

Please provide us with a corrective action plan based on our recommendations by February 25, 2015. 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 916-978-5668 or me at 303-236-9243.

cc: Regional Director, Region 4, U.S. Fish and Wildlife Service

Table of Contents

Introduction.....	1
Background.....	1
Objectives	1
Scope	1
Methodology.....	1
Prior Audit Coverage.....	2
Results of Audit	4
Audit Summary	4
Findings and Recommendations.....	4
Appendix 1	9
Appendix 2.....	12
Appendix 3.....	13

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 Puerto Rico, 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 Commonwealth of Puerto Rico, Department of Natural and Environmental Services (Department)—

- claimed the costs incurred under the Program grants in accordance with the Acts and related regulations, FWS guidelines, and grant agreements;
- used State hunting and fishing license revenues solely for fish and wildlife program activities; and
- reported and used program income in accordance with Federal regulations.

Scope

Audit work included claims totaling approximately \$15.3 million on the 74 grants open during the State fiscal years (SFYs) that ended June 30, 2012, and June 30, 2013 (see Appendix 1). We report only on those conditions that existed during this audit period. We performed our audit at the Department's headquarters and visited Ranger Corps, Maricao Fish Hatchery, Guajataca Reservoir in Arecibo, Boqueron Impoundment in Cabo Rojo, and Parguera Boat Ramp in Lajas (see Appendix 2). We performed this audit to supplement—not replace—the audits required by the Single Audit Act Amendments of 1996 and by Office of Management and Budget Circular A-133.

Methodology

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

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.

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

Our tests and procedures included—

- examining the evidence that supports selected expenditures charged to the grants by the Department;
- reviewing transactions related to purchases, direct costs, drawdowns of reimbursements, in-kind contributions, and program income;
- interviewing Department employees to ensure that personnel costs charged to the grants were supportable;
- conducting site visits to inspect equipment and other property;
- determining whether the Department used hunting and fishing license revenues solely for the administration of fish and wildlife program activities; and
- determining whether the State passed required legislation assenting to the provisions of the Acts.

We also identified the internal controls over transactions recorded in the labor- and license-fee accounting systems and tested their operation and reliability. Based on the results of initial assessments, we assigned a level of risk to these systems and selected a judgmental sample of transactions for testing. We did not project the results of the tests to the total population of recorded transactions or evaluate the economy, efficiency, or effectiveness of the Department's operations.

We relied on computer-generated data for other direct costs and personnel costs to the extent that we used these data to select Program costs for testing. Based on our test results, we either accepted the data or performed additional testing. For other direct costs, we took samples of costs and verified them against source documents such as purchase orders, invoices, receiving reports, and payment documentation. For personnel costs, we selected Department employees who charged time to Program grants and verified their hours against timesheets and other supporting data.

Prior Audit Coverage

On December 3, 2009, we issued “U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the Commonwealth of Puerto Rico, Department of Natural and Environmental Resources From July 1, 2006 through June 30, 2008” (Report No. R-GR-FWS-0009-2009). We followed up on all recommendations in the report and found that the U.S. Department of the Interior, Office of the Assistant Secretary for Policy, Management and Budget considered the recommendations resolved and implemented.

We reviewed single audit reports and comprehensive annual financial reports for SFYs 2011 and 2012 and found that the Department's Program grants were considered major programs.

The 2011 Single Audit Report found that—

1. the Department did not provide a subsidiary of the property and equipment;
2. management did not provide evidence of a biannual physical inventory taken in order to verify the correctness of the property and equipment subsidiary; and
3. the Department has not established adequate internal control procedures to ensure that reports are in accordance with accounting records. In addition, management filing procedures did not allow the proper safeguard of reports required by Federal agencies and supporting documentation.

The 2012 draft Single Audit Report found that—

1. the Department does not reconcile on time the accounting transactions with the ones recorded in the Puerto Rico Integrated Financial Administration System (PRIFAS);
2. the Department's accounting system does not provide information that is accurate, current, and complete;
3. the Department has not established a process for a proper cut-off and timely recording of transactions at closing date;
4. material differences exist between the general ledger and financial supporting documents; and
5. several financial reports and supporting documentation were not available.

Results of Audit

Audit Summary

We found that the Department complied, in general, with applicable grant agreement provisions and requirements of the Acts, regulations, and FWS guidance. We identified, however, the following conditions that resulted in our findings:

- A. Unsupported Direct Costs Bases and Related Indirect Costs.** The Department could not support grant direct cost base amounts totaling \$1,103,042. We therefore question the base amounts of \$1,103,042 and the related indirect costs, which amount to \$158,504.
- B. License Certification – Elimination of Duplicate License Holders.** We determined that the Department’s certifications for hunting license holders were inaccurate because the Department did not exclude duplicate license holders.
- C. Hunting and Fishing License Revenue and Expenditures.** The Department could not provide sufficient documentation to demonstrate that it used license revenues only for the administration of the State fish and wildlife agency.

Findings and Recommendations

A. Unsupported Direct Costs Bases and Related Indirect Costs

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 uses a direct cost base of total direct costs, less capital expenditures and pass-through funds for the allocation of indirect costs. Although the Department obtained negotiated indirect cost rates for fiscal years (FYs) 2012 and 2013, it had not adequately supported its grants’ direct cost bases. The type of direct cost base used to calculate the amount of indirect costs claimed is identified in the indirect cost rate agreement. Based on our review of eight grants, the Department was unable to support direct cost base amounts totaling \$1,103,042. We therefore question the base amounts of \$1,103,042 and related indirect costs of \$158,504 charged to these grants – for a total questioned amount of \$1,261,546 (see Figure 1).

FWS FAIMS* Grant Number	FBMS** Grant Number	Indirect Costs Claimed (per 425)	Base Amount in the SF 425
F-9-23	F11AF00670	\$25,987	\$173,243
F-27-19	F11AF00658	29,887	199,248
F-47-8	F11AF00355	27,329	215,250
F-48-8	F10AF00486	9,730	98,655
F-24-20	F12AF00671	17,545	116,967
F-27-20	F12AF00274	30,982	184,707
F-35-14	F12AF00451	13,427	89,511
F-39-19	F12AF00209	3,617	25,461
Total		\$158,504	\$1,103,042

* FAIMS stands for Federal Aid Information Management System.

** FBMS stands for Financial and Business Management System.

Figure 1. Unsupported questioned costs.

The Code of Federal Regulations (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. Federal regulations (2 C.F.R. § 225 Appendix E, C.1. (a)) also require all departments or agencies of a governmental unit planning to claim indirect costs under Federal awards to prepare an indirect cost rate proposal and related documentation to support those costs. In addition, Federal regulations (2 C.F.R. § 225 Appendix A, F.1.) state: Indirect costs “should be distributed to benefitted cost objectives on bases that will produce an equitable result in consideration of relative benefits derived.”

Because the Department’s accounting office could not provide source documents or other records to support all costs, we could not determine if the rates were applied to the correct direct cost base or if the rates were calculated accurately. In addition, the Department’s financial management system is not set up to collect the direct costs applicable to each grant. Therefore, we have no assurance that the costs used as the base were accurate.

Recommendations

We recommend that FWS:

1. Resolve the questioned costs for the unsupported direct cost bases and related indirect costs claimed on the grants identified in Figure 1; and
2. Require the Department to establish policies and procedures to ensure the Department maintains direct cost base data for use in applying indirect cost rates.

Department Response

Department officials concurred with the finding and recommendations and will address the recommendations in the corrective action plan.

FWS Response

FWS regional officials concurred with the finding and recommendations and will work with the Department to address the questioned costs and needed policies and procedures in the corrective action plan.

OIG Comments

We consider the recommendation resolved but not implemented (see Appendix 3).

B. License Certification – Elimination of Duplicate License Holders

We found that the Department overstated its license certifications for FYs 2011 and 2012 because it did not exclude duplicate hunting license holders and did not eliminate renewal licenses that are issued at no cost.

The Department sells hunting licenses that are valid for a 5-year period. If the licensee renews their license 30 days prior to expiration, then there is no renewal fee. If not, the licensee has to pay a renewal fee to receive a new 5-year license. The licensee must also purchase a stamp(s) that allows them to hunt for particular wildlife. The Department counts both the licenses issued and the stamps purchased in its annual license certification. By not eliminating duplicate license holders, the Department incorrectly certified a higher number than allowed and did not eliminate renewal licenses that are issued at no cost.

Federal regulations (50 C.F.R., Subpart D, § 80.31(b)) require State fish and wildlife agencies to certify the number of paid license holders, eliminating multiple counts of the same individuals. This certification requirement applies to Puerto Rico, although—in contrast with States—the Department’s funding is based on a minimum annual amount in accordance with the Pittman-Robertson Wildlife Restoration Act. This Act includes an apportionment formula that

distributes Program funds to States based on the area of the State (50 percent) and the number of paid hunting license holders (50 percent). States may receive no more than 5 percent and no less than 0.5 percent of the total funding available. Likewise, Puerto Rico receives a prescribed apportionment of 0.5 percent.

Recommendation

We recommend that FWS work with the Department to establish and implement a procedure to identify the stamp(s) purchased by a license holder to ensure that the Department only counts the individual once and eliminate renewal licenses that are issued at no cost, in its annual certification.

Department Response

Department officials concurred with the finding and recommendation and will address the recommendation in the corrective action plan.

FWS Response

FWS regional officials concurred with the finding and recommendation and will work with the Department to address the needed procedure in the corrective action plan.

OIG Comments

We consider the recommendation resolved but not implemented (see Appendix 3).

C. Hunting and Fishing License Revenue and Expenditures

The Department sells hunting licenses and collects fees for hunter training, hunting stamps, and aquatic stamps, and deposits these license revenues into the State “Wildlife Special Account.” Included in this account are revenues collected from mitigation charges, permitting application fees, and funds collected from fines. Program regulations require that the Department track all expenditures associated with license revenue. The Department, however, could not provide documentation to demonstrate that it used license revenues only for the administration of the State fish and wildlife agency despite having adequate assent legislation in place.

Federal regulations (50 C.F.R. 80.4) state: “Revenues from license fees paid by hunters and fishermen shall not be diverted to purposes other than administration of the State fish and wildlife agency.” According to Part 80.4(b) of the regulation, the administration of a State fish and wildlife agency include[s] only those functions required to manage the fish and wildlife-related resources for which the agency has authority under State Law.

We found that the Department uses accounting codes to segregate license revenues from the other revenues collected, but the Department could not establish specific expenditures paid with license revenues because it had not segregated those expenditures. As a result, the Department cannot demonstrate that license revenues were used only for the administration of the State fish and wildlife agency.

Recommendations

We recommend that FWS require the Department to:

1. Provide an accounting of the sources and uses of license revenue for FYs 2012 and 2013; and
2. Establish written policies and procedures to ensure that license revenues are used solely for the administration of the State fish and wildlife agency.

Department Response

Department officials concurred with the finding and recommendations, and will address the recommendations in the corrective action plan.

FWS Response

FWS regional officials concurred with the finding and recommendations, and will work with the Department to address the accounting of license revenue and needed policies and procedures in detail in the corrective action plan.

OIG Comments

We consider the recommendation resolved but not implemented (see Appendix 3).

Appendix I

**Commonwealth of Puerto Rico
Department of Natural and Environmental Resources
Grants Open During the Audit Period
From July 1, 2011, Through June 30, 2013**

FWS FAIMS* Grant Number	FBMS** Grant Number	Grant Amount	Claimed Costs	Unsupported Costs
E-4-RL-2	F11AP00758	\$1,500,000	\$1,500,000	
0	F13AF00464	988,000	0	
F-9-22	F10AF00485	288,108	255,670	
F-9-23	F11AF00670	293,390	257,166	\$199,230
F-9-24	F12AF01024	291,468	0	
F-24-19	F11AF00805	389,603	268,470	
F-24-20	F12AF00671	297,787	209,358	134,512
F-27-19	F11AF00658	331,235	242,638	229,135
F-27-20	F12AF00274	312,831	300,352	215,689
F-27-21	F13AF00422	338,430	0	
F-29-19	F11AF00874	485,902	468,943	
F-29-20	F12AF00489	294,436	248,166	
F-34-19	F11AF00357	340,565	336,616	
F-34-20	F12AF01127	277,540	268,117	
F-35-13	F11AF00752	271,243	229,852	
F-35-14	F12AF00451	193,012	149,651	102,938
F-39-18	F11AF00913	79,152	74,536	
F-39-19	F12AF00209	88,728	86,556	29,078
F-39-20	F13AF00318	70,852	0	
F-42-11	F11AF00818	291,023	214,188	
F-42-12	F12AF00069	175,266	174,079	
F-42-13	F13AF00326	191,470	0	
F-47-8	F11AF00355	451,438	313,142	242,579
F-47-9	F12AF00250	343,695	327,441	
F-47-10	F13AF00501	295,807	0	
F-48-8	F10AF00486	126,300	108,385	108,385
F-48-9	F12AF00268	178,268	155,456	
F-48-10	F13AF00467	175,872	0	
F-50-5	F10AF00280	323,000	323,000	
F-50-6	F13AF00637	142,500	0	
F-52-6	F11AF00753	144,269	116,488	

FWS FAIMS* Grant Number	FBMS** Grant Number	Grant Amount	Claimed Costs	Unsupported Costs
F-52-7	F12AF00452	111,108	104,799	
F-53-6	F11AF00685	444,886	426,790	
F-53-7	F12AF00596	417,208	0	
F-55-1	F06AF00019	661,920	661,890	
F-57-2	F10AF00487	260,977	252,959	
F-57-3	F12AF00253	228,249	211,597	
F-57-4	F13AF00468	129,669	0	
F-59-B	F09AF006161	1,191,381	1,118,908	
F-60-2	F11AF00771	322,558	302,231	
F-60-3	F12AF00668	246,281	211,548	
F-62-1	F11AF00811	185,000	167,572	
F-64-1	F11AF00360	813,180	0	
F-65-1	F11AF00671	52,700	52,700	
F-65-2	F13AF00233	107,000	0	
F-66-1	F12AF00807	67,302	0	
FW-1-40	F11AF00719	554,561	442,287	
FW-1-41	F12AF00216	384,250	286,659	
FW-1-42	F13AF00466	307,094	0	
FW-8-19	F11AF00727	659,795	621,368	
FW-8-20	F12AF00889	335,840	284,515	
FW-10-14	F10AF00290	202,857	190,250	
FW-10-15	F11AF00628	479,543	450,791	
FW-10-16	F12AF01003	291,247	269,856	
FW-12-R-1	F08AF00117	187,223	187,223	
FW-13-P-2	F11AF00915	75,000	70,000	
FW-14-D-1	F10AF00488	723,855	0	
FW-15	F11AF00735	100,000	0	
W-14-21	F11AF00626	80,196	73,277	
W-14-22	F13AF00218	113,436	0	
W-21-13	F10AF00482	306,069	298,890	
W-21-14	F11AF00627	318,061	318,061	
W-21-15	F12AF01444	350,054	274,741	
W-24-9	F11AF00804	113,333	113,333	
W-24-10	F12AF00886	131,845	94,480	
W-26-5	F10AF00291	311,831	311,831	
W-26-6	F12AF00097	222,216	215,794	
W-26-7	F13AF00200	189,619	0	
W-28-3	F11AF00718	99,763	94,430	
W-31-3	F11AF00690	294,935	294,922	
W-31-4	F12AF01023	90,627	0	

FWS FAIMS* Grant Number	FBMS** Grant Number	Grant Amount	Claimed Costs	Unsupported Costs
W-32-I	F11AF0072I	229,821	229,187	
W-33-I	F11AF00778	200,000	0	
W-34-I	F12AF01336	219,429	0	
Total		\$22,783,109	\$15,261,158	\$1,261,546

*FAIMS stands for Federal Aid Information Management System.

**FBMS stands for Financial and Business Management System.

Appendix 2

**Commonwealth of Puerto Rico
Department of Natural and Environmental Resources
Sites Visited**

Main Office

Ranger Corps Headquarters

State Fish Hatchery

Maricao Fish Hatchery

Reservoir

Guajataca Reservoir

Impoundment

Boqueron Impoundment

Boat Ramp

Parquera Boat Ramp

Appendix 3

**Commonwealth of Puerto Rico
Department of Natural and Environmental Resources
Status of Audit Findings and Recommendations**

Recommendations	Status	Action Required
A.1, A.2, B, C.1, C.2	U.S. Fish and Wildlife Service (FWS) management concurred with these recommendations, but additional information is needed.	<p>Based on the FWS response, the corrective action plan should include information on actions taken or planned to address the recommendations, target dates and title(s) of the official(s) responsible for implementation, and verification that FWS headquarters officials reviewed and approved of the actions taken or planned by the Department.</p> <p>We will refer the recommendations not resolved or implemented at the end of 90 days (after February 25, 2015) to the Assistant Secretary for Policy, Management and Budget (PMB) for resolution and tracking of implementation.</p>