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**U.S. DEPARTMENT OF THE INTERIOR
OFFICE OF INSPECTOR GENERAL**

DRAFT AUDIT REPORT



**EXPENDITURES CHARGED TO THE
WILD HORSE AND BURRO PROGRAM,
BUREAU OF LAND MANAGEMENT**

NOVEMBER 1996

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United States Department of the Interior

OFFICE OF INSPECTOR GENERAL
Washington, D.C. 20240

DRAFT AUDIT REPORT

Memorandum

To: Director, Bureau of Land Management

From: Robert J. Williams
Acting Assistant Inspector General for Audits

Subject: Draft Audit Report on Expenditures Charged to the Wild Horse and Burro Program, Bureau of Land Management (Assignment No. C-IN-BLM-004-96(A))

INTRODUCTION

This draft report presents the results of our audit of Bureau of Land Management expenditures charged to the Wild Horse and Burro Program. We performed this review at the request of Bureau officials. This is the first of two reports that we are issuing on the Program. The second report will address certain Program activities. The objective of this review was to determine whether the Bureau's expenditures charged to the Program were spent for activities related to the Program.

BACKGROUND

The Wild Free-Roaming Horses and Burros Act of 1971, as amended, mandates the protection, management, and control of wild horses and burros on public lands at population

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levels that ensure a thriving natural ecological balance while also recognizing multiple-use management of the public lands. The primary Bureau activities under the Program have been to remove excess wild horses and burros from public lands and to place them with private individuals and organizations through the Bureau's adoption program. During fiscal year 1995, the Bureau removed approximately 9,570 excess wild horses and burros from public lands and placed 9,660 animals through the adoption program. At the end of fiscal year 1995, an estimated 43,590 wild horses and burros were in herd management areas on public lands in 11 western states, with 24,067 of these animals in Nevada. Also at the end of fiscal year 1995, the Bureau determined that the public lands could sustain only about 27,150 wild horses and burros, including 14,430 animals in Nevada. The Bureau spent approximately \$16.5 million in fiscal year 1995 and approximately \$12.2 million in fiscal year 1996 (through August 3, 1996) on the Program (Appendix 1).

At the time of our review, the Bureau had formed an emergency review team to examine Program operations. Specifically, the team was to evaluate Program funding and past spending patterns, animal management, compliance with legal requirements, and appropriateness of current Program policies. Of immediate concern to the team was the continuing drought in Nevada and the deteriorating health of the wild horses and burros in that area caused by the drought.

SCOPE OF AUDIT

To accomplish our audit objective, we reviewed Program expenditures charged during fiscal years 1995 and 1996 (through August 3, 1996) and evaluated Bureau procedures for allocating certain administrative costs. Specifically, we reviewed a judgmentally selected sample of transactions representing charges for salaries and for other expenditures, such as employee buy outs and change of station moves, contract services, and other materials and supplies. Our review included salary charges for the California and Nevada State Offices, which included the states' district and resource area offices, and for the Eastern States Office, which included its district offices. The salary charges for these offices totaled nearly \$3 million, or 54 percent of the \$5.5 million in total salaries charged to the Program, for fiscal year 1995 and more than \$2.2 million, or 53 percent of the \$4.2 million in total salaries, for fiscal year 1996 (Appendix 2). We also reviewed \$1.1 million of the \$8.7 million in other expenditures charged to the Program for fiscal year 1995.

In performing the audit, we reviewed accounting records at the Nevada State Office in Reno, Nevada, and at the Bureau's Service Center in Lakewood, Colorado. Additionally, we interviewed officials in the Bureau's Wild Horse and Burro National Program Office in Reno; California and Nevada state, district, and resource area offices; the Eastern States Office in Springfield, Virginia, and its district offices; the Canon City District Office, within the Colorado State Office; and the Service Center (Appendix 3). The review was made, as applicable, in accordance with the "Government Auditing Standards," issued by the

Comptroller General of the United States. Accordingly, we included such tests of records and other auditing procedures considered necessary under the circumstances. Because of the limited scope of this review, we reviewed internal controls only to the extent necessary to accomplish our objective. We also reviewed the Department's Annual Statement and Report, required by the Federal Managers' Financial Integrity Act, for fiscal year 1995 and determined that none of the reported weaknesses were directly related to the objective and scope of this audit.

PRIOR AUDIT COVERAGE

During the past 5 years, the General Accounting Office has not issued any audit reports on the Bureau of Land Management's Wild Horse and Burro Program, but the Office of Inspector General has issued two related audit reports as follows:

- "Memorandum of Understanding Relating to the South Dakota Wild Horse Sanctuary, Bureau of Land Management" (No. 92-I-543), issued in March 1992, concluded that the Bureau made payments of \$95,000 for services that were not the Bureau's responsibility; approved a basic rate increase for horse care that was not justified; and lost the opportunity to save \$800,000 by not evaluating alternative offers for horse care. The report additionally stated that the sanctuary had not achieved financial self-sufficiency. The report's four recommendations have been resolved and implemented.

- "Selected Aspects of the Wild Horse and Burro Program, Bureau of Land Management" (No. 94-I-585), issued in May 1994, concluded that it was not cost effective to maintain the Oklahoma sanctuary and that it would be less expensive to return the horses to the public lands. Additionally, the report concluded that the Bureau may have overpaid the State of New Mexico to terminate the New Mexico prison horse training program. The report's one recommendation has been resolved and implemented.

RESULTS OF AUDIT

Based on our review of the Bureau's expenditures charged to the Wild Horse and Burro Program for fiscal years 1995 and 1996, we found that the Bureau had recorded and spent funds for Program purposes in accordance with its accounting procedures. However, the Bureau misclassified certain indirect salaries as direct costs in its financial records for the Program. The Bureau's accounting procedures require that certain program support costs be charged directly to Bureau programs. This procedure caused the Bureau to report charges that support programs (primarily indirect salaries for the district and resource area offices) as direct program charges. As such, at the offices we reviewed, the accounting records reflected a 9 percent rate for indirect salaries, whereas we calculated an average rate of nearly 35 percent from the same records. Additionally, we noted that, because of the Bureau's accounting procedures, charges were made to the Program for an employee buyout and for an employee change-of-station move, although the employees did not work for the Program. As a result, reported salary and other expenditure costs indicated that more direct work was

accomplished for the Program than may have actually occurred. Furthermore, the rate charged for indirect salaries was almost twice the 18 percent rate that the Bureau charges other Federal agencies for indirect costs for reimbursable work.

Salaries

An August 23, 1994, Bureau memorandum stated that certain administrative positions were to be funded through program support (indirect) costs and the remaining administrative positions were to be charged directly to programs. The Bureau defines program support as "items which benefit multiple programs, but whose costs cannot be readily assignable to a specific organization or program." The Bureau's memorandum stated that indirect salary costs from the state offices may be allocated to a program based on a percentage that is determined annually. The accounting procedures, however, did not provide for a similar allocation of indirect salary costs from the district and resource area offices. Consequently, district and resource area offices' indirect salary costs were recorded in the Bureau's accounting records as direct costs.

As shown in Appendix 1, salary costs for the Program totaled about \$5.5 million for fiscal year 1995 and about \$4.2 million for fiscal year 1996 (through August 3, 1996). We reviewed salaries charged by the California and the Nevada State offices and the Eastern States offices for the 22-month time period, which totaled about \$5.2 million (Appendix 2). We found that 65 percent, or about \$3.4 million, of the salaries for both fiscal years were

charged by personnel whose positions were directly related to the Program, such as wranglers, wild horse and burro specialists, range conservationists, range technicians, and law enforcement rangers and investigators. The remaining 35 percent, or about \$1.8 million, of the salaries were charged by managers, clerical staff, purchasing staff, public affairs specialists, computer specialists, and others who performed services in support of the Program on a periodic basis.

Of the \$1,818,000 charged for personnel, such as managers and clerical staff, costs of only \$464,000 were shown in the Bureau's accounting records as program support costs or indirect salaries. The remaining administrative salary costs of about \$1,354,000 were charged directly to the Program, of which \$996,000 was from district and resource area offices. Because of the method of recording these charges, the Bureau's accounting records reflected an indirect cost rate of only 9 percent, which we believe implies that more direct work was performed on the Program than may have actually occurred. In our opinion, the administrative salary costs of about \$1,354,000 that were directly charged to the Program meet the Bureau's definition of program support (or indirect costs) and should have been charged as indirect salaries.

Of the offices reviewed, we found that the Eastern States Office charged the highest percentage, an average of more than 53 percent, of indirect salaries to the Program for the period audited. For example, the Office charged \$117,400 for public affairs specialists and \$134,200 for district managers and associate district managers. We contacted some of the

Bureau personnel involved, who told us that they charged a portion of their salary because they performed services that supported the Program. The California and Nevada offices charged 34 percent and 27 percent, respectively, in indirect salaries to the Program. In our opinion, indirect charges for salaries of 53 percent, 34 percent, and 27 percent were more representative of the actual indirect salary costs of the Program for the three offices reviewed than the 9 percent indirect rate reflected in the Bureau's financial records. Furthermore, these percentages were considerably higher than the 18 percent indirect cost rate the Bureau charges for its reimbursable work.

Other Expenditures

Of the \$8.7 million charged for fiscal year 1995 for other expenditures, we reviewed costs of \$1.1 million and found no significant overcharges to the Program. However, we did note instances in which expenditures were charged to the Program for employees who did not charge time to the Program.

To cover employee costs, such as buyouts and change-of-station moves, the Bureau determined that it would "set aside" a percentage of funds from each program based on direct salaries charged to the program. For example, in fiscal year 1995, Program funding for Nevada was assessed 8 percent for these costs. However, because the Bureau did not actually charge the costs to a "pool" of funds and then allocate a percentage of those costs to its various programs, individual buyouts and change-of-station moves were charged

directly to the programs. For example, the Eastern States Office charged a \$25,000 buyout of an employee who worked in the public information room to the Program because, according to a States Office official, that was "where funding was available." In Nevada, a \$7,583 permanent change-of-station move for an environmental specialist was charged to the Program. Conversely, we noted that for fiscal year 1996, a permanent change-of-station move costing \$18,600 of a wild horse and burro specialist was charged to the Soil, Water, and Air Management Program.

Recommendations

We recommend that the Director, Bureau of Land Management, direct appropriate staff to:

1. Develop procedures which will ensure that support costs are identified and charged as indirect costs and that the costs are consistently applied by all offices to the Program.
2. Discontinue the practice of charging buyouts and change-of-station moves directly to unrelated programs.

As required by the Departmental Manual (360 DM 5.3), please provide us with your written comments to this report by December 6, 1996. Your response should state concurrence or nonconcurrence with the findings and each recommendation, including specific reasons for any nonconcurrence. Your response should also provide information on actions taken or

planned, including target dates and titles of officials responsible for implementation. If a response is not received by the due date, the final report will be issued without the benefit of your comments.

If you have any questions regarding this report, please call Mr. Alan Klein, Director of Performance Audits, or Mr. Scot Tilley, Senior Auditor, at (303) 236-9243.

**EXPENDITURES OF THE WILD HORSE AND BURRO PROGRAM
FOR FISCAL YEARS 1995 AND 1996***

<u>Category</u>	<u>Fiscal Year 1995</u>	<u>Fiscal Year 1996*</u>
Salaries and Personal Benefits		
Salaries	\$5,500,897.98	\$4,237,715.35
Payroll Additive	1,186,625.56	989,940.94
Leave Surcharge	<u>1,139,518.17</u>	<u>822,149.94</u>
Subtotal	<u>\$7,827,041.71</u>	<u>\$6,049,806.23</u>
Other Expenditures		
Travel - Persons	509,448.30	266,930.96
Transportation - Things	473,397.33	320,202.63
Rent, Utilities, Printing	546,598.66	368,610.53
Equipment Use and Repair	330,915.44	200,766.40
Contracts	2,009,966.67	1,916,956.11
Advertising, Storage	9,933.96	9,113.36
Miscellaneous Services	2,838,786.92	1,974,896.25
Office Supplies & Materials	227,750.94	54,180.06
Other Supplies & Materials	1,532,470.64	894,954.54
Equipment	168,779.04	58,484.92
Land, Buildings, & Other	25,962.12	19,143.51
State Grants	17,000.00	16,050.00
Insurance Claims	<u>2,377.60</u>	<u>12,524.53</u>
Subtotal	<u>\$8,693,387.62</u>	<u>\$6,112,813.80</u>
 Total	 <u>\$16,520,429.33</u>	 <u>\$12,162,620.03</u>

*Expenditures incurred through August 3, 1996.

**WILD HORSE AND BURRO PROGRAM SALARY CHARGES
FOR FISCAL YEARS 1995 AND 1996***

<u>Office</u>	<u>Total Salaries Charged to Program</u>	<u>State Office Salaries Charged as Support</u>	<u>State Office Salaries Charged as Direct</u>	<u>District, Resource Indirect Salaries Charged as Direct</u>	<u>Total Indirect</u>	<u>Percentage of Indirect to Total Salary</u>
<u>Fiscal Year 1995</u>						
California	\$508,250.29	\$46,524.70	\$70,789.80	\$60,093.25	\$177,407.75	34.91
Eastern States	784,358.89	131,449.23	70,144.38	217,806.56	419,400.17	53.47
Nevada	<u>1,675,677.92</u>	<u>77,583.96</u>	<u>42,201.02</u>	<u>289,729.10</u>	<u>409,514.08</u>	<u>24.44</u>
Total - 1995	<u>\$2,968,287.10</u>	<u>\$255,557.89</u>	<u>\$183,135.20</u>	<u>\$567,628.91</u>	<u>\$1,006,322.00</u>	<u>33.90</u>
<u>Fiscal Year 1996</u>						
California	\$425,517.77	\$43,004.79	\$74,775.86	\$24,046.64	\$141,827.29	33.33
Eastern States	617,113.07	81,388.69	55,974.85	188,658.13	326,021.67	52.83
Nevada	<u>1,190,850.86</u>	<u>84,316.00</u>	<u>44,688.49</u>	<u>215,263.34</u>	<u>344,267.83</u>	<u>28.91</u>
Total - 1996	<u>\$2,233,481.70</u>	<u>\$208,709.48</u>	<u>\$175,439.20</u>	<u>\$427,968.11</u>	<u>\$812,116.79</u>	<u>36.36</u>
Total	<u>\$5,201,768.80</u>	<u>\$464,267.37</u>	<u>\$358,574.40</u>	<u>\$995,597.02</u>	<u>\$1,818,438.79</u>	<u>34.96</u>

*Fiscal year 1996 costs through August 3, 1996.

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APPENDIX 2

**WILD HORSE AND BURRO PROGRAM
OFFICES VISITED OR CONTACTED DURING AUDIT**

<u>OFFICES</u>	<u>LOCATION</u>
Washington Headquarters*	Washington, D.C.
Service Center	Lakewood, Colorado
National Office, Wild Horse and Burro Program	Reno, Nevada
California State Office*	Sacramento, California
Eastern States Office*	Springfield, Virginia
Jackson District Office*	Jackson, Mississippi
Milwaukee District Office*	Milwaukee, Wisconsin
Nevada State Office	Reno, Nevada
Palomino Valley Center	Sparks, Nevada
Carson City District Office*	Carson City Nevada
Canon City District Office (Colorado State Office)	Canon City, Colorado

*Contacted only.