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United States General Accounting Office
Washington, DC 20548

Accounting and Information
Management Division

B-282918

February 15, 2000

The Honorable Don Young
Chairman
Committee on Resources
House of Representatives

Subject: Financial Management Review of the U.S. Fish and Wildlife Service's Reported Allocation of Resources for its Refuge Program and New Assistant Regional Manager Positions

Dear Mr. Chairman:

This letter summarizes the information provided during a briefing to your office today. The enclosed briefing slides highlight the results of our work and the information provided. You asked that we determine for fiscal years 1995 to 1999, (1) what systems the Department of the Interior's (DOI's) U.S. Fish and Wildlife Service used to track how allocated funds were spent and to determine the full costs of operating the refuge program, (2) how much funding the Service allocated to refuge operations and maintenance and how those funds were used, and (3) the number of new Assistant Regional Director (ARD) positions the Service created and the source of funding for these positions through fiscal year 2000.

Most of the funds for the refuge[1] program are allocated within the Resource Management Appropriation account. Within this account, the Refuges and Wildlife activity is one of four activities funded by this appropriation. Funds are then allocated for refuge operations and maintenance as well as other subactivities and, from that point, sub-allocated to regions and organizational units within regions. This allocation process is depicted graphically in enclosure 1. In fiscal year 1999, the Service had available budget authority of $660 million in current appropriations and $103 million in offsetting collections from reimbursables and other sources, such as migratory bird permit fees and unobligated balances. Within the Resource Management Appropriation account, $236.5 million was allocated to the refuge program for refuge operations and maintenance. Our work was limited to a review of

[1]A refuge is a unit of the National Wildlife Refuge System, which is a widespread network of federal lands and waters selected for their value to America's wildlife, especially migratory birds and endangered species. Since establishment of the first refuge unit in 1903, the National Wildlife Refuge System has grown to more than 475 units covering 91 million acres.

current appropriations, which represent the majority of funds available for the refuge program in this account. We did not review the Service's processes and procedures over offsetting collections.

Results in Brief

The Service uses its accounting system, the Federal Financial System (FFS), to track, for purposes of financial accounting and funds control, how allocated funds are spent. However, the Service does not have a system for tracking the costs of the refuge program on a "full cost" basis, as defined by DOI policy and federal accounting standards.

The Federal Financial Management Improvement Act of 1996 (FFMIA) requires following federal financial accounting standards, one of which is Statement of Federal Financial Accounting Standards No. 4 (SFFAS No. 4),*Managerial Cost Accounting Standards*. SFFAS No. 4 is aimed at providing reliable information on the full cost of federal programs, their activities, and their outputs. FFMIA requires that federal financial management systems support disclosure of financial data on the full costs of federal programs and activities. In order to accomplish this, DOI policy and SFFAS No.4 require that costs of specific activities be classified as direct or indirect[2] on a consistent basis and assigned to products, services, or outputs. SFFAS No. 4 provides three alternative methods for cost assignment including (1) direct tracing, (2) assigning costs on a cause-and-effect basis, and (3) distributing costs on a reasonable and consistent basis.

FFS is generally being used to track direct and indirect costs at the budget activity level, but not below that level. As shown in enclosure 1, FFStracks the Service's costs in four activities budgeted within the Resource Management Appropriation account – Refuges and Wildlife, General Administration (G&A), Fisheries, and Ecological Services. The Service's budget structureis such that the G&A activity includes many costs that would generally be classified as indirect costs of the refuge and other programs. The other three activities include many costs that would generally be considered direct costs of the programs that align with each of these activities. However, the Service is not determining the "full cost" of the refuge program or the other major programs that are funded by the Resource Management Appropriation account because it does not use FFS or any other method to distribute all of the indirect costs in the G&A activity to each of these programs. Rather, according to Service officials, it reports "full cost" information for the three mission goals in its strategic plan, which was developed in compliance with the Government Performance and Results Act. The Service uses cost distribution methods to assign direct and indirect costs to its three mission goals, which address activities in the

[2]The DOI Accounting Manual defines direct costs as all costs that can be specifically or readily identified with producing a specific product or providing a specific service. It defines indirect costs as all costs which cannot be specifically identified with producing a specific product or providing a specific service but which can be shown to bear some relationship to, result from, or be in support of a product or service.

following areas of mission delivery: (1) sustaining fish and wildlife populations, (2) habitat conservation, and (3) public use and enjoyment.

To properly implement the requirements of SFFAS No. 4, the Service would also have to measure and report the "full costs" of the outputs associated with each of its mission goals. However, agency officials indicated that while they have developed "full cost" information for certain outputs, the Service has not developed full cost information for all of its outputs.

To obtain correct "full cost" information for its individual refuges, the Service would have to assign direct and indirect costs to the benefiting refuges. This could be done as an automated process within FFS or using some other automated or non-automated system. Because the Service does not define refuges as an output, it has not attempted to assign direct and indirect costs to benefiting refuges. Thus, the Service's managerial cost information cannot be used to evaluate, at the individual refuge level, what portion of refuge-related costs was incurred "on the ground" as a direct cost of the refuges and what portion was incurred in indirect support of the refuges. Further, the Service does not have comparable data which it can use to determine what it costs to operate and maintain a refuge. Service officials indicated that because the vast majority of its financial processing is decentralized, measuring and reporting this type of information is cost-prohibitive.

For fiscal years 1995 through 1999, the Service allocated between $168.2 million and $236.5 million annually for refuge operations and maintenance. For fiscal year 1999, this represents about 36 percent of the Resource Management Appropriation account. Of the funds allocated to refuge operations and maintenance for fiscal years 1995 through 1998, an average of (1) 75.3 percent was obligated by refuges and wetland management districts[3] for purposes such as restoring habitat, rehabilitating buildings and other structures, and paying salaries of Service employees stationed at refuges, (2) 22.3 percent was obligated by headquarters and regional offices for purposes such as developing refuge program policies, conducting hydrological work for refuges, and supporting administrative functions such as external affairs, (3) 2.3 percent was obligated by other units such as fish hatcheries and ecological services field offices for purposes such as performing environmental contaminant investigation and cleanup work on refuges and conducting research,[4] and (4) the remaining .1 percent was unobligated.

Of the funds allocated to refuge operations and maintenance for fiscal year 1999, (1) 46.3 percent was obligated by refuges and wetland management districts, (2) 13.1 percent was obligated by headquarters and regional offices, (3) a small fraction was obligated by other units, and (4) the remaining 39.6 percent was unobligated as of

[3]Wetland management districts are functional units within the National Wildlife Refuge System that consolidate certain wetland areas on private land for administrative purposes. These wetland areas are referred to as Waterfowl Production Areas (WPAs). WPAs are acquired through fee title or as easements on private land to prohibit draining, filling, leveling, or burning of wetlands.

[4]This research benefits fish and wildlife on and off refuges.

June 30, 1999.[5] These funds were used for purposes similar to those previously described for each respective category.

As part of implementing ecosystem management,[6] the Service created new ARD positions in fiscal year 1998. These positions, which currently number 15, are funded from amounts allocated to the Refuges and Wildlife, Ecological Services, and Fisheries activities of the Resource Management Appropriation account. Under current plans, the Refuges and Wildlife activity will fund approximately 50 percent of the salaries and benefits for these new positions in fiscal year 2000.

Conclusions

The Service has a system in place to track how allocated funds are spent, and this system is generally being used to track the direct and indirect costs funded by the Resource Management Appropriation account at the budget activity level. However, the Service does not use this system for determining the "full cost" of its refuge program or other major programs that are funded by this account. Further,the Service does not, through FFS or any other system, attempt to identify and distribute all of the costs (both direct and indirect) that relate to a particular refuge. Consequently, the Service's cost information cannot be used to evaluate what portion of refuge-related costs was incurred "on the ground" versus in indirect support of refuge activities, and the Service does not have comparable data with which to evaluate program performance or determine what it costs to operate and maintain a refuge. According to Service officials, accumulating such data is cost-prohibitive.

Instead, agency officials indicated that the Service applies managerial cost accounting to program activities that contribute to the three mission goals of its strategic plan. However, the Service has not yet developed the "full costs" for all of the outputs associated with its mission goals.

Recommendation

To properly capture the full costs of the outputs associated with the Service's mission goals, we recommend that the Director of the U.S. Fish and Wildlife Service direct the Chief Financial Officer to identify and accumulate direct and indirect costs, distribute

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[5]Beginning in fiscal year 1996, the Service's funding became available for obligation for 2 years. The timing of our field visits precluded us from updating the Service's data through September 30, 1999. Because information as of June 30, 1999, represents only a portion of the time in which funds can be obligated, this data is not fully comparable to the average data for fiscal years 1995 through 1998. Service officials indicated that the Service historically obligates 99.8 percent of its funding in the Refuge Operations and Maintenance Subactivity by the end of the second year of availability.

[6]"Ecosystem management" is the terminology used to describe a new, broader approach to managing the nation's lands and natural resources. This approach recognizes that plant and animal communities are interdependent and interact with their physical environment to form distinct ecological units called ecosystems that span federal and nonfederal lands.

indirect costs, and monitor and evaluate the full cost of the Service's outputs, as defined by SFFAS No. 4.

Agency Comments

We obtained oral comments on a draft of our briefing slides from Service officials. They generally agreed with our recommendation, and their comments have been incorporated where appropriate.

Scope and Methodology

To determine what systems the Service used to track how allocated funds were spent and to determine the full costs of operating the refuge program, we reviewed four of the Service's management information systems, obtaining a general understanding of the types of data maintained in these systems and how they are used for budget formulation and execution and funds control.

Our work was limited to a review of current appropriations, which represent the majority of funds available for the refuge programs in this account. We did not review the Service's processes and procedures over offsetting collections. To determine how much current appropriation funding the Service allocated to refuge operations and maintenance and how those funds were used, we reviewed the allocation amounts in the Refuge Operations and Maintenance subactivity and the use of those funds by units within headquarters and each region for fiscal years 1995 through 1999. We interviewed cognizant officials to gain an understanding of headquarters' and each region's process for allocating its funds. We also analyzed the Service's refuge operations and maintenance obligation data for this period and obtained testimonial and documentary evidence from headquarters and regional office officials regarding the projects, programs, and purposes for which this allocated funding was used. However, we did not independently verify the accuracy of the financial data the Service provided.

To determine the number of new ARD positions and their source of funding, we made inquiries and reviewed documentation regarding the positions and their associated payroll costs and funding sources. We conducted our work from June 1999 through January 2000, in accordance with generally accepted government auditing standards. We requested comments on our draft briefing slides from U.S. Fish and Wildlife Service officials. We received clarifying comments that we incorporated into our slides as appropriate.

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We are sending copies of this letter and briefing slides to the Honorable George Miller, Minority Member, House Committee on Resources; the Honorable Bruce Babbitt, the Secretary of the Interior, and the Honorable Jamie Rappaport Clark, the Director of the U.S. Fish and Wildlife Service. We will make copies available to others upon request.

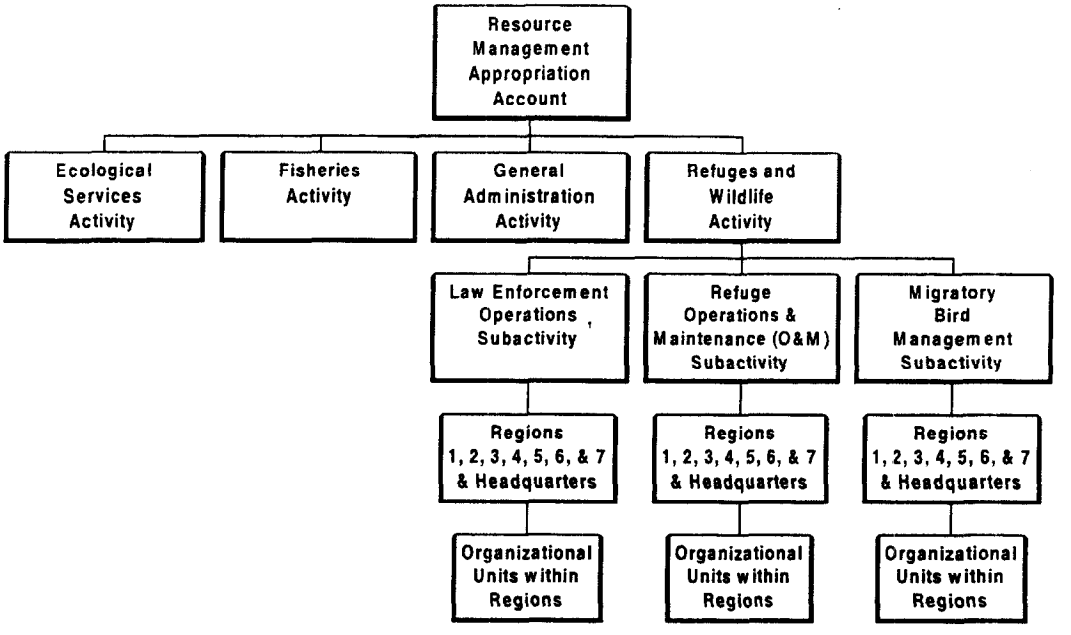
If you have any questions about this letter or the briefing slides, please contact me at (202) 512-9508 or Mark Connelly, Assistant Director, at (202) 512-8795.

Sincerely yours,

Linda M. Calbom
Director, Resources, Community,
and Economic Development, Accounting
and Financial Management Issues

Enclosures

Structure of the Resource Management Appropriation Account



[1]The Law Enforcement Operations Subactivity was elevated to an activity in the Service's FY 2000 budget.

Briefing to the House Committee on Resources

GAO Accounting and Information Management Division

BRIEFING TO THE HOUSE COMMITTEE ON RESOURCES:

Review of the U.S. Fish and Wildlife Service's Reported Allocation of Resources for Its Refuge Program and New Assistant Regional Director Positions

February 15, 2000

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- Conclusions
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GAO Objectives

- The House Committee on Resources asked GAO to determine from fiscal years (FYs) 1995 through 1999,

  (1) what systems the U.S. Fish and Wildlife Service used to track how allocated funds were spent and to determine the full costs of operating the refuge program,

  (2) how much funding the Service allocated to refuge operations and maintenance and how those funds were used, and

  (3) the number of new Assistant Regional Director (ARD) positions the Service created and the source of funding for these positions through FY 2000.

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GAO Background

- The Resource Management Appropriation account is the Service's largest appropriation account. In FY 1999, about 50% of the Service's available funding was appropriated to this general fund account.
- There are 4 budget activities within the Resource Management Appropriation account -- Refuges and Wildlife, Ecological Services, Fisheries, and General Administration (G&A). The Service funds the refuge program primarily from the Refuges & Wildlife activity. Budget activities are the Service's first administrative subdivision of an appropriation account and are used as a mechanism for identifying and categorizing purposes, projects, or types of activities in the appropriation account.
- The Service divides budget activities into subactivities, which further describe the purposes for which funding will be spent.
- The following chart helps illustrate this breakdown within the Resource Management Appropriation account.

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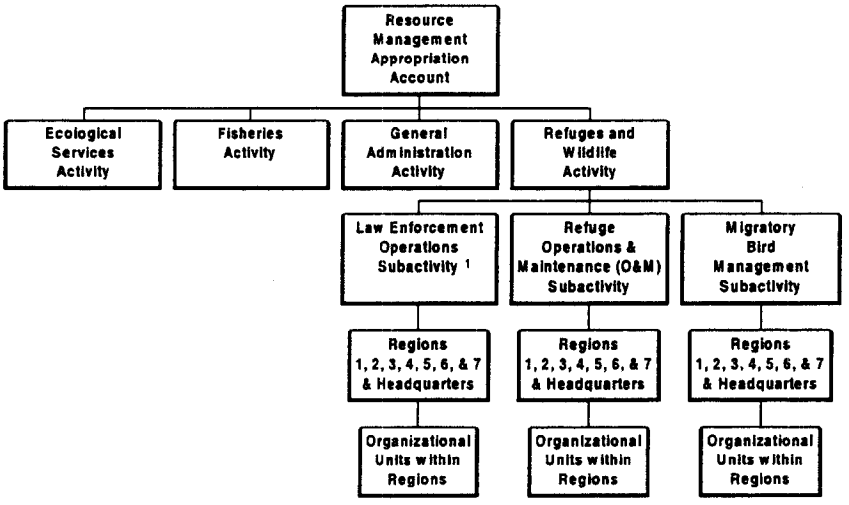
GAO Background

Structure of the Resource Management Appropriation Account



[1]The Law Enforcement Operations Subactivity was elevated to an activity in the Service's FY 2000 budget.

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GAO Background

- Each region is allocated base funding for refuge operations based on the number of employees in the region (which reflects the number and complexity of the refuges in the region) and fixed costs such as utilities and telephone service.

- In addition, headquarters allocates flexible funding to the regions for refuge operations and maintenance. These funds are distributed
  - evenly among all regions (e.g., Watchable Wildlife Program funding),
  - based on demonstrated need (e.g., funding to administer volunteer programs based on the number of volunteers in a region), or
  - through a priority-based process (e.g., funding for projects requested through the Refuge Operating Needs (RONS) system).

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GAO Background

- For purposes of tracking its funding and reporting on its financial status, the Service currently follows the principles of proprietary and budgetary accounting.
  - Budgetary accounting is intended to facilitate compliance with legal constraints and controls over the use of federal funds.
  - Proprietary accounting is intended to improve the accountability for and management of federal financial resources by applying accrual-based accounting concepts in accounting for federal assets, liabilities, and capital.

- Effectively tracking the costs of the refuge program on a "full cost" basis would require that the Service also apply the principles of managerial cost accounting, which focus on providing relevant information to management to aid in
  - effective planning,
  - directing day-to-day operations to ensure that objectives are realized,
  - arriving at the best solutions to operating problems, and
  - performance measurement.

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GAO Scope & Methodology

- To determine what systems the Service uses to track how allocated funds are spent and to determine the full costs of operating the refuge program, we
  - reviewed information related to the Federal Financial System (FFS), Budget Allocation System (BAS), Refuge Operating Needs System (RONS), and Maintenance Management System (MMS); and
  - through inquiry and observation, obtained a general understanding of the types of data maintained in these systems and how they are used for budget formulation, budget execution, and funds control.

- While we focused primarily on FFS and BAS, we included RONS and MMS in our review because these systems are used to record the estimated cost of proposed projects that may be funded with refuge operations and maintenance funding.

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GAO Scope & Methodology

- To determine the amount of current appropriations funding the Service allocated to refuge operations and maintenance, we
  - reviewed the Service's Work Activity Guidance and Budget Allocation System reports for FYs 1995 through 1999 to obtain the amounts allocated to the Refuges and Wildlife activity and to the Refuge O&M subactivity;
  - interviewed cognizant officials to gain an understanding of headquarters' and each region's process for allocating its funds; and
  - reviewed appropriation legislation, accompanying committee reports, the Service's Congressional Action Tables, and Interior Support Tables to determine how appropriation legislation and other Congressional action impacted the Service's allocations.
- We reviewed the Service's budget justifications to determine the types of projects, programs, and functions it planned to fund with amounts allocated to the activities in the Resource Management Appropriation account.

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GAO Scope & Methodology

- Our work was limited to a review of current appropriations, which represents the majority of funds available for the refuge program in the Resource Management Appropriation account. We did not review the Service's processes and procedures over offsetting collections.

- To determine how the Service used its allocated refuge operations and maintenance funding, we
  - obtained FFS obligation data for the Refuge O&M subactivity for FYs 1995 through June 30, 1999;
  - analyzed this data to determine which organizational units were obligating the funding and the types of costs (e.g., salaries, benefits, travel) for which this funding was used; and
  - interviewed officials at headquarters and each regional office to obtain further information regarding the projects, programs, or purposes for which this allocated funding was subsequently used.

- However, we did not independently verify the accuracy of this data.

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GAO Scope & Methodology

- To determine the number of new ARD positions the Service created and how it funded those positions, we
  - performed inquiries and reviewed supporting documentation for the Service's new geographic and program ARD positions and their associated payroll costs and funding sources; and
  - compared the FY 1999 payroll costs the Service provided for the Refuges and Wildlife activity with the corresponding amounts recorded in FFS as of July 3, 1999.
- However, we did not independently verify the information provided by the Service.
- We obtained and incorporated agency comments as appropriate.
- We conducted our work from June 16, 1999, through January 21, 2000, in accordance with Generally Accepted Government Auditing Standards.

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Findings--Service's Budgeting & Accounting Systems

- FFS is the system used by the Service to track and report how allocated funds are spent, both on a budgetary and proprietary basis.
- The Budget Allocation System (BAS), Refuge Operating Needs System (RONS), and Maintenance Management System (MMS) are ancillary systems the Service uses in its budget formulation and budget execution processes.
- The following table includes detailed descriptions of BAS, RONS, and MMS.

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GAO Findings--Service's Budgeting & Accounting Systems

Ancillary Systems

System	Description of System and How It Is Used
Budget Allocation System (BAS)	BAS was established in 1999 as an automated tool for tracking the Service's fund allocations. The Service created this system so that there would be a single database which would be used to track the Service's official allocations. BAS tracks allocation data at the appropriation, activity, and subactivity levels. BAS was also created for purposes of automating the process for internally requesting and approving reprogrammings of funds. Prior to the establishment of BAS, different units within the Service tracked the allocations using their own spreadsheet applications. Some of these units still prepare their own spreadsheets, but BAS data now serves as the official record of the allocation amounts.
Refuge Operating Needs System (RONS)	RONS was established in 1990 as a planning, budgeting, and communication tool to enhance identification of funding and staffing needs for the Refuge System. RONS focuses primarily on management activities. The Service uses RONS to document its need for unfunded new or expanded activities. When the Service funds a RONS project, it does so to the full amount and then removes the project from the following year's RONS list. Consequently, no updates of RONS, following funding, are required. Refuges complete a Budget Increase Accountability Report each year to track spending on RONS projects and the degree of project completion.
Maintenance Management System (MMS)	MMS was established in 1982 to enhance Servicewide efforts in planning and budgeting for maintenance activities. MMS focuses primarily on identifying and documenting maintenance projects (including deferred maintenance) that need to be funded and completed. Refuges complete a Project Maintenance Report each year to track spending on MMS projects and the degree of project completion.

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Findings--Service's Budgeting & Accounting Systems

- The relationships among FFS, BAS, RONS, and MMS, as well as where these systems fit into the budget formulation and execution processes, is depicted in the following diagram.

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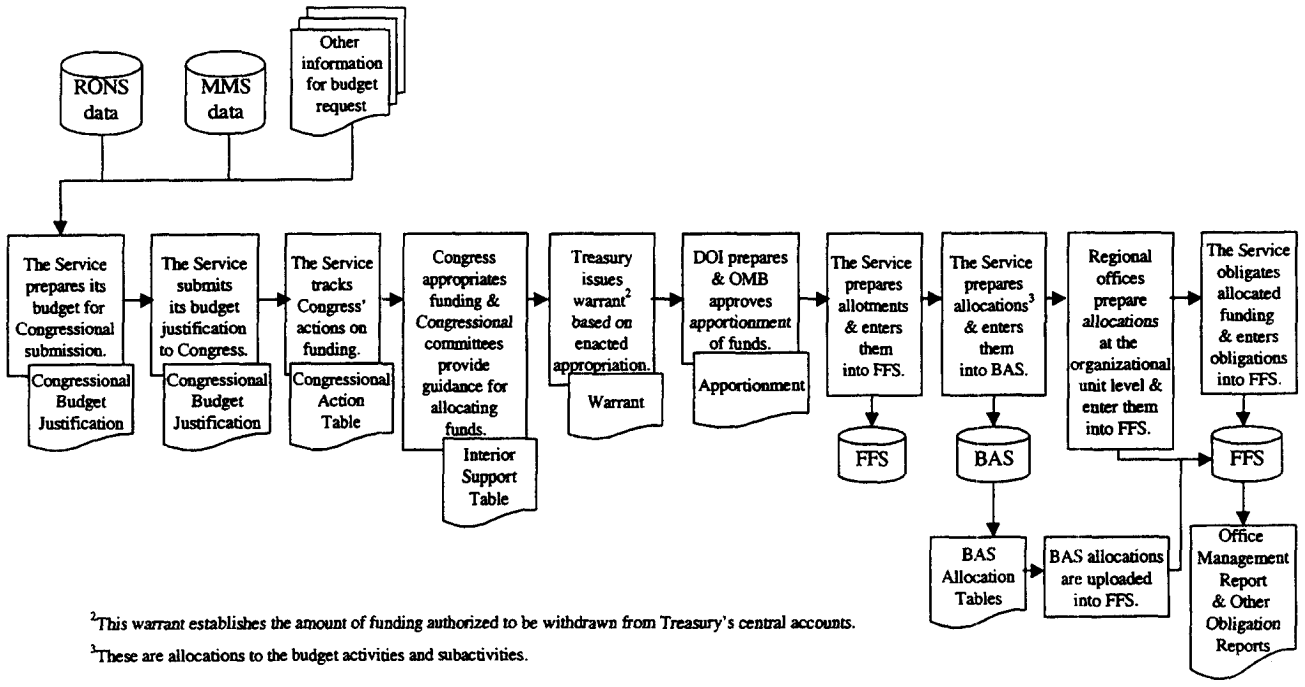
Findings--Service's Budgeting & Accounting Systems



[2]This warrant establishes the amount of funding authorized to be withdrawn from Treasury's central accounts.

[3]These are allocations to the budget activities and subactivities.

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GAO Findings--Service's Budgeting & Accounting Systems

- FFS tracks allocated funding and obligations for each
  - appropriation account,
  - fund code,
  - activity,
  - subactivity,
  - organizational unit (or, in some instances, type of work activity), and
  - budget object classification (for obligations only).

- This system tracks whether funds are being used as they were allocated and also serves as an important part of the Service's system of funds control as required by 31 U.S.C. 1514. FFS is used to prevent the Service from obligating funds in excess of apportionments at the appropriation account level and to monitor obligations at the fund code, activity, subactivity, and organizational unit levels.

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GAO Findings--Service's Budgeting & Accounting Systems

- However, the Service does not use FFS to track the costs of the refuge program on a "full cost" basis, as defined by DOI policy and Statement of Federal Financial Accounting Standards No. 4 (SFFAS No. 4), *Managerial Cost Accounting Standards.*

- The Federal Financial Management Improvement Act of 1996 (FFMIA) requires that federal financial accounting standards be followed, one of which is SFFAS No. 4. SFFAS No. 4 is aimed at providing reliable information on the full cost of federal programs, their activities, and outputs.

- To develop cost information, DOI policy and SFFAS No. 4 require that the Service classify costs as direct or indirect and ensure that costs are consistently classified in similar situations. SFFAS No. 4 provides three alternative methods for cost assignment
  (1) direct tracing,
  (2) assigning costs on a cause-and-effect basis, and
  (3) distributing costs on a reasonable and consistent basis.

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Findings--Service's Budgeting & Accounting Systems

- The DOI Accounting Manual defines direct and indirect costs as follows:
  - direct costs are all costs that can be specifically or readily identified with producing a specific product or providing a specific service; and
  - indirect costs are all costs which cannot be specifically identified with producing a specific product or providing a specific service but which can be shown to bear some relationship to, result from, or be in support of a product or service.[4]

- Direct and indirect costs must be classified and tracked separately because direct costs are traceable to a specific product or service, while indirect costs must be distributed to the benefiting products or services on a cause-and-effect basis or through an equitable distribution method.

[4]These definitions are generally consistent with the definitions of direct and indirect costs in SFFAS No.4, except that SFFAS No.4 uses the term "outputs" instead of products or services.

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GAO Findings--Service's Budgeting & Accounting Systems

- The same cost can be classified as either direct or indirect depending on whether the Service is computing cost information for an entire program or is costing out a specific project, activity, or output.
- The direct costs of the overall refuge program at the Refuges and Wildlife activity level would include headquarters, regional office, and field station costs that can be directly identified with the program. The indirect costs would include any costs that indirectly contribute to running the program, such as costs associated with the Service's accounting and personnel functions that are recorded in the G&A activity.
- However, for an individual refuge, the direct costs would include only the costs specifically identifiable to that refuge, such as the salary and benefit costs of employees performing a maintenance project or conducting a contaminants investigation on the refuge. The indirect costs for an individual refuge would include costs such as those associated with the Service's accounting and personnel functions as well as other headquarters and regional office overhead costs that indirectly support running the refuge.

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Findings--Service's Budgeting & Accounting Systems

- Some of the headquarters and regional office costs that are **direct** costs of the refuge program (at the Refuges and Wildlife activity level) would be considered **indirect** costs of an individual refuge because, while these costs can be specifically identified with the refuge program, they can not be specifically identified with an individual refuge.

- This illustrates the point that **at the budget activity level** (i.e., overall program level), many of the costs funded through the G&A activity would generally be considered indirect costs, and, similarly, many of the costs funded through the Refuge and Wildlife and other program activities would generally be considered direct costs.

- Because FFS separately tracks costs for each of these activities, it is, therefore, generally being used to track many of the direct and indirect costs of the refuge and other programs, at the budget activity level.

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GAO Findings--Service's Budgeting & Accounting Systems

- However, to be most useful as an evaluative tool, cost information should incorporate the "full cost" concept, meaning that the cost of a project, program, activity, or output should include both its direct costs and a distributed portion of indirect costs. DOI policy, FFMIA, and SFFAS No. 4 support this "full cost" concept.
- The Service is not determining the "full cost" of the refuge or other programs because it does not use FFS or any other method to distribute all of the indirect costs in the G&A activity to each of these programs.
- Rather, according to Service officials, it reports "full cost" information for the three mission goals in its strategic plan, which was developed in compliance with the Government Performance and Results Act. The Service uses cost distribution methods to assign direct and indirect costs to its three mission goals, which address activities in the following areas of mission delivery: (1) sustaining fish and wildlife populations, (2) habitat conservation, and (3) public use and enjoyment.

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Findings--Service's Budgeting & Accounting Systems

- To properly implement the requirements of SFFAS No. 4, the Service is also required to measure and report the "full costs" of the outputs associated with each of its mission goals. However, Service officials indicated that while they have developed full cost information for certain outputs, the Service has not developed full cost information for all of its outputs.

- To obtain correct "full cost" information for its individual refuges, the Service would have to assign direct and indirect costs to the benefiting refuges. This could be done as an automated process within FFS or using some other automated or non-automated system.

- Because refuges are not defined as outputs by the Service, it has not attempted to assign direct and indirect costs to benefiting refuges. Thus, the Service's managerial cost information cannot be used to evaluate, at the individual refuge level, what portion of refuge-related costs was incurred "on the ground" as a direct cost of the refuges and what portion was incurred in indirect support of the refuges. Further, the Service does not have comparable data which it can use to determine the "full cost" of operating and maintaining its individual refuges.

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GAO Findings--Service's Budgeting & Accounting Systems

- The Service could potentially use its organization codes to classify costs as direct or indirect below the budget activity level. However, because the Service allocates funding and charges related costs to the **"performing"** rather than the **"benefiting"** organization, these organization codes are not effective in tracking costs incurred for the benefit of individual organizational units.
  - For example, we found several instances where funding allocated to the Refuges and Wildlife activity was used by ecological services (ES) field offices for purposes of conducting contaminants investigations on refuges. However, the ES staff charged their time and associated costs to the ES field office organization code rather than to the benefiting refuge's organization code.
- Service officials indicate that because the vast majority of its financial processing is decentralized, measuring and reporting the full cost of operating and maintaining individual refuges is cost-prohibitive.

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GAO Findings--Service's Budgeting & Accounting Systems

- Further, because the Service is inconsistent in the types of organization codes used by each region and the types of costs charged to each code, the current use of these codes makes it difficult to compare and contrast regional costs.
- It is, therefore, difficult for Service management to use this data to compare and contrast regions' costs and for the Service to correctly identify and classify all of its costs as direct or indirect.
- The Service is currently conducting its own internal review of how organization codes are being used.

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Findings--Use of Allocated Funding

- For FY 1999, $236.5 million was allocated to the Refuge Operations and Maintenance subactivity (Refuge O&M) out of a total of $660.0 million appropriated to the Resource Management Appropriation account.
- Based on data provided by the Service for FYs 1995 through 1999, the following tables indicate the amount of funding the Service allocated to
  - each activity within the Resource Management Appropriation account and
  - the subactivities within the Refuges and Wildlife activity.

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GAO Findings--Use of Allocated Funding

Allocation of Resource Management Current Appropriations (Budget Authority in millions)[5]

Activity	1995	1996	1997	1998	1999
Refuges & Wildlife	$219.1	$220.2	$231.2	$274.6	$293.5
Ecological Services	139.6	125.0	135.5	145.2	183.1
General Administration	86.4	96.9	98.2	104.2	110.0
Fisheries	65.9	65.0	66.4	70.9	73.4
Total	$511.0	$507.1	$531.3	$594.9	$660.0

Source: U.S. Fish and Wildlife Service

[5]These amounts represent current-year appropriations. In addition to current appropriations, the Service has available budget authority from offsetting collections which include reimbursables, and other amounts such as migratory bird permit fees as well as unobligated balances. The Service's spending authority from offsetting collections for these fiscal years was (in millions):$71 in 1995, $73 in 1996, $ 86 in 1997, $136 in 1998, and $103 in 1999.

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GAO Findings--Use of Allocated Funding

Allocation of Refuges & Wildlife Activity (Budget Authority in millions)[6]

	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999
Refuge Operations	$115.7	$149.0	$158.7	$184.7	$192.8
Refuge Maintenance	52.5	20.4	20.5	35.7	43.7
Other Subactivities[7]	50.9	50.8	52.0	54.2	57.0
Total	$219.1	$220.2	$231.2	$274.6	$293.5

Source: U.S. Fish and Wildlife Service

[6]These amounts represent current-year appropriations.

[7]These other subactivities primarily include Law Enforcement Operations, Migratory Bird Management, and, for FY 1999, Salton Sea Recovery.

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GAO Findings--Use of Allocated Funding

- For FYs 1995 through 1998, of the funds allocated to the Refuge O&M subactivity, an average of
  - 75.3 percent was obligated by refuges and wetland management districts (WMDs)[8] for purposes such as restoring habitat, rehabilitating buildings and other structures, and paying the salaries of Service employees stationed at refuges;
  - 22.3 percent was obligated by headquarters and regional offices for purposes such as developing refuge program policies, conducting hydrological work for refuges, and supporting administrative functions such as external affairs;
  - 2.3 percent was obligated by other units such as fish hatcheries and ecological services field offices for purposes such as performing environmental contaminant investigation and cleanup work on refuges and conducting research;[9] and
  - the remaining .1 percent was unobligated.

[8]Wetland management districts are functional units within the National Wildlife Refuge System that consolidate certain wetland areas on private land for administrative purposes. These wetland areas are referred to as Waterfowl Production Areas (WPAs). WPAs are acquired through fee title or as easements on private land to prohibit draining, filling, leveling, or burning of wetlands.

[9]This research benefits fish and wildlife both on and off refuges.

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GAO Findings--Use of Allocated Funding

- Of the funds allocated to the Refuge O&M subactivity for FY 1999,
  - 46.3 percent was obligated by refuges and WMDs,
  - 13.1 percent was obligated by headquarters and regional offices,
  - 1.0 percent was obligated by other units, and
  - the remaining 39.6 percent was unobligated as of June 30, 1999.[10]
- These funds were used for purposes similar to those described for each respective category in the previous slide.
- The following chart indicates the distribution of reported refuge operations and maintenance obligations for FYs 1995 through June 30, 1999.

[10]According to Service officials, the Service historically obligates 99.8 percent of the funding in its Refuge O&M Subactivity by the end of the second year of availability.

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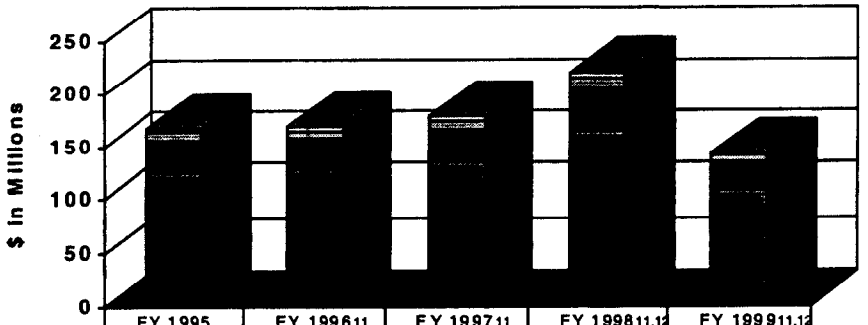
GAO

Findings--Use of Allocated Funding

Distribution of Reported Refuge Operations & Maintenance Obligations



	FY 1995	FY 1996[11]	FY 1997[11]	FY 1998[11,12]	FY 1999[11,12]
Other Units	3.8	4.4	4.1	4.7	2.4
Headquarters	8.1	7.2	7.7	9.7	5.1
Regional Offices	30.4	28.2	30.4	42.1	25.8
Refuges & WMDs	124.9	128.8	135.7	163.5	109.5

Source: GAO Summarization of data provided by the U.S. Fish and Wildlife Service

[11]In FY 1996, funding in the Resource Management Appropriation account became available for obligation for 2 years.

[12]The data for FYs 1998 and 1999 is as of June 30, 1999. As such, the 1998 and 1999 columns have 3 months, and one year and 3 months, respectively, remaining to be obligated.

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GAO Findings--New ARD Positions

- The Service created new ARD positions in FY 1998, and filled most of these positions, which currently number 15, in FY 1999. The positions were created to meet the challenges of implementing ecosystem management[13] while strengthening program integrity and consistency and are funded from amounts allocated to the Refuges and Wildlife, Ecological Services, and Fisheries activities of the Resource Management Appropriation account. Under current plans, the Refuges and Wildlife activity will fund approximately 50 percent of the salaries and benefits for these new positions in FY 2000.

- The Service did not necessarily hire new employees to fill these positions. Many were filled with existing personnel (creating openings elsewhere in the organization).

[13]"Ecosystem management" is the terminology used to describe a new, broader approach to managing the nation's lands and natural resources. This approach recognizes that plant and animal communities are interdependent and interact with their physical environment to form distinct ecological units called ecosystems that span federal and nonfederal lands.

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GAO Findings--New ARD Positions

- The ARDs in each region used to be responsible for implementing programs regionwide and supervising field operations in a geographic area of the region. The Service established the new ARD positions to split these program and geographic area responsibilities.
- Under this new organizational structure, the refuges, ecological services, and fisheries program ARDs are responsible for regionwide program implementation and supervision of regional office program staff.
- This includes responsibility for
  - budget formulation,
  - budget advocacy,
  - recommended funding allocations, and
  - policy development.

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GAO Findings--New ARD Positions

- The geographic ARDs are responsible for management and supervision of all field operations (except law enforcement and Job Corps) which implement the refuges, ecological services, and fisheries programs.
- This includes responsibility for
  - budget execution,
  - operations within their respective geographic area,
  - state coordination, and
  - cross-regional ecosystem coordination.
- The following charts illustrate how these positions were funded in FY 1999, and how the Service plans to fund these positions in FY 2000.

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GAO

Findings--New ARD Positions

	FY 1999 Funding for Actual Salaries & Benefits from the Refuges & Wildlife Activity	FY 1999 Funding for Actual Salaries & Benefits from the Ecological Services Activity	FY 1999 Funding for Actual Salaries & Benefits from the Fisheries Activity	FY 1999 Funding for Actual Salaries & Benefits from the General Administration Activity
Region 1	$74,572	$74,572	$74,572	0
Region 2	116,368	60,965	28,628	0
Region 3	75,150	75,150	75,150	0
Region 4	75,817	77,830	71,651	0
Region 5	63,364	63,364	63,364	0
Region 6	139,448	50,285	43,068	0
Region 7	200,057	16,311	18,295	0
Total [14]	$744,776	$418,477	$374,728	$0

[14]Because most of the ARD positions were finalized at various points during FY 1999, the amounts presented here do not reflect salaries and benefits for a full fiscal year.

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GAO Findings--New ARD Positions

	Allocated FY 2000 Funding for Salaries & Benefits from the Refuges & Wildlife Activity	Allocated FY 2000 Funding for Salaries & Benefits from the Ecological Services Activity	Allocated FY 2000 Funding for Salaries & Benefits from the Fisheries Activity	Allocated FY 2000 Funding for Salaries & Benefits from the General Administration Activity
Region 1	$78,833	$78,833	$78,833	$0
Region 2	126,772	66,416	31,188	0
Region 3	83,981	78,615	77,192	0
Region 4	100,500	98,160	97,230	0
Region 5	71,209	71,209	71,209	0
Region 6	145,192	52,356	44,843	0
Region 7	208,175	17,084	19,036	0
Total	$814,662	$462,673	$419,531	$0

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GAO Conclusions

- While FFS is generally being used to track many of the direct and indirect costs funded by the Resource Management Appropriations account at the budget activity level, the Service is not using FFS or any other system to report the "full cost" of the refuge program or the other major programs that are funded by this account because they do not distribute the indirect costs in the G&A activity to each of these programs.

- Additionally, the Service does not, through FFS or any other system, attempt to identify and distribute all of the costs (both direct and indirect) that relate to a particular refuge. Thus, the Service's cost information cannot be used to evaluate, at the individual refuge level, what portion of refuge-related costs was incurred "on the ground" as a direct cost of the refuges and what portion was incurred in indirect support of the refuges. It also cannot be used to assess program performance or measure full cost at the individual refuge level.

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GAO Conclusions

- Rather, according to agency officials, the Service applies managerial cost accounting to program activities that contribute to the three mission goals of its strategic plan. However, the Service has not developed "full cost" information for all of the outputs associated with its mission goals.

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GAO Recommendation

- To properly capture the full cost of the Service's outputs associated with its mission goals, we recommend that the Director of the Service direct the Chief Financial Officer to identify and accumulate direct and indirect costs, distribute indirect costs, and monitor and evaluate the full cost of its outputs as defined by SFFAS No. 4.

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