
Department of Natural Resources (DNR)

Agency: 490

Audit Report: 2007 F

Finding Number: 001

Finding: The Department of Natural Resources did not comply with federal requirements for payroll costs charged directly to the Cooperative Forestry Assistance grant.

Resolution: The majority of expenses charged to federal grants administered by the Department are direct payroll expenses charged to specific grants. The Department is in compliance with federal requirements for these types of charges.

The auditors expressed concerns over specific cases in which time was charged to grants based on budget allocations. These cases involved splitting time to different grants with program objectives that were very similar. In some cases the work between grants was indistinguishable, and time charged was split evenly between two funding sources. In other cases, the effort and cost to reconcile actual work to the budgeted allocations would exceed any possible benefit from avoiding a potential miscoding to a particular grant. In both of these situations our grantor was aware of our processes and had given their verbal approval.

The Department discussed this issue with our grantor and received specific direction from them. As to the issue of questioned costs the grantor replied "...we have no cause to recover any portion of the \$234,527 of expenditures that has been questioned in the state audit report. In our opinion, the Forest Service has received fair value for the funds awarded to the WDNR, and the expenditures, including salaries are reasonable and appropriate."

The grantor gave guidance on the grants with similar purposes – the State and Private Cooperative Health grants. The national Fire Plan Forest Health authorities stated, "In our region of the country, both programs serve identical purposes and can be used interchangeably."

The Department implemented a process of monthly reconciliations of time being charged to grants.

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Finding Number: 003

Finding: The Department of Natural Resources did not have adequate internal controls to ensure compliance with federal matching requirements for the Cooperative Endangered Species Conservation Fund grant.

Resolution: The description of condition of this finding states, "---it has been unable to satisfactorily document the land valuation and use in accordance with federal requirements." The Department worked with the U.S. Fish and Wildlife Service (USFW) for over a year in an attempt to get clear direction on our proposed match properties. There were differing interpretations of federal standards for both acquired and match properties, timing of appraisals, and division of match properties for several grants.

With the confusing and sometimes conflicting responses from the USFW, the Department was not able to reach finality on the matching requirements at the time of the audit. In an effort to meet the requirements of these grants, the Department met with the USFW to address concerns of five specific grants. Agreement was reached on November 16, 2007 regarding several issues which allowed the closure of these grants. Matching properties for all of these grants have been identified and approved by the USFW.

In cooperation with the USFW, the Department developed a new procedure for identifying match properties at an earlier point in the process. Match properties are now identified and presented to USFW for approval prior to the request for funds.

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Audit Report: 2007 F

Finding Number: 004

Finding: The Department of Natural Resources did not have adequate controls to comply with federal requirements for subrecipient monitoring in the Cooperative Endangered Species Conservation Fund grant.

Resolution: This type of transaction represents a unique case in which the land trusts are classified as subrecipients by virtue of receiving real property rather than the receipt of federal funds for them to expend. The actual expenditure of the federal funds was made by the Department and was not called into question by the auditor.

In the case of other grants in which the Department passes through federal funds for expenditure by the subrecipients, the Department has demonstrated a clear understanding of its responsibilities for subrecipient monitoring. Although the land trust subrecipients do not actually expend federal funds, the Department now understands that its responsibility for monitoring also extends to them.

The Department implemented a process for tracking the status of audit reports for each of its grantees, not just the ones examined in the audit. Additionally, the Department added language to the cooperative agreement to ensure that, in future transactions, the audit requirements are more clearly articulated to subrecipients.

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