



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 State of North Carolina Wildlife Resources Commission
From July 1, 2016, Through June 30, 2018



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INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

SEP 30 2019

Memorandum

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 State of North Carolina Wildlife
Resources Commission From July 1, 2016, Through June 30, 2018
Report No. 2019-ER-019

This final report presents the results of our audit of costs claimed by the State of North Carolina Wildlife Resources Commission under grants awarded by the U.S. Fish and Wildlife Service (FWS). The FWS provided the grants to the State under the Wildlife and Sport Fish Restoration Program. The audit included claims totaling approximately \$103 million on 54 grants that were open during the State fiscal years (SFYs) that ended June 30, 2017, and June 30, 2018 (see Appendix 1). The audit also covered the Commission'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 Commission complied, in general, with applicable grant accounting and regulatory requirements. We identified, however, that the Commission may have overstated the number of licenses in its annual license certifications to the FWS for SFYs 2016 and 2017 because it did not have a process in place to remove some multiyear licenses. In addition, we identified, and the Commission corrected, an overstatement of in-kind contributions.

We issued a draft report to the FWS for its response to our recommendation. In its response to our draft report, the FWS concurred with our recommendation and will work with the Commission to implement the recommendation (see Appendix 3).

Please provide us with a corrective action plan based on our recommendation by December 30, 2019. The plan should provide information on actions taken or planned to address the recommendation, as well as target date and title(s) of the official(s) responsible for implementation. Formal responses can be submitted electronically. Please address your response to me and submit a signed PDF copy to aie_reports@doioig.gov.

If you are unable to submit your response electronically, please send it to me at:

U.S. Department of the Interior
Office of Inspector General
381 Elden Street, Suite 3000
Herndon, VA 20170

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.

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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 the 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 North Carolina Wildlife Resources Commission:

- Claimed the costs incurred under the Program grants in accordance with the Acts and related regulations, FWS guidelines, and grant agreements
- Used State hunting and fishing license revenues solely for fish and wildlife program activities
- Reported and used program income in accordance with Federal regulations

Scope

Audit work included claims totaling approximately \$103 million on the 54 grants open during the State fiscal years (SFYs) that ended June 30, 2017, and June 30, 2018 (see Appendix 1). We report only on those conditions that existed during this audit period. We performed our audit at the Commission's headquarters in Raleigh, NC, and visited five depots, three fish hatcheries, one game land, three boat access areas, and two shooting ranges (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 Commission
- Reviewing transactions related to purchases, direct costs, drawdowns of reimbursements, in-kind contributions, and program income
- Interviewing Commission employees to ensure that personnel costs charged to the grants were supportable
- Conducting site visits to inspect equipment and other property
- Determining whether the Commission used hunting and fishing license revenues solely for the administration of fish and wildlife program activities
- Determining whether the State 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 Commission'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 Commission employees who charged time to Program grants and verified their hours against timesheets and other supporting data.

Prior Audit Coverage

On December 1, 2008, we issued "U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Grants Awarded to the State of North Carolina, Wildlife Resources Commission, From July 1, 2005, Through June 30, 2007" (R-GR-FWS-0007-2008). 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 single audit reports for SFYs 2017 and 2018. Neither of these reports contained any findings that would directly affect the Program grants.

Results of Audit

Audit Summary

We found that the Commission 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.

Finding and Recommendation

Inaccurate Multiyear License Count

The FWS uses a certified hunting and fishing license count to apportion Program funds among the States. To ensure that it receives an equitable apportionment of Program funds, each year the Commission must certify to the FWS the number of individuals who purchased hunting and fishing licenses. We found the Commission overstated the number of licenses in its annual license certifications for SFYs 2016 and 2017 because it did not remove multiyear licenses from the count that did not return net revenue in close approximation to annual licenses.

According to Federal regulations (50 C.F.R. § 80.35(b)), to include a license in the yearly count, the State agency must “receive net revenue from a multiyear license that is in close approximation to the net revenue received for a single-year license providing similar privileges.”

Our review determined that the Commission did not have a process, as the regulations require, to remove multiyear licenses that did not generate income for the State. Commission officials stated they had requested guidance from the FWS to define “close approximation,” but this guidance was never provided.

If the Commission overstates its license counts, it would receive more Program funding than it is entitled to, therefore affecting the funds apportioned to other States.

Recommendation

We recommend that the FWS:

- I. Work with the Commission to implement a process to remove multiyear licenses from the Commission’s annual certification when the multiyear licenses do not return net revenue in close approximation to annual licenses.

Department Response

The Commission agreed with the finding and will address the recommendation in a corrective action plan.

FWS Response

The FWS concurred with the finding and will work with the Commission to develop a corrective action plan.

OIG Comments

Based on the responses from the Commission and the FWS, we consider the recommendation resolved but not implemented. When developing its corrective action plan, the FWS should consider the new requirements enacted by the FWS' final rule (50 C.F.R. Part 80)² pertaining to annual certifications of multiyear licenses.

Observation Regarding Overstatement of In-Kind Contributions

During our audit, we identified an overstated in-kind contribution. The Commission enters in-kind contributions into the Federal Assistance Management and Reporting System (FAMRS) to track in-kind contributions for each grant for which the contribution applies. The Commission incorrectly added the same contribution into the FAMRS twice for the F11AF00409 (W-66-R-1) grant, which resulted in an overstatement of \$12,240.12 (Federal share – \$9,180.09). The Commission said the overstatement had never been corrected, and the grant had already been closed. The Commission said the overstatement occurred because a new employee was processing entries, and the employee previously in that position had also entered the same contribution. Because the grant had already been closed, the Commission refunded the overstated amount to open grant F18AF00550 (W-57-44) on April 29, 2019. We believe this was an isolated incident, and because the Commission corrected the error, we did not report this as a finding and consider the matter resolved.

² The FWS' final rule, which revised 50 C.F.R. Part 80, was published on August 27, 2019, and will become effective on September 26, 2019. The final rule restructured the process by which States may include multiyear licenses in annual license certification counts.

Appendix I

State of North Carolina
Wildlife Resources Commission
Grants Open During the Audit Period
July 1, 2016, Through June 30, 2018

FBMS Grant Number	Grant Amount	Claimed Costs
FI1AF00409	\$4,000,000	\$3,831,905
FI1AF00412	6,000,000	5,988,624
FI1AF00681	657,677	653,049
FI1AF00705	330,629	330,630
FI3AF00129	80,000	80,000
FI3AF01203	203,263	203,263
FI3AF01211	281,794	281,794
FI3AF01216	161,657	170,754
FI4AF00363	5,391,493	5,420,568
FI4AF00882	2,300,000	2,072,535
FI5AF00554	3,745,051	3,776,339
FI5AF00555	319,679	319,680
FI5AF00726	2,840,502	1,148,524
FI5AF01248	17,734,000	20,227,377
FI6AF00039	2,400,000	663,670
FI6AF00117	1,160,751	104,013
FI6AF00489	1,534,000	1,376,929
FI6AF00512	9,000,000	9,854,040
FI6AF00513	760,000	851,132
FI6AF00557	5,000,000	4,626,000
FI6AF00641	148,333	183,762
FI6AF00642	1,493,712	1,704,554
FI6AF00700	3,016,667	3,052,578
FI6AF00710	321,600	321,602
FI6AF00777	659,833	661,580
FI6AF00795	3,184,000	3,260,379
FI6AF00999	850,000	857,414
FI7AF00068	250,000	192,684
FI7AF00070	495,596	41,177
FI7AF00221	1,229,791	204,139
FI7AF00453	773,334	773,334
FI7AF00503	5,725,000	4,979,317
FI7AF00628	710,000	666,894
FI7AF00629	2,850,000	3,244,723
FI7AF00631	\$3,117,181	\$3,641,489

FBMS Grant Number	Grant Amount	Claimed Costs
F17AF00647	\$3,038,485	\$3,205,644
F17AF00648	9,666,667	9,666,751
F17AF00690	1,470,091	2,936,564
F17AF00691	148,333	196,442
F17AF00758	5,947,786	208,723
F17AF01155	3,186,583	304,765
F17AF01217	319,680	79,519
F17AF01321	1,646,693	483,225
F18AF00067	500,000	0
F18AF00191	300,000	6,929
F18AF00491	4,109,733	0
F18AF00515	773,334	0
F18AF00550	5,968,057	0
F18AF00586	10,600,000	0
F18AF00699	791,081	0
F18AF00711	148,000	0
F18AF00712	1,427,500	0
F18AF00713	3,523,313	0
F18AF00714	2,849,197	0
Total	\$145,140,076	\$102,855,014

Appendix 2

State of North Carolina Wildlife Resources Commission Sites Visited

Headquarters

Raleigh

Depots

Holly Shelter

Marion

Morganton

Rhems

Sandhills

Fish Hatcheries

Armstrong

Lake McKinney

Watha

Game Lands

Angola Bay

Boating Access

Black Bear

Pee Dee

Shelter Creek

Shooting Ranges

Foothills Public Shooting Complex

John Lentz Hunter Education Complex

Appendix 3

**State of North Carolina
Wildlife Resources Commission
Status of Audit Recommendation**

Recommendation	Status	Action Required
I	<p>We consider the recommendation resolved but not implemented.</p> <p>U.S. Fish and Wildlife Service (FWS) regional officials concurred with the finding and recommendation and will work with the North Carolina Wildlife Resources Commission to develop and implement a corrective action plan that will resolve the recommendation.</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 Commission.</p> <p>We will refer any unimplemented recommendations at the end of 90 days (December 30, 2019) to the Assistant Secretary for Policy, Management and Budget to track implementation.</p>

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