



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 West Virginia,
Division of Natural Resources, From
July 1, 2016, Through June 30, 2018**

In recognition of Secretarial Order No. 3380, we are providing estimated costs associated with certain work products. Applying a formula involving prior salary and benefit expenses, we estimate the cost of preparing this report to be \$59,000.



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Memorandum

JUL 30 2020

To: Aurelia Skipwith
Director, U.S. Fish and Wildlife Service

From: Amy R. Billings *Amy R Billings*
Regional Manager, Central Region

Subject: Final Audit Report – *U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the State of West Virginia, Division of Natural Resources, From July 1, 2016, Through June 30, 2018*
Report No. 2019-CR-041

This final report presents the results of our audit of costs claimed by the State of West Virginia, Division of Natural Resources, 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 \$46.2 million on 29 grants that were open during the State fiscal years that ended June 30, 2017, and June 30, 2018 (see Appendix 1). The audit also covered the Division'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 Division complied, in general, with applicable grant accounting and regulatory requirements. The Division, however, did not report barter transactions on the financial reports to the FWS as required. In addition, the Division and the FWS did not complete a required reconciliation of their respective real property inventories.

We provided a draft of this report to the FWS. The FWS concurred with all three recommendations and will work with the Division to implement corrective actions. In this report, we summarize the Division'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 October 28, 2020. The plan should provide information on actions taken or planned to address each recommendation, as well as target dates and titles of the officials responsible for implementation. 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 303-236-9243.

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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

In June 2016, we entered into an intra-agency agreement with the FWS to conduct audits of State agencies receiving grant funds under the Wildlife and Sport Fish Restoration Program. These audits fulfill the FWS' statutory responsibility to audit State agencies' use of these grant funds.

We conducted this audit to determine if the State of West Virginia, Division of Natural Resources:

- 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 \$46.2 million on the 29 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 Division headquarters in South Charleston, WV, and visited three district offices, four fish hatcheries, five wildlife management areas, three boat ramps, two shooting ranges, and the State Wildlife 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 performance 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.

We assessed whether internal control was significant to the audit objective. We determined that the Division's control activities and the following related principles were significant to the audit objective:

- Management should design control activities to achieve objectives and respond to risks.
- Management should design the entity's information system and related control activities to achieve objectives and respond to risks.
- Management should implement control activities through policies.

We tested the operation and reliability of internal control over Program activities as related to our audit objective. Our tests and procedures included:

- Examining the evidence that supports selected expenditures charged to the grants by the Division
- Reviewing transactions related to purchases, direct costs, drawdowns of reimbursements, in-kind contributions, and program income
- Interviewing Division employees to ensure that personnel costs charged to the grants were supportable
- Visiting sites to inspect equipment and other property
- Determining whether the Division used hunting and fishing license revenue solely for the administration of fish and wildlife program activities
- Determining whether the State passed required legislation assenting to the provisions of the Acts
- Evaluating State policies and procedures for assessing risk and monitoring subawards

We found deficiencies in internal control resulting in our two findings of unreported barter transactions and unreconciled real property.

Based on the results of our initial assessments, we assigned a level of risk and selected a judgmental sample of transactions for testing. The degree of testing performed in each area was

based on auditor judgment and considered risk levels relative to other audit work performed. Our sample selections were not generated using statistical sampling, and therefore we did not project the results of our tests to the total population of transactions.

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 Division employees who charged time to Program grants and verified their hours against timesheets and other supporting data.

Prior Audit Coverage

On December 17, 2015, we issued *U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the State of West Virginia, Division of Natural Resources, From July 1, 2011, Through June 30, 2013* (Report No. R-GR-FWS-0013-2014).

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 14 recommendations resolved and 1 recommendation related to real property resolved but not 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 Division 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.

- A. Unreported Barter Transactions.** The Division did not report barter transactions on the financial reports.
- B. Unreconciled Real Property Records.** The Division did not reconcile its Program-funded real property records with those of the FWS.

Findings and Recommendations

A. Unreported Barter Transactions

The Division annually enters into noncash agreements (i.e., barter agreements) that allow farmers to grow crops on State wildlife and game areas in exchange for leaving a percentage of the crop to improve and maintain wildlife habitat for a variety of species, which directly relates to grant-supported wildlife management activities. The Division provided documentation of barter transactions that occurred during our audit period but did not report the barter transactions on its Federal Financial Reports (SF-425s) as required. Federal regulations require each State to report any barter transactions and what those transactions entail on its SF-425s. Title 50 C.F.R. § 80.98 details that a State fish and wildlife agency must report the transactions in the “Remarks” section of its financial report. Division personnel told us they were not aware that barter transactions must be reported on the SF-425s. Because the Division did not report the barter transactions, the FWS was unaware that the Division had entered these agreements. Therefore, the FWS did not have the opportunity to review any barter transactions that occurred on Division-managed property that received Program funds to ensure that the agreements were equitable, which impacts the FWS’s ability to effectively monitor program grants.

Recommendations
<p>We recommend that the FWS work with the Division to:</p> <ul style="list-style-type: none">1. Ensure all barter transactions are recorded on its SF-425s2. Develop policies and procedures for reporting barter transactions on its SF-425s in accordance with regulations

Division Response

The Division concurred with the finding and recommendations.

FWS Response

The FWS concurred with the finding and recommendations and will work with the Division on a corrective action plan.

OIG Comment

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

B. Unreconciled Real Property Records

We found the Division and the FWS did not reconcile the real property records of land purchased with Program grant funds. The Division should reconcile its land records with the FWS to ensure that its database of real property purchased with Program funds is accurate and complete and that Program grant-funded real property continues to serve the purpose for which it was acquired. Both the FWS and the Division agreed that they had not completed the required land record reconciliation. Federal regulation, 2 C.F.R. § 200.311(b), requires that the Division use assets acquired under Program grants for the originally authorized purpose. In order to do so, it must have a comprehensive list of real property that was purchased with grant funds. In addition, 2 C.F.R. § 200.329 states that if the Federal interest in real property extends 15 years or longer, the State must report the status of the property to the FWS at least every 5 years. The Division and the FWS did not commit sufficient resources to complete the reconciliation, and therefore cannot ensure that lands acquired under the Program are being used for their intended purposes.

Recommendation
<p>We recommend that the FWS work with the Division to:</p> <ol style="list-style-type: none">3. Reconcile their respective records of lands purchased with Program funds and resolve any identified acreage and cost differences

Division Response

The Division concurred with the finding and recommendation.

FWS Response

The FWS concurred with the finding and recommendation and will work with the Division on a corrective action plan.

OIG Comment

Based on the Division and FWS responses, we consider the recommendation resolved but not implemented (see Appendix 3).

Appendix 1

**State of West Virginia
Division of Natural Resources
Grants Open During the Audit Period
July 1, 2016, Through June 30, 2018**

FBMS Grant Number	Grant Amount (\$)	Claimed Costs (\$)
F13AF01144	530,000	6,268
F13AF01145	465,000	431,467
F14AF01267	25,343	18,738
F15AF00121	840,000	896,920
F15AF00123	30,000	11,025
F15AF00824	4,544,200	4,330,596
F15AF00840	570,500	626,901
F15AF00841	635,357	511,145
F15AF00997	22,736,333	16,453,000
F16AF00142	75,000	9,477
F16AF00143	560,000	178,987
F16AF00144	660,000	892,686
F16AF00840	350,000	324,675
F16AF00849	1,322,900	1,400,202
F16AF00864	3,602,126	2,914,790
F16AF00897	1,197,272	818,220
F16AF01230	1,357,300	1,352,075
F16AF01268	1,336,000	143,328
F17AF00124	1,283,594	826,255
F17AF00125	610,000	166,897

FBMS Grant Number	Grant Amount (\$)	Claimed Costs (\$)
F17AF00126	10,175,163	6,298,921
F17AF00127	550,000	740,802
F17AF00644	544,606	249,675
F17AF00679	98,375	37,647
F17AF00810	1,538,724	897,071
F17AF00811	2,779,394	1,445,453
F17AF00855	6,547,908	3,211,861
F18AF00140	412,006	118,670
F18AF00142	775,000	853,221
Total	\$66,152,100	\$46,166,973

Appendix 2

**State of West Virginia
Division of Natural Resources
Sites Visited**

Headquarters

South Charleston, WV

District Offices

Beckley, WV

French Creek, WV

Romney, WV

Fish Hatcheries

Bowden

Reeds Creek

Spring Run

Tate Lohr

Wildlife Management Areas

Bluestone Lake

Plum Orchard Lake

Stonewall Jackson Lake

Tate Lohr

Wardensville

Boat Ramps

Buffalo

Palatine

Warden Lake

Shooting Ranges

Plum Orchard

Stonewall Jackson

Other

State Wildlife Center

Appendix 3

**State of West Virginia
Division of Natural Resources
Status of Recommendations**

Recommendation	Status	Action Required
1 – 3	Resolved but not implemented: U.S. Fish and Wildlife Service (FWS) regional officials concurred with these recommendations and will work with staff from the West Virginia Division of Natural Resources to develop and implement a corrective action plan.	Complete a corrective action plan that includes information on actions taken or planned to address the recommendations, target dates and titles of the officials responsible for implementation, and verification that FWS headquarters officials reviewed and approved the actions the State has taken or planned. We will refer the recommendations not implemented at the end of 90 days (after October 28, 2020) to the Assistant Secretary for Policy, Management and Budget to track implementation.

Report Fraud, Waste, and Mismanagement



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