

September 2005

KLAMATH RIVER
BASIN
CONSERVATION
AREA RESTORATION
PROGRAM

Limited Assurance
Regarding the Federal
Funding Requirements



G A O

Accountability * Integrity * Reliability



Highlights of [GAO-05-804](#), a report to congressional requesters

Why GAO Did This Study

The Klamath River Basin Fishery Resources Restoration Act (Act), passed in October 1986, required the Secretary of the Interior to establish and restore a conservation area in that river basin, create a management council and a task force to assist and advise the Secretary, and authorized \$21 million until September 30, 2006. The restoration program reports that it had been appropriated over \$17 million by September 2005. In anticipation of the authorization's expiration, GAO was asked to provide information for fiscal years 2000 through 2004, the most recent 5-year period for which complete information is available, about (1) funding for the program; (2) expenditures by the program for restoration projects, travel expenses, administrative expenses, overhead, and technical support; (3) expenditures by the management council and the task force; and (4) whether the Secretary complied with certain requirements of the Act. GAO obtained funding and expenditure information from FWS but did not audit that financial information.

What GAO Recommends

GAO makes five recommendations to enhance compliance with the Act. Interior generally agreed with the recommendations but stated that there would be added administrative costs.

www.gao.gov/cgi-bin/getrpt?GAO-05-804.

To view the full product, including the scope and methodology, click on the link above. For more information, contact McCoy Williams at (202) 512-6906 or williamsm1@gao.gov.

KLAMATH RIVER BASIN CONSERVATION AREA RESTORATION PROGRAM

Limited Assurance Regarding the Federal Funding Requirements

What GAO Found

The Secretary of the Interior and the U.S. Fish and Wildlife Service (FWS) have taken a number of actions to formulate, establish, and implement the Klamath River Basin Conservation Area Restoration Program, including designating a conservation area, establishing the management council and the task force, formulating a long-term plan, and funding restoration projects in the Klamath River Basin. The restoration program reports receiving a little over \$9.8 million in cash and noncash contributions during fiscal years 2000 through 2004 from federal and nonfederal sources. The federal portion totaled almost \$6.3 million and consisted of about \$5.1 million from FWS's lump-sum resource management appropriation account, and almost \$1.2 million in cash and noncash contributions from federal entities that participated in restoration projects with FWS, according to FWS records. FWS records also show that the nonfederal portion consisted of almost \$3.6 million in cash and noncash contributions from nonfederal entities that participated in restoration projects.

During the same 5-year period, the restoration program spent about \$7.6 million in cash and noncash contributions for restoration projects, about \$200,000 for travel reimbursements, about \$1.1 million for administrative expenses, and about \$491,000 for overhead, according to information provided by FWS officials. Information was not available on technical support expenses incurred by the restoration program.

The management council and the task force serve solely in an advisory capacity and do not directly select or manage projects. FWS officials told GAO that they paid about \$800,000 to cover operating costs of the management council and the task force for the 5-year period.

Regarding the financial requirements of the Act, FWS officials have correctly identified the need to fund some Restoration Program expenditures from monies that are not subject to the Act's restrictions, and FWS officials told GAO they believe they are in compliance with these provisions. However, FWS has not yet incorporated into their accounting procedures and record-keeping sufficient controls to provide reasonable assurance of compliance with those provisions of the Act.

In addition, the Act requires that half of the restoration program's costs be funded by nonfederal sources. FWS officials collect some information on restoration projects regarding any nonfederal contributions, but they do not distinguish between cash and noncash contributions in project documents, document their valuation decisions regarding the noncash contributions, or take steps to verify that nonfederal contributions meet the Act's criteria. Incorporating these additional controls into the Restoration Program's operations would not be difficult or costly, and would provide reasonable assurance of compliance with those provisions of the Act.

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September 19, 2005

Congressional Requesters

In October 1986, to assist in restoring the Klamath River's fish resources, Congress passed the Klamath River Basin Fishery Resources Restoration Act¹ (the Act). The Act authorized \$21 million to be appropriated to the Department of the Interior and charged the Secretary with implementing a 20-year program to designate and restore a conservation area within the Klamath River Basin.² To assist the Secretary, the Act also established the Klamath Fishery Management Council to monitor the fish population and recommend annual fish harvest limits, and the Klamath River Basin Fisheries Task Force to advise the Secretary regarding implementation of the Restoration Program.

Because the 1986 Act established a 20-year program and provided that the \$21 million authorization would expire on September 30, 2006, you asked us to gather and analyze financial information about the Klamath River Basin Conservation Area Restoration Program (Restoration Program), the Management Council, and the Task Force for the most recent 5-year period for which complete information is available. Specifically, you asked us to provide information about (1) the sources and amounts of funding received by and for the Restoration Program for fiscal years 2000 through 2004; (2) how much of the funds received by and for the Restoration Program for fiscal years 2000 through 2004 were spent for restoration projects, travel reimbursements, administrative expenses, overhead, and technical support; (3) the amounts of funding received by the Task Force and Management Council for fiscal years 2000 through 2004 that were spent for restoration projects, travel reimbursements, administrative expenses, overhead, and technical support; and (4) whether the Secretary of the Interior complied with specific requirements contained in the Act.

To answer these questions, we obtained and analyzed information from officials of the Department of the Interior, the U.S. Fish and Wildlife Service (FWS), the Task Force, and the Management Council. We reviewed the Klamath Act, Task Force meeting minutes, Management Council meeting

¹ Pub. L. No. 99-552, 100 stat. 3080 (Oct. 27, 1986) (*codified, as amended, at 16 U.S.C. §§ 460ss - 460ss-6*).

² The Klamath River is located partly in northern California and partly in southern Oregon.

minutes, Federal Advisory Committee Act³ reports prepared by FWS officials for the Task Force and the Management Council, budget and accounting records maintained by FWS officials, and reports of studies and other documents issued by the Task Force and the Management Council.

Regarding the information on funding for the Restoration Program, expenditures by the Restoration Program, and expenditures made on behalf of the Management Council and the Task Force, we noted that the Restoration Program's financial information for the 5-year period has not been subject to any external audit. Furthermore, the funding and expenditure information for the program are maintained by FWS on several different systems designed for various management purposes. As discussed with your staff, we did not perform a financial audit on the financial information we collected from FWS officials for various reasons. For example, FWS's appropriations do not contain a discrete line item for the Restoration Program and this prevented us from doing an independent verification of the appropriated amounts. Likewise, limitations in FWS's record-keeping systems for restoration projects, employee time and attendance, and cost accounting prevented us from validating some project and expenditure information. However, we did discuss the financial information extensively with FWS officials, perform certain analytical tests on the information, and in some cases, receive revised financial information from the FWS officials. Based on these procedures, we concluded that the financial information was sufficiently reliable for the purposes of this report.

In addition to not auditing the financial information, we did not evaluate the efficiency or effectiveness of the Restoration Program, of individual restoration projects, or of actions taken by the Task Force and the Management Council. For the most part, we limited the scope of our work to fiscal years 2000 through 2004; however, some compliance information and some historical financial information we gathered included earlier years, going back to the passage of the Act in 1986. We performed our work primarily at the headquarters offices of the Department of the Interior, and the FWS in Washington, D.C. We also traveled to FWS's Yreka, California, field office, which administers the Restoration Program, to gather

³ The Federal Advisory Committee Act, *codified, as amended*, at 5 U.S.C. Appx., and implementing governmentwide regulations, *codified at* 41 C.F.R. pt. 102-3 (2004), set out certain reporting requirements for all federal advisory committees.

information. Additional details of our scope and methodology are presented in appendix I to this report.

We requested comments on a draft of this report from the Secretary of the Interior or her designee. Written comments from the Acting Assistant Secretary for Fish and Wildlife and Parks are included as appendix III to this report. We also received a number of technical comments which we considered and incorporated into the report as appropriate but did not include as part of appendix III. We conducted our work from June 2004 through June 2005 in accordance with U.S. generally accepted government auditing standards.

Results in Brief

The Secretary of the Interior delegated responsibility for formulating and implementing the Klamath River Basin Conservation Area Restoration Program to the Director of FWS. In fiscal year 1987, the Director established a new Fish and Wildlife office in Yreka, California, to manage the operations of the Restoration Program and any FWS appropriated funds used for those operations. For fiscal years 1988 through 2005 the Restoration Program reports having received more than \$17 million from FWS's Resource Management appropriations.

For fiscal years 2000 through 2004, the most recent 5-year period for which complete expenditure information is available, the Restoration Program reports receiving a total of about \$9.8 million in cash and noncash contributions⁴ from federal and nonfederal sources. Information provided by FWS officials shows that the federal portion, which totaled \$6.3 million, included about \$5.1 million from FWS's Resource Management appropriations that FWS has allocated for anadromous fish management activities.⁵ Most of this funding came from about \$5 million in appropriations FWS allocated for the Restoration Program established by the Klamath River Basin Fishery Resources Restoration Act and the rest, a little over \$135,000, came from other appropriations FWS allocated to anadromous fish management activities for purposes related to the goals of

⁴ The Act specifically permits noncash contributions to count as financial contributions, including the value of real and personal property and of services, including the services of volunteers. *See* 16 U.S.C. § 460ss-5(b)(2).

⁵ Anadromous fish are born in the river, migrate to the ocean or inshore waters, and then return to the river to spawn. Species of anadromous fish in the Klamath River include Fall-run and Spring-run Chinook salmon, coho salmon, steelhead, sturgeon, lamprey, and shad.

the Restoration Program. In addition, according to FWS records, the Restoration Program also received almost \$1.2 million in cash and noncash contributions during this period from other federal entities that participated in restoration projects. The nonfederal portion consisted of almost \$3.6 million⁶ in cash and noncash contributions from nonfederal entities that participated in restoration projects, according to the FWS records.

Of the about \$5.1 million received by the Restoration Program from FWS's fiscal years 2000 through 2004 Resource Management appropriations, FWS records show that about \$2.9 million, or 57 percent, went to restoration projects; about \$615,000, or 12 percent, was used by FWS to manage restoration projects, including planning, contracting, tracking agreements, complying with environmental requirements, and providing technical assistance to projects; about \$1.1 million, or 23 percent, was spent on program administration, including administrative and technical support provided by FWS to the two federal advisory committees created by the Act; and the remaining about \$443,000, or 9 percent,⁷ was used for overhead expenses incurred at the FWS headquarters and regional office levels. Our analysis of the various cost categories maintained by Yreka FWO officials and the office expenses that are allocated to the Restoration Program by FWS officials showed that about \$48,000 could be classified as overhead expense incurred at the field office level. Using that analysis, and other financial information provided by FWS officials shows the total overhead expense incurred at the headquarters, regional office, and field office levels for the Restoration Program was about \$491,000 for the 5-year period, or about 10 percent of the \$5.1 million received by the Restoration Program during that time period from FWS's Resource Management appropriations.

The \$4.7 million in cash and noncash contributions contributed to the Restoration Program by other federal and nonfederal entities that participated with FWS in restoration projects, according to FWS officials, remained in the control of the participating entities for use on those restoration projects in which they participated. Combining that \$4.7 million in cash and noncash contributions brought to restoration projects by

⁶ Due to the rounding of amounts, the sum of federal contributions and nonfederal contributions seems to exceed total contributions.

⁷ Due to the rounding of percentage amounts, the sum of the percentages for expenditure types exceeds 100 percent.

participating entities with the \$2.9 million that FWS officials reported FWS provided to projects from its Resource Management appropriations brings the total amount provided to restoration projects during the 5-year period to a little over \$7.6 million. FWS's \$2.9 million in project funding provided almost \$700,000 to three federal entities to help fund 26 restoration projects, and nearly \$2.2 million to 18 nonfederal entities to help fund 100 restoration projects, according to FWS officials.

The Klamath Fishery Management Council and the Klamath River Basin Fisheries Task Force were chartered by the Secretary of the Interior as federal advisory committees, and most of their operating costs⁸ are covered by the Resource Management appropriations FWS has specifically allocated to implement the Restoration Program, with some additional funding coming from the same Resource Management appropriations that FWS has allocated for other related anadromous fish management activities but not pursuant to the Act. The FWS field office in Yreka, California, which administers the Restoration Program, receives and expends funds to pay for the committees' operating costs. According to FWS officials, about \$800,000 of the almost \$5.1 million received by the Restoration Program from FWS appropriations for fiscal years 2000 through 2004 was used to pay for operating costs of the committees, for a yearly average of about \$160,000.

The Secretary of the Interior and FWS have taken a number of actions to formulate, establish, and implement the Restoration Program, including designating a conservation area, establishing the Management Council and the Task Force, formulating a long-term plan, and funding over 350 restoration projects in the Klamath River Basin. However, Interior cannot provide reasonable assurance that it has complied with all the financial requirements of the Act. The Act required the Secretary to establish by regulation the experience, training, and other qualifications volunteers must have for their services to count as noncash contributions, and the standards for determining the value of all types of noncash contributions. According to an Interior official, the Secretary interpreted these provisions of the Act to require Interior to follow its existing grants management regulations, which address some aspects of those areas. Because of this interpretation, new regulations specific to the Restoration Program were

⁸ Operating costs for the Management Council and the Task Force primarily consist of the salaries of federal staff who provide them with administrative and technical services, travel costs for committee members and federal staff, and meeting costs.

not issued, and FWS officials maintain that it is not necessary to issue any. However, inadequate internal controls impair FWS's ability to provide reasonable assurance of compliance with the existing Interior regulations.

The Act also places certain limitations on the use of appropriated funds. For example, the Act precludes use of appropriations authorized by the Act to reimburse federal employees who incur travel expenses as members of the Task Force or the Management Council or to reimburse the federal employees' agencies for salaries earned by the federal employees while performing duties as members of the Task Force or the Management Council. FWS officials have correctly identified the need to fund some Restoration Program expenditures, such as certain travel and salary expenses for FWS officials who are members of the Management Council or the Task Force, from monies that are not subject to the Act's restrictions. Furthermore, they told us they believe they are in compliance with these provisions "because 1) the salary and travel of the FWS official who serves as chair of the Task Force are charged to another account, and 2) funds provided to the Restoration Program from other FWS sources exceed the salary and travel costs related to the duties of the FWS official who serves on the [Management] Council." However, compliance with these provisions of the Act can be reasonably assured only by implementing adequate control mechanisms, and they have not yet incorporated into their accounting procedures and record-keeping practices sufficient controls to provide reasonable assurance of compliance with those provisions of the Act. For example, their accounting records do not distinguish between expenditures made from funds allocated by FWS for the Restoration Program and expenditures made from funds allocated by FWS for related purposes and thus not subject to the Act's restrictions. As a result, compliance cannot be demonstrated.

Also, the Act requires that 50 percent of the cost of the development and implementation of the Restoration Program be provided by nonfederal sources. FWS officials routinely collect information on nonfederal contributions to restoration projects; however, they do not evaluate whether 50 percent of the cost of the development and implementation of the Restoration Program has been provided by nonfederal sources. In addition, neither direct nor indirect contributions of federal funds by a state or local government can be counted as contributions by a nonfederal source in determining compliance with the 50 percent provision contained in the Act. However, FWS officials have not formulated a methodology for determining whether state or local government funds used for a restoration project originated as federal money. Therefore, FWS officials cannot make

a determination on whether the Restoration Program is in compliance with these provisions.

We are making five recommendations to the Secretary of the Interior to address compliance with the financial-related requirements and limitations in the Act. Interior generally agreed with our recommendations but noted that there were costs associated with the added controls contemplated by our recommendations. These efforts should not, if effectively implemented, be overly burdensome. In our view, implementing these controls would be beneficial to Interior and Congress as part of any deliberations on extending the Restoration Program because these controls were an integral part of the Program's statutory funding structure.

Background

Congress passed the Klamath River Basin Fishery Resources Restoration Act (the Act)⁹ in October 1986 to assist in restoring the Klamath River's fish resources. The Act authorized \$21 million to be appropriated to the Department of the Interior, and it charged the Secretary of the Interior with implementing a 20-year program to designate¹⁰ and restore a conservation area within the Klamath River Basin. The Secretary, in turn, delegated responsibility for implementing the Klamath River Basin Conservation Area Restoration Program (Restoration Program) to the Director of the U.S. Fish and Wildlife Service (FWS), a bureau-level unit within the Department of the Interior. To facilitate implementation and management of the Restoration Program, FWS established under its Portland, Oregon, Regional Office a new field office in Yreka, California.

The Act also established the Klamath Fishery Management Council (Management Council) to monitor the fish population and recommend annual fish harvest limits, and the Klamath River Basin Fisheries Task Force (Task Force) to advise and assist the Secretary regarding implementation of the Restoration Program. To implement these provisions in the Act, the Secretary chartered the Management Council and the Task

⁹ Pub. L. No. 99-552, 100 Stat. 3080 (Oct. 26, 1986) (*codified, as amended, at* 16 U.S.C. §§ 460ss - 460ss-6).

¹⁰ The Act requires the Secretary to designate "the anadromous fish habitats and resources of the Klamath River basin as the Klamath River Basin Conservation Area." 16 U.S.C. § 460ss-1(a). The Secretary complied with this requirement in December 1987 through a final rule published in the *Federal Register* promulgating the designation. *See* 52 *Fed. Reg.* 45,694 (Dec. 1, 1987).

Force as federal advisory committees. Neither the Management Council nor the Task Force receives or spends funds.¹¹ Since their inception, the Fish and Wildlife Office (FWO) at Yreka, California, has provided the financial resources to cover the Management Council's and the Task Force's operational expenses. In addition, staff from the Yreka FWO, along with staff from the State of California's Department of Fish and Game, have provided technical and administrative support to the Management Council and the Task Force as required by the Act.¹²

Management Council

In accordance with its charter, the Klamath Fishery Management Council functions only in an advisory capacity and reports to the Secretary of the Interior. The Management Council is responsible for making recommendations to various federal, state, local, and Indian tribal authorities regarding fish-harvesting regulations. In addition, the Management Council was assigned responsibility to establish a comprehensive long-term plan and policy for the management of the in-river and ocean harvesting that affects or may affect Klamath and Trinity River Basin anadromous fish populations.¹³ The Management Council's long-term plan, published in 1992,¹⁴ lays out goals and objectives for fish populations in the Conservation Area and strategic plans for meeting the goals and objectives.

As prescribed by the Act, the Management Council is composed of 11 members, including representatives appointed by the Governors of California and Oregon, Hoopa Valley Business Council, non-Hoopa Indians, the Secretary of the Interior, and the Secretary of Commerce. The term of a member is 4 years. The Management Council usually meets three or four times a year (usually in February, March, April, and October) at various

¹¹ The Task Force, through its Budget Committee and its Technical Work Group, assists FWS officials in budgeting and allocating Restoration Program funds for program administration and restoration projects.

¹² The Act requires the Secretary and the Department Director to provide sufficient technical and administrative support to the Management Council and Task Force to enable them to function effectively.

¹³ Non-anadromous fish, such as resident trout, are not covered in the Management Council's plan or recommendations.

¹⁴ Klamath Fishery Management Council, *Long-Term Plan for Management of Harvest of Anadromous Fish Populations of the Klamath River Basin* (Final Plan, 1992).

locations in California and Oregon. The Management Council publishes notices of meetings in the *Federal Register*, posts its meeting agenda on the Yreka FWO Internet Web page 2 to 3 weeks before each meeting, and invites the public to attend its meetings.

From fiscal year 1987 through fiscal year 2004, the Management Council held 73 meetings. Each meeting lasts from 3 to 5 days. The members discuss ongoing fish population monitoring activities. They also discuss and make recommendations on the regulation of ocean harvesting, recreational harvesting, and harvesting in the Conservation Area by the Hoopa Valley Indian Tribe and by non-Hoopa Indians. The Management Council's recommendations must be consistent with its long-term plan and policy and must pass the Management Council by unanimous vote. The public is invited to attend all Management Council meetings, and public comment periods are scheduled on the agenda throughout the meetings. Sometimes speakers are invited to the meetings to make presentations on fish population studies.

The Management Council is provided with biological and statistical expertise by the Technical Advisory Team, a subgroup created by the Management Council, whose membership consists of individuals from entities represented on the Management Council. The Technical Advisory Team advises the Management Council on the status of anadromous fish stocks and the impacts of fishery management options. This includes the development of annual projections of fish stock size and development of fishery models for use in the management of fish populations.

Task Force

The Act provides for a 16-member Klamath River Basin Fisheries Task Force to advise and assist the Secretary of the Interior in the development and implementation of the Restoration Program. The Task Force consists of members who represent a broad range of stakeholder interests from throughout the Klamath River area. Members are appointed by, and represent, the Governors of California and Oregon; the Secretary of the Interior, the Secretary of Commerce, and the Secretary of Agriculture; the California counties of Del Norte, Humboldt, Siskiyou, and Trinity; Klamath County, Oregon; the Hoopa Valley, Karuk, Yurok, and Klamath Tribes; in-river sport anglers; and commercial salmon fishermen.

According to its charter, the Task Force also functions only in an advisory capacity and reports to the Secretary of the Interior. The charter states that the Task Force has four objectives: (1) to assist the Secretary of the Interior

in the formulation, coordination, and implementation of the Restoration Program; (2) to assist and coordinate its activities with federal, state, local government, and private anadromous fish restoration projects; (3) to conduct any other activity necessary to accomplish the objectives of the Restoration Program; and (4) to act as advisor to the Management Council. The Task Force works by consensus to coordinate restoration planning, recommend restoration project proposals for funding, and express opinions on issues affecting the Klamath River Basin. In 1991, in conjunction with an independent contractor, the Task Force developed the Long Range Plan for the Restoration Program.¹⁵

The Task Force usually meets three times per year (in February, June, and October) at various locations in California and Oregon. Like the Management Council, the Task Force publishes notices of meetings in the *Federal Register*, posts its meeting agenda at the Yreka FWO Internet Web page 2 to 3 weeks before each meeting, and invites the public to attend its meetings. Each meeting session lasts from 2 to 3 days. The members discuss needs for managing Klamath River fish, ongoing and proposed Klamath River Basin restoration projects, and the technical information needs of the Management Council. They also discuss and make recommendations regarding the funding of restoration projects.

Each spring the Task Force, in conjunction with FWS, issues a Request for Proposals for restoration projects to be funded in the following fiscal year with Restoration Program funds. When the project proposals are received, they are evaluated for technical merit and scored by the Task Force's Technical Work Group,¹⁶ using criteria published in the Request for

¹⁵ Klamath River Basin Fisheries Task Force, *Long Range Plan for the Klamath River Basin Conservation Area Fishery Restoration Program* (January 1991).

¹⁶ The Technical Work Group, a subgroup created by the Task Force, consists of the same number of members as the Task Force. Each member of the Task Force either serves on the Technical Work Group or selects an individual, often from the entity that the member represents on the Task Force, to serve, without pay, on the Technical Work Group.

Proposals.¹⁷ Then, using the amount of expected funding for the following year as a guide for determining how many new restoration projects can be funded, the Technical Work Group presents its analysis to the entire Task Force. At its June meeting, the Task Force considers the Technical Work Group's analysis, and by unanimous vote, selects the project proposals it will recommend to the Secretary of the Interior¹⁸ for funding in the next fiscal year. Approximately 25 projects were funded annually for fiscal years 2000 through 2004.

Yreka FWO

The Yreka FWO was established in fiscal year 1987 to facilitate implementation and management of the Restoration Program. The Yreka FWO is involved in administering several other FWS programs and activities, but the Restoration Program comprises about one-half of the office's annual funding. The Yreka FWO has 1 full-time contract employee who performs administrative functions and 15 employees: a field supervisor, an assistant field supervisor, 2 supervisory biologists, 6 staff biologists, 1 administrative supervisor, 2 administrative staff, and 2 part-time staff biologists.

Eight of these individuals provide technical and administrative services to the Management Council and the Task Force, perform restoration project management functions, or have Restoration Program administration duties. Two of the employees (a supervisory biologist and one part-time staff biologist) spend almost all of their time on Restoration Program activities. The Field Supervisor, three administrative employees, one staff biologist, and the contract employee spend part of their time on Restoration Program activities. The assistant field supervisor, a supervisory biologist, five staff

¹⁷ The RFP soliciting project proposals for fiscal year 2004 funding lists six criteria for scoring the proposals along with the maximum score that can be awarded for each of the criteria. The six criteria with maximum scores in parentheses are (1) Employment of target groups (10 points); (2) Benefits to priority fish species and stocks (10 points); (3) Ability of the proposer to successfully implement the proposed project (10 points); (4) Scientific validity and technical quality (25 points); (5) Conforms to sub-basin objectives (25 points); and (6) Cost effectiveness; including: pricing, resource benefits/costs, development of matching funds, and willingness of the proposer to contribute funds or in-kind goods/services (20 points). The RFP also states: "Proposals that do not meet the goals and objectives of the Restoration Program... will not be evaluated or ranked. These criteria are mandatory for all project proposals."

¹⁸ The Secretary of the Interior does not actually receive the Task Force's list of recommended project proposals. Instead, an FWS official, who has been delegated authority, approves the projects for funding.

biologists, and one part-time staff biologist do not spend any of their time on Restoration Program activities. Until fiscal year 2004, Yreka FWO was supervised by FWS's Portland Regional Office, but it is now supervised by FWS's California-Nevada Operations Office.

Funds Received by the Restoration Program

There are a number of uncertainties in determining the amount of funds received by the Restoration Program for fiscal years 2000 through 2004. First, FWS's appropriations do not contain a discrete line item for the Restoration Program. This prevented us from doing any independent verification of the appropriated amounts. Second, FWS's restoration project database does not distinguish between cash and noncash contributions provided to the restoration project by project participants. The restoration project database shows a single amount, called the cost-share amount, which is the sum of all contributions made by the project participant to the project. For some projects, we could determine the amount of cost share that consisted of cash and the amount that consisted of noncash by looking in the contract file at the project agreement, or at supporting documents, or even at the final report if the project had been completed. However, for some restoration projects, even those documents did not contain adequate information for us to make a distinction between cash and noncash contributions. As a result, we were unable to determine how much of contributions made by project participants was cash and how much was noncash. Third, Restoration Program officials did not routinely perform independent analysis to determine the value that should be assigned to noncash contributions as called for by good financial management practices. Rather, according to FWS officials, they typically accepted the values assigned by the project participant as long as the values appeared reasonable. They did this for various reasons, including their lack of formal criteria for making such evaluations, and their uncertainty about their authority to question the values. Therefore, the composition and value of cost-share amounts maintained in FWS records are subject to question.

For the 5 years from the beginning of fiscal year 2000 through the end of fiscal year 2004, according to FWS officials, the Klamath River Basin Conservation Area Restoration Program received about \$9.8 million in cash and noncash contributions: almost \$6.3 million from federal sources and

almost \$3.6 million from nonfederal sources.¹⁹ The federal funds included about \$5.1 million in appropriations derived from FWS's Resource Management appropriation account,²⁰ which includes a lump-sum appropriation that FWS allocates to various program activities, including the Fisheries Program.²¹ FWS operates several subprograms within the Fisheries Program, including the Fish and Wildlife Management Program, which administers several subactivity program elements, including Anadromous Fish Management.

During the 5 years under review, FWS allocated about \$5 million²² in appropriations to the Klamath River Basin Conservation Area Restoration Program established under the Klamath River Basin Fishery Resources Restoration Act. In addition, according to FWS officials, FWS provided about \$135,000 more to the Restoration Program during the 5-year period from appropriations FWS has allocated to support the Anadromous Fish Management subactivity of the Fisheries Program's Fish and Wildlife

¹⁹ Due to the rounding of amounts, the sum of federal contributions and nonfederal contributions seems to exceed total contributions.

²⁰ In fiscal year 2004, for example, FWS's Resource Management appropriation stated: "For necessary expenses of the United States Fish and Wildlife Service, as authorized by law, and for scientific and economic studies, ... general administration, and for the performance of other authorized functions related to such resources by direct expenditure, contracts, grants, cooperative agreements, and reimbursable agreements with public and private entities, \$963,352,000, to remain available until September 30, 2005, ..." Department of the Interior and Related Agencies Appropriations Act, 2004, Pub. L. No. 108-108, 117 Stat. 1241, 1245 (Nov. 10, 2003).

²¹ In the *Budget of the United States Government—Appendix, Fiscal Year 2006*, the Department of the Interior describes the Fisheries Program as follows: "The Fisheries Program consists of 69 national hatcheries, 9 Fish Health Centers, 7 Fish Technology Centers, 64 Fishery Resources Offices, and a Historic National Fish Hatchery. Working with partners, the Fisheries Program recovers, restores and maintains fish and other aquatic resources at self-sustaining levels; provides technical assistance to States, Tribes and others; and supports Federal migration programs for the benefit of the American public." *Id.* at 613.

²² According to FWS officials, the amount of the Resource Management appropriation FWS allocated for the Restoration Program for each of the 5 years was \$1 million, less a rescission that varied between 0.38 percent and 1.82 percent. The actual total amount received for the 5 years, according to the FWS officials, was \$4,955,716. We could not verify this amount because the appropriations for FWS do not contain a discrete line item for the Restoration Program. Instead, funding for the Restoration Program is combined with other funding within the "General Program Activities" sub-element of the "Anadromous Fish Management" program element, which can be found under the "Fish and Wildlife Management" activity of FWS's "Fisheries Program" account.

Management Program. Also, according to FWS records, the Restoration Program benefited during that same time period from the almost \$1.2 million in cash and noncash contributions²³ from federal entities that participated in restoration projects. The almost \$3.6 million from nonfederal sources came to the Restoration Program as cash and noncash contributions from nonfederal entities that participated in restoration projects, according to FWS records. See table 1 for a year-by-year breakdown of the Restoration Program funding, based on unaudited financial information provided by FWS officials.

Table 1: Sources and Amounts of Funding Received by the Restoration Program Fiscal Years 2000 through 2004

Source of funding	Fiscal years					Total funding
	2000	2001	2002	2003	2004	
Fisheries Program allocation designated for the Restoration Program - net appropriations ^a	\$996,200	\$994,008	\$996,200	\$987,547	\$981,761	\$4,955,716
Fisheries Program allocation not designated for the Restoration Program (appropriations)	16,196	22,243	34,950	26,374	35,478	135,241
Cost share provided to restoration projects by federal entities	135,937	248,469	226,160	235,678	318,714	1,164,958
Cost share provided to restoration projects by nonfederal entities	581,471	783,226	647,856	656,581	906,351	3,575,485
Total Restoration Program funding from all sources	\$1,729,804	\$2,047,946	\$1,905,166	\$1,906,180	\$2,242,304	\$ 9,831,400

Source: GAO computations based on unaudited FWS data.

^aThe term net appropriations refers to the amount received after accounting for any rescissions.

In addition to gathering financial information on the Restoration Program's sources of funds for fiscal years 2000 through 2004, we gathered the same information going back to the passage of the Act in 1986. Specifically, from

²³ FWS records show a "cost-share" amount for restoration projects. We could not determine from the records the amount of cost share that consisted of cash contributions and the amount that consisted of noncash contributions.

the beginning of fiscal year 1988 through June 2005,²⁴ FWS records show that the Klamath River Basin Conservation Area Restoration Program received over \$17.0 million in funding from the Resource Management appropriations that FWS has allocated for the Restoration Program established by the Klamath River Basin Fishery Resources Restoration Act and another \$188,000 from FWS's Resource Management appropriations that FWS allocated for other activities funded by the Fisheries Program. In addition, according to FWS officials, the Restoration Program benefited during that same time period from about \$1.7 million in cash and noncash contributions from federal entities that participated in restoration projects and from \$5.8 million in cash and noncash contributions from nonfederal entities that participated in restoration projects. Although the Act was passed on October 27, 1986, the Restoration Program did not receive designated appropriations for fiscal year 1987. However, some expenditures for the Restoration Program, amounting to about \$57,000, were funded during fiscal year 1987 from appropriations available to FWS for Fisheries Program expenditures.

Purposes for which the Restoration Program Spent Funds

According to FWS records, the Restoration Program funded 126 restoration projects during fiscal years 2000 through 2004, in addition to supporting the operations of the Management Council and the Task Force, providing for FWS project management services, paying for program administration expenses, and contributing to the operational costs of FWS's Yreka field office, Portland regional office, and Washington, D.C. headquarters office.

Of the about \$5.1 million received by the Restoration Program from FWS's fiscal years 2000 through 2004 Resource Management appropriations, FWS's records show about \$2.9 million, or 57 percent, went to restoration projects; about \$615,000, or 12 percent, was used by FWS to manage restoration projects, including planning, contracting, tracking agreements, complying with environmental requirements, and providing technical assistance to projects; about \$1.1 million, or 23 percent, was spent on program administration, including administrative and technical support provided by FWS to the two federal advisory committees created by the

²⁴ For fiscal year 2005, the Klamath River Basin Conservation Area Restoration Program received \$970,928 in appropriations through June 30, 2005 (\$1 million less a rescission of \$29,072) for a total appropriation of over \$17 million for fiscal years 1988 through 2005.

Act; and the remaining about \$442,000, or 9 percent,²⁵ was used for overhead expenses incurred at the FWS headquarters and regional office levels.

In addition, the \$4.7 million contributed to the Restoration Program by federal and nonfederal project participants that participated in restoration projects remained in the control of the project participants. The project participants used the \$4.7 million of cash and noncash contributions on those restoration projects in which they participated. We were not able to obtain adequate information on the project participants' contributions to describe the purposes for which those amounts were spent. See table 2 for a year-by-year breakdown of the purposes and amounts of Restoration Program expenditures paid from FWS appropriations.

Table 2: Purposes and Amounts of Restoration Program Expenditures from FWS Appropriations for Fiscal Years 2000 through 2004

Purpose of expenditure	Fiscal years					Total expenditures
	2000	2001	2002	2003	2004	
Restoration projects (obligated) ^a	\$571,838	\$578,700	\$578,700	\$578,709	\$578,130	\$2,886,077
Project management	116,273	118,935	130,209	124,361	125,010	614,788
Support of federal advisory committees	165,085	159,835	160,837	153,395	156,244	795,396
Program administration	70,339	69,693	72,762	69,439	70,313	352,546
FWS Washington office overhead	9,962	10,439	33,926	73,759	87,542	215,628
Regional office ^b overhead	78,899	78,649	54,716	14,258	0	226,522
Total annual expenditures	\$1,012,396	\$1,016,251	\$1,031,150	\$1,013,921	\$1,017,239	\$5,090,957

Source: GAO computations based on unaudited FWS data.

^aWe used obligated amounts for restoration projects costs because the amount is obligated for a restoration project from a single year's funds but may be expended over a multiyear period. Therefore, the obligated amount for a particular year better represents the amount from that year's funds that is spent on projects than would the expended amount for that year, which might consist of expenditures on several different years' projects.

²⁵ Due to the rounding of percentage amounts, the sum of the percentages for expenditure types exceeds 100 percent.

^bFWS's Portland Regional Office oversaw the operations of the Yreka FWO for fiscal years 2000 through 2003. This responsibility was transferred to the California-Nevada Operations Office in fiscal year 2004. However, neither the Portland Regional Office nor the California-Nevada Operations Office received an assessment from the Restoration Program appropriations for fiscal year 2004.

We used the expenditure categories in table 2 to report how FWS's Resource Management appropriations were spent because they represent the major functions for which the Restoration Program spends funds and, with the exception of overhead, are the major categories FWS officials use to track the Restoration Program budget. However, to fulfill our engagement objectives, we also sought to provide information about what amounts of the FWS's Resource Management appropriations received by and for the Restoration Program from the beginning of fiscal year 2000 through the end of fiscal year 2004 were spent for the purposes of restoration projects, travel reimbursements, administrative expenses, overhead, and technical support.

Restoration projects. Table 2 shows that almost \$2.9 million was committed to restoration projects from FWS's Resource Management appropriations for fiscal years 2000 through 2004. Combining that amount with the \$4.7 million in cash and noncash contributions provided to restoration projects by project participants brings the total invested by the Restoration Program directly to restoration projects during the 5-year period to a little over \$7.6 million.

Of the \$2.9 million in project funding from FWS's Resource Management appropriations, the Restoration Program provided almost \$700,000 to three federal entities to help fund 26 restoration projects carried out by those federal entities, and provided almost \$2.2 million to 18 nonfederal entities to help fund 100 restoration projects carried out by those nonfederal entities.²⁶ The three federal entities that carried out the 26 restoration projects are the same ones that brought cash and noncash contributions totaling almost \$1.2 million to the Restoration Program, and the 18 nonfederal entities that carried out the 100 restoration projects are the same ones that brought cash and noncash contributions totaling almost \$3.6 million to the Restoration Program. Thus, according to FWS records, total investment from federal and nonfederal sources in restoration projects amounted to a little over \$7.6 million that funded 126 restoration projects from the beginning of fiscal year 2000 through the end of fiscal

²⁶ For more information on the types of entities that received project funding from the appropriations that FWS allocated to the Restoration Program, see appendix II.

year 2004. It should be recognized, however, that in addition to Restoration Program projects, other restoration projects are undertaken in the Klamath River Basin with funding from FWS through its other programs; and other restoration projects still are undertaken in the Klamath River Basin with funding from other federal entities, the states of California and Oregon, and other nonfederal entities.

Travel reimbursement expenses. Travel reimbursement expenses are contained in each of three expenditure categories (project management, program administration, and support of federal advisory committees) shown in table 2, but they can be segregated. Specifically, total Restoration Program travel reimbursement expenses amounted to about \$200,000 for the 5-year period, for an average of about \$40,000 per year. This includes travel by members of the two federal advisory committees,²⁷ federal staff who support the committees, and FWS officials who perform project management and program administration activities.

Program administration expenses. Table 2 shows program administration expenses for the 5-year period of about \$350,000. Table 2 also shows expenditures of about \$800,000 in support of the two federal advisory committees. Based on our discussions with FWS officials, we consider the expenditures made in support of the federal advisory committees to also be administrative expenses for the Restoration Program. Summing the amounts for those two categories produces a total of about \$1.1 million for Restoration Program administrative expenses during fiscal years 2000 through 2004.

Overhead expenses. To provide information about what amounts of the funds received by and for the Restoration Program from the beginning of fiscal year 2000 through the end of fiscal year 2004 were spent for the

²⁷ The Act permits Management Council members and Task Force members, while away from their homes or regular places of business in the performance of services for the Management Council or the Task Force, to receive an allowance for travel expenses, including a per diem allowance in lieu of subsistence, in the same manner as persons employed intermittently in the government service are allowed travel expenses under section 5703 of title 5 of the U.S. Code. However, the Act excludes from such eligibility for travel expenses any Management Council member or Task Force member who is an employee of an agency or governmental unit and is eligible for reimbursement of travel expenses from that agency or unit for performing services for the Management Council or the Task Force. This latter group's travel expenses are reimbursed by their federal agencies. The costs of travel for FWS officials who are members, which is reimbursed from FWS's appropriations allocated for purposes related to the Restoration Program's goals, are included in this report as Restoration Program expenses.

purposes of overhead expenses, we examined the use of Restoration Program funds at the FWS Washington, D.C., office level, the FWS regional office level, and the Yreka FWO level. Each year during the 5-year period, the FWS headquarters in Washington, D.C., received varying amounts of the Restoration Program appropriations for “Cost Allocation Methodology,” a process through which rent and other FWS administrative costs are shared by the programs. As can be seen in table 2, we considered the amount received by FWS headquarters, about \$216,000, to be Restoration Program overhead.

The Portland Regional Office oversaw the operations of the Yreka FWO for most of fiscal years 2000 through 2004 and during the first 4 of those years it received a total of about \$227,000 of Restoration Program appropriated funds. According to an FWS official, an 8 percent assessment is applied by the regional office to all Fisheries Program funds and used to pay for office management, staff expertise, and support costs, including data management; program oversight of the field office; budget and finance services; human resources, external affairs, and employee assistance services; as well as development and implementation of fisheries policies, operating plans, evaluation methods, and administrative procedures for field offices. Again, as seen in table 2, we considered the amount received by the FWS regional office, about \$227,000, to be Restoration Program overhead.

To identify any Restoration Program overhead expenses incurred at the Yreka FWO level, we analyzed the various cost categories maintained by Yreka FWO officials and the office expenses that are allocated to the Restoration Program. After discussing our analysis with the Yreka FWO officials, we decided that Restoration Program overhead incurred at the Yreka FWO level could best be represented by four categories of expenses.²⁸ During fiscal years 2000 through 2004, the amounts of these expenses allocated to the Restoration Program by FWS totaled about \$48,000. This amount is not shown separately in table 2 because, like the travel expenses category, components of this amount are contained in each of three expenditure categories (project management, program administration, and support of federal advisory committees). Adding

²⁸ The four categories of Yreka FWO expenses that we added together to represent Restoration Program overhead incurred at the Yreka FWO level were allocated amounts of (1) utilities expenses, (2) computer maintenance and repairs expenses, (3) training and tuition expenses, and (4) capitalized property expenses.

together the Restoration Program overhead incurred at each of the three FWS organizational levels (almost \$216,000 at the FWS Washington, D.C., office level; almost \$227,000 at the FWS regional office level; and about \$48,000 at the Yreka FWO level), we found that Restoration Program overhead was about \$491,000 during fiscal years 2000 through 2004.

Technical support expense. We also attempted to provide information about what amounts of the funds received by and for the Restoration Program from the beginning of fiscal year 2000 through the end of fiscal year 2004 were spent for technical support. As provided for in the Act,²⁹ staff from the Yreka FWO, along with staff from the State of California's Department of Fish and Game, provide technical and administrative support to the Management Council and the Task Force. The technical support from FWS comes primarily from three staff: the supervisory biologist and the part-time staff biologist in the Yreka FWO, who spend almost all of their time on Restoration Program activities, and the staff biologist in the Yreka FWO, who spends part of his time on Restoration Program activities. FWS is reimbursed from Restoration Program funds for the portion of FWS staff salaries that is attributable to providing administrative and technical support services³⁰ to the two federal advisory committees. The State of California is not reimbursed for its employees' salaries for the time they spend providing administrative and technical support to the committees. Neither FWS officials nor the Restoration Program's representatives from the State of California could provide us with estimates of the value of technical support they provide. In addition to the support provided by FWS and the State of California, both the Task Force, through its Technical Work Group, and the Management Council, through its Technical Assistance Team, receive technical assistance from many of the entities represented by the Task Force members and the Management Council members, but information was not available on the value of those technical services either.

²⁹ The Act directs the Secretary of the Interior and the Director of the California Department of Fish and Game to provide the Management Council and the Task Force with relevant information concerning the Conservation Area and with such administrative and technical support services as are necessary for their effective functioning. *See* 16 U.S.C. §§ 460ss-3(g), 460ss-2(h).

³⁰ We could not calculate the amount of technical support costs for the 5-year period because FWS's records do not distinguish between administrative support and technical support provided to the committees.

Purposes for which the Task Force and the Management Council Spent Funds

According to FWS officials, about \$800,000 has been used to pay for the committees' operating costs from the beginning of fiscal year 2000 through the end of fiscal year 2004, a yearly average of about \$160,000. The two committees' operating costs are funded from FWS's Resource Management appropriations. Officials in FWS's Yreka, California, field office, who administer the Restoration Program, receive and expend the funds that pay for the committees' operating costs. They provided us with information that shows that the approximately \$800,000 expended for the committees' operating costs was spent for salaries of federal staff (about \$520,000); travel for committee members and federal staff (about \$120,000); and office costs, including vehicles, supplies, copies, and meeting rooms (about \$150,000). Neither of the advisory committees makes expenditures for restoration projects, and as mentioned earlier, we consider all expenditures for the operations of the advisory committees to represent Restoration Program administrative expenses.

The Task Force and the Management Council submit Federal Advisory Committee Act (FACA) reports each year showing expenditures related to their operations. We obtained FACA reports produced by FWS officials for the Task Force and the Management Council for fiscal years 2000 through 2004 for purposes of determining the types and amounts of expenditures made by the Task Force and the Management Council. However, after conducting some analytical testing procedures, and discussing the FACA report financial information with the Designated Federal Officers for the two federal advisory committees, we concluded that due to changes in interpretations of the reporting instructions, the FACA data were not reported on a consistent basis during the 5-year period. For example, some amounts contained in the FACA reports for fiscal years 2001 and 2002, but not for the other years, likely included some Restoration Program-related expenses incurred and paid by the Department of Commerce and the Department of Agriculture.

No Reasonable Assurance of Compliance with the Act's Provisions

The Klamath River Basin Fishery Resources Restoration Act imposes several requirements upon the Secretary of the Interior as part of the Secretary's responsibility for implementing the Restoration Program. It also places certain limitations on the use of funds appropriated under the Act's authorization. We considered whether the Secretary and the Restoration Program administrators have complied with the Act's financial-related requirements and limitations. We found that more complete and timely action in complying with the Act's requirements would better assure

that the requirements are fulfilled and that compliance with the Act's limitations can be reasonably assured only by implementing control mechanisms and record-keeping practices which are not yet in place.

Needed Actions Not Yet Taken on Nonfederal Match and Noncash Contributions Requirements

In 1987, FWS officials drafted proposed regulations to address the nonfederal match and noncash contribution provisions contained in the Act, but the draft regulations were never formally promulgated. The Act requires that 50 percent of the cost of the development and implementation of the Restoration Program be provided, on a basis considered by the Secretary of the Interior to be timely and appropriate, by one or more nonfederal sources. The Act specifies that for purposes of determining whether 50 percent of the cost is being provided by nonfederal sources, the Secretary of the Interior should include the contributions of state and local governments as long as such contributions do not entail the expenditure of federal monies received by the state or local government. The Act also directs the Secretary to consider as financial contributions by nonfederal sources the value of noncash contributions (that is, services, including volunteer services, and real and personal property) provided by the nonfederal sources for the purposes of implementing the Restoration Program.

The Act further requires the Secretary to establish by regulation (1) the training, experience, and other qualifications that volunteers must have in order for their services to be considered as noncash contributions; and (2) the standards under which the Secretary will determine the value of noncash contributions, that is, services, and real and personal property.³¹

We found evidence that the Task Force, which is responsible for assisting and advising the Secretary on the development and implementation of the Restoration Program, had extensive discussions regarding the nonfederal match and noncash contribution provisions of the Act, and the need for regulations, during its public meetings in 1987, 1988, and 1989. We also found that FWS officials drafted proposed regulations to address the nonfederal match and noncash contribution provisions during that same

³¹ 16 U.S.C. § 460ss-5(b)(4). ("The Secretary shall by regulation establish—(A) the training, experience, and other qualifications which such volunteers must have in order for their services to be considered as in kind contributions; and (B) the standards under which the Secretary will determine the value of in kind contributions and real and personal property for purposes of paragraph (2).")

time period and that the Task Force reviewed and approved of the draft regulations. However, according to Interior officials, the draft regulations were never formally promulgated because Interior decided it was not necessary to issue separate regulations regarding qualifications for volunteer services and the standards for valuing noncash contributions. The Department of the Interior based this decision, according to the Interior officials, on its determination that existing Interior grants management regulations, which prescribe rules Interior must follow to meet cost-share requirements in federal grants and other federal awards,³² provided sufficient guidance.

Because of Interior's interpretation, new regulations specific to the Restoration Program were not issued, and FWS officials maintain that it is not necessary to issue any. However, inadequate internal controls impair FWS officials' abilities to be reasonably assured of compliance with these existing Interior regulations. For example, FWS officials told us that they have not rejected any restoration project proposal due to the proposal's lack of information on the values assigned or the methods for valuing the proposed noncash contributions, even though our review of project files identified several approved projects whose project documents lacked such information. In addition, FWS officials told us that they typically accept the values assigned to noncash contributions by those who propose projects as long as the values appear reasonable, and that they do not have formal criteria for making this reasonableness evaluation. This lack of reasonable assurance of compliance prevents both congressional overseers, who may seek information about program funding, and Restoration Program administrators from being able to make consistent, reliable decisions about when volunteers' services should count as noncash contributions and how to value all types of noncash contributions to the Restoration Program.

In addition to the potential problems associated with FWS's current practices related to acceptance of volunteer services as noncash contributions and valuation of noncash contributions, FWS officials have not developed a methodology, or mechanism, for measuring whether 50 percent of the cost of the development and implementation of the Restoration Program is being provided by nonfederal sources. In our discussions with FWS officials, they expressed uncertainty about whether certain nonfederal financial initiatives should be counted toward the cost-share requirement. For example, if the State of California provides funding

³² See 43 C.F.R. §§ 12.64, 12.923 (2005).

for restoration projects that have the same goals as the Restoration Program's projects, but that do not involve any FWS participation, FWS officials are unsure of whether the funding for those projects should be counted toward meeting the nonfederal cost-share requirement.

Furthermore, even though expenditures of federal money by a state or local government to carry out the Restoration Program do not qualify for meeting the Act's criteria that 50 percent of costs be provided from nonfederal sources, FWS officials have not developed a methodology for determining whether state or local government contributions to the Restoration Program actually constitute expenditure of federal money for purposes of the Act's cost-share provision. Without having established such methodologies, FWS officials cannot determine whether the Restoration Program is in compliance with the nonfederal cost-share provision of the Act.

FWS officials have requested and collected limited financial data on each restoration project funded by the Restoration Program. For example, FWS's Request For Proposals (RFP) for restoration projects to be funded during fiscal year 2004 states: "The Klamath Act recognizes in-kind contributions³³ by volunteers as contributions to the Klamath Restoration Program." However, our review of documents in FWS's project files, including project proposals, proposed budgets, project agreements, and final reports, showed that the documents often do not contain detailed information needed to determine (1) the amount of cash contribution, (2) the type of noncash contribution, (3) the value of the noncash contribution, and (4) the method of valuing the noncash contribution.

In addition, we found no indication in the project files that the data are routinely analyzed and recorded concerning (1) the amount of a state or local government's contribution that should be counted as nonfederal, (2) whether the services of volunteers qualify as a noncash contribution, and (3) whether the noncash contributions are properly valued. FWS officials told us that they typically accept the values assigned to nonfederal contributions by project participants. In their project records, FWS officials record a single "cost-share" amount for each project, which they extract from the project proposals submitted by project participants. The cost-share amount represents total contributions brought to the project by project participants, but it does not distinguish between monetary

³³ In-kind contributions are noncash contributions.

contributions and noncash contributions in the combined amount. In addition, FWS officials do not maintain records on the value of any nonfederal contributions to the Restoration Program that are not project related, such as the State of California's contribution of technical services to the Management Council and the Task Force. As a result, FWS officials are not able to demonstrate that the Restoration Program is in compliance with the Act's nonfederal match provision.

Improved Accounting Needed to Assure Compliance with the Act's Restrictions

Although FWS officials told us they believe they are in compliance with other provisions of the Act that restrict reimbursing certain travel expenses, such compliance cannot be assured or demonstrated because the FWS accounting system does not distinguish between Resource Management appropriations allocated for the Restoration Program and funds from the same lump-sum appropriation allocated for related purposes. The Act places some limitations on the purposes for which the money it authorizes to be appropriated can be spent. For example, the funds appropriated for the Restoration Program may not be used to reimburse any agency or governmental unit whose employees are Management Council members or Task Force members for time spent by any such employee performing Management Council or Task Force duties. Likewise, the Act precludes the funds' use for reimbursing travel expenses to federal employees who travel as members of the Management Council or Task Force.

Both the Management Council and the Task Force have members who are federal employees, and each has at least one member who is a FWS employee. Our work did not find any instance of noncompliance with the above restrictions. However, FWS offices that receive Restoration Program funds also receive some funds FWS has allocated to the Anadromous Fish Management activity of the Fisheries Program which are designated by the same account code (1331) as the Restoration Program funds. Although, as mentioned above, the Restoration Program funds may not be used for certain purposes, the Anadromous Fish Management funds can be and are used for those purposes. Since neither the Restoration Program funds nor the Anadromous Fish Management funds are designated by an additional subactivity or project code that would distinguish between the two types of funds, the source of funds that have been used for specific expenditures cannot be determined or verified from the accounting records. As a result, FWS's accounting records do not provide the detailed information needed to assure that the restrictions on the use of Restoration Program appropriated funds are being complied with.

Conclusions

Since passage of the Klamath River Basin Fishery Resources Restoration Act in 1986, the Restoration Program established to carry out the Act has received about \$24.7 million in cash and noncash contributions. Of the \$24.7 million, the Restoration Program received about \$9.8 million during fiscal years 2000 through 2004. The Secretary of the Interior and the Director of FWS have taken a number of actions to formulate, establish, and implement the Restoration Program, including designating a conservation area, establishing the Management Council and the Task Force, formulating a long-term plan, and funding over 350 restoration projects in the Klamath River Basin. Regarding the financial requirements of the Act, FWS officials have correctly identified the need to fund some Restoration Program expenditures, such as certain travel and salary expenses for FWS officials who are members of the Management Council or the Task Force, from monies that are not subject to the Act's restrictions. However, they have not yet incorporated into their accounting procedures and record-keeping practices sufficient controls to provide reasonable assurance of compliance with those provisions of the Act. In addition, concerning the Act's requirement that 50 percent of the Restoration Program's costs be provided by nonfederal sources, FWS officials do collect some information regarding nonfederal contributions to restoration projects, but they do not distinguish between cash and noncash contributions in project documents, document their valuation decisions regarding the noncash contributions, or take steps to verify that nonfederal contributions meet the Act's criteria. Incorporating these additional controls into the Restoration Program's operations would not be difficult or costly, and would provide reasonable assurance of compliance with those provisions of the Act.

Recommendations

In order to enhance compliance with the Act, we recommend that the Secretary of the Interior direct the Director of the Fish and Wildlife Service to

- modify the standard project agreement language to distinguish between cash and noncash contributions from the project participant;
- include a requirement in the standard project agreement that if any contributor to the project is a state or local government, that contributor must attest to how much, if any, of the contribution is from federal monies received by that state or local government;

-
- develop standard operating procedures for reviewing and validating contributor-supplied information regarding the determination and valuation of noncash contributions and determination of nonfederal sources of funds;
 - track Restoration Program funds requested and received through the appropriations process by specifically identifying Klamath Restoration Program funds; and
 - track Restoration Program funds expenditures through FWS's Federal Financial System by assigning a project code to the Klamath Restoration Program funds.

Agency Comments and Our Evaluation

Interior generally agreed with the report's findings and recommendations and stated that implementation of some recommendations has already begun. Interior pointed out, however, that incorporating some of the Act's requirements into the Restoration Program will likely require increased staff involvement in negotiation and verification of noncash values, which would cause increased diversion of restoration project funds to administrative work. We agree that some increased staff involvement will likely be necessary to determine the values of noncash contributions in order to fully comply with the Act's key funding requirement that 50 percent of the cost of the development and implementation of the program be provided by nonfederal sources. We encourage Interior to closely monitor the costs associated with implementing the Act's requirements so that it will be in a position to provide this information to Congress when Congress considers reauthorization of appropriations for, or an extension of, the 20-year Restoration Program.

Interior's comments are included as appendix III to this report. Interior officials also provided some technical suggestions to our draft report, which we did not reprint. We incorporated those technical suggestions as appropriate.

We are sending copies of this report to the Secretary of the Interior, the Director of the Fish and Wildlife Service, and other interested parties. We will also make copies available to others upon request. In addition, the report is available to others at no charge on the GAO Web site at <http://www.gao.gov>.

Should you or your staff have any questions on matters discussed in this report, please contact me at (202) 512-6906 or williamsm1@gao.gov. Contact points for our offices of Congressional Relations and Public Affairs may be found on the last page of this report. Major contributors to this report are acknowledged in appendix IV.

A handwritten signature in black ink that reads "McCoy Williams". The signature is written in a cursive, flowing style.

McCoy Williams
Director, Financial Management and Assurance

List of Congressional Requesters

The Honorable Richard W. Pombo
Chairman
Committee on Resources
House of Representatives

The Honorable Darrell Issa
Chairman
Subcommittee on Energy and Resources
Committee on Government Reform
House of Representatives

The Honorable Charles H. Taylor
Chairman
Subcommittee on Interior, Environment,
and Related Agencies
Committee on Appropriations
House of Representatives

The Honorable John T. Doolittle
House of Representatives
The Honorable Wally Herger
House of Representatives

The Honorable Greg Walden
House of Representatives

Objectives, Scope and Methodology

The objectives of this engagement were to provide information about (1) sources and amounts of funding received by and for the Restoration Program for fiscal years 2000 through 2004; (2) amounts of funds received by and for the Restoration Program for fiscal years 2000 through 2004 spent for restoration projects, travel reimbursements, administrative expenses, overhead, and technical support; (3) amounts of funding received by the Task Force and Management Council for fiscal years 2000 through 2004 spent for the purposes of restoration projects, travel reimbursements, administrative expenses, overhead, and technical support; and (4) whether the Secretary of the Interior has complied with specific requirements contained in certain provisions of the Klamath River Basin Fishery Resources Restoration Act.

For the most part, we limited the scope of our work to fiscal years 2000 through 2004; however, some compliance information and some historical financial information we gathered included earlier years, going back to the passage of the Act in 1986. We performed our work primarily at the headquarters offices of the Department of the Interior, and the U.S. Fish and Wildlife Service (FWS) in Washington, D.C. We also traveled to FWS's Yreka, California, field office, which administers the Restoration Program, to inspect files and gather information. We gathered additional information from other locations through telephone contacts with FWS officials in FWS's Portland Regional Office and its California-Nevada Operations Office. We also interviewed by telephone Task Force and Management Council members who represent various entities in California and Oregon.

To provide information about what total amount of funding was received by and for the Restoration Program from the beginning of fiscal year 2000 through the end of fiscal year 2004, and what were the sources of that funding, we first defined the boundaries of the Restoration Program because there were numerous restoration-type activities undertaken by federal and nonfederal entities in the Klamath River Basin during the 5-year period we reviewed. After reviewing the provisions of the Act, having preliminary discussions with FWS officials, and visiting the Klamath River area, we defined the Restoration Program, for purposes of our work, as consisting of all activities and projects that are at least partially funded by appropriations FWS allocated for the Restoration Program pursuant to the Act. Under the definition we adopted, the Restoration Program funding also includes any cash or noncash contributions provided by federal or nonfederal sources to those same activities and projects.

Having defined the Restoration Program, we interviewed FWS headquarters, regional office, and field office officials to determine the types of Restoration Program funding and expenditure information routinely collected and the location and accessibility of that information. To obtain information on the amount of Resource Management appropriations that FWS allocated to the Restoration Program established pursuant to the Act, we reviewed budget request documents and appropriations act documents for FWS and the Department of the Interior, but did not find information on funding specifically for the Restoration Program in those documents. We discussed this with FWS headquarters, regional office, and field office budget officials and were told by them that the appropriations for FWS do not contain a discrete line item for the Restoration Program. Instead, funding for the Restoration Program is combined with other funding within the “General Program Activities” sub-element of the “Anadromous Fish Management” program element, which can be found under the “Fish and Wildlife Management Program” activity of FWS’s Fisheries Program account, which is funded through an allocation from FWS’s Resource Management appropriation. A Portland Regional Office budget official, who oversaw funding for the Yreka Fish and Wildlife Office (FWO), told us that FWS considers there to be an appropriation for the Restoration Program for each of the 5 years of \$1 million, less a rescission each year that varied between 0.38 percent and 1.82 percent. We obtained Office Fund Target documents from the Yreka FWO that supported those amounts.

To provide information about the amounts and sources of other funding contributed by federal and nonfederal sources to activities and projects that are at least partially funded by those appropriations allocated by FWS to the Restoration Program, we obtained from FWS officials an electronic copy of their Restoration Projects Database, maintained in FWS’s Yreka, California, office. That database contains information on only those restoration projects that are at least partially funded by appropriations FWS allocated for the Restoration Program pursuant to the Act. It also contains, among other things, information on the cost-share contributions provided to those restoration projects by federal and nonfederal entities. We also obtained and reviewed for some funded restoration projects the project proposals and project completion reports that had been prepared by the cooperators to determine if the amounts of cost share reported in those documents are consistent with the information in FWS’s Restoration Projects Database.

To provide information about whether other amounts of monetary funding or noncash contributions are provided to any of the Restoration Program's nonproject activities, we obtained FWS budget and expenditure information to identify the other activities and interviewed Yreka FWO officials, Task Force members, and Management Council members to learn of any other funding. We were told that no other cash contributions are received by the Restoration Program's nonproject activities but noncash contributions, in the form of technical services, are provided by some federal and nonfederal sources to the Task Force and the Management Council. However, FWS officials do not maintain records on the value of those technical services.

To provide information about what amounts of the funds received by and for the Restoration Program from the beginning of fiscal year 2000 through the end of fiscal year 2004 were spent for the purposes of restoration projects, travel reimbursements, administrative expenses, overhead, and technical support, we obtained budget and expenditure documents from the Yreka FWO. We had several discussions with Yreka FWO officials to gain an understanding of how the various financial amounts are derived and the availability of source documents that support the amounts. Through analysis of the financial information, we identified which items on the financial documents represent the Restoration Program's restoration projects, and which items represent travel reimbursements, administrative expenses, and overhead. Through discussions with Yreka FWO officials, we confirmed our interpretations of these amounts and confirmed Yreka FWO officials do not maintain records on the value of technical services.

To provide information about what amounts of funding received by the Task Force and Management Council from the beginning of fiscal year 2000 through the end of fiscal year 2004 were spent for the purposes of restoration projects, travel reimbursements, administrative expenses, overhead, and technical support, we obtained through the Internet, from a Web site maintained by the General Services Administration, Federal Advisory Committee Act (FACA) reports produced by the Task Force and the Management Council showing expenditures related to those two federal advisory committees for fiscal years 2000 through 2004. We considered using the FACA report financial information for determining the amounts of Restoration Program funds that were spent by the Management Council and the Task Force for the purposes of restoration projects, travel reimbursements, administrative expenses, overhead, and technical support. However, after conducting some analytical testing procedures and discussing the FACA report financial information with the Designated

Federal Officers for the two federal advisory committees, we concluded that the FACA report data would present a misleading picture of Restoration Program expenditures.

Our discussions with the Designated Federal Officers for the two federal advisory committees, Management Council members, Task Force members, and Yreka FWO officials, coupled with our review of Management Council and Task Force meeting minutes, charters, and operating procedures, showed that the Management Council and the Task Force do not actually receive or expend any federal or nonfederal funding. The funding that covers the Management Council's and the Task Force's operational expenses comes from FWS appropriations, and FWS officials in the Yreka FWO retain control of that funding and pay those expenses.

To determine whether the Secretary of the Interior, the Management Council, and the Task Force complied with specific duties and limitations contained in the Act, we reviewed the Klamath River Basin Fishery Resources Restoration Act and all of its amendments and identified the provisions that require or prohibit specific actions or activities. We then analyzed those provisions that contain mandates and restrictions to identify the financial-related requirements and limitations contained in the Act.

For each provision that contains a financial-related requirement, such as the issuance of regulations to establish qualifications which volunteers must have in order for their services to be considered as noncash contributions, we asked FWS officials whether the required action had been taken, and if so, for evidence of the action. For each provision that contains a financial-related restriction, such as the limitations on the purposes for which money appropriated pursuant to the Act's authorization can be spent (for example, restricted money may not be used to reimburse any agency or governmental unit whose employees are Management Council members or Task Force members for time spent by any such employee performing Management Council or Task Force duties), we asked FWS officials and the Chairmen of the Task Force and Management Council whether they are aware of the legal restrictions and whether they believe the restrictions have been complied with.

To find corroborating or contradicting evidence regarding compliance with the Act's financial-related provisions, we reviewed *Federal Register* notices and existing Interior grants management regulations related to cost-share requirements to determine if the necessary regulations had been issued. We

also inspected the Management Council's and Task Force's charters, operating procedures, and minutes of meetings to identify any discussions of the Act's provisions and any indications of an activity that indicates compliance or noncompliance with the provisions. Where we identified any indications of noncompliance, we discussed these indications with FWS, Management Council, and Task Force officials for their explanations. We also asked the Management Council's and Task Force's members if they are aware of any instances of noncompliance with the Act or of improper use of Restoration Program funds.

We did not perform a financial audit on the financial information collected from FWS officials. In addition, we did not evaluate the efficiency or effectiveness of the Restoration Program, of individual restoration projects, or of actions taken by the Task Force or the Management Council. Finally, we did not test compliance with all laws and regulations applicable to this engagement but limited our tests of compliance to financial-related provisions contained in the Klamath River Basin Fishery Resources Restoration Act. We conducted our work from June 2004 through June 2005 in accordance with U.S. generally accepted government auditing standards.

We requested comments on a draft of this report from the Secretary of the Interior, or her designee. Interior generally agreed with the report's findings and recommendations and stated that implementation of some recommendations has already begun. Agency comments are included as appendix III to this report. Interior officials also provided some technical suggestions to our draft report, which we did not reprint in appendix III. We incorporated those technical suggestions as appropriate.

Funding of Restoration Projects by Type of Participant Entity

Fiscal year	Type of Participant	Number of projects	Funded by appropriations	Participants' cost share
2000	Federal agencies	3	\$80,127	\$135,937
	State governments	1	15,106	5,000
	Local governments	0	0	0
	Indian tribes	6	204,575	299,458
	Not-for-profit organizations	6	138,771	231,087
	Higher education entities	0	0	0
	Business organizations	5	127,737	44,626
	Individuals	1	5,522	1,300
	Subtotal fiscal year 2000		22	\$571,838
2001	Federal agencies	5	\$159,270	\$ 248,469
	State governments	1	17,809	11,556
	Local governments	1	31,448	150,591
	Indian tribes	6	133,812	61,091
	Not-for-profit organizations	6	108,042	353,559
	Higher education entities	0	0	0
	Business organizations	4	128,319	206,429
	Individuals	0	0	0
	Subtotal fiscal year 2001		23	\$578,700
2002	Federal agencies	5	\$140,169	\$226,160
	State governments	1	17,809	11,556
	Local governments	1	32,109	133,622
	Indian tribes	7	121,675	65,010
	Not-for-profit organizations	7	167,803	265,559
	Higher education entities	1	25,593	34,800
	Business organizations	4	73,542	137,308
	Individuals	0	0	0
	Subtotal fiscal year 2002		26	\$578,700
2003	Federal agencies	5	\$107,749	\$235,678
	State governments	1	16,617	3,800
	Local governments	1	22,180	190,344
	Indian tribes	10	230,421	177,049
	Not-for-profit organizations	7	156,954	130,909

**Appendix II
Funding of Restoration Projects by Type of
Participant Entity**

(Continued From Previous Page)

Fiscal year	Type of Participant	Number of projects	Funded by appropriations	Participants' cost share
	Higher education entities	0	0	0
	Business organizations	3	44,788	154,479
	Individuals	0	0	0
	Subtotal fiscal year 2003	27	\$578,709	\$892,259
2004	Federal agencies	8	\$160,553	\$318,714
	State governments	1	29,866	7,216
	Local governments	1	34,250	116,685
	Indian tribes	7	188,545	403,770
	Not-for-profit organizations	11	164,916	378,680
	Higher education entities	0	0	0
	Business organizations	0	0	0
	Individuals	0	0	0
	Subtotal fiscal year 2004	28	\$578,130	\$1,225,065
2000-2004	Federal agencies	26	\$647,868	\$1,164,958
	State governments	5	97,207	39,128
	Local governments	4	119,987	591,242
	Indian tribes	36	879,028	1,006,378
	Not-for-profit organizations	37	736,485	1,359,795
	Higher education entities	1	25,593	34,800
	Business organizations	16	374,386	542,842
	Individuals	1	5,522	1,300
	Totals fiscal years 2000-2004	126	\$2,886,077	\$4,740,443

Source: GAO computations based on unaudited FWS data.

Comments from the Department of the Interior



United States Department of the Interior

OFFICE OF THE SECRETARY
Washington, DC 20240



AUG 1 1 2005

Mr. McCoy Williams
Director
U.S. Government Accountability Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Williams:

Thank you for providing the Department of the Interior the opportunity to review and comment on the draft U.S. Government Accountability Office report entitled, "Klamath River Basin Conservation Area Restoration Program: Limited Assurance Regarding the Federal Funding Requirements," GAO-05-804, dated July 12, 2005. In general, we agree with the findings and the recommendations in the report, and believe them to be fair and accurate.

The primary findings and recommendations of the report regard the lack of mechanisms for demonstrating compliance with 460ss-5(b) of the Klamath River Basin Fishery Resources Restoration Act (Act). This section (entitled Cost Sharing) states that 50 percent of the cost and implementation of the Act's Conservation Program must be provided by non-Federal sources. We concur with the recommendations for enhancing compliance with this requirement. As described in more detail below, we are already implementing some of these measures.


We are not in complete agreement with the report's determination that incorporating the recommended compliance provisions would not be difficult or costly. This is especially true for the validation of contributor supplied information regarding the valuation of non-cash contributions, which include such items as labor, heavy equipment use, and foregone grazing opportunity. Information is available to support creation of general valuation standards, but we anticipate that the great variation in restoration sites and projects will require increased staff involvement in negotiation and verification of non-cash values. This will cause increased diversion of restoration project funds to administrative work.

We are in full agreement with the general intent of the statute in stimulating use of non-Federal contributions to the development and implementation of the program. In fact, the availability of matching funds is one criterion we use in ranking project proposals. However, particularly in the early years of the program, few funds were available from other sources, but the Task Force decided to fund projects nevertheless. We believe that the policy furthered the broader purposes of the Act, and encouraged the development of a restoration community in the Conservation Area. The success of this approach is indicated in the report's evaluation of the most recent 5 years, in which the non-Federal contribution to restoration projects exceeded the Federal contribution.

Appendix III
Comments from the Department of the
Interior

The enclosure provides comments from the U.S. Fish and Wildlife Service. We hope these comments will assist you in preparing the final report.

Sincerely,


Acting Julie MacDonald
Assistant Secretary for Fish
and Wildlife and Parks

Enclosure

GAO Contact and Staff Acknowledgments

GAO Contact

McCoy Williams (202) 512-6906

**Staff
Acknowledgments**

In addition to the contact listed above, Polly Cheung, Cherry Clipper, Lisa Crye, Francis Dymond, Lauren Fassler, Michael Koury, Tarunkant Mithani, and Debra Rucker made important contributions to this report.

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