



**Office of Inspector General
U.S. Department of the Interior**

AUDIT REPORT

**Costs Claimed by the
State of Kansas, Department of
Wildlife and Parks, Under
Federal Aid Grants from the
U.S. Fish and Wildlife Service
from July 1, 1999, through
June 30, 2001**

JANUARY 2003

Report No. 2003-E-0016



United States Department of the Interior
OFFICE OF INSPECTOR GENERAL
Washington, D.C. 20240

January 24, 2003

Audit Report

Memorandum

To: Director
U.S. Fish and Wildlife Service

From: Roger La Rouche 
Assistant Inspector General for Audits

Subject: Final Audit Report on Costs Claimed by the State of Kansas Department of Wildlife and Parks, Under Federal Aid Grants from the U.S. Fish and Wildlife Service from July 1, 1999, through June 30, 2001 (No. 2003-E-0016)

Introduction

This report presents the results of our audit of the U.S. Fish and Wildlife Service's (FWS) Federal Aid grants to the State of Kansas Department of Wildlife and Parks (Department) from July 1, 1999, through June 30, 2001.

Background

The Federal Aid in Wildlife Restoration Act, as amended (16 USC 669), and the Federal Aid in Sport Fish Restoration Act, as amended (16 USC 777), authorize FWS to provide Federal assistance grants to the states to enhance their sport fish and wildlife programs. The Acts provide for FWS to reimburse the states for up to 75 percent of all eligible costs incurred under the grants. Additionally, the Acts specify that state hunting and fishing license revenues cannot be used for any purpose other than sport fish and wildlife activities or administration of state fish and game agencies.

Objective and Scope

The objective of the audit was to determine whether the Department's expenditures of FWS Federal Aid grant funds complied with applicable laws and regulations. The scope of our work included evaluating the Department's (1) accounting system and related internal controls to determine whether the system could accurately accumulate and report grant expenditures (2) direct and indirect expenditures claimed under the grants to determine whether they were allowable, (3) hunting and fishing license fee collection and disbursement process to determine

whether funds were used for fish and wildlife purposes, (4) hunting and fishing license certifications to determine whether they accurately reported license holders, and (5) purchasing system and related internal controls. The audit included the Department's FWS grants open during the years ended June 30, 2000 and 2001. During this period, the Department's recorded grant expenditures totaled \$15,956,105 (see the Appendix).

We performed our audit under an agreement with FWS and, as applicable, in accordance with Generally Accepted Government Auditing Standards. Accordingly, we included such tests of records and other auditing procedures that were considered necessary under the circumstances. As related to financial transactions, we relied on the work of the State of Kansas Single Audit Report auditors.

Results of Audit

The results of our audit are summarized below and discussed in the sections following the summary.

- **Diversion.** The Department diverted funds estimated at \$85,852 for purposes other than fish and wildlife.
- **Internal Controls.** The Department needs to improve its internal controls over receipts.
- **License Certification.** The Department overstated its certified fishing and hunting license sales for calendar year 2000 by 3,344.
- **Ineligible Costs.** The Department owes FWS \$9,679 for claimed costs incurred before the project period.
- **In-Kind Contributions.** The Department did not accurately report in-kind hours.
- **Allocation of Costs.** The Department did not allocate common costs based on the relative benefits received from each grant.
- **Monitoring.** The Department did not document its on-site monitoring of contracts for services.
- **Americans with Disabilities Act.** Handicapped persons could not access selected Departmental facilities.

A. Diversion

In November 2001, the Department reported to FWS that funds provided to the El Dorado Habitat Center, Kansas Department of Corrections, were used for non-fish and wildlife purposes. The Code of Federal Regulations (50 CFR 80.4) states that revenues from license fees paid by hunters and fishermen cannot be diverted to purposes other than administration of the state's fish and wildlife agency. The diversion occurred because the Department did not

adequately monitor the activities of the Habitat Center and, as a result, initially reported diverted funds totaling \$55,119 from July 1995 through June 2001.

The Department based the \$55,119 on total expenditures of \$183,730, of which an estimated 30 percent was used for ineligible wildlife program expenditures. Subsequently, the Department revised the estimated ineligible activities to 40 percent. Based on our audit, total expenditures for the period should have been \$214,630, which would result in a diversion of \$85,852. Department officials agreed with the revised diversion amount.

The Department is revising its procedures to eliminate direct funding of the Habitat Center. Specifically, the Department is executing a contract with the Center that will include a price list for the items to be constructed by the Center.

Recommendation

We recommend that FWS ensure that the Department's contract with the El Dorado Habitat Center provide the necessary oversight to preclude future diversions and that the Department replace the diverted funds.

Department and U.S. Fish and Wildlife Service Responses

The Department agreed with the finding and the proposed recommendation. The Department negotiated a contract with the Department of Corrections that provides for the purchase of products based on a pre-determined price list. In addition, Department officials proposed the use of non-restricted funds to fund a project that has direct fish and wildlife program benefits to replace the diverted funds.

The FWS agreed that the revised procedures proposed by the Department will help prevent future diversions. Further, the FWS will incorporate the Department's proposal to resolve this issue and implement the auditor's recommendations into the draft corrective action plan.

Office of Inspector General Comments

The actions proposed by the Department are sufficient for FWS to consider the recommendation resolved but not implemented.

B. Internal Controls

The Department's internal control procedures for processing receipts did not include (1) reconciling receipts processed by the Licensing and Revenue Section with the deposit of such receipts by the Receipts and Payroll Section, (2) reconciling the receipts received in the mailroom with the deposit of such receipts by the Receipts and Payroll Section, and (3) limiting distribution of receipts received through the mail to only the Receipts and Payroll Section. According to 43 CFR, Part 12.60(b)(c), "effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets." While we did not

identify any loss of funds, the potential exists for an employee to remove receipts without the loss being identifiable.

The Department agreed to review its controls for processing receipts and has requested assistance from the Kansas Legislative Division of Post Audit in analyzing the adequacy of the Department's controls over receipts.

Recommendation

We recommend that FWS ensure that the Department review its internal control procedures over processing receipts and, based on the review, implement the necessary procedures.

Department and U.S. Fish and Wildlife Service Responses

The Department agreed with the finding and the proposed recommendation. The Department proposed a three-phase analysis of its receipting process to determine the most efficient and effective method to maintain adequate controls over receipts.

The FWS agreed with the recommendation and will incorporate the Department's proposal into the draft corrective action plan.

Office of Inspector General Comments

The actions proposed by the Department are sufficient for FWS to consider the recommendation resolved but not implemented.

C. License Certification

In its calendar year 2000 License Certification to FWS, the Department overstated fishing licenses by 3,027 and hunting licenses by 317. In preparing the calendar year 2000 certification, the State inadvertently excluded a formula for eliminating duplicate license holders and made mathematical errors. The Department did not eliminate 2,727 duplicate license holders from its sale of 5-day fishing trip licenses and overstated the combination hunting and fishing lifetime license holders by 300 and the hunting lifetime license holders by 17. For calendar year 2000, the Department certified hunting license holders totaling 209,626 and fishing license holders totaling 312,990. The State is required to certify annually the number of paid fishing and hunting license holders. The certification is used to apportion State fish and wildlife funds. (Combination licenses are included in both the fishing and hunting license holder certification.)

After we brought this issue to the Department's attention, the Department provided FWS with a revised certification for calendar year 2000 and implemented the controls necessary to preclude future mathematical errors. As such, no recommendation was necessary.

D. Ineligible Costs

The Department charged \$12,905 to the Statewide Fisheries Inventories and Surveys grant (F-22-R-6) that was incurred prior to the grant's effective date, but not provided for in the grant agreement. Under 50 CFR 80.15(b), "costs incurred prior to the effective date of the project [grant] agreement are allowable only when specifically provided for in a project agreement." The Department's controls were not sufficient to ensure that costs incurred prior to the effective date of a grant agreement were excluded from reimbursement requests to FWS. As a result, we questioned \$9,679 as the FWS share of the \$12,905 charged to the grant.

Recommendation

We recommend that the FWS recover \$9,679 from the Department. It should be noted that prior to the start of State fiscal year 2001, the Department implemented the controls necessary to ensure that costs incurred outside a grant period were not charged to the grant unless specifically approved in the grant agreement.

Department and U.S. Fish and Wildlife Service Responses

The Department agreed with the finding and the proposed recommendation. As discussed with FWS staff, the Department withheld reimbursement requests on a subsequent grant segment for the questioned costs.

The FWS agreed with the finding and recommendation. FWS also indicated that the Department's actions resolved and implemented the auditor's recommendation. No further action by the Department was required.

Office of Inspector General Comments

The actions taken are sufficient to resolve and implement the recommendation.

E. In-Kind Contributions

The Department's system for accumulating and tracking volunteer hours used for the in-kind match in the FWS hunter education grant did not accurately summarize and report total volunteer hours. According to a Department official, unrestricted access to the database allowed errors to occur in reported program results. As a result, the Department's reported total volunteer hours were not reliable. For example, the Department reported 31,672 volunteer hours for fiscal year 2001. System queries for total volunteer hours for fiscal year 2001, however, resulted in totals ranging from about 26,000 to 31,500 hours. The Department agreed to review its controls over the access and summarization of data and, as necessary, implement the controls necessary to accurately report in-kind hours.

Recommendation

We recommend that FWS ensure that the Department review system procedures and individual access controls for summarizing and reporting volunteer hours and, based on the review, implement the changes necessary for accurate reporting.

Department and U.S. Fish and Wildlife Service Responses

The Department agreed with the finding and the proposed recommendation. The Department corrected the programming problem causing the hour variances, implemented a periodic testing of the system, and established employee access controls to the data.

The FWS agreed with the finding and recommendation. FWS also agreed with the Department's proposal to resolve the finding, which will be incorporated into the draft corrective action plan.

Office of Inspector General Comments

The actions proposed by the Department are sufficient for FWS to consider the recommendation resolved but not implemented.

F. Allocation of Costs

Department field personnel did not allocate common costs to individual grants in accordance with the relative benefits received from each grant, and did not document the basis of allocating costs, as required by Office of Management and Budget (OMB) Circular No. A-87, "Cost Principles For State, Local and Indian Tribal Governments, Attachment A – General Principles for Determining Allowable Costs." Field office personnel were not told how to properly allocate common costs and without a reasonable basis for allocation, had no assurance that costs were allocated to grants in accordance with benefits received.

Recommendation

We recommend that FWS ensure that the Department develops plans for allocating common costs in accordance with OMB Circular A-87.

Department and U.S. Fish and Wildlife Service Responses

The Department agreed with the finding and the proposed recommendation. The Department will develop an allocation plan if the common costs are determined significant enough to include in the grant reimbursements.

The FWS agreed with the finding and recommendation. FWS will consider the Department's comments in the development of the draft corrective action plan.

Office of Inspector General Comments

The actions proposed by the Department are sufficient for FWS to consider the recommendation resolved but not implemented.

G. Monitoring

The Department has not established a formal policy requiring documentation of its monitoring activities and therefore did not document the results of reviews of its on-site monitoring activities. As stated in 43 CFR Part 12.80, “grantees must monitor grant and sub-grant supported activities to assure compliance with applicable Federal Requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity.”

Recommendation

We recommend that the FWS ensure that the Department develop a policy requiring the documentation of its on-site monitoring activities.

Department and U.S. Fish and Wildlife Service Responses

The Department did not agree with the finding and the proposed recommendation. Specifically, the Department provided its monitoring procedures, which included documented financial reviews and documented on-site reviews of large construction contracts. The Department did indicate that for small contracts for services and research contracts, a project leader was responsible for on-site monitoring. The on-site monitoring included assessing the level of performance and whether they were adhering to the conditions of the contract. However, a form documenting the monitoring was not part of the review process.

The FWS agreed with the finding and recommendation.

Office of Inspector General Comments

We agree that the Department does perform and document its financial reviews and have revised our finding accordingly. During our review, we did not make a distinction regarding the requirements for monitoring large or small contracts since that difference was not identified by the Department or included in the criteria. We continue to believe that the Department should have documentation available as to their monitoring activities. The documentation could include the trip reports or daily activity reports of the individual overseeing the grants. FWS should obtain a response from the Department which describes how it will implement the recommendation.

H. Americans with Disabilities Act

During our site visits, we observed restrooms, fishing docks, and pathways that were handicap accessible. We also noted, however, that additional work was needed to build up the access ramps and pathways to comply with the Americans with Disabilities Act. For example, at the Hollister Wildlife Area shooting range, the handicap-accessible restrooms could not be accessed because of ground settling, and there were no designated handicap parking areas. As a result, handicapped persons were unable to access the public areas without assistance.

Recommendation

We recommend that the FWS ensure that the Department perform periodic monitoring of its facilities to ensure the continued compliance with Americans with Disabilities Act.

Department and U.S. Fish and Wildlife Service Responses

The Department agreed with the finding and believed that the recommendation had already been implemented. The Department maintains a database that identifies ADA compliance issues which is updated based on periodic field reviews by engineering section staff and field operations personnel. The database is often used as the justification for budget submittals to correct or fix ADA compliance issues. Deficiencies may take some years to correct due to budget constraints.

The FWS agreed with the finding and recommendation. Further, FWS agreed, based on the supplemental information provided by the Department, that the Department had an adequate process for monitoring, developing, and repairing facilities in compliance with the Americans with Disabilities Act. FWS considered the finding resolved and no further action by the Department was required.

Office of Inspector General Comments

The actions taken are sufficient to resolve and implement the recommendation.

In accordance with the Departmental Manual (360 DM 5.3), please provide us with your written response by April 28, 2003, regarding the status of the FWS Corrective Action Plan. If you have any questions regarding this report, please contact Mr. Gary Dail, Federal Assistance Audit Coordinator, at (703) 487-8032.

**Kansas Department of Wildlife and Parks
Financial Schedule of Review Coverage
Fiscal Years Ending June 30, 2000 and 2001**

Title	Grant No.	Grant Agreement		Grant Amount	Total Claimed Amount*	Audit Period Costs**
		Start	End			
Analysis of Gray Bat & Associated Bats Community in SE Kansas	SE-2-15	6/18/98	7/31/99	\$20,000	\$20,000	\$0
Range & Population Distribution of American Burying Beetle	E-2-16	6/24/99	9/30/99	4,808	0	0
Analysis of the Gray Bat & Associated Bats Community in SE Kansas	E-2-17	8/23/99	12/31/00	26,667	24,445	24,445
Operation & Maintenance of State Fish Hatcheries	F-21-D-6	7/1/99	6/30/00	1,675,884	1,437,445	1,372,367
	F-21-D-7	7/1/00	6/30/01	1,891,407	1,594,597	1,483,094
Statewide Fisheries Inventories & Surveys	F-22-R-6	7/1/99	6/30/00	909,232	708,665	711,284
	F-22-R-7	7/1/00	6/30/01	761,112	613,721	645,712
Sportfish Population Surveys in Kansas River Basins	F-23-R-5	1/1/99	12/31/99	140,700	107,387	52,460
	F-23-R-6	1/1/00	12/31/00	140,595	118,110	106,876
	F-23-R-7	1/1/01	12/31/01	150,764	130,471	65,159
Cooperative Agreement – Drugs for Fish Production	F-26-R-4	7/1/99	6/30/00	20,000	20,000	20,000
	F-26-R-5	7/1/00	6/30/01	20,000	20,000	20,000
Seasonal Movement & Habitat Use of Spotted Bass in SE Kansas Streams	F-27-R-5	1/1/99	12/31/99	40,971	28,444	11,579
	F-27-R-6	1/23/00	12/31/00	24,517	17,885	14,109
	F-27-R-7	1/1/01	12/31/01	43,679	34,701	22,335
Statewide Fisheries Research & Surveys	F-30-R-6	7/1/99	6/30/00	29,356	29,356	36,757
	F-30-R-7	7/1/00	6/30/01	89,197	41,481	37,588
Statewide Public Lands O&M (Fisheries)	F-33-M-7	7/1/99	6/30/00	946,328	705,541	711,717
	F-33-M-8	7/1/00	6/30/01	809,757	769,673	785,449
Kansas Lake Fish Population Enhancement	F-34-D-4	7/1/99	6/30/00	257,892	209,383	194,691
	F-34-D-5	7/1/00	6/30/01	252,033	248,241	236,187
Kansas Motorboat Access Development & Operation & Maintenance	F-38-B-2	1/1/99	4/30/00	835,349	450,624	403,623
	F-38-B-3	5/1/00	12/31/01	1,549,925	968,510	934,795
Commercial Purchase of Trout and Channel Catfish	F-40-D-3	7/1/99	6/30/00	389,984	387,336	341,265
	F-40-D-4	7/1/00	6/30/01	377,838	377,806	341,288
Largemouth Bass Genetic Analysis	F-43-R-1	4/15/00	4/15/01	37,180	20,571	19,772
	F-43-R-2	4/16/01	5/31/02	40,373	5,506	1,087
McPherson State Fishing Lake Dam Repair – Motorboat Access (Costs for segment B-2 included in segment D-1)	F-44-B-2	1/1/99	4/30/00	37,369	37,369	0
	F-44-D-1	1/1/99	4/30/00	250,082	250,082	175,406

APPENDIX

Title	Grant No.	Grant Agreement		Grant Amount	Total Claimed Amount*	Audit Period Costs**
		Start	End			
Evaluate Walleye Stocking Techniques & Population Characteristics	F-45-R-1	1/1/99	12/31/99	47,116	46,182	33,653
	F-45-R-2	1/23/00	12/31/00	46,481	37,650	28,237
	F-45-R-3	1/1/01	12/31/01	46,216	46,216	21,119
Fishing Access to Private Waters	F-46-L-1	3/22/99	10/31/99	250,212	111,766	18,440
	F-46-L-2	11/1/99	10/31/00	302,988	157,981	166,688
	F-46-L-3	11/1/00	10/31/01	319,070	202,756	168,933
Bourbon State Fishing Lake Dam Repair	F-47-DB-1	9/26/00	3/31/02	525,321	623	180,171
	F-47-DB-2	9/26/00	3/31/02	616,681	731	211,505
Effects of Water Willow on Age-0 Centrarchids in Kansas Reservoirs	F-48-R-1	1/1/01	12/31/01	41,436	35,253	4,032
Planning Coordination	FW-10-C-6	7/30/99	6/30/00	100,086	84,505	76,699
	FW-10-C-7	7/1/00	6/30/01	97,636	85,520	78,336
Federal Aid Coordination	FW-12-C-6	7/1/99	6/30/00	103,496	99,830	83,999
	FW-12-C-7	7/1/00	6/30/01	99,048	92,873	84,372
INREACH	PW-1-3	7/1/98	12/31/99	192,360	113,892	5,191
Hunter Education	W-37-E-6	7/1/99	6/30/00	360,431	360,431	363,697
	W-37-E-7	7/1/00	6/30/01	390,888	390,888	356,766
Hunting Access to Private Lands	W-38-L-5	4/5/99	3/31/00	1,141,773	1,141,773	1,069,686
	W-38-L-6	4/1/00	5/31/01	1,608,772	1,433,720	1,313,206
	W-38-L-7	6/1/01	5/31/02	1,675,858	1,432,220	20,496
Wildlife Surveys & Inventories	W-39-R-6	11/1/99	6/30/00	385,613	308,750	282,603
	W-39-R-7	7/1/00	6/30/01	465,322	465,322	463,398
Statewide Public Lands Operation & Maintenance	W-43-M-6	7/1/99	6/30/00	922,675	809,106	985,449
	W-43-M-7	7/1/00	6/30/01	1,025,341	778,314	944,564
Water Level Management at Cheyenne Bottoms	W-45-D-2	10/1/96	9/30/99	3,381,200	3,170,030	169
Movements & Productivity of Lesser Prairie Chickens in SW Kansas	W-47-R-3	8/1/98	6/30/00	90,400	90,400	41,014
Greater Prairie Chicken Population Indices Assessment	W-50-R-3	8/1/98	6/30/00	24,400	24,400	39,849
Use of Sandsage Habitat by Lesser Prairie Chickens in SW Kansas	W-53-R-1	8/15/99	8/14/00	74,257	74,257	55,693
	W-53-R-2	8/31/00	8/30/01	108,979	104,495	78,371
Changes in Land Use Patterns & Their Effects on Rio Grande Turkeys	W-54-R-1	1/1/01	6/30/01	22,700	5,482	10,724
TOTALS				\$26,237,755	\$21,082,716	\$15,956,105

* Amount shown does not include overspends or additional program income.

** Amount shown does not include indirect costs or Department adjustments.

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