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INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR



Audit




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Memorandum

To: Martha Williams
Director, U.S. Fish and Wildlife Service

From: Colleen Kotzmoyer 
Director, Contract and Grant Audit Division

Subject: Final Audit Report – *Wildlife and Sport Fish Restoration Grants Awarded to the State of Arkansas by the U.S. Fish and Wildlife Service*
Report No. 2024-CGD-015

We audited the expenditures and related license revenue made by the Arkansas Game and Fish Commission (Commission), under grants awarded by the U.S. Fish and Wildlife Service (FWS) through the Wildlife and Sport Fish Restoration Program. We found that the Commission ensured that grant funds and license revenue were used for allowable activities and complied with applicable laws and regulations, FWS guidelines, and grant agreements. We did not identify any reportable conditions. Background information and the objective, scope, and methodology for this audit can be found in Attachment 1. A list of the sites visited during this audit is provided in Attachment 2.

Because we are not offering recommendations, we do not require a response to this report. We will notify Congress about our findings, and we will summarize this work in our next *Semiannual Report to Congress*, as required by law. We will also post a public version of this report on our website.

If you have any questions, please contact me at aie_reports@doioig.gov.

Attachments (2)

Attachment 1: Background, Objectives, Scope, and Methodology

Background

The U.S. Fish and Wildlife Service (FWS) provides grants to States¹ through its Wildlife and Sport Fish Restoration Program (WSFR) for the conservation, restoration, and management of wildlife and sport fish resources, as well as educational and recreational activities. WSFR was established by the Pittman-Robertson Wildlife Restoration Act and the Dingell-Johnson Sport Fish Restoration Act.² The Acts and related Federal regulations allow FWS to reimburse grantees a portion of eligible costs incurred under WSFR grants—up to 75 percent for the 50 States and up to 100 percent for the Commonwealths, territories, and the District of Columbia. The reimbursement amount is called the Federal share. The Acts require that hunting and fishing license revenue be used only for the administration of participating fish and wildlife agencies. In addition, Federal regulations require participants to account for any income earned from grant-funded activities and to spend this income before requesting grant reimbursements.

Objectives

In March 2021, we entered into an intra-agency agreement with FWS to conduct audits of State agencies receiving grant funds under WSFR. These audits assist FWS in fulfilling its statutory responsibility to oversee State agencies' use of these grant funds.

The objectives of this audit were to determine whether the Arkansas Game and Fish Commission (Commission) used grant funds and State hunting and fishing license revenue for allowable fish and wildlife activities and complied with applicable laws and regulations, FWS guidelines, and grant agreements.

Scope

We audited the Commission's use of grants awarded by the FWS under the WSFR. The scope of our audit included grants open during State fiscal years (SFYs) ending June 30, 2022, and June 30, 2023. During the audit period, there were 40 grants that claimed \$38.6 million in Federal expenditure reimbursements. We reviewed eight grants with \$21.5 million in Federal expenditures (approximately 56 percent of Federal expenditures made during the audit period). We also reviewed license revenue during the same period. In addition, we reviewed historical records for the acquisition, condition, management, and disposal of real property and equipment purchased with either license revenue or WSFR grant funds.

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.

¹ Federal regulations define the term "State" as the 50 States; the Commonwealths of Puerto Rico and the Northern Mariana Islands; the territories of Guam, the U.S. Virgin Islands, and American Samoa; and the District of Columbia (Dingell-Johnson Sport Fish Restoration Act only).

² Formally known, respectively, as the Federal Aid in Wildlife Restoration Act, 16 U.S.C. § 669, as amended, and the Federal Aid in Sport Fish Restoration Act, 16 U.S.C. § 777, as amended.

We assessed whether internal control was significant to the audit objectives. We determined that the following related principles were significant to the audit objectives:

- Management should identify, analyze, and respond to risks related to achieving the defined objectives.
- Management should design control activities to achieve objectives and respond to risks.
- Management should implement control activities through policies.
- Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.

We tested the design, implementation, and operating effectiveness of internal controls over activities related to our audit objective. Our tests and procedures included:

- Examining the evidence that supports selected expenditures that the Commission charged to the grants.
- Reviewing transactions related to purchases, direct costs, drawdowns of reimbursements, in-kind contributions, and program income.
- Interviewing Commission employees.
- Inspecting equipment and other property.
- Reviewing equipment inventory and disposal records.
- Determining whether the Commission used hunting and fishing license revenue for the administration of allowable 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.
- Determining whether the Commission charged the State's unfunded pension liabilities to WSFR grants.
- Reviewing the fringe benefits charged during the payroll process to understand the coding for payroll deductions and to determine whether the fringe benefit codes are allowable, allocable, and reasonable.
- Visiting sites throughout the State (see Attachment 2 for a list of sites visited).

Based on the results of our initial assessments, we assigned a level of risk and selected a judgmental sample of eight out of 40 grants with activity during our audit period. This included grants for fish and wildlife management, aquatic and hunter education, and a shooting sports complex expansion project.

Our review of these grants included assessments on the following:

- Actual costs incurred.
- Grant claims and corresponding drawdowns.
- Application of the negotiated indirect cost rate agreement.
- Recognition and application of program income.
- Payroll allocations.

- Management of real property and equipment.
- Validation and application of in-kind contributions.
- Classification and administration of subawards.
- Progress of agreed-upon grant objectives.

We used auditor judgment and considered risk levels relative to other audit work performed to determine the degree of testing performed in each area. 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 did not find deficiencies in internal control.

This audit supplements, but does not replace, the audits required by the Single Audit Act Amendments of 1996. Single audit reports address controls over Statewide financial reporting, with emphasis on major programs. Our report focuses on the administration of the Arkansas fish and wildlife agency, and that agency's management of WSFR resources and license revenue.

The Commission provided computer-generated data from its official accounting system and from informal management information and reporting systems. We tested the data by sampling expenditures and verifying them against WSFR reports and source documents such as purchase orders, invoices, and payroll documentation. While we assessed the accuracy of the transactions tested, we did not assess the reliability of the accounting system as a whole.

We conducted an exit conference on October 16, 2024, with FWS and the Commission. During the conference, responsible officials were given the opportunity to provide their views on our results. Neither FWS nor the Department had any comments for inclusion in the report.

Prior Audit Coverage

OIG Audit Reports

We reviewed our last two audits of costs the Commission claimed on WSFR grants.³ We followed up on six recommendations from the 2019 report and two from the 2013 report. We reviewed the Commission's corrective actions and found all recommendations have been implemented. For implemented recommendations, we verified the State has taken the appropriate corrective actions.

State Audit Reports

We reviewed the single audit reports for SFYs 2022 and 2023 to identify control deficiencies or other reportable conditions that affect WSFR. In those reports, the Schedule of Expenditures of Federal Awards indicated \$39.7 million (combined) in Federal expenditures related to WSFR but did not include any findings directly related to WSFR, which was not deemed a major program for Statewide audit purposes.

The Commission provided copies of the report for the Internal Control and Compliance Assessment the Arkansas Legislature performed on the Commission in SFY 2022 & 2023.

Investigations

We coordinated with the Commission and our Office of Investigations and found there were no prior or ongoing investigations with material findings that would impact this audit.

³ U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the State of Arkansas, Game and Fish Commission, from July 1, 2015, Through June 30, 2017 (Report No. 2018-ER-018), issued February 2019.

U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the State of Arkansas, Game and Fish Commission from July 1, 2010, Through June 30, 2012 (Report No R-GR-FWS-0008-2013), issued November 2013

Other Matters

License Count

During our audit, the Commission identified and reported a slight discrepancy in its license count for SFY 2022. Specifically, 383 combination hunting and fishing licenses were counted twice, erroneously inflating the count for the license year ending June 30, 2022. Ultimately, we concluded that this discrepancy would not have impacted the FWS apportionment to the Commission, so it did not rise to the level of a finding. However, we have included it in the report for informational purposes and to recognize the Commission for self-reporting this issue.

Unfunded Pension Liabilities

In July 2023, our office issued a management advisory to FWS regarding unfunded pension liabilities that States were allocating to WSFR grants.⁴ The management advisory discussed issues with a State charging WSFR grants to help pay down the State's unfunded liabilities, which could potentially reduce the efficiency and effectiveness of the Federal grant to accomplish its agreed-upon objectives.

During our current audit of Arkansas, we found that during SFYs 2022 and 2023, the Commission charged roughly \$880,000 to WSFR grants to pay for the State's unfunded pension liabilities, which represents approximately 7 percent of the Commission's WSFR grant-funded payroll. Because FWS is currently working to address our recommendations in the management advisory, we did not perform any testing to validate the number the State reported or make additional recommendations. However, we are noting these costs to highlight the affect unfunded pension liabilities has on the WSFR Program.

Real Property Reconciliation

Arkansas's last WSFR-funded real property reconciliation was not completed in 2024, as required by Federal regulation⁵. FWS Regional officials explained that the reconciliation was not completed on time because the performance reporting tool used by FWS as a repository for grant-funded facility and real property (lands) records was not fully operational until March 2023. FWS Regional personnel have been working with the Commission's real property personnel since January 2023 to prepare their respective real property data for reconciliation. FWS intends to have all WSFR real property reconciled by May 2026.

In April 2020, we issued a management advisory to FWS to address a recurring issue with State land reconciliation for WSFR grants.⁶ Because FWS is currently working to address our management advisory recommendations on this matter—which are program-wide and would include Arkansas—we are not making an additional recommendation in this report.

⁴ *Unfunded Liabilities for Wildlife and Sport Fish Restoration Program Grants* (Report No. 2020-ER-058-A), issued July 2023.

⁵ 2 CFR § 200.330, "Reporting on Real Property."

⁶ *Issues Identified with State Land Reconciliation for Wildlife and Sport Fis Restoration Program Grants* (Report No. 2019-CR-015), issued April 2020.

Attachment 2: Sites Visited

Headquarters	Little Rock
Regional Offices	Hot Springs Southeast Southwest West Central
Fish Hatcheries	Andrew Hulsey Joe Hogan
Fishing and Boating Access Facilities	Cox Creek Lake Hamilton Lake Pickthorne Lake Tri-County Lake
Other	Ed Gordon Wildlife Management Area Warren Shooting Sports Complex



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