

GAO

Report to the Chairman, Committee on  
Government Operations  
House of Representatives



LM130675

July 1986

# FISH AND WILDLIFE SERVICE

## Investigation of Alleged Accounting Violations



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United States  
General Accounting Office  
Washington, D.C. 20548

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Accounting and Financial  
Management Division

B-114841

July 2, 1986

The Honorable Jack Brooks  
Chairman, Committee on  
Government Operations  
House of Representatives

Dear Mr. Chairman:

This report presents the results of our investigation of matters relating to the U.S. Fish and Wildlife Service's fiscal year 1983 Resource Management Appropriation. The report was prepared in response to your request dated August 30, 1985.

As agreed with your office, unless you publicly announce its contents earlier, we will not distribute this report until 30 days from its date. At that time we will send copies to the Director of the Office of Management and Budget and the Secretary of the Interior. We will also send copies to other interested parties and make copies available to others upon request.

Sincerely yours,

A handwritten signature in cursive script, appearing to read 'Frederick D. Wolf'.

Frederick D. Wolf  
Director

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# Executive Summary

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## Purpose

In a letter dated August 30, 1985, the Chairman, Committee on Government Operations, House of Representatives, asked GAO to investigate the U.S. Fish and Wildlife Service's fiscal year 1983 year-end financial reports to determine their accuracy and whether any inaccuracies that may have occurred were due to official misconduct. The Committee had received allegations that the Service may have understated its fiscal year 1983 financial statements by at least \$1.25 million, and that management had concealed an Anti-Deficiency Act violation and did not report it to the President and the Congress, as required by the act.

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## Background

The mission of the Fish and Wildlife Service, which is part of the Department of the Interior, is to conserve, protect, and enhance fish and wildlife and their habitats. The Service, which has 7 regions and about 800 field stations, has a central accounting operation at its Finance Center in Denver. The chief of the Finance Center reports directly to the assistant director for administration in Washington, D.C.

Authority to obligate funds is transferred to program managers within the Service from the assistant director for administration, who is responsible for adhering to appropriation limits. Prompt recognition and recording of obligations is essential for ensuring compliance with the Anti-Deficiency Act, which prohibits obligations or expenditures in excess of authorized amounts. The alleged violation of the act involved the Service's Resource Management program—the largest Service appropriation—which had about \$266 million in fiscal year 1983 budget authority.

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## Results in Brief

The Service submitted inaccurate year-end reports to the Office of Management and Budget and the Treasury Department for its fiscal year 1983 Resource Management appropriation account because about \$420,000 of known obligations were not promptly recorded. The Service's Finance Center chief was officially reprimanded for not promptly recording the obligations. In addition, the reports were inaccurate because valid fiscal year 1983 obligations totaling over \$900,000 were improperly charged to the fiscal year 1984 appropriation. However, the officials involved denied that there was an intentional attempt to cover up an Anti-Deficiency Act violation.

Based on GAO's analysis of Service records, the appropriation account appears to have been overobligated. The Service contends that a violation of the act did not occur. In GAO's view, however, the question of

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whether a violation occurred remains unresolved because the Service did not fully reconcile the account and validate reported obligations for fiscal year 1983. Further, the Service did not determine whether a violation occurred until more than 2 years after the appropriation expired, and 1 year after the problem was reported by the Department's Office of Inspector General. GAO believes this was an unreasonable amount of time to make such a determination and that this runs counter to the immediate reporting requirement of the Anti-Deficiency Act.

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## Principal Findings

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### Obligations Not Promptly Recorded

During the year-end close out of fiscal year 1983, the chief of the Finance Center ordered 35 obligation documents (mostly purchase orders) totaling \$420,435 returned to the authorizing offices with instructions to cancel them. These documents were not cancelled, but were later sent back to the Finance Center after the books had been closed and were processed as fiscal year 1983 obligations.

The Finance Center chief said the documents were initially sent back, in large part, because the authorizing offices submitted them so late. However, this does not relieve the agency from meeting the requirement established by the Comptroller General that all obligations incurred in the course of government activity are to be promptly recorded. If an agency needs to cancel an obligation, formal cancellation is necessary to remove the government's contractual obligation.

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### Obligations Deleted

The Service also failed to report two valid fiscal year 1983 contract modifications totaling \$946,872 which had been properly executed and recorded as obligations of the federal government before the end of the fiscal year. These contract modifications were deleted from the accounting system without supporting documentation indicating they had been cancelled or terminated. Such action would have been necessary to justify not reporting the obligations. Four months later, another contract modification was issued for essentially the same work, obligating fiscal year 1984 funds.

The Service maintains that the deletion and subsequent obligation of 1984 funds was proper because the work called for services and should be recorded during the fiscal year in which the services were performed.

GAO believes they are not service contracts because the services are performed to produce an end-product (maps suitable for printing). In addition, GAO's analysis disclosed that the two modifications in question were never properly cancelled, and the contractor billed the Service more than \$52,000 under the contract modifications from the time they were issued until another modification was issued attempting to transfer the funds to fiscal year 1984. Therefore, GAO believes that the contract modifications should remain obligations of fiscal year 1983, the year in which they were executed.

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**Question of Anti-Deficiency Act Violation**

Deletion of the contract modifications and exclusion of the 35 obligation documents resulted in year-end reported obligated balances in the fiscal year 1983 Resource Management appropriation account being understated by about \$1.3 million. Although the Service has made subsequent adjustments to the accounting records, the account still appears to be overobligated by about \$171,000. The Service's assistant director for administration stated that resource constraints had not permitted a complete review of all obligations charged to the fiscal year 1983 account and that further adjustments may be possible.

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**Corrective Actions**

Since the fiscal year 1983 year-end closing problems, the Service has taken some corrective actions. These include implementing the first of three phases of a new accounting system and requiring field offices to reconcile and certify monthly the accuracy of reported obligations. However, a Service official said the latter procedure, which is important for controlling obligations, was initiated through a memorandum to regional office managers and had not been incorporated into the Service's standard operating procedures. As a result, there is a risk that the requirement may be overlooked when future management changes occur.

We recommend that the Secretary of the Interior require the Fish and Wildlife Service to

- Adjust its accounting records to charge the contract modifications to the fiscal year 1983 account.
- Report a violation of the Anti-Deficiency Act unless the Service can identify and justify further adjustments that show an overobligation does not exist. Any such adjustments should be verified by the Office of the Inspector General or another party deemed by the Secretary to be sufficiently independent.

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- Incorporate into its standard operating procedures the requirement that all regional offices are to perform monthly reconciliations of their financial reports. (See chapter 2.)

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## Agency Comments

As requested by the Chairman's office, GAO did not obtain agency comments.

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## Abbreviations

|      |                                |
|------|--------------------------------|
| GAO  | General Accounting Office      |
| MSPB | Merit Systems Protection Board |
| OIG  | Office of Inspector General    |



# Introduction

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In August 1985, the House Committee on Government Operations received allegations that (1) the fiscal year 1983 year-end financial statements of the Department of the Interior's Fish and Wildlife Service submitted to the Treasury Department may have been understated by at least \$1.25 million, (2) valid obligation documents had been deliberately withheld from the Service's accounting records, and (3) agency management had continued to conceal a violation of the Anti-Deficiency Act and did not report the violation to the President and the Congress as required by law. The alleged violation involved the Resource Management account, which is the largest Service appropriation, with reported budget authority of \$266 million for fiscal year 1983. The account covers expenses for scientific and economic studies, conservation, management, investigations, protection, utilization of sport fishery and wildlife resources, and other purposes.

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## Background

The mission of the Service is to conserve, protect, and enhance fish and wildlife and their habitats for the continuing benefit of the American people. The Service is to assist in the development of an environmental stewardship ethic for our society based on ecological principles, conservation, scientific and economic knowledge of fish and wildlife, and other related authorized functions.

Interior's Assistant Secretary for Fish and Wildlife and Parks is responsible for the Service, which is led by a director, deputy director, five associate directors, and three assistant directors including the assistant director for administration. The Service has 7 regions with approximately 800 field stations, including refuges, hatcheries, research stations, and cooperative research units. Administration is divided into the Division of Contracting and General Services, Office of Information Resources Management, Division of Finance, Division of Personnel, Finance Center (in Denver), and Office of Safety and Security.

The assistant director for administration is responsible for financial management and accounting for the Service. The Finance Center, whose chief reports directly to the assistant director for administration, serves as the Service's central accounting organization and is responsible for compilation and dissemination of program and financial management information.

## Administrative Control of Funds

The head of each executive agency is required by law (31 U.S.C. 3512) to establish and maintain systems of accounting and internal control that provide complete disclosure of the financial results of the agency's activities. These systems must provide information on such items as expenditures and obligations, which specifies the amounts of orders placed, contracts awarded, services rendered, or other financial commitments that will require cash outlays during the current or some future period. Failure to record obligations can lead to a violation of the Anti-Deficiency Act (31 U.S.C. 1341), which

- prohibits overobligation of funds,
- requires violations of the act to be immediately reported to the President and the Congress, and
- provides for a maximum penalty of \$5,000 and 2 years' imprisonment for individuals knowingly and willfully violating the act.

The authority for the Service to incur obligations is provided through appropriation acts and other legislation. In addition to appropriations, the Service receives budget authority—transfers or advances—from other federal agencies. In order to comply with the law and attendant regulations, the Service's budget authority is allotted to the assistant director for administration who handles any further allocation of the funds for mission accomplishment. Under the Service accounting principles and guidelines, the single allottee is designated responsible for ensuring that the Service's obligations and expenditures do not exceed the authorized amounts.

The actual transfer of obligational authority from the assistant director for administration (the allottee) to the regional and Washington offices is accomplished through the use of control schedules. These documents allocate funds periodically by budget subactivities and authorize the recipients to obligate funds up to the approved program amount. The control schedules must be approved by the allottee as well as by certain program officials. The allottee is responsible for ensuring that the total amounts allocated on the control schedules do not exceed the authorized funds.

The Service permits the recipients of funds allocated through the control schedules to further allocate funds to lower echelons through the annual work plan process. The work plans are the operating budgets and are amended to reflect the funding levels authorized by the control schedules. Managers receiving funds through the work plans are responsible to see that amounts obligated do not exceed the work plan budgets. The

allottee and program officials must approve any requests for adjustments to the control schedule and work plan amounts. Overobligations of amounts at this level are not considered violations of the Anti-Deficiency Act unless they result in exceeding the overall appropriation. However, employees responsible for obligations incurred in excess of work plan allocations are subject to administrative controls and discipline.

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## Objectives, Scope, and Methodology

Our primary objectives were to determine whether the Service's fiscal year 1983 year-end financial reports were accurate and whether any inaccuracies that may have occurred were due to official misconduct. We also monitored the Service's efforts to resolve whether or not it had violated the Anti-Deficiency Act and determine what disciplinary action, if any, had been taken in this matter by the Department of the Interior and/or Service management.

We conducted our investigation at the Service's Washington, D.C., headquarters and the Finance Center in Denver. At the committee's request, we took sworn affidavits from selected officials directly involved in the 1983 year-end close-out procedures. We also interviewed other Service officials, reviewed the fiscal year 1983 and subsequent financial records and reports of the Resource Management appropriation in question, reviewed the Office of Inspector General's (OIG's) and the Merit Systems Protection Board's case files, and performed other investigatory work, such as background and legal research, interviews, and analysis as we deemed necessary under the circumstances. Our work was conducted between October 1985 and March 1986, in accordance with generally accepted government auditing standards. However, as requested by the Chairman's office, we did not obtain advance agency review and comments on this report.



# Investigation Results

The Service submitted inaccurate year-end reports to the Office of Management and Budget and Treasury for its fiscal year 1983 Resource Management appropriation account because known obligations were not promptly recorded. This action, disclosed through investigation by the Merit Systems Protection Board and the Department's Office of Inspector General, resulted in an official reprimand of the Finance Center chief. In addition, the reports were inaccurate because valid fiscal year 1983 obligations were improperly charged to the fiscal year 1984 appropriation. However, the officials involved denied that there was an intentional attempt to cover up an Anti-Deficiency Act violation.

Based on our analysis of Service records, the appropriation account appears to have been overobligated. However, the question of whether an Anti-Deficiency Act violation occurred remains unresolved because the Service did not fully reconcile the account and validate reported obligations for fiscal year 1983. Further, the Service did not determine whether a violation occurred until more than 2 years after the appropriation had expired and 1 year after the problem was reported by the OIG. We believe this was an unreasonable amount of time and runs counter to the immediate reporting requirement of the Anti-Deficiency Act.

The Service has taken some actions to prevent similar occurrences in the future. However, additional steps are needed to ensure that adequate controls are implemented.

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## The Service Submitted Inaccurate Financial Reports

The Service's fiscal year 1983 year-end reports for its Resource Management account did not include about \$1.3 million of known obligations. This occurred because

- some obligations were not promptly recorded and
- other obligations for certain contract modifications were deleted from the accounting system.

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## Obligations Not Promptly Recorded

In our Policies and Procedures Manual for Guidance of Federal Agencies,<sup>1</sup> we emphasize that obligations must be promptly recorded. This is necessary to ensure compliance with the Anti-Deficiency Act and to produce accurate financial reports. Both the Office of Management and

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<sup>1</sup>The manual provides accounting principles, standards, and related requirements that federal agencies are to follow.

Budget and the Treasury Department require agencies to submit fiscal year-end reports showing the status of appropriations.

In order to prepare and submit the required year-end financial reports to the Office of Management and Budget and Treasury, a deadline of September 30, 1983, was established for the Service's field offices to file obligation documents with the Finance Center. However, on October 17, 1983, before the books were closed, 35 fiscal year 1983 obligation documents were returned to their authorizing offices with instructions to cancel them without entering them into the system. These documents, totaling \$420,435, were later returned to the Finance Center after the books had been closed and processed as undisclosed fiscal year 1983 obligations. However, the year-end reports did not include this amount.

The Chief of the Service's finance center was officially reprimanded by the deputy director of the Service for not promptly recording the obligations.

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### Other Obligations Deleted

In addition to the inappropriate handling of the 35 obligation documents, the Service inaccurately reported two fiscal year 1983 contract modifications as charges against fiscal year 1984 funds. These modifications, totaling \$946,872, were initially executed and recorded as fiscal year 1983 obligations. However, before the books were closed, the modifications were deleted from the accounting system without supporting documentation indicating they had been cancelled or terminated. Formal cancellation or termination is necessary to remove the government's contractual obligation and justify deletion of amounts from the accounting records.

The initial contract was an agreement calling for technical support, including aerial photography interpretation and mapping. The basic agreement required the contractor to maintain personnel to perform optional task orders as mutually agreed upon with the Service. Several contract modifications were subsequently made. Contract modification 14 was executed on September 16, 1983, for \$506,865, and modification 15 on September 30, 1983 for \$440,007.

In January 1984, another contract modification (18) was issued for substantially the same work as that encompassed by modifications 14 and 15, and was charged against the fiscal year 1984 Resource Management account. The Service maintains that the deletion and subsequent obligation against 1984 funds was done because the modifications called for

services and therefore should be recorded during the fiscal year in which they were performed rather than the fiscal year when entered into, as is the case with contracts for the procurement of equipment or supplies. However, in our opinion, while the modifications included the performance of services, they are not service contracts. The services were performed in order to produce an end-product, that is, maps suitable for printing. Therefore, the work called for by the modifications was not severable (not separable by fiscal year), so they should have been obligated in the entire amount of each modification against the fiscal year current when the modifications were executed.

We believe the 1983 Resource Management account could have been properly deobligated in the amount of modifications 14 and 15 had they been cancelled or terminated, particularly if such action were necessary to avoid overobligating the account. Since cancellation or termination would have required notifying the contractor by means of an amendment to the basic contract, and the contractor was not so notified, modifications 14 and 15 remained in effect at the close of the fiscal year. As legal commitments of the government, the modifications supported claims by the contractor for any work performed according to their terms prior to the issuance of modification 18. In fact, the Service records showed that the contractor billed the Service more than \$52,000 under modifications 14 and 15 from the time those modifications were executed until modification 18 was issued.

If the modifications had been properly terminated, funding the work with fiscal year 1984 funds, as was attempted by modification 18, would have been appropriate because a need for the work still existed in fiscal year 1984. However, since it was never properly terminated, the requested work remains an obligation of fiscal year 1983.

Deleting the contract modifications, as well as excluding the other 35 obligating documents, resulted in year-end reported obligations in the fiscal year 1983 Resource Management account being understated by about \$1.3 million.

## Merit Systems Protection Board and Office of Inspector General Investigations

The circumstances surrounding the Service's fiscal year 1983 transactions were investigated by the Office of the Special Counsel, U.S. Merit Systems Protection Board (MSPB), and Interior's Office of the Inspector General prior to our involvement.

The MSPB, which is responsible for hearing and adjudicating appeals by federal employees of adverse personnel actions, such as removals, suspensions, and demotions, investigated because of a complaint by a Finance Center employee. The employee alleged that because he did his job as an accountant too well, taking unpopular stances and being unwilling to violate or bend accounting principles or regulations, the assistant director for administration scheduled him for reassignment from Denver to Washington, D.C. In declining the transfer, this employee notified the assistant director for administration in a memorandum dated November 25, 1983, that he had learned of the withheld obligations sometime after he had certified the year-end closing statement on November 1, 1983.

The MSPB investigation took place between March and October 1984, and resulted in the Secretary of the Interior being notified on June 20, 1984, of a possible violation of the Anti-Deficiency Act by the Service. The MSPB also determined that there was insufficient evidence to warrant further inquiry into the allegation that the employee suffered reprisals for his conduct, and referred information on its investigation to the Secretary of the Interior.

As a result of the MSPB referral, the OIG began its own investigation in October of 1984. This investigation resulted in a preliminary report being forwarded to the Assistant Secretary for Fish and Wildlife and Parks in December 1984. The report informed the Secretary that there had been an Anti-Deficiency Act violation at the Service regarding the fiscal year 1983 Resource Management account. The OIG also referred information on the case, including the Finance Center chief's handling of the year-end transactions, to the U.S. attorney for the District of Colorado. According to an OIG official, the referral was made on October 4, 1984. On January 23, 1985, the U.S. attorney declined prosecution, citing among other reasons the complexity of the subject matter and possible complicity of the assistant director for administration due to his on-site presence at the Finance Center during the time of the withholding of the transactions from the fiscal year 1983 accounting records. The assistant secretary for Fish and Wildlife and Parks notified the OIG that Anti-Deficiency reports would be filed as a result of the OIG report.

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## The Service Initially Agreed That an Anti-Deficiency Act Violation Occurred

The Office of the Assistant Secretary for Fish and Wildlife and Parks submitted Anti-Deficiency reports to the assistant secretary for Policy, Budget, and Administration on March 7, 1985, for review. The reports, addressed to the President and the Congress as required, were reviewed within that unit by the Office of Financial Management. After its review, the Office referred the reports back to the Service by a memorandum dated July 30, 1985, questioning whether an Anti-Deficiency Act violation had actually occurred. The memorandum directed that, among other issues to be resolved, the Service's accounting records should be reconstructed to reflect the actual financial position of the Resource Management account after all the necessary adjustments from inaccurate transactions had been made. The memorandum specifically mentioned examining possible inaccurate labor distribution charges for the last pay period in fiscal year 1983 at the Service, and reviewing the OIG report and working papers for possible inaccuracies in the accounting records. According to Office of Financial Management officials, their review of the OIG report file indicated that the OIG did not consider all possible reconciling items in determining that an Anti-Deficiency Act violation occurred.

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## Unreasonable Time Taken to Determine Obligated Amounts

Officials from the Service and the Interior Department's Office of Financial Management met on August 13, 1985, to discuss resolution of issues and the time required to determine if an Anti-Deficiency violation had occurred. On October 2, 1985, the director of the Office of Financial Management requested in writing that the Service provide a plan to complete reconciliation of the issues that would resolve whether there was a violation by no later than December 31, 1985.

The Service identified several adjustments to the Resource Management account during the 2 years subsequent to the close of the fiscal year 1983 books. The most significant was \$435,388 in fiscal year 1983 costs which the Service concluded should have been charged to reimbursable accounts and another fund, but most of which were erroneously charged as direct costs to the Resource Management account during the last pay period of the fiscal year. We were told these errors occurred when a payroll computer tape was incorrectly prepared. A Finance Center official also told us that because the detailed time and attendance report information was located in numerous field stations, they relied on the submissions of the field offices to identify the correcting adjustments. The adjustments were recorded during fiscal year 1984 and are part of the net fiscal year 1984 adjustment to the Resource Management account. (See page 19.)

During fiscal year 1986, an additional \$71,120 of similar payroll adjustments were identified and recorded, transferring obligations from the fiscal year 1983 Resource Management account to other accounts. We reviewed copies of redistribution data sheets on file at the Finance Center and they appeared to support the transfers.

In a December 26, 1985, memorandum to the Department's Office of Financial Management director, the Service's assistant director for administration reported these adjustments would "increase the budgetary reserve in the Resource Management account sufficiently to cover any violation" (of the Anti-Deficiency Act). He also reported that although the contract modifications in question were valid and charged to fiscal year 1983 funds, it was determined that certain portions of the modifications could not be performed until fiscal year 1984, and therefore were properly chargeable to fiscal year 1984 funds.

We believe the time the Service used to reach a determination on whether a violation occurred was unreasonable. Although the act does not specify the amount of time permissible to determine if a violation has occurred, it does state that a violation must be reported immediately to the President and the Congress, including all relevant facts and a statement of actions taken. When a problem indicating a possible violation of law was identified, in our opinion it became incumbent upon the Service to reconcile the account to determine whether in fact a violation occurred. It took the Service nearly 27 months following the expiration of the appropriation in question to determine whether a violation had occurred, and this was 1 year after the OIG made its initial determination. We believe that this amount of time was unreasonable to complete a reconciliation of the account. The series of events that led up to the Service's determination is shown in appendix I.

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**Officials Denied a Cover-Up  
Occurred**

As part of our investigation, we obtained sworn affidavits from the following Service officials on their actions and/or knowledge regarding the handling of the fiscal year 1983 transactions:

Headquarters

deputy director  
assistant director, administration

Finance Center

deputy chief, finance center  
chief, reports and analysis section  
chief, billing and collections section  
chief, accounting operations branch  
chief, document control and processing branch

The assistant director for administration denied in his affidavit that the actions taken at the end of fiscal year 1983 were intended to avoid disclosure of an Anti-Deficiency Act violation. The Finance Center chief, citing previous sworn statements to the MSPB and OIG investigators as well as personal stress, declined to submit a sworn affidavit to us. However, she denied that her actions were intended to avoid an Anti-Deficiency Act violation. In her statements to the MSPB and OIG, she admitted that she had not handled the 35 documents correctly. She also told the OIG that the documents were withheld because, to a great extent, she was angry with the regions for sending in the documents so late.

In regard to the two contract modifications, she said these were forwarded to the assistant director for administration for cancellation. In his sworn statement, the assistant director said that he was not aware that the contract modifications had been sent to him for action. However, based on the chief's technical input, he agreed that the modifications represented obligations of fiscal year 1984 rather than 1983.

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**Question of an Anti-  
Deficiency Act  
Violation Not Resolved**

As mentioned previously, we believe the charges under contract modifications 14 and 15 should have been obligated against fiscal year 1983 rather than 1984 funds. When those charges are added to the obligations as reported and adjusted by the Service, the fiscal year 1983 Resource Management appropriation appears to have been overobligated by about \$171,000. However, because the Service has indicated that further adjustments could be made, we cannot conclusively determine that an overobligation in fact occurred.

Our analysis of the fiscal year 1983 Resource Management account, based on the records provided by the Service in February 1986, is as follows:

**Table 2.1: Resource Management Account Status**

|  |           |
|--|-----------|
| Unobligated appropriation balance at 9/30/83                         | \$701,762 |
| Net decrease in unobligated balance recorded in FY 1984 <sup>a</sup> | (296,614) |
| Net increase in unobligated balance recorded in FY 1985 <sup>a</sup> | 276,947   |
| Increase in unobligated balance recorded in FY 1986 <sup>a</sup>     | 71,120    |
| Unobligated balance  | 753,215   |
| Less adjustment for modifications 14 and 15 <sup>b</sup>             | (924,659) |
| Net FY 1983 obligations in excess of funds available                 | \$171,444 |

<sup>a</sup>Resulted from adjustments to obligations and other amounts

<sup>b</sup>Of the \$946,872 originally obligated for these contract modifications, Service records showed that \$924,659 was eventually charged to fiscal year 1984

As the table indicates, the fiscal year 1983 account was adjusted after the OIG's determination that a violation of the Anti-Deficiency Act occurred. This is not unusual because there are many variables which can alter the amounts of obligations previously recorded and reported. For example, interagency reimbursements are based upon actual cost which may not be determined until completion of the work. Also, some contracts are obligated in amounts which are subsequently adjusted to reflect actual costs. However, the Service did not verify whether all necessary adjustments were made prior to the OIG's determination.

In his December 1985 memorandum to the director of the office of financial management, the Service's assistant director for administration stated that the fiscal year 1983 records had been reviewed at the Finance Center. As previously mentioned, that review resulted in adjustments to the records. When we discussed the status of the Resource Management account with the assistant director, he said that

- resource constraints at the Finance Center had precluded a complete examination of all contract amounts charged to fiscal year 1983,
- the review on which his memorandum was based was limited to identifying valid adjustments that could be made to show that the overobligation reported by the OIG did not exist, and
- if GAO found the account to be overobligated, the Service would attempt to identify additional adjustments that could be made.

## The Service Has Taken Some Corrective Actions

We believe that one of the causes of the fiscal year 1983 problems was an inadequate system for tracking obligations. In fact, the Service's problems with its accounting system were acknowledged in reports required by the Federal Managers' Financial Integrity Act. One of the act's requirements is that agency heads report annually to the President and the Congress on whether the agencies' accounting systems conform to the Comptroller General's accounting principles, standards, and related requirements. The Service recognized a number of system weaknesses in such areas as fund control and property accounting, and concluded that the system did not conform.

To strengthen its accounting operations, the Service has been developing a new accounting system. The first of three phases of the new system, implemented in November 1985, is designed to provide improved controls in the fund accounting area. A Finance Center official said that this portion was tested prior to implementation to ensure proper operation. Phase II is to address management reports, budgeting and program planning, and cost accounting, while the third phase will deal with property accounting. The Service had not yet established firm dates for full implementation of the system at the time of our review.

Based on our limited review of the new system procedures and discussions with Finance Center staff on how it will work, we believe it should provide improved control and management information. For example, one of the primary problems cited under the old system procedures was that reports identifying the status of funds could not be produced without going through a month-end closing. This made it difficult to determine obligation balances at any point in time. To overcome these information limitations, the new system is designed to produce daily fund status reports. It is also anticipated that the new system will permit direct computer access by the field offices to determine the status of obligations. However, this feature may not be fully implemented until mid-1987. In the meantime, the field offices must keep their own records throughout each month to monitor the unobligated balance.

As an interim corrective action, the Service's director issued memoranda to regional office managers in March 1985, stating that they were required to reconcile their own records with the financial reports provided by the Finance Center each month. Citing an apparent lack of adequate control over obligations in most regions, the director also required each regional director and program manager to submit certifications to headquarters that the necessary reconciliations had been completed.

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Regional directors and program managers also have been made individually responsible for staying within their budgets by making that a critical element in their performance evaluations. Failure to stay within their budgets requires a determination that their performance was unsatisfactory. However, the chief, division of finance, who is responsible for financial policy at the Service, said that these requirements had not been formally incorporated into Service operating procedures at the time of our review.

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## Conclusions

The Service did not exercise adequate control over its financial transactions at the end of fiscal year 1983, resulting in inaccurate financial reports. Although the 35 obligation documents that were withheld from the accounting system were eventually recorded, the contract modifications in question were charged to the incorrect fiscal year appropriation. Accordingly, we believe the records should be adjusted to correct this latter issue. From the information provided by the Service, this will result in showing obligations in excess of appropriations for the fiscal year 1983 Resource Management account. Unless the Service is able to show that further adjustments can be made to eliminate the overobligation, it must comply with the Anti-Deficiency Act reporting requirements. Given the errors that already have occurred with the 1983 account, the validity of any further adjustments should be verified before finalizing the account balances.

It is also important that adequate controls be implemented to prevent similar future occurrences. The Service has taken some corrective actions, including its efforts to develop, test, and implement a new accounting system. Thorough evaluation, including testing, of each new system component is essential to ensure that the system meets the Comptroller General's requirements. The Service has also initiated an important control by requiring its regional offices to perform and certify monthly reconciliations of fund balances. However, this requirement, issued through the director's memoranda, has not been incorporated into the Service's standard operating procedures and may be overlooked when future management changes occur.

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## Recommendations

We recommend that the Secretary of the Interior require the Fish and Wildlife Service to

- Adjust its accounting records to charge the contract modifications to the fiscal year 1983 account.

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- Report a violation of the Anti-Deficiency Act unless the Service can identify and justify further adjustments that show an overobligation does not exist. Any such adjustments should be verified by the OIG or another party deemed by the Secretary to be sufficiently independent.
  - Require the Service to incorporate into its standard operating procedures the requirement that all regional offices are to perform monthly reconciliations of their financial reports.

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# Key Events in Determination of a Possible Anti-Deficiency Act Violation

| <b>Dates</b>      | <b>Activities</b>   |
|-------------------|---|
| 8-31-83           | Year-end financial closing cycle begins.  |
| 9-16-83           | Contract modification 14 signed and then submitted to the Finance Center as a fiscal year 1983 obligation   |
| 9-30-83           | Contract modification 15 signed and then submitted to the Finance Center as a fiscal year 1983 obligation.<br><br>(Before this point, the memorandum of need had been cleared by the Service's contracting office and Habitat Resources to ensure that funds were available )                     |
| 9-30-83           | Deadline for submission of fiscal year 1983 obligating documents to the Finance Center.   |
| 10-12-83          | Assistant director for administration reportedly begins 3-day visit to Denver Finance Center  |
| 10-17-83          | Finance Center returns 35 obligating documents to originating offices.  |
| 10-31-83          | Contractor begins submitting invoices to Habitat Resources for work done on modifications 14 and 15. These were processed and sent to the Finance Center for payment  |
| 11-1-83           | Year-end closing statement certified as accurate.   |
| 11-to 12-83       | Most returned documents resubmitted to the Finance Center and recorded as fiscal year 1983 obligations.   |
| 11-25-83          | Chief, Accounting Operations Branch, notified the assistant director for administration by letter that obligations had been withheld from the closeout records.   |
| 12-9-83           | Merit Systems Protection Board receives complaint from Finance Center employee  |
| 3-9-84 to 10-2-84 | Merit Systems Protection Board investigates, which results in a referral of a possible Anti-Deficiency Act violation to Interior on 6-20-84.  |
| 10-4-84           | OIG refers Finance Center chief's case to the U.S. attorney.  |
| 10-12-84          | OIG converts preliminary review to investigation  |
| 12-17-84          | OIG's report that concluded there had been an Anti-Deficiency Act violation at the Service is forwarded to the Assistant Secretary for Fish and Wildlife and Parks  |
| 1-23-85           | OIG receives response from U S. attorney declining prosecution of case against Finance Center chief.  |
| 1-23-85           | Assistant Secretary for Fish and Wildlife and Parks notifies OIG that Anti-Deficiency violation reports would be filed  |
| 3-7-85            | Anti-Deficiency report drafts to the President and the Congress are referred to the Assistant Secretary for Policy, Budget, and Administration  |
| 3-9-85            | Memorandum of required corrective actions issued to regional directors and associate directors.   |
| 7-30-85           | Anti-Deficiency reports sent back to the Service by acting director of Interior's Office of Financial Management questioning if an Anti-Deficiency Act violation actually occurred This was preceded by a series of exchanges between the Office and the Service concerning the facts of the case |

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**Appendix I  
Key Events in Determination of a Possible  
Anti-Deficiency Act Violation**

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| <b>Dates</b> | <b>Activities</b>  |
|--------------|--|
| 8-13-85      | The Service and Office of Financial Management meet to discuss resolution of issues and time required to determine if an Anti-Deficiency violation occurred.                                 |
| 10-2-85      | Director of Financial Management requests plan to complete reconciliation of issues that will resolve whether there was an Anti-Deficiency Act violation by no later than December 31, 1985. |
| 12-26-85     | The Service's assistant director for administration notifies the Office of Financial Management that the review has shown that no Anti-Deficiency Act violation occurred.                    |

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