	16,266
F11AF00747	327,844	82,021	0	82,021
F11AF00748	42,319	3,655	0	3,655
F11AF00749	52,515	39,439	0	39,439
F12AF00031	338,663	270,452	0	270,452
F12AF00039	929,859	710,728	0	710,728
F12AF00040	65,246	50,170	0	50,170
F12AF00053	86,452	0	0	0
F12AF00162	101,880	41,994	0	41,994
F12AF00598	57,404	1,503	0	1,503
F12AF00461	66,742	8,835	0	8,835
F13AF01330	919,796	833,175	0	833,175
F13AF01332	86,811	46,889	0	46,889
F14AF00301	110,799	34,174	0	34,174
F14AF00314	142,262	68,474	0	68,474
F14AF01372	19,579	0	0	0
F14AF01373	39,901	0	0	0
F14AF01374	91,847	0	0	0
F14AF01375	85,394	0	0	0
F14AF01376	19,501	0	0	0
F14AF01377	98,175	0	0	0
F14AF01378	576,187	0	0	0
Wildlife				
F11AF00780	\$65,001	\$15,444	\$0	\$15,444
F11AF00786	8,613	1,250	0	1,250
F11AF00787	\$110,601	\$54,667	\$0	\$54,667
F11AF00789	63,898	42,853	0	42,853

Grant Number	Grant Amount	Claimed Costs	Questioned Costs Ineligible	Questioned Costs Unsupported
Wildlife (continued)				
FI1AF00790	57,646	17,463	0	17,463
FI2AF00043	495,975	380,033	0	380,033
FI2AF00045	88,803	1,158	0	1,158
FI3AF01331	317,616	211,846	0	211,846
FI3AF01333	176,413	93,883	0	93,883
FI4AF00081	96,204	59,659	0	59,659
FI4AF00304	42,707	33,121	0	33,121
FI4AF00311	75,853	69,319	0	69,319
FI4AF01371	36,708	0	0	0
FI5AF00361	53,500	0	0	0
Totals	\$6,727,584	\$3,880,195		\$3,880,195

Appendix 2

**U.S. Virgin Islands
Department of Planning and Natural Resources
Sites Visited**

Department Headquarters
Cyril E. King Airport, St. Thomas

Division of Fish and Wildlife Offices
Frederiksted, St. Croix
Red Hook, St. Thomas

Other
Brugal property, St. Croix (under renovation)

Boat Access Facilities
Altona Lagoon
Frederiksted
Gallows Bay
Molasses Dock

Appendix 3

U.S. Virgin Islands Department of Planning and Natural Resources

Status of Audit Recommendations

Recommendations	Status	Action Required
1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, and 12	<p>We consider the recommendations resolved but not implemented.</p> <p>U.S. Fish and Wildlife Service (FWS) regional officials acknowledged these recommendations and will work with the Department of Planning and Natural Resources (Department) to resolve all findings and recommendations.</p>	<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 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 May 22, 2017) to the Assistant Secretary for Policy, Management and Budget for resolution and tracking of implementation.</p>
Repeat Recommendation (See Finding F)	<p>We consider this recommendation (Recommendation D from our prior report, No. R-GR-FWS-0006-2011) resolved but not implemented.</p> <p>The Assistant Secretary for Policy, Management and Budget considers this recommendation resolved but not implemented.</p>	<p>Provide documentation to the Assistant Secretary for Policy, Management and Budget regarding the implementation of this recommendation.</p>

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