



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

U.S. FISH AND WILDLIFE SERVICE
WILDLIFE AND SPORT FISH RESTORATION PROGRAM GRANTS

Awarded to the District of Columbia, Department of Energy and Environment,
From October 1, 2015, Through September 30, 2017

This is a revised version of the report prepared for public release.



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INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

Memorandum

MAR 29 2019

To: Margaret Everson
Principal Deputy Director Exercising the Authority of the Director, U.S. Fish and Wildlife Service

From: Nicki Miller *Nicki Miller*
Regional Manager, Eastern Region

Subject: Final Audit Report – U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the District of Columbia, Department of Energy and Environment, From October 1, 2015, Through September 30, 2017
Report No. 2018-ER-017

This final report presents the results of our audit of costs claimed by the District of Columbia, Department of Energy and Environment (Department), under grants awarded by the U.S. Fish and Wildlife Service (FWS). The FWS provided the grants to the District under the Wildlife and Sport Fish Restoration Program (Program). The audit included claims totaling approximately \$5.3 million on eight grants that were open during the District's fiscal years that ended September 30, 2016, and September 30, 2017 (see Appendix 1). The audit also covered the Department's compliance with applicable laws, regulations, and FWS guidelines, including those related to the collection and use of hunting and fishing license revenues and the reporting of program income.

We found that the Department complied, in general, with applicable grant accounting and regulatory requirements. We found, however, that the Department overstated its annual license certifications and did not maintain adequate inventory controls. We also questioned costs totaling \$51,045 including drawdowns on three grants that exceeded the Federal share of expenditures.

We provided a draft report to FWS for its response to our recommendations. In this final report, we summarize the Department's and FWS Region 5's responses to our recommendations, as well as our comments on their responses. We list the status of the recommendations in Appendix 3.

Please provide us with a corrective action plan based on our recommendations by June 27, 2019. Your written response should provide detailed information on the actions you have taken, or plan to take, to address each recommendation, as well as target dates and titles of officials responsible for implementing these actions. Please send your response to aie_reports@doioig.gov.

The legislation creating the Office of Inspector General requires that we report to Congress semiannually on all audit reports issued, actions taken to implement our recommendations, and recommendations that have not been implemented.

If you have any questions regarding this report, please contact me at 202-208-5745 or you can email aie_reports@doioig.gov.

cc: Regional Director, Region 5, U.S. Fish and Wildlife Service

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Introduction

Background

The Pittman-Robertson Wildlife Restoration Act and the Dingell-Johnson Sport Fish Restoration Act¹ established the Wildlife and Sport Fish Restoration Program. Under the Program, the U.S. Fish and Wildlife Service (FWS) provides grants to States to restore, conserve, manage, and enhance their wildlife and sport fish resources. The Acts and Federal regulations contain provisions and principles on eligible costs and allow FWS to reimburse States up to 75 percent of the eligible costs incurred under the grants. The Acts also require that hunting and fishing license revenues be used only for the administration of the States' fish and game agencies. Finally, Federal regulations and FWS guidance require States to account for any income they earn using grant funds.

Objectives

We conducted this audit to determine if the District of Columbia (District), Department of Energy and Environment (Department):

- Claimed the costs incurred under the Program grants in accordance with the Acts and related regulations, FWS guidelines, and grant agreements
- Used District fishing license revenues solely for Program activities

Scope

Our audit work included claims totaling approximately \$5.3 million on the eight grants open during the District's fiscal years that ended September 30, 2016, and September 30, 2017 (see Appendix 1). We report only on those conditions that existed during this audit period. We performed our audit at the Department's office in Washington, DC, and visited the Aquatic Resources Education Center (see Appendix 2).

We performed this audit to supplement—not replace—the audits required by the Single Audit Act.

¹ 16 U.S.C. §§ 669 and 777, as amended, respectively.

Methodology

We conducted this audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our tests and procedures included:

- Examining the evidence that supports selected expenditures charged to the grants by the Department
- Reviewing transactions related to purchases, direct costs, and drawdowns of reimbursements
- Interviewing Department employees to ensure that personnel costs charged to the grants were supportable
- Conducting site visits to inspect equipment and other property
- Determining whether the Department used fishing license revenues solely for the administration of fish and wildlife program activities
- Determining whether the District passed required legislation assenting to the provisions of the Acts

We also identified the internal controls over transactions recorded in the labor- and license-fee accounting systems and tested their operation and reliability. Based on the results of initial assessments, we assigned a level of risk to these systems and selected a judgmental sample of transactions for testing. We did not project the results of the tests to the total population of recorded transactions or evaluate the economy, efficiency, or effectiveness of the Department's operations.

We relied on computer-generated data for other direct costs and personnel costs to the extent that we used these data to select Program costs for testing. Based on our test results, we either accepted the data or performed additional testing. For other direct costs, we took samples of costs and verified them against source documents, such as purchase orders, invoices, receiving reports, and payment documentation. For personnel costs, we selected Department employees who charged time to Program grants and verified their hours against timesheets and other supporting data.

Prior Audit Coverage

On July 30, 2013, we issued *Audit on U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the District of Columbia*,

Department of the Environment, From October 1, 2009, through September 30, 2011 (No. R-GR-FWS-0006-2013).

We followed up on all recommendations in the report and found that the U.S. Department of the Interior, Office of the Assistant Secretary for Policy, Management and Budget considered the recommendations resolved and implemented.

We reviewed the Single Audit Reports for the District's fiscal years 2015 and 2016, and neither of these reports contained any findings that would directly affect the Program grants.

Results of Audit

Audit Summary

We found that the Department complied, in general, with applicable grant agreement provisions and requirements of the Acts, regulations, and FWS guidance. We identified, however, the following conditions that resulted in our findings including questioned costs totaling \$51,045.

A. Improper Drawdowns—\$51,045

The Department performed disproportional drawdowns and reimbursements for direct costs that exceeded the allowable Federal participation rate. We identified this matter on one open grant and two closed grants.

B. Invalid and Duplicate License Holders

The Department did not ensure that each license holder had a valid name or unique identifier traceable to the license holder and did not eliminate multiple counts of the same individual.

C. Inadequate Inventory Controls

The Department provided an inaccurate inventory that was overstated by 16 items valued at \$229,918. The inventory did not include 5 items purchased with grant funds, valued at \$130,197; moreover, there were no property tags on 3 of the 10 items tested, which had a combined value for the three of \$56,836.

Findings and Recommendations

A. Improper Drawdowns—\$51,045

The Department personnel did not first meet the required 75:25 match ratio when performing drawdowns, which resulted in disproportionately larger drawdowns and potential interest liability. According to Federal regulations, FWS may reimburse states² up to 75 percent of grant expenditures, provided they first expend their required matching share (25 percent) of costs.³ Our review of eight grants told us that Department personnel instead included 100 percent of nonpayroll direct costs in their requests. Even though year-end costs totaled below the approved grant amount, the drawdowns were disproportionate and reimbursements for nonpayroll direct costs exceeded the allowable Federal participation rate. The Department did not have approved policies and procedures that identify the process for nonpayroll direct costs to ensure it limited drawdowns to the 75 percent Federal share.

We found that the Department's accounting system had the capability to calculate the proper matching requirements it needed to earn Federal

² 50 C.F.R. 80.2 defines "state" to include the District of Columbia

³ 50 C.F.R. 80.83(b) and 80.96

reimbursement, but it did not do so. The Department, instead, offset any excess reimbursements it received before the end of the fiscal year by reducing indirect costs from the Federal fund and reallocating them to the local fund. Hence, the Department did not meet its required match prior to the grant drawdowns on three of the eight grants we reviewed and may have improperly drawn down Program grant funds in advance, which could result in interest liability.

We question \$51,045, which is the difference between the 100 percent direct costs the Department requested and was reimbursed and the correct 75 percent Federal share (see Figure 1).

FBMS Grant Number	Reimbursed Direct Costs (a)	75% Federal Share of Direct Costs (b)	Questioned Costs	
			(a)	(b)
F09AF00082	\$174,273	\$130,705	\$43,568	
F14AF01191	4,080	3,059	1,021	
F15AF01137	25,823	19,367	6,456	
Total Questioned Costs			\$51,045	

Figure 1: Questioned Costs on Improper Drawdowns

Recommendations
<p>We recommend that the FWS:</p> <ol style="list-style-type: none"> 1. Resolve the \$51,045 in questioned costs 2. Require the Department to establish policies and procedures to ensure that drawdowns of Program grant funds are limited to 75 percent of eligible costs incurred

Department Response

1. The Department did not concur with the improper drawdown finding for grant FA09AF000082, stating that during the life of the grant, the match met the local match requirement and the amount of \$43,568 should not be included in the questioned costs. The Department did concur with the improper drawdown finding for grants F14AF01191 and F15AF01137, totaling \$7,477. According to the response, the Department matches its Federal grants primarily by automatically splitting its personnel costs. The splitting of nonpersonnel costs is less practical due to the timing of when contractual procurements can be made. The Department has been trying to offset this issue with regular

analysis of the ratio and preparation of adjusting entries to ensure matching compliance. The Department stated the questioned costs represent an immaterial amount, and matching requirements were fully met by the end of the grant period.

2. The Department did not concur with the establishment of policies and procedures, stating it had policies and procedures in effect during the audit period and amended them in early fiscal year 2018. The Department stated it will review nonpersonnel split components to minimize manual adjustments.

FWS Response

The FWS reviewed and accepted the Department's response. It will work closely with Department staff in developing and implementing a corrective action plan that will resolve the findings and recommendations.

OIG Reply

1. The Department provided new documentation on June 26, 2018, which satisfied the requirements for two grants but still showed that three grants (FA09AF000082, F14AF01191, and F15AF01137) did not meet matching requirements throughout the entirety of the grants' drawdowns. The calculations provided by the Department to support meeting the match requirement were based on the cumulative costs of local and Federal funds only; there was no calculation of the match based on the local and Federal costs compared with drawdowns. We compared the Federal and local costs to the drawdown amounts and determined there were drawdowns taken on all three grants that did not meet the matching requirements.
2. During our audit, we requested policies and procedures for splitting nonpayroll direct costs, but were informed no policies were in place. On June 26, 2018, we received *Policy and Procedures – Matching Funds*, dated October 1, 2017. The policy neither contains signatures of reviewing or approving officials, nor directly addresses the splitting of nonpayroll costs. The policy should directly address how the Department allocates the nonpayroll direct costs to ensure it does not exceed the match.

Based on the Department's and FWS' responses, we consider recommendations 1 and 2 unresolved (see Appendix 3).

B. Invalid and Duplicate License Holders

We found the Department overstated its annual license certifications for calendar years 2014 and 2015 by 135 and 244, respectively.

Federal regulations⁴ require State's or territories' fish and wildlife agencies to certify annually the number of paid sport fish license holders and to eliminate multiple counts of the same individuals. These regulations also require State

⁴ 50 C.F.R., Subpart D, § 80.31(a)(2) and (b)(3) and 50 C.F.R., Subpart D, § 80.33

fish and wildlife agencies to count only those licensed under their own names or with a unique identifier that is traceable to the license holder and verifiable in State records.

In addition, the Dingell-Johnson Sport Fish Restoration Act (the Act) includes an apportionment formula that distributes program funds to States based on land area and the number of paid license holders. Unlike States, the District of Columbia receives a predetermined percentage of up to one-third of a percent of the total amount apportioned in any 1 year.

The Department did not ensure that each counted license holder had a valid name or unique identifier traceable to the license holder and did not eliminate multiple counts of the same individual.

As a result, the Department did not comply with Federal regulations because it did not accurately report the number of fishing license holders on its annual certification. While this reporting does not impact its funding, the Department must still certify the number of license holders accurately.

Recommendations

We recommend that the FWS:

3. Work with the Department to resolve inaccurate license certification for calendar years 2014 and 2015
4. Require the Department to include a unique identifier with each license holder to easily identify duplicates
5. Ensure that the Department tests to ensure that duplicate license holders are eliminated from its annual license certification

Department Response

The Department concurred with the inaccurate license certifications for calendar years 2014 and 2015.

FWS Response

The FWS has reviewed and accepted the Department's response. The FWS will work closely with the Department staff in developing and implementing a corrective action plan that will resolve all the findings and recommendations.

OIG Reply

Based on the Department's and FWS' responses, we consider these recommendations resolved but not implemented (see Appendix 3).

C. Inadequate Inventory Controls

The Department did not maintain accurate and complete inventory records and did not ensure all inventory items were tagged and physically counted.

1. Inaccurate and Incomplete Inventory List

We received inventory data from the Department, which comprised capital assets (costing more than \$5,000 with a useful life of 3 years or greater) and noncapital assets (controllable property, such as computers and other sensitive inventory) in its Fixed Asset System (FAS). At the beginning of our review, the Department provided an inventory listing 49 items valued at \$440,199 generated from the FAS. We judgmentally selected 10 of those items to test but were unable to locate two of them (a truck and computer) that had a combined value of \$37,696. The Fisheries and Wildlife Division stated it never received those two items and we confirmed that the two items did not belong to the Division. We then queried the integrity of the overall inventory list of 49 items we received at the beginning of our review and learned that it was inaccurate—overstated by 16 items, totaling a value of \$229,918.

In addition, the Department's inventory records generated from the FAS did not include five assets purchased with program grant funds: two sets of entrance doors, a water filtration system, and an HVAC system all installed at the Aquatic Resources Education Center (AREC) in Anacostia Park, and a laptop computer (see Figure 2). Three items were initially recorded in the FAS, but later changed to disposed property and are not current capital assets, thus not tracked or included on the annual inventory. Division staff members purchased the laptop with a purchase card, which they are allowed to do, but the staff did not notify the Department so the purchases could be added to the FAS.

Asset Purchased	Purchase Price
HVAC system*	\$15,490
Two sets of entrance doors*	45,696
Water filtration system*	67,000
Laptop computer	2,011
Total	\$130,197
*Installed at AREC	

Figure 2: Assets Not Included on Inventory

In 1987, the Department entered into a cooperative agreement to lease the AREC from the National Park Service (NPS) to enhance fishing and fishing-related activities along the Anacostia River, but ownership of the building is retained by the NPS. The Department treats all assets installed at the AREC as improvements to capital assets (realty improvements) and expenses them as capital expenditures in the accounting system, which

contradicts Federal regulations⁵. The Department informed us that expensing the assets is required because the assets never belong to them, are solely the property of the NPS, and can never be included in the FAS. One Department official told us that additions to the AREC are real property assets that are purchased for the NPS, and that the assets are expensed by the Department because the Department does not own the assets.

The current agreement allows the Department to lease the NPS-owned AREC until 2021. They are in negotiations to extend the agreement, but it is not finalized yet. If the agreement expires or is canceled by the NPS, the Department cannot ensure that the assets would be used for the program over the asset's useful life, in accordance with Federal statute.

2. Untagged Property

Of the 10 items we tested, 8 items belonged to the Fisheries and Wildlife Division and 3 of those 8 items did not have property tags; these 3 items had a combined value of \$56,836. We used the manufacturer's serial numbers to locate, inspect, and verify their existence and condition. Department officials explained that property tags affixed to the two marine equipment items are subject to a harsh marine environment and can be destroyed. We were not provided a reason the vehicle did not have a property tag affixed.

Federal regulations require that the non-Federal entity must establish and maintain effective internal control over the Federal award (2 C.F.R. § 200.303).

Over the past 12 years, the OIG issued three audits that reported on inventory deficiencies and provided recommendations to help improve inventory protocols at the Department. The Department, however, has not improved inventory deficiencies, which is critical to safeguard equipment purchased with Program funds. Specifically, inventory records were inaccurate and incomplete due to poor communication between the Department's Fisheries and Wildlife Division and [REDACTED]. The Department also did not abide by its own policies and procedures requiring capital assets to have affixed property identification numbers.

As a result, the FWS cannot ensure that equipment purchased with Program funds is being used for its intended purpose, and such poor control also increases the risk that equipment could be lost or misplaced.

⁵ 2 C.F.R. § 200.439 (b) (3)

Recommendations

We recommend that the FWS work with the Department to ensure that the Division of Fisheries and Wildlife:

6. Accurately identify, record, and maintain an inventory of all capital, realty, and inventory items purchased with FWS grant funds
7. Create a supplemental inventory list that reconciles to the official FAS inventory when the Department conducts the biannual physical count and note any exceptions, such as realty affixed to leased buildings
8. Affix property tags to all capital assets

Department Response

Though the Department did not concur with the three inventory recommendations, it drafted an inventory control policy that addresses them and will ensure future compliance with both District of Columbia and Federal asset control guidelines.

FWS Response

The FWS has reviewed and accepted the Department's response. The FWS will work closely with the Department staff in developing and implementing a corrective action plan that will resolve all the findings and recommendations.

OIG Reply

Based on the Department's and FWS' responses, we consider these recommendations resolved but not implemented (see Appendix 3).

Appendix I

**District of Columbia
Department of Energy and Environment
Financial Summary of Review Coverage
October 1, 2015, Through September 30, 2017**

Grant Number	Grant Amount	Claimed Costs	Questioned Costs
F09AF00082	\$338,000	\$302,063	\$43,568
F12AF01278	1,101,627	1,189,838	0
F14AF01191	1,141,934	1,097,277	1,021
F15AF01137	1,744,965	1,697,695	6,456
F16AF00165	1,387,386	399,148	0
F16AF01065	604,000	599,431	0
F17AF00429	98,300	0	0
F17AF00511	303,360	0	0
Total	\$6,719,572	\$5,285,452	\$51,045

Appendix 2

**District of Columbia
Department of Energy and Environment
Sites Visited**

Headquarters
Washington, DC

Aquatic Resources Education Center
Anacostia Park
Washington, DC

Appendix 3

**District of Columbia
Department of Energy and Environment
Status of Audit Recommendations**

Recommendations	Status	Action Required
1 and 2	We consider the recommendations unresolved.	We will refer the unresolved recommendations to the Assistant Secretary for Policy, Management and Budget for resolution and implementation tracking.
3 – 8	<p>We consider the recommendations resolved but not implemented.</p> <p>U.S. Fish and Wildlife Service (FWS) regional officials concurred with the findings and recommendations and will work with the District of Columbia Department of Energy and Environment (Department) staff to develop and implement a corrective action plan that will resolve all findings and recommendations</p>	<p>Complete a corrective action plan that includes information on actions taken or planned to address the recommendations, target dates and title(s) of the official(s) responsible for implementation, and verification that FWS headquarters officials reviewed and approved of the actions taken or planned by the Department.</p> <p>We will refer the recommendations not implemented at the end of 90 days after June 27, 2019 to the Assistant Secretary for Policy, Management and Budget for implementation tracking.</p>

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