



Testimony

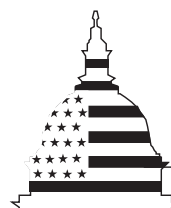
Before the Committee on Resources,
House of Representatives

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FISH AND WILDLIFE SERVICE

Options to Improve the Use of Federal Aid Programs' Administrative Funds

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G A O

Accountability * Integrity * Reliability

Mr. Chairman and Members of the Committee:

We are pleased to be here today to discuss the Fish and Wildlife Service's (Service) management and oversight of the administrative funds associated with the Wildlife Restoration Program and, to a lesser extent, with the Sport Fish Restoration Program. The Wildlife Restoration Program was begun in 1938 following the passage of the Federal Aid in Wildlife Restoration Act, often called the Pittman-Robertson Act. The purpose of the act is to restore, conserve, manage, and enhance the nation's wildlife resources and to provide for public use and benefits from these resources. The Service, an agency of the Department of the Interior, administers the program. The Service's Office of Federal Aid (Office) provides overall support and direction for implementing the Wildlife Restoration Program as well as a sister program, the Sport Fish Restoration Program. This sister program provides funds to restore and manage the nation's sport fishery resources and to provide public use and benefits from these resources. The programs received a total of about \$550 million in fiscal year 1998—\$170 million for Wildlife and \$380 million for Sport Fish.

Funds provided for these programs are derived from federal excise taxes from the sale of firearms, ammunition, archery equipment, fishing equipment, and other items. The core mission of these programs is to distribute funds to states and other qualified government recipients for the purposes of wildlife and sport fish restoration. A portion of the funds can be used by the Office for the programs' administration and implementation—up to 8 percent for wildlife and up to 6 percent for sport fish. Of the roughly \$550 million these programs received in fiscal year 1998, about \$31 million was used for administration and implementation—\$13.5 million for Wildlife and \$17.4 million for Sport Fish.

Our testimony today responds to your request that we (1) recap the results of our July 20, 1999, testimony to you on the management and oversight of the Federal Aid program,¹ (2) provide options to improve the program's use of administrative funds, and (3) provide additional information related to the use of administrative funds identified in our July 1999 testimony.

¹Fish and Wildlife Service: Management and Oversight of the Federal Aid Program Needs Attention (GAO/T-RCED-99-259, July 20, 1999).

Summary of Our July 1999 Testimony Results

In our July 20, 1999, testimony, we identified numerous problems with the way administrative funds are used and managed. We believe that these problems have led to a culture of permissive spending within the Office of Federal Aid. The problems we identified included the following:

- controls over expenditures, revenues, and grants were inadequate;
- millions of dollars in program funds could not be tracked;
- basic principles and procedures for managing travel funds were not followed;
- basic internal control standards or Office of Management and Budget guidance for maintaining complete and accurate grants files was not followed;
- regional offices used administrative funds inconsistently and for purposes that were not clearly justified;
- charges for Service-wide overhead may not be accurate;
- routine audits to determine whether administrative funds were being used for authorized purposes were not conducted; and
- the process for resolving audit findings involving states' use of program funds was questionable.

It is important to point out that many of the problems we identified in our July 1999 testimony before this Committee were the same as those we identified 6 years ago. In 1993, we reviewed the use of administrative funds for the Sport Fish Restoration Program.² As part of our recent work for this Committee, we found that the Service had not been entirely responsive to our earlier recommendations to correct the management problems we identified in our previous review.

Options to Improve the Use of Administrative Funds

In light of the broad scope of the management problems that we identified in our July 1999 testimony, we believe that there are at least three primary options to consider for controlling the use of administrative funds. First, the Office of Federal Aid could be given additional time to correct the problems we identified in our work. In August 1999, the Service said that it had taken or was taking a number of corrective actions including continuing with its reconciliation efforts to track the use of administrative funds, requiring supervisory review and approval of travel vouchers, and evaluating how to establish a procedure for performing routine audits of administrative funds. This option would probably have the least impact on the Office's current operations, but it would require follow-up at some

²Fisheries Management: Administration of the Sport Fish Restoration Program (GAO/RCED-94-4, Nov. 8, 1993).

point to verify that the promised corrective actions have been taken. With this approach, we would be concerned about the Service's commitment to taking the needed corrective actions, given that it has not been fully responsive to prior recommendations we have made.

Second, legislative limits could be placed on how the Service spends administrative funds. For example, the spending of administrative funds could be limited to functions necessary for the Office of Federal Aid to carry out its most basic responsibilities; namely, to (1) administer the formula for getting grant funds to the states and other qualified government recipients, (2) review specific project proposals from these entities, and (3) audit these entities' use of the grant funds for compliance with existing legislation and program goals. By placing more restrictions on the use of the administrative funds this option would likely result in less money being spent administering the program and would make more funds available for distribution to the states and other qualified government recipients.

A third option would be to require the Service to use appropriated funds to administer the Wildlife and Sport Fish Restoration programs and devote all excise tax revenues to state and other qualified government recipients' grants. This option would require the Service to annually justify to the Congress the amount of funds it needs for administering the program. Hence, how the funds are being used and the direction that the program is taking would be more visible to the Congress. Also, the Wildlife and Sport Fish Restoration programs would be competing against other programs within the Department of the Interior for appropriated funds. As in the second option, this option could potentially remove much of the organization's flexibility for determining where to use the funds for administrative purposes.

Additional Information on the Use of Administrative Funds

Subsequent to the July 20, 1999, hearing, the Committee asked us to respond to a number of questions about the use of administrative funds raised by our testimony. Appendix I of my statement today provides our responses to these questions. For the most part, our responses elaborate on points made earlier. However, they also include substantial additional information, such as our views on actions the Fish and Wildlife Service is planning to take to correct the problems we have identified. In this regard, we are hopeful but not confident that the agency will be committed to implementing the planned changes and that the changes will result in lasting improvement. Our lack of confidence is due to the Office of Federal

Aid's poor track record in dealing with the identified problems. For example, in response to our past recommendation that all administrative costs be thoroughly documented, the Service stated that it had a system that allows it to maintain a comprehensive file for documenting all direct charges against the Sport Fish Restoration Program. Nearly 6 years later, we found that, in many instances, we could not track and verify the status of a grant, the amounts authorized for payment, or when the expenditures were made.

In closing, Mr. Chairman, I would like to reiterate that the administrative funds associated with the Wildlife and Sport Fish Restoration programs are used for various purposes. Collectively, the problems we identified suggest a lack of attention to detail that erodes the Office of Federal Aid's ability to effectively manage and oversee the administrative aspects of the programs and has created a culture of permissive spending that raises questions about the Office's approach to managing its administrative funds. This situation is particularly important not only for the restoration programs as they exist today but also because the amount of funding provided for these programs could significantly increase. Bills have been introduced in the Congress that, among other things, would provide additional funding that could eventually range from \$350 million to \$459 million per year, including funds for program administration. We have presented some options that would affect the amount of funds for administering the Wildlife and Sport Fish Restoration programs. The options we have presented today are intended to provide additional controls and accountability over the funds used to administer the Wildlife and Sport Fish Restoration programs, and to assist the Committee in its decisions about the future of the Office of Federal Aid's administration of these programs.

This concludes my prepared statement. I would be happy to respond to any questions that you and Members of the Committee may have.

Contact and Acknowledgments

For further information, please contact Barry T. Hill at 202-512-3841. Individuals making key contributions to this testimony are Lew Adams, Margie Armen, Cliff Fowler, and Roy Judy.

Fish and Wildlife Service: Additional Information Related to the Uses of Administrative Funds Identified in Our July 1999 Testimony

Federal Aid administrative funds are used for several purposes within the Fish and Wildlife Service (Service). Examples include the uses made by the Administrative Grant Program, the Director's Conservation Fund, the Office of Federal Aid, and regional offices for such purposes as salaries, travel, grants, and contracts. The Service also uses the Office of Federal Aid's administrative funds to pay for general administrative support services such as telephone usage, equipment servicing and space rental, and a contractor to audit the use of program funds provided to the states and other qualified government recipients. This appendix provides our responses to the additional questions you asked about these and other topics.

Question 1. What is the Administrative Grant Program, how have the program's funds been used, and what problems does GAO have with the administration of this program?

Response 1. The Administrative Grant Program is operated by the Office of Federal Aid. The program uses some of the administrative funds to support national fish and wildlife projects that provide collective benefits to at least 50 percent of the states. The Service annually publishes a notice in the *Federal Register*, announcing the procedures for submitting project proposals, deadlines, and the amount of money that is available for administrative grants. The applicants submit their proposals to the Office of Federal Aid (Office), which reviews each grant against established criteria to determine eligibility. To determine eligibility for an administrative grant, the Office makes an assessment of the benefits to be derived from the proposed project, the importance of providing the grant, the problems that need to be addressed, the number of states that are affected, and the approach that will be taken to accomplish the objectives of the grant. In fiscal year 1998, the Office made about \$4 million in administrative funds available for administrative grants. The Office awarded 18 grants ranging from about \$18,500 to \$684,000 for such activities as developing and publishing a fish hatchery publication and a wildlife law news quarterly, developing a national hunter retention outreach program, and improving public knowledge of hunting and related animal use programs in the United States. Since fiscal year 1994, the Office has funded 83 grants totaling about \$19.5 million.

In reviewing administrative grant files, we found that the Office was not following standard management practices to ensure that grant funds were properly applied and accounted for. Specifically, we found that basic internal controls and documentation standards were not being used and

that the agency was not following the Office of Management and Budget's (OMB) requirements for grant management. We reviewed the grant files for fiscal years 1993 through 1998 and found them to be incomplete, out of date, and disorganized. To illustrate, the files did not contain required key financial documents, status reports, or other supporting documentation. As a result, in many instances, we could not track and verify the status of a grant, the amounts authorized for payment, or the time periods in which these expenditures were made.

We also found instances in which Office of Federal Aid officials authorized questionable payments to grantees without thoroughly reviewing the submitted documentation. For example, we found that the Office paid grantees for alcoholic beverages and excessive meal charges that should have been questioned, and for work that was neither related to the grant nor ever performed. We are concerned that the problem of authorizing questionable payments may be widespread because the officials responsible for grant management said that they did not review the details supporting requests for payment. Internal controls for this aspect of the Office's operations appeared to be nonexistent at the time of our review.

After our July 1999 testimony on this issue, the Service issued a notice in the Federal Register on July 26, 1999, terminating the Administrative Grant Program for new administrative grants effective in fiscal year 2000. In an August 10, 1999, letter to us, the then-Acting Director of the Service stated that the decision to terminate the program was due in part to budgetary constraints and in recognition of concerns received in response to a September 1998 Federal Register notice regarding the management of these grants.

Question 2. What is the Director's Conservation Fund, how has it been used, and what problems does GAO have with the administration of this fund?

Response 2. The Director's Conservation Fund was established in 1994 and was terminated in March 1999. The Director's Conservation Fund was set up for use by the Director of the Service to make discretionary grants. From fiscal years 1994 through 1998, the Director used about \$3.8 million in administrative funds for 53 grants. The grant funds have been used to support the Service's own activities such as conducting regional workshops, human resource projects, and specific research projects on subjects such as mourning dove productivity in the Central Valley of California. These funds have also been granted to private organizations

such as the FishAmerica Foundation³ for such activities as a challenge cost-share program to enhance sport fisheries and their habitats and to a state game and fish commission for a symposium on North America's hunting heritage.

We found that the Office had not followed OMB's guidance that requires agencies awarding grants to notify the public of intended funding priorities for discretionary grant programs. Moreover, the procedures used for approving grants under the Director's Conservation Fund were more open to subjective judgment and much less rigorous than the procedures used for approving administrative grants. Under the Director's Conservation Fund, there were no specific criteria that a grantee needed to meet to obtain approval. The potential grantee essentially had to identify only the title, purpose, and estimated cost of the project. As we indicated in our response to question 1, the criteria for eligibility and approval under the Administrative Grant Program were much more delineated. To illustrate, we found three grants, totaling \$280,000, that were rejected under the Administrative Grant Program but subsequently funded by the Director's Conservation Fund. We found a fourth grant for \$75,000 that met the eligibility requirements for an administrative grant but fell below the cutoff point for funding. This grant was also funded under the Director's Conservation Fund. Finally, we found in a limited review of grants awarded during fiscal years 1994 through 1998, that the Office had not exercised adequate controls over these grants. Specifically, the Office had not followed internal control documentation standards and OMB guidance. As with the administrative grant files, the files for this program were incomplete, out of date, and disorganized and did not contain required financial forms and supporting documentation.

In its August 10, 1999, letter to us, the Service stated that it had terminated the Director's Conservation Fund. According to agency officials, the Director made this decision in March 1999, shortly after we initiated our audit.

Question 3. Does existing legislation authorize a national grant program as exercised in the Administrative Grant Program and the Director's Conservation Fund?

Response 3. Program funds for the Federal Aid in Wildlife and Sport Fish Restoration Acts are derived from federal excise taxes on selected items

³The FishAmerica Foundation is a nonprofit organization that supports projects designed to enhance fish populations through habitat enhancement and water quality improvement.

used in hunting and fishing. The bulk of the program funds are available for making grants to states to conduct fish and wildlife management and restoration programs and projects. However, the legislation expressly reserves a percentage of the program funds to be made available for expenditure on “administration and execution” of the programs. This portion of the program funds is often referred to as “administrative funds.” The two authorizing statutes also specifically provide for some additional particular activities to be conducted with administrative funds, and they set a maximum amount that can be devoted annually to program “administration and execution” (up to 8 percent of Wildlife Restoration funds and up to 6 percent of Sport Fish Restoration funds).

While program administration is a relatively well-understood concept, neither statute specifies what might constitute program “execution.” In our view, the most logical interpretation of that language is that authority to use funds for program execution encompasses carrying out activities that further program goals but do not involve making grants to states. The Department of the Interior’s Solicitor has issued several opinions that bear on the interpretation of program execution with administrative funds. In 1949, the Solicitor advised that administrative funds could be used directly by the Department to import bird eggs for the purposes of introducing a new species of game birds into this country. In 1955 and again in 1985, the Solicitor advised that administrative funds could be used to conduct surveys that reported on matters other than the consumptive use of wildlife. In 1986, the Solicitor determined that administrative funds could be used to carry out a national education program and to do so by means of grants to “public or private agencies and organizations.”

The existing legislation does not specifically direct that either the Administrative Grant Program or the Director’s Conservation Fund be established. However, the authority to use funds for program execution is sufficiently broad that these types of programs are not precluded.

Question 4. On August 10, 1999, the Fish and Wildlife Service provided you with a letter enumerating a number of actions it was taking to address the concerns raised in your testimony. In light of your work in 1993 and 1999, what confidence do you have that the Service will actually follow through on its commitments and implement the kind of corrective actions it mentions in its letter?

Response 4. We are hopeful but not confident that these actions will result in lasting change. Our lack of confidence is due to the Office’s

(1) record in dealing with identified problems and (2) reinstatement or resurrection of programs under different names that had been terminated in response to prior recommendations.

In 1993, we reported on a number of problems with the use of administrative funds for the Sport Fish Restoration Program and made recommendations to the agency on how to correct them. In 1994, the Department of the Interior notified the Congress that it and the Service confirmed their agreement with each of the recommendations in our report and identified actions taken in response to the recommendations. However, our work in 1999 on the Wildlife Restoration Program shows that the assurances given to both the Congress and to us in 1993 and 1994 led to little actual change. For example, in response to our recommendation that all administrative costs be thoroughly documented, the Service stated that it had a system allowing it to maintain a comprehensive file for documenting all direct charges against the Sport Fish Restoration and other Office of Federal Aid programs. Nearly 6 years later, we found that, in many instances, we could not track and verify the status of a grant, the amounts authorized for payment, or the time periods in which the expenditures were made. Furthermore, the Office has not effectively used the agency's accounting system's capability to identify costs at the project level, thus making it impossible to identify all project-specific costs. Finally, the Acting Director's testimony submitted to your Committee for the July 20, 1999, hearing stated that an internal review the Service initiated 4 years ago raised some of the same concerns that we identified about program administration. The Acting Director stated that efforts have been under way to address these issues "but are obviously not completed."

The Office of Federal Aid responded to issues raised as a result of our 1999 work in part by reaffirming existing policy and by terminating programs. Reaffirming existing policies is just the first step. Management must ensure that these policies are implemented. Our concern is that this additional step either will not be taken or that its effectiveness will gradually degrade because of a lack of management attention, allowing a similar situation to exist in the future. While terminating the Administrative Grant Program and the Director's Conservation Fund provided a quick response, no statutory or other limitation exists to prevent the programs' reinstatement or resurrection under different names. This latter point is of concern because the Office of Federal Aid responded to our previous report by changing its criteria for approving "special investigations" (the term the Office used for its projects) but

then rescinded those changes. Hence, rather than limiting grants to a maximum of (1) \$200,000 per year for each grantee and (2) 3 years or less duration, the Office resumed having no limits at all. Also, rather than calling the projects special investigations, the Office renamed them “administrative grants” or included them under the Director’s Conservation Fund. We are concerned that this type of response could recur and, as a result, the agency will again face the same management problems that we reported on in our July 20, 1999, testimony.

Question 5. You have talked about problems in Federal Aid’s management of travel funds. Could you please elaborate on the problems you have identified, including providing specific examples of travel abuses?

Response 5. We found that the Office did not routinely follow basic principles and procedures for managing its travel funds. As we stated in our July 20, 1999, testimony, the Service’s policy is that staff working for the Office—like all Service employees—must receive specific approval from the Director of the Service before attending certain national conferences. However, we found nine instances in which this policy was violated by Office staff who attended conferences in 1998 and 1999. In addition, we found that the head of the Office filed almost \$68,000 in travel vouchers for 71 trips taken from October 1995 through June 1999 but was inconsistent in obtaining approvals for his travel vouchers. He had a supervisor approve his travel vouchers for 25 trips taken from October 1995 through February 1997. For travel taken from late February 1997 through May 1999, he had subordinates approve 38 of his travel vouchers amounting to over \$39,000 in travel expenses. This practice is not permitted under the Service’s travel policy.

When we questioned the practice of having a subordinate approve a supervisor’s travel voucher, we were told that the Service’s existing policy allowed subordinates to sign travel vouchers, and we were provided with a copy of a 1991 policy. However, the 1991 policy pertained to situations in which an office was isolated or geographically removed, making it difficult to obtain proper supervisory approval. Regardless, the policy had been superceded in 1992 by a policy specifically requiring supervisory approval for travel vouchers. In addition, a statement printed on the back of the travel authorizations specifies that a supervisor is responsible for approving a travel voucher.

After we provided our testimony to the Committee on this issue in July 1999, the Service concurred with the problems we identified. In its August 10, 1999, letter to us, the Service said that it has suspended the use of open travel authorizations for the Office's entire staff and has reapprised all Service staff of its travel rules and regulations. In addition, the head of the Office was directed to submit all future travel vouchers to his supervisor, the Assistant Director for External Affairs, for appropriate review.

Question 6. Have you identified any additional issues with the use of General Administrative Service (GAS) funds by the Fish and Wildlife Service?

Response 6. In addition to the issues we addressed in our July 20, 1999, testimony, we have identified two other issues that indicate that GAS assessments were either too high in the past or could be lowered in the future. The first issue relates to the potential impact on the GAS assessment from projects and initiatives funded under the Servicewide Administrative Support account managed by the Fish and Wildlife Service, which pays for overhead and support expenses such as rental payments, telephone service, postage, and training. This account is funded from three sources: (1) appropriated funds, (2) reimbursable agreements, and (3) GAS. The GAS portion is made up of assessments made to the Sport Fish and Wildlife Restoration programs and nine other programs.

From fiscal year 1990 through fiscal year 1998, the Servicewide Administrative Support account funded over \$10 million in projects and initiatives by the Fish and Wildlife Service Director's Office, some of which are questionable as central administrative support for the Service. Examples of the questionable Director's Office projects and initiatives funded under the Servicewide Administrative Support account include \$400,000 for Atlantic salmon work, \$200,000 for wolf monitoring and reintroduction, and \$100,000 for rhinoceros conservation studies. These projects and initiatives were in addition to projects funded by the Director's Conservation Fund.

Service officials said that none of these projects and initiatives was funded with the GAS component of the Servicewide Administrative Support account. Regardless of which component paid for these expenses, if these projects had not been funded, the GAS contribution to the account could potentially be reduced. In July 1999, the Service advised us that

Servicewide Administrative Support funds would no longer be used to fund the Director's Office projects and initiatives.

The second issue relates to the unobligated balance in the Servicewide Administrative Support account at the end of the fiscal year. On the basis of data we obtained, this account had unobligated balances at the end of fiscal years 1990 through 1998. These balances ranged from as high as about \$7.4 million in fiscal year 1990 to as low as about \$100,000 in fiscal year 1998. Service officials informed us that these unobligated balances relate to the appropriated fund component of the Servicewide Administrative Support account. In total, from fiscal year 1990 through fiscal year 1995, over \$12 million in unobligated balances expired and were not available for use in the following fiscal year. Hence, for those years, the GAS component of the account could have been reduced. To illustrate, in fiscal year 1990, the Service's total GAS assessment was about \$5.5 million, of which almost \$5.2 million came from the Sport Fish and Wildlife Restoration programs. In that same year, about \$7.4 million in unobligated funds in the Servicewide Administrative Support account expired. If the Service had spent all of its appropriated fund component in the Servicewide Administrative Support account, it would have needed less from the GAS component. That should then have translated into a reduced GAS assessment and the potential for additional program funds to go to the states and other qualified government recipients. Beginning in fiscal year 1996, Interior's appropriations acts have stipulated that appropriated funds can be obligated over 2 years instead of just 1. And as a result, it is unlikely that any unobligated balances will expire.

Question 7. The Administrative Grant Program was carried out in close cooperation with the Grants-in-Aid Committee of the International Association of Fish and Wildlife Agencies, raising questions about the Committee's role. If the now terminated Administrative Grant Program was to be reconstituted, should Federal Aid officials reshape the Committee's involvement in the grant approval process?

Response 7. As it was previously conducted, the Administrative Grant Program relied heavily on an outside group, the Grants-in-Aid Committee of the International Association of Fish and Wildlife Agencies, to recommend both the direction of the program and the award of administrative grant funds. (See our response to question 1.) Because the Committee's role was so central to the functioning of the Administrative Grant Program, officials of the Office of Federal Aid and others questioned whether the Committee should have operated within the framework of the

Federal Advisory Committee Act (FACA). That act requires, among other things, that a notice of meetings be published in advance in the Federal Register and that papers, records, and minutes of meetings be available to the public.

The International Association of Fish and Wildlife Agencies is composed of delegates from the 50 state fish and game authorities, foreign governments, private organizations, and officials from the Office of Federal Aid. With about 50 members, the Grants-in-Aid Committee included state and private delegates as well as key staff from the Office of Federal Aid. The Committee played an integral part in managing the Administrative Grant Program, setting the focus areas each year for which grant proposals would be solicited. It also evaluated and ranked eligible grant proposals, including proposals from its parent organization, the International Association of Fish and Wildlife Agencies. Finally, it recommended those grants it believed the Office of Federal Aid should fund and the amount of funding for each grant. The Committee's grant recommendations were typically adopted and implemented by the Office.

The Grants-in-Aid Committee was not chartered as a Federal Advisory Committee. As a result, it performed the functions described above independently and outside the public view. FACA requires, among other things, that advisory committees be chartered and reviewed every 2 years by the agency head, that committee membership be representative and balanced, and that committee proceedings and records be open to the public.

Officials of the Department of the Interior have questioned the Grants-in-Aid Committee's status. For example, in a November 1991 memo, the Chief of the Federal Aid Office stated that he believed that the grant review process used the Committee in an advisory capacity and that the Committee would need to comply with FACA. This opinion was shared by the Chief's supervisor who informed the Director of the Service in a January 1992 memo, "The use of the Grants-In-Aid Committee has not been approved under the Federal Advisory Committee Act and also raises an appearance of a conflict of interest." He went on to state that it would be in the best interest of the Service to discontinue this practice to avoid any further questions or criticism of the Service. Although this concern was raised informally to the Department of the Interior's Office of the Solicitor, a written opinion was not requested, because, according to Service and Office of Federal Aid officials, the informal advice they obtained was that there was no violation of FACA.

We did not make a determination about whether the Committee should have been subject to FACA's requirements. The applicability of the act to the Committee's activities was outside the scope of our audit work. Because the Administrative Grant Program has recently been terminated, questions about its former procedures are at this point academic. Nevertheless, the Committee guided the disbursement of about \$4 million in Federal Aid funds to administrative grantees each year. It functioned as a virtual partner in managing the Administrative Grant Program, and because it was never brought under FACA, it operated largely without supervision and behind closed doors. If the Administrative Grant Program were to be reconstituted, the role of any outside group in setting grant program parameters and in evaluating and ranking potential grantees should be tailored appropriately. If the role is not substantially more limited than what had previously existed, there should be a formal determination that the group is functioning consistent with FACA.

Question 8. Are the regional offices in the Fish and Wildlife Service using Federal Aid funds to pay for regional activities in a consistent manner?

Response 8. As we discussed in our July 20, 1999, testimony, we found that the Service had no consistent practices for making regional office assessments. These assessments are charges that the regions make against the administrative funds for salaries, travel expenses, support costs, and other administrative activities. Each of the regions uses a different approach for making the assessments.

In its August 10, 1999, letter to us, the Service said that it has sought to establish a workable degree of consistency to the regional use of administrative funds. It said that as part of its annual budget guidance, it has told its regions that no assessments may be levied against any program, budget activity, subactivity, or project funded by the Federal Aid in Wildlife Restoration Act unless advance notice of such assessments and their bases are presented to the Committee on Appropriations and are approved by the Committee. Subsequently, Service and Office of Federal Aid officials told us that they provided this guidance since 1997. The Service also said that not all of its regions have followed this guidance. To ensure adherence to this stated policy, the Service said that it would identify and adopt specific steps to help provide consistency and uniformity. It also plans to seek guidance in this area from a State/Federal Aid Review Team that has been formed to evaluate the administration of the Federal Aid program. The Service, however, failed to identify the specific steps it plans to take or the schedule for completing them. Service

and Office of Federal Aid officials told us that they are currently developing a plan that identifies the steps needed and their completion dates.

Question 9. You emphasized the absence of routine audits of Federal Aid's use of administrative funds. However, many, perhaps even most, federal programs are not routinely audited. Why do you think routine audits are so important in the case of the Federal Aid program?

Response 9. We think routine audits of the administrative funds are needed for several reasons. First, unlike most other federal programs, Federal Aid receives dedicated tax revenues each year to administer its programs. As a result, program officials do not have to publicly justify the programs' spending levels before the Congress each year. Second, although Federal Aid provides bi-annual reports on its programs to the public, it does not fully disclose all of its spending, as our work has shown. For example, the spending associated with the use of administrative funds by the Director's Conservation Fund and the Service's regional offices is not discussed in these reports. Third, only three audits of the administrative funds have been performed over the past 20 years, each of which has identified some significant management problems. Since the program funding does not have to be appropriated and no routine audits are performed, the Federal Aid program has had very little oversight.

Routine audits will provide independent scrutiny of how these funds are spent. Given the problems we identified in the Federal Aid program in 1993 and the problems we again found in 1999, we believe that routine audits of the use of administrative funds are essential. Service and Office of Federal Aid officials told us that they have a proposal from an independent firm to perform an audit of the administrative funds covering fiscal years 1999 and 2000.

Question 10. Do you think it is appropriate for Fish and Wildlife Service's regional Federal Aid officials to be responsible for resolving the audit findings of the Defense Contract Audit Agency's (DCAA) state audits?

Response 10. The Office of Federal Aid initiated a national audit program in fiscal year 1996 to routinely audit how states and other qualified government recipients are using the grant funds provided under the Sport Fish and Wildlife Restoration programs. Under the audit program, each recipient of grant funds will be audited every 5 years under a contract with

the DCAA. Resolution of the audit findings is the responsibility of the Service's regional Federal Aid office covering the entity being audited.

In our opinion, having the Service's regional Federal Aid offices perform audit resolution is problematic because it places them in a situation of performing dual and somewhat conflicting roles and responsibilities. One of the primary missions of the regional offices is to work closely with the states in advocating and encouraging their participation in the Federal Aid program to enhance the states' wildlife and fishery resources. To have these same offices policing the program by charging them with resolving audit findings could make it more difficult to maintain independence and comply with existing internal control standards governing the separation of duties.⁴ According to these standards, key duties and responsibilities in authorizing, processing, recording, and reviewing transactions should be separated among individuals. Furthermore, the deterrent for the states to spend funds inappropriately could be jeopardized if the audit resolution process is not independent of an organization that has a significant role in encouraging the use of grant funds. DCAA officials, who perform the audits of the states, also raised this concern to us. According to these officials, the Service and the states have a partnership, and it may be difficult for a regional Federal Aid office to hold states responsible for making the repayments indicated by audit findings. Therefore, assigning the responsibility for audit resolution to a Department of the Interior organization other than the Service's regions would seem more appropriate.

Question 11. In addition to grants made via the Director's Conservation Fund and the Administrative Grant Program, during your work did you find evidence of other grants?

Response 11. We found that the Office of Federal Aid's headquarters made grants in addition to those made from the Director's Conservation Fund and the Administrative Grant Program. We identified 18 other grants amounting to about \$2.6 million that were awarded from fiscal year 1994 through fiscal year 1998. The grants ranged from \$5,000 awarded to a high school for student training in aquatic environment and fisheries management to \$400,000 each to three marine fisheries commissions. For example, the Gulf States Marine Fisheries Commission received its \$400,000 in fiscal year 1994 to develop a work plan for the sport fish restoration administrative program. Other examples of these grants include \$25,000 to a state game commission to conduct a symposium on

⁴Standards for Internal Controls in the Federal Government, U.S. General Accounting Office, 1983.

Appendix I
Fish and Wildlife Service: Additional
Information Related to the Uses of
Administrative Funds Identified in Our
July 1999 Testimony

North America's hunting heritage, \$60,000 to a university to publish and distribute a fish and wildlife laws newsletter, and about \$93,000 to a management firm to produce a handbook for fish and wildlife managers and administrators.

It should be noted that the Federal Aid reports made available to the public do not divulge the existence of these grants, why they were made, or what the funds were used for, even though the reports explicitly state that their intent is to provide a complete accounting of where the Federal Aid funds are spent. For example, the message from the Office Chief appearing in a 1997 program update states, "This Program Update is intended to remove the mystery of where the money comes from and where it goes, to inform the reader about current Federal Aid issues and opportunities, and to build knowledge of and credibility for the Sport Fish and Wildlife Restoration grant programs and the U.S. Fish and Wildlife Service." Similarly, in a program update for 1999, the Office Chief stated that "it is in the conservation community's best interest" that the Office provides as much information as can be absorbed.

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