



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 American Samoa Government, Department of Marine and Wildlife Resources, From October 1, 2011, Through September 30, 2013



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

DEC 17 2015

Memorandum

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

From: Tim Horsma *Tim Horsma*
Acting Director, Grant Audits

Subject: Final Audit Report – U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the American Samoa Government, Department of Marine and Wildlife Resources, From October 1, 2011, Through September 30, 2013
Report No. R-GR-FWS-0010-2014

This report presents the results of our audit of costs claimed by the American Samoa Government, Department of Marine and Wildlife Resources (Department), under grants awarded by the U.S. Fish and Wildlife Service (FWS). FWS provided the grants to American Samoa under the Wildlife and Sport Fish Restoration Program (Program). The audit included claims totaling \$3.8 million on 12 grants that were open during the State fiscal years that ended September 30, 2012, and September 30, 2013 (see Appendix 1). The audit also covered the Department's compliance with applicable laws, regulations, and FWS guidelines, including those related to the collection, use, and reporting of program income.

We determined the Department's financial management system does not provide for accurate recording and reporting of program revenues and expenditures. In addition, we questioned costs totaling \$221,216 due to unallowable and unsupported grant expenditures claimed, and inaccurate accounting and reporting of program income. We also found that the Department had not submitted grant financial and performance reports in a timely manner.

Accounting system deficiencies were previously identified by the 2011 and 2012 Single Audit Reports (see "Prior Audit Coverage" subsection).

We provided a draft report to FWS for a response. 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 4.

Please provide us with a corrective action plan based on our recommendations by March 16, 2016. 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 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 me at 916-978-5668.

cc: Regional Director, Region 1, 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 American Samoa, 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 American Samoa, Department of Marine and Wildlife Resources (Department)—

- claimed the costs incurred under the Program grants in accordance with the Acts and related regulations, FWS guidelines, and grant agreements; and
- reported and used program income in accordance with Federal regulations.

Scope

Audit work included claims totaling approximately \$3.8 million on the 12 grants open during the State fiscal years (SFYs) that ended September 30, 2012, and September 30, 2013 (see Appendix 1). We report only on those conditions that existed during this audit period. We performed our audit at Department headquarters in Fagatogo, American Samoa, and visited Fagatogo/Malaloa Marina & Dock (see Appendix 3). We performed this audit to supplement, not replace, the audits required by the Single Audit Act Amendments of 1996 and by Office of Management and Budget Circular A-133.

Methodology

We conducted this audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the

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 Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands.

evidence obtained from our tests and procedures provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our tests and procedures included—

- examining the evidence that supports selected expenditures charged to the grants by the Department;
- reviewing transactions related to purchases, direct costs, drawdowns of reimbursements, 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; 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 accounting system and tested their operation and reliability. Based on the results of initial assessments, we assigned a level of risk to this system 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 March 31, 2005, we issued “Final Audit Report on the U.S. Fish and Wildlife Service Federal Assistance Grants Administered by the American Samoa Government, Department of Marine and Wildlife Resources, from October 1, 2001, Through September 30, 2003” (Report No. R-GR-FWS-0013-2004). We followed up on all 17 recommendations in the report and found that the U.S. Department of the Interior, Office of the Assistant Secretary for Policy, Management and Budget (PMB) considered the recommendations resolved and implemented.

On December 7, 2009, we issued “U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the American Samoa Government, Department of Marine and Wildlife Resources From October 1, 2006, Through September 30, 2008” (Report No. R-GR-FWS-0006-2009). We followed up on all seven recommendations in the report and found that PMB,

considered the recommendations resolved but not implemented. Where similar issues were found during the current audit, the recommendations are repeated in this report. We discuss these recommendations in more detail in the “Findings and Recommendations” section. Documentation on the implementation of repeat recommendations should be sent to PMB.

We reviewed American Samoa’s Single Audit Reports and Comprehensive Annual Financial Reports for SFYs 2011 and 2012. Although the Department’s Program grants were not considered major programs for compliance testing, the reports found material weaknesses and significant deficiencies in internal controls in major programs because American Samoa does not have an adequate control system in place to ensure the general ledger accurately reflects the account balances on a monthly, quarterly, or annual basis. Specifically, American Samoa does not reconcile its general ledger reports of the accounting transactions recorded in the Interactive Fund Accounting System (IFAS) with subsidiary ledgers or source documents on a monthly basis. In addition, American Samoa’s fiscal year end general ledger is not closed on time, resulting in inaccurate reporting.

Results of Audit

Audit Summary

We determined the Department's financial management system does not allow accurate recording and reporting of program revenues and expenditures. In addition, we identified the following conditions that resulted in our findings, including questioned costs totaling \$221,216.

A. Questioned Costs—\$221,216

1. Inadequate Financial Management System, Unsupported Expenditures—\$56,107

The Department's IFAS general ledger expense reports do not support claimed expenditures on four grants.

2. Unallowable and Unsupported Labor and Other Direct Costs—\$153,335

The Department claimed expenditures that were (1) not unallowable for reimbursement under the grants, (2) not allocated to benefiting non-grant activities, and (3) not incurred within the grant period. In addition, the Department did not document that contract terms were followed, and did not provide adequate support for journal entries.

3. Unreported and Improper Accounting for Program Income—\$10,333

Fees the Department collected for using boating access facilities were not all reported as program income earned on the Federal financial reports. Further, the income was not spent on unallowable grant activities before requesting reimbursement, as required by Federal regulations. In addition, the Department cannot ensure funds are safeguarded against loss and that Program income is used solely for authorized purposes.

4. Grant Compliance, Inaccurate Federal Financial Report, Excess Reimbursement—\$1,441

The Department submitted an inaccurate report that understated its reimbursement resulting in questioned costs of \$1,441.

B. Late Federal Financial and Annual Performance Reports

The Department had not submitted complete and accurate Federal financial reports and performance reports in a timely manner.

C. Unsupported Indirect Cost Bases

The Department incorrectly determined the base amounts on which it calculated its reimbursed indirect costs.

D. Unsupported Labor

The Department claimed expenditures for security contract services at the Fagatogo/Malaloa Marina & Dock that were not allocated to benefiting nongrant activities. We were unable to determine the ineligible amount.

E. Unsupported Costs Related to Vehicle Fuel Coupons

The Department claimed expenditures for gasoline on several program grants that were not supported by adequate documentation. We were unable to determine the unallowable amount.

Findings and Recommendations

A. Questioned Costs—\$221,216

We identified the following ineligible and unsupported costs charged to Program grants.

1. Inadequate Financial Management System, Questioned Costs— \$56,107

Grantees 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's claims for reimbursement of grant expenditures exceeded costs recorded in IFAS for 4 of the 12 grants open during the audit period. Specifically, claims for reimbursement on these grants should have been based on the \$1,244,993 of costs supported by IFAS. The Department, however, claimed a total of \$1,301,100, which is \$56,107 more than the costs recorded IFAS.

Because the total expenditures recorded in IFAS did not reconcile with grant claims on SF-425s, we requested and received additional versions of general ledger grant expenditure reports for the audit period and found errors.

Federal regulation 43 C.F.R. § 12.60 (a), "Standards for Financial Management Systems," requires accounting for grant funds to be done in accordance with State laws and procedures for expending and accounting for its own funds. Regulations 43 C.F.R. § 12.60 (a)(1) and (2) state that fiscal control and accounting procedures of the State must permit preparation of required reports and tracing of funds to a level of expenditures adequate to establish compliance.

Regulation 50 C.F.R. § 80.95 (a)(1) also provides that a fish and wildlife agency may receive Federal grant funds through a request for reimbursement. Further, regulation 50 C.F.R. § 80.95 (d) states that all payments are subject to final determination of allowability, based on an audit or service review, and the fish and wildlife agency must repay any overpayment.

To initiate requests for grant reimbursements, the Department obtains IFAS general ledger expense reports, and prepares grant expense spreadsheets and

supporting documentation. These spreadsheets and supporting documentation—for example, invoices and employee activity reports—are reviewed by FWS’ Honolulu Field Office staff members, who subtract unallowable costs. For SFY 2013, the FWS Honolulu Field Office staff reviewed 27 reimbursement requests and disallowed claimed expenditures totaling \$88,669 as not eligible under the grant, or not adequately supported.

The Department’s and American Samoa’s Treasury Department personnel were unable to explain differences between the general ledger expense reports and the grant claims on SF-425s. Department officials admitted that IFAS might not always be adjusted to reflect these disallowed costs. They also acknowledged that it was possible that duplicate expenditures may be included in drawdowns.

According to a Department official, because IFAS reports reflect inaccurate costs, the Department uses the total reimbursements recorded (drawdowns) to report total expenditures (disbursements) on the SF-425s. The official stated that since the territory receives 100 percent reimbursement, the finance manager concluded that the reimbursements equal expenditures (disbursements) for each grant. Further, the official stated that because FWS approves reimbursements, the resulting adjusted drawdowns are believed to be the allowable expenditures.

For four grants with claims totaling more than the expenditures recorded in IFAS, we classified the difference as unsupported costs (see Figure 1).

Grant Number	Grant Reimbursements	General Ledger (IFAS) Total Expenditure	Unsupported Costs
F09AF00029	\$520,179	\$501,377	\$18,802
F11AF00143	129,384	127,948	1,436
F12AF01055	497,253	463,883	33,370
F12AF01057	154,284	151,785	2,499
Totals	\$1,301,100	\$1,244,993	\$56,107

Figure 1. Questioned costs resulting from inadequate financial management system, \$56,107.

Recommendations
<p>We recommend that FWS:</p> <ol style="list-style-type: none"> 1. Resolve questioned costs of \$56,107; and 2. Require the Department to ensure that requests for grant reimbursement and final grant claims are supported by correct American Samoa Treasury Department’s IFAS general ledger expense reports and related support.

Department Response

Department officials generally agreed to research each of our findings, and will work with FWS to resolve and address the recommendations.

FWS Response

FWS regional officials concurred with these recommendations and will work with the Department to provide the supporting documents, or repay any unsupported costs and to ensure that requests for grant reimbursement and final grant claims are supported by the American Samoa Treasury Department's general ledger expense reports.

OIG Comments

Based on Department and FWS responses, we consider these recommendations resolved but not implemented (see Appendix 4).

**2. Unallowable and Unsupported Labor and Other Direct Costs—
\$153,335**

The Department claimed expenditures that were identified as salaries, purchases, and services that were not properly allocable to the grants, not incurred within the grant period, and not adequately supported by source documentation. In addition, the Department did not ensure that a construction contractor followed contract terms, and did not provide adequate support for journal entries.

As summarized in Figure 2, we question \$153,335. (See Appendix 2 for details and the specific reasons we question each of the costs claimed.)

FBMS* Grant Number	Grant Title	Unsupported Costs	Other Unallowable Costs	Questioned Costs
F09AF00029	Coordination of American Samoa Federal Aid Programs	\$36,000	\$6,113	\$ 42,113
F10AF00009	Boating Access Operation and Maintenance	8,250	368	8,618
F11AF00143	Sport Fish Aquatic Education		4,000	4,000
F11AF00144	Sport Fish Investigation and Conservation		3,498	3,498
F11AF00188	Boating Access Operation and Maintenance	52,000	13,078	65,078
F11AF00307	Coordination of Fish and Wildlife Federal Grants		8,480	8,480
F11AF00339	Wildlife Investigations		5,252	5,252
F12AF01055	Sport Fish Investigation and Conservation	\$3,875	\$3,498	\$7,373
F12AF01058	Coordination and Administration of Federal Funds		\$123	\$123
F12AF01177	Wildlife Investigations		8,800	8,800
Totals		\$100,125	\$53,210	\$153,335

*FBMS stands for Financial and Business Management System

Figure 2. Summary of questioned payroll and other direct costs

Regulations 2 C.F.R. § 225, Appendix A, Subsections 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. Regulation 2 C.F.R. § 225, Appendix A, Subsection C.3.a, states that to be allowable under Federal awards, a cost is allocable to a particular cost objective if the goods or services involved are chargeable in accordance with relative benefits received.

Regulations 50 C.F.R. § 80.63 and 80.64 also provide that a State fish and wildlife agency must allocate costs in multipurpose projects and facilities based on the uses or benefits for each purpose that will result from the completed project or facility. The agency must describe the method used to allocate costs in multipurpose projects or facilities in the project statement included in the grant application. A grant-funded project or facility is multipurpose if it carries out the purposes of a single grant program under the Acts, along with another grant program under the Acts, a grant program not under the Acts, or an activity unrelated to grants.

In addition, 43 C.F.R. § 12.60 requires grant funds be accounted for in accordance with State laws and procedures for expending and accounting for its own funds.

Furthermore, 2 C.F.R. § 225, Appendix B, Section 8.h.(4), states: “Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports.” In addition, 2 C.F.R. § 225, Appendix B, Section 8, specifies that compensation for personnel services includes all remuneration, paid currently or accrued, for services rendered during the period of performance under Federal awards. Finally, 43 C.F.R. § 12.63(a) states that a grantee may charge to the award only costs resulting from obligations of the funding period unless carryover of unobligated balances is permitted.

Based on our review, the Department does not have sufficient policies and procedures established to equitably allocate and account for expenditures to ensure that charges benefit the grants. In addition, policies and procedures were not followed for travel advances and procurement. Finally, we found that the Department did not follow the American Samoa policies and procedures or the accounting best practice of “separation of duties,” resulting in incorrect supporting documentation. As a result, the Department was reimbursed for unallowable and unsupported expenditures totaling \$153,335.

We reported similar conditions in our prior audit report (No. R-GR-FWS-0006-2009, Recommendations A.1.2 and C.2); therefore, we are repeating the applicable recommendations from that report and have made a new recommendation. The implementation of the repeat findings will be tracked under the tracking process for the prior audit, and FWS should submit any related documentation to PMB.

Recommendations

Repeat Recommendations:

We recommend that FWS require the Department to:

Implement policies and procedures to ensure that only costs related to grant objectives are claimed for reimbursement.

Charge labor to Program grants based on actual time worked.

New Recommendation:

We recommend that FWS:

3. Resolve questioned costs of \$153,335.

Department Response

Department officials generally agreed to research each of our findings, and will work with FWS to resolve and address the recommendations.

FWS Response

FWS regional officials concurred with these recommendations and will work with the Department to implement policies and procedures to ensure that only costs related to grant objectives are claimed for reimbursement and labor is charged to grants based on actual time worked.

OIG Comments

Based on Department and FWS responses, we consider these recommendations resolved but not implemented (see Appendix 4).

3. Unreported and Improper Accounting for Program Income—\$10,333

Federal regulations allow grantees to earn revenue or program income as a result of grant-supported activities, but grantees must use and account for the income in an agreed-upon manner. The Department was authorized to use the additive method of applying program income earned under its Boating Access Operation and Maintenance grants, F11AF00188 and F12AF01057, for SFYs 2012 and 2013, respectively. The additive method permits program income to be added to the funds committed to the grant agreement by the Federal agency and the grantee.

During SFYs 2012 and 2013, the Department collected program income of \$11,967 and \$2,920 for boating access facilities. We found, however, that although the Department reported a portion (\$11,171) of the Program income for 2012, no program income was reported in 2013, resulting in total unreported

program income of \$3,716. In addition, we found that the Department had not spent its program income funds on grant activities before requesting reimbursement of grant expenditures.

Regulation 43 C.F.R. § 12.65(b) defines program income as the 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 accordance with 43 C.F.R. § 12.65(g)(2), the agreements for the grants stipulate that any program income should be added to grant funds and used for grant-related purposes. In addition, according to 43 C.F.R. § 12.61(f)(2), grantees shall disburse program income before requesting additional cash payments. Finally, 43 C.F.R. § 12.60(b)(3) states that: “Effective control and accountability must be maintained for all grant and sub-grant cash. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes.”

The Department’s policies and procedures for the marina and docks were effective February 15, 2011; however, they did not adequately address internal controls over the collection of boating access fees or the need to report program income. Department officials explained that it was an oversight that it did not report program income, nor did it spend these monies on grant activities before requesting grant reimbursement. They also said that revenue accountability would be improved when the marina slip construction is complete and the docks are leased by the month.

The Department did not adjust grant outlays by the amount of program income before it requested reimbursements. As the Department was reimbursed for all but \$4,554 of its total SFY 2012 expenditures, we question the excess reimbursement of \$7,413 (\$11,967 minus \$4,554) for grant F11AF00188. In addition, as the Department was reimbursed for all of its SFY 2013 expenditures, we question the excess reimbursement of \$2,920 for grant F12AF01057.

Recommendations

We recommend that FWS:

4. Resolve questioned costs of \$10,333 (\$7,413 on grant F11AF00188 and \$2,920 on grant F12AF01057).
5. Require the Department to develop and implement policies and procedures to identify and account for revenues earned from grant supported activities.

Department Response

Department officials generally agreed to research each of our findings, and will work with FWS to resolve and address the recommendations.

FWS Response

FWS regional officials concurred with these recommendations and will work with the Department to develop policies and procedures to identify and account for revenues earned from grant supported activities and to develop procedures for reporting and spending program income.

OIG Comments

Based on Department and FWS responses, we consider these recommendations resolved but not implemented (see Appendix 4).

4. Grant Compliance, Inaccurate Federal Financial Reports, Questioned Costs—\$1,441

The Department is required to submit complete and accurate SF-425s and performance reports to FWS 90 days after the end of the grant period. The SF-425 for grant FA12AF01058 was inaccurate, reflecting Federal reimbursements that were \$1,441 less than the amount actually paid. A Department official notified FWS that the excess was an overpayment, which would be refunded to FWS, however, it has not yet been repaid.

Federal regulation 50 C.F.R. §80.95 (a)(1)) states that a fish and wildlife agency may receive Federal grant funds through a request for reimbursement, and 50 C.F.R. §80.95 (d) states that all payments are subject to final determination of allowability based on an audit or service review, and the fish and wildlife agency must repay any overpayment.

The Department did not comply with Federal regulations requiring that complete and accurate Federal financial reports and performance reports be submitted to FWS. One SF-425 reported incorrect reimbursements, which did not reflect an overpayment to the Department. As a result, we question the excess reimbursement of \$1,441 on grant FA12AF01058.

Recommendation

We recommend that FWS:

6. Resolve questioned costs of \$1,441 on grant FA12AF01058.

Department Response

Department officials generally agreed to research each of our findings, and will work with FWS to resolve and address the recommendation.

FWS Response

FWS regional officials concurred with these recommendations and will work with the Department to repay the questioned costs.

OIG Comments

Based on Department and FWS responses, we consider this recommendation resolved but not implemented (see Appendix 4).

B. Late and Inaccurate Federal Financial and Performance Reports

The Department is required to submit complete and accurate SF-425s and performance reports to FWS within 90 days after the end of the grant period. With FWS' approval, this reporting period can be extended for an additional 90 days. The Department, however, did not submit financial reports timely. Specifically, the Department submitted SF-425s after FWS' extended deadline for 11 out of 12 grants that were open during our audit period. Some of the SF-425s that were filed late were originally filed within the extension date, but were inaccurate; therefore, they had to be revised after the due date.

For grants with ending dates in 2012, the Department filed all seven performance reports late. In addition, two performance reports were inaccurate, resulting in FWS partially suspending grants F10AF00009 and F11AF00188. The report for grant F11AF00188 combined results from both grants, including objectives, which were not in the approved grant applications.

Regulations 50 C.F.R, §80.90 (b)(3) and (c)(2), state that a State fish and wildlife agency is responsible for selecting and supervising personnel to ensure that project personnel meet time schedules, accomplish the proposed work, meet objectives, and submit the required reports by the due dates in the terms and conditions of the grant. The Department had not established sufficient policies and procedures to ensure reports were filed on time. Until the Department submits financial and performance reports, FWS will not have the data necessary to make informed financial and programmatic decisions.

Recommendation

We recommend that FWS:

7. Require the Department to establish sufficient policies and procedures to ensure the Department submits complete and accurate SF-425 reports and performance reports by the due dates.

Department Response

Department officials generally agreed to research each of our findings, and will work with FWS to resolve and address the recommendations.

FWS Response

FWS regional officials concurred with these recommendations and will work with the Department to develop and implement procedures to ensure complete and accurate SF-425 Federal Financial Reports and performance reports by the due dates.

OIG Comments

Based on Department and FWS responses, we consider this recommendation resolved but not implemented (see Appendix 4).

C. Unsupported Indirect Cost Bases

All departments or agencies planning to claim indirect costs under Federal awards are required to prepare an indirect cost rate proposal and obtain a negotiated indirect cost rate from their cognizant Federal agency. Indirect costs are charged to Federal grants by applying a negotiated rate to a specific direct cost base. The Department obtained a negotiated indirect cost rate and was approved for a direct cost base of direct salaries and wages, excluding fringe benefits, for the allocation of indirect costs. Although the Department claimed a lower rate than it was entitled to, we found that it had not adequately supported its grants' direct cost bases. Specifically, for seven grants, the Department incorrectly determined the base amounts on which it calculated its reimbursed indirect costs.

Regulation 2 C.F.R. § 225, Appendix A, C.1, states that for a cost to be allowable under Federal awards, it must be necessary and reasonable, allocable, authorized or not prohibited, and adequately documented. Regulation 2 C.F.R., § 225, Appendix E, B.4., "Definitions," specify that the "base" used for the computation of indirect costs is the accumulated direct costs. In addition, regulation 2 C.F.R. § 225, Appendix A, F.1, states that indirect costs: "should be distributed to benefitted cost objectives on bases that will produce an equitable result in consideration of relative benefits derived."

The Department was approved for a direct cost base of direct salaries and wages, excluding fringe benefits, for the allocation of indirect costs. The Department claimed a rate lower than the approved rate and, as a result, claimed less indirect costs than it was entitled; however, it had not correctly determined the direct cost base amounts. This occurred because reductions in allowable salaries and wages (the "base") were made after indirect costs were calculated and reimbursed. The Department did not recalculate indirect costs after being informed of the reduction in allowable direct costs.

Recommendation

We recommend that FWS:

8. Work with the Department to establish sufficient policies and procedures to ensure the Department obtains accurate, direct cost base data, after all adjustments, for use in applying indirect cost rates at the end of the grant period.

Department Response

Department officials generally agreed to research each of our findings, and will work with FWS to resolve and address the recommendation.

FWS Response

FWS regional officials concurred with this recommendation and will work with the Department to establish policies and procedures to ensure that the Department only costs related to grant objectives are claimed for reimbursement.

OIG Comments

Based on Department and FWS responses, we consider this recommendation resolved but not implemented (see Appendix 4).

D. Unsupported Labor—Security Services

The Boating Access Maintenance and Operations grants allow for security services at the Department's marina. We found, however, that although the services also included securing no-grant related areas, such as the Department's headquarters offices and the law enforcement storage area, security personnel charged 100 percent of their time to the grants.

Federal regulation 2 C.F.R. § 225, Appendix A, item C.1, states that to be allowable under Federal awards, costs must be necessary and reasonable, allocable, authorized, and adequately documented. Regulations 50 C.F.R. § 80.63 and 80.64 also provide that a State fish and wildlife agency must allocate costs in multipurpose projects and facilities based on the uses or benefits for each purpose that will result from the completed project or facility.

Because security personnel did not differentiate between grant- and nongrant-related security services, we could not determine how much of the expenses were unallowable. We reported a similar condition in our prior audit report (Report No. R-GR-FWS-0006-2009, Recommendation C.2.); therefore, we are repeating the applicable recommendation from that report. Implementation of the repeat recommendation will be tracked under the resolution process for the prior audit report.

Recommendation

Repeat Recommendation:

We recommend that FWS:

Require the Department to charge labor to Program grants based on actual time worked.

Department Response

Department officials generally agreed to research each of our findings, and will work with FWS to resolve and address the recommendations.

FWS Response

FWS regional officials concurred with this recommendation and will work with the Department to prepare a corrective action plan.

OIG Comments

Based on Department and FWS responses, we consider this recommendation resolved but not implemented (see Appendix 4).

E. Unsupported Costs Related to Fuel Coupons

The Department uses Program funds to purchase fuel in bulk, which is delivered to the Department of Public Works (Public Works). Public Works issues fuel coupons in 5-gallon increments to the Department so it can obtain gas for its vehicles on an as-needed basis. The Department could not support that all fuel charged to grants was used for grant-related activity. For example, the Sport Fish Investigation and Conservation and Wildlife Investigation grant (F12AF01055) may purchase 500 gallons at a time. Although the receiving reports we reviewed stated that 500 gallons were received, Department officials said they do not receive coupons for the full 500 gallons if the price per gallon goes up. In addition, officials could not explain how fuel charges benefit grants for lost coupon value when gas is obtained in less than 5-gallon increments.

Federal regulation 2 C.F.R. § 225, Appendix A, item C.1, states that to be allowable under Federal awards, costs must be necessary and reasonable, allocable, and adequately documented. Regulation 2 C.F.R. § 225, Appendix A, Subsection C.3.a, also states that to be allowable under Federal awards, a cost is allocable to a particular cost objective if the goods or services involved are chargeable in accordance with relative benefits received.

Department officials stated that they did not clearly understand the methodology of accounting for coupons received for fuel purchases and that they do not document how many gallons of gas are received in the form of coupons, or how

many gallons are pumped when coupons are used. In addition, a former Department official said that if the cost of the gas paid for was not in 5-gallon increments, the excess amount would be lost. Furthermore, a Department official said that credit should be due back to the grant for overpayments.

Although we, and Department officials, believe that fuel expenses are overstated due to the Department's fuel acquisition method, we were unable to determine the extent of excess fuel charges to Program grants.

We reported a similar condition in our prior audit report (Report No. R-GR-FWS-0006-2009, Recommendation A.1.2) ; therefore, we are repeating the applicable recommendation from that report. Implementation of the repeat recommendation will be tracked under the resolution process for the prior audit report.

Recommendation

Repeat Recommendation:

We recommend that FWS:

Require the Department to implement policies and procedures to ensure that only costs related to grant objectives are claimed for reimbursement.

Department Response

Department officials generally agreed to research each of our findings, and will work with FWS to resolve and address the recommendations.

FWS Response

FWS regional officials concurred with this recommendation and will work with the Department to prepare a corrective action plan.

OIG Comments

Based on Department and FWS responses, we consider this recommendation resolved but not implemented (see Appendix 4).

Appendix I

**American Samoa Government,
Department of Marine and Wildlife Resources
Grants Open During the Audit Period
From October 1, 2011, Through September 30, 2013**

FBMS * Grant Number	Grant Amount	Claimed Costs	Unsupported Costs	Other Unallowable Costs	Total Questioned Costs
F09AF00029	\$ 534,381	\$ 520,179	\$54,802	\$6,113	\$60,915
F10AF00009	562,932	341,381	8,250	368	8,618
F11AF00143	170,228	129,384	1,436	4,000	5,436
F11AF00144	575,317	516,254		3,498	3,498
F11AF00188	223,067	131,188	52,000	20,491	72,491
F11AF00307	357,038	340,187		8,480	8,480
F11AF00339	499,662	289,040		5,252	5,252
F12AF01055	612,347	505,794	37,245	3,498	40,743
F12AF01056	177,126	108,697			
F12AF01057	186,489	154,284	2,499	2,920	5,419
F12AF01058	359,939	338,600		1,564	1,564
F12AF01177	707,260	403,415		8,800	8,800
Total	\$4,965,786	\$3,778,403	\$156,232	\$64,984	\$221,216

*FBMS stands for Financial and Business Management System

Appendix 2

Finding A.2 Schedule of Questioned Payroll and Other Direct Costs

FBMS * Grant Number	Unsupported Costs	Other Unallowable Costs	Questioned Costs	Description
F09AF00029	\$36,000	\$4,000		Transaction ID: C56961 represents payments on a contract to renovate the Department's HQ office that were not allocated to unallowable activities per grant agreement, or were not supported by adequate documentation.
		1,025		Transaction ID: multiple/various represents the portion of payments to vendors for items and services used at the Department's HQ office that were not equitably allocated to non-grant activities.
		575		Transaction ID: GD000531 represents travel expenses paid for duplicate and ineligible costs.
		513		Transaction ID: 0121IDP represents a portion of payroll and indirect costs that were allocable to nongrant activities per grant agreement.
Subtotal	\$36,000	\$6,113	\$42,113	
F10AF00009		\$368		Transaction ID: multiple/various represents portion of travel advances in excess of expenses incurred that employees should have returned to the Department upon completion of their travel vouchers. This occurred because the American Samoan Government travel policies and procedures were not followed.
FBMS *		Other		Description

Grant Number	Unsupported Costs	Unallowable Costs	Questioned Costs	
	\$7,500			Transaction ID: GD000342 represents unsupported journal entry for a "boat activities land lease."
	750			Transaction ID: GD000531 represents unsupported journal entry for "transfer of proper cost."
Subtotal	\$8,250	\$368	\$8,618	
F11AF00143		2,800		Transaction ID: P1251298 represents a display in the Department's HQ office lobby that was not provided for in the grant. In addition, American Samoan policies and procedures for sole source procurement were not followed.
		\$1,200		Transaction ID: P1251381 represents a display in the Department's HQ office lobby that was not provided for in the grant. In addition, American Samoan policies and procedures for sole source procurement were not followed.
Subtotal		\$4,000	\$4,000	
F11AF00144		3,498		Transaction ID: multiple/various represents a portion of the boat operator's payroll and indirect costs that were allocable to non-grant activities, as provided for in another Federal grant (NOAA).
Subtotal		\$3,498	\$3,498	
F11AF00188		13,078		Transaction ID: FY 2011, Pay period 22-2 Out-of-period payroll for services rendered before the grant period.

FBMS * Grant Number	Unsupported Costs	Other Unallowable Costs	Questioned Costs	Description
	52,000			Transaction ID: GD30169F unsupported journal entry for security contract services at the Department's marina.
Subtotal	\$52,000	\$13,078	\$65,078	
F11AF00307		\$1,000		Transaction ID: P1251009 represents 50 percent of chairs purchased, but no longer in the Department's possession and an allocation because the chairs are also used for non-grant related activities.
		5,823		Transaction IDs: 01220DP and 01120DP represent a portion of administrative payroll plus indirect costs that were allocable to non-grant activities.
Subtotal		\$8,480	\$8,480	
F11AF00339		3,000		Transaction ID: Q181509 Consultant Services is related to reorganizing a herbarium not provided for in the grant.
		2,252		Transaction ID: T12922 represents a portion of employee moving expenses that were allocable to non-grant activities.
Subtotal		\$5,252	\$5,252	
F12AF01055		3,498		Transaction ID: multiple/various represents a portion of the boat operator's payroll and indirect costs that were allocable to non- grant activities, as provided for in another Federal grant (NOAA).

FBMS * Grant Number	Unsupported Costs	Other Unallowable Costs	Questioned Costs	Description
	\$3,875			Transaction IDs: PI353891 & PI354017 boat fuel and oil expenditures partially allocable to another Federal grant (NOAA).
Subtotal	\$3,875	\$3,498	\$7,373	
F12AF01058		123		Transaction ID: GD300258 overpayment of electricity bill, resulting in credit balance on account.
Subtotal		\$123	\$123	
F12AF01177		8,800	8,800	Transaction ID: PI353078 prepayment for publications not received. In addition, American Samoan Government procurement policy was not followed requiring: (1) accurate receiving reports for goods, and (2) payment amount is the balance due on invoices.
Subtotal		\$8,800	\$8,800	
Totals	\$100,125	\$53,210	\$153,335	

*FBMS stands for Financial and Business Management System

Appendix 3

**American Samoa Government,
Department of Marine and Wildlife Resources
Sites Visited**

Headquarters
Fagatogo

Boating Access Area
Fagatogo/Malaloa Marina and Dock

Appendix 4

**American Samoa Government,
Department of Marine and Wildlife Resources
Status of Audit Findings and Recommendations**

Recommendations	Status	Action Required
1,2,3,4,5,6,7,8	<p>We consider the recommendations resolved but not implemented.</p> <p>U.S. Fish and Wildlife Service (FWS) regional officials concurred with these recommendations and will work with the Department of Marine and Wildlife Resources 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 March 16, 2016) to the Assistant Secretary for Policy, Management and Budget for resolution and tracking of implementation.</p>

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Office of Inspector General
Mail Stop 4428 MIB
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Washington, DC 20240