



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 Commonwealth of Virginia, Department of Game
and Inland Fisheries From July 1, 2012, Through June 30, 2014

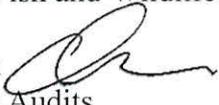


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INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

SEP 07 2016

Memorandum

To: Daniel M. Ashe
Director, U.S. Fish and Wildlife Service

From: Charles Haman 
Director, Grant Audits

Subject: Final Audit Report – U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the Commonwealth of Virginia, Department of Game and Inland Fisheries From July 1, 2012, Through June 30, 2014
Report No. 2015-EXT-041

This report presents the results of our audit of costs claimed by the Commonwealth of Virginia (Commonwealth), Department of Game and Inland Fisheries (Department) under grants awarded by the U.S. Fish and Wildlife Service (FWS). FWS provided the grants to the Commonwealth under the Wildlife and Sport Fish Restoration Program (Program). The audit included claims totaling \$82 million on 17 grants that were open during the Commonwealth fiscal years that ended June 30, 2013, and June 30, 2014 (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 also questioned costs totaling \$611,317 including (1) \$490,174 in unsupported in-kind contributions related to hunter education volunteer labor hours; (2) \$106,637 in unsupported mileage reimbursed to volunteer instructors; and (3) \$14,506 in unreported program income related to employee housing rental income.

We provided a draft report to FWS for a response. In this final report, we summarize the Department's and FWS' Region 5 responses to our recommendations, as well add our comments to 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 December 6, 2016. The response should provide information on actions taken or planned to address the recommendations, as well as target dates 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 WSFR_Audits@doioig.gov. If you are unable to submit your response electronically, please send your response to me at:

U.S. Department of the Interior
Office of Inspector General
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Lakewood, CO 80228

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 Program Audit Coordinator Tim Horsma, at 916-978-5668; or me at 303-236-9243.

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 Act (Acts)¹ established the Wildlife and Sport Fish Restoration Program (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 Commonwealth of Virginia (Commonwealth), Department of Game and Inland Fisheries (Department)—

- 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; and
- reported and used program income in accordance with Federal regulations.

Scope

Audit work included claims totaling approximately \$82 million on the 17 grants open during the Commonwealth fiscal years (CFYs) that ended June 30, 2013 and 2014 (see Appendix 1). We report only on those conditions that existed during this audit period. We performed our audit at the Department's Headquarters office in Henrico, VA, and visited 4 regional offices, 1 district office, 5 fish hatcheries, 12 wildlife management areas, 8 boat access sites, and 2 shooting ranges (see Appendix 2). We performed this audit to supplement—not replace—the audits required by the Single Audit Act Amendments of 1996 and by Office of Management and Budget Circular A-133.

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.

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

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, drawdowns of reimbursements, in-kind contributions, and program income;
- 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 hunting and fishing license revenues solely for the administration of fish and wildlife program activities; and
- determining whether the Commonwealth 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 May 24, 2010, we issued "U.S. Fish and Wildlife Service, Wildlife and Sport Fish Restoration Program Grants Awarded to the Commonwealth of Virginia, Department of Game and Inland Fisheries, from July 1, 2007 Through June 30, 2009" (R-GR-FWS-0004-2010). We followed up on the report's one recommendation, related to real property land record reconciliation, and found that the U.S. Department of the Interior, Office the Assistant Secretary for Policy, Management and Budget, considered the recommendation resolved, but not implemented.

We reviewed single audit reports and comprehensive annual financial reports for CFYs 2012 and 2013. None of these reports contained any findings that would directly affect 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 \$611,317.

A. Questioned Costs—\$611,317

1. **Unsupported In-Kind, Volunteer Hours.** We question costs totaling \$490,174 because the Department did not maintain adequate documentation to support in-kind contributions of volunteer hours used as match on hunter education grants.
2. **Unsupported Mileage Reimbursed to Volunteer Instructors.** We question costs totaling \$106,637 because the Department did not maintain adequate documentation to support in-kind contributions of volunteer mileage used as match on hunter education grants.
3. **Unreported Program Income.** We question \$14,506 because the Department did not report program income related to employee housing rental income.

Findings and Recommendations

A. Questioned Costs—\$611,317

1. **Unsupported In-Kind Contributions—Volunteer hours (\$490,174)**

The Program requires States to use matching or non-Federal funds to cover at least 25 percent of costs incurred in performing projects under the grants. States may use non-cash, or in-kind, contributions to meet the matching share of costs, but as with costs claimed for reimbursement, the value of these contributions must be supported.

We reviewed volunteer timesheets and Training and Activity Data Sheets that were used to record volunteer instructors' hours and mileage for teaching hunter education under grant numbers F09AF00084 and F13AF00658. Our analysis disclosed systemic problems with this documentation:

- 1) The volunteer timesheets only reported a class ending date and omitted a class starting date. Therefore, the duration of the classes are indeterminable.

- 2) There were inconsistencies in, and inadequate evidence of, supervisory review. Specifically, the documents reviewed did not have sufficient support to demonstrate review and approval.
- 3) Volunteers did not report their hours on a daily basis but rather recorded them as a lump sum even though courses usually spanned multiple days. For instance, one particular timesheet shows volunteer hours ranging from 20 to 36 hours, however, the number of days for the class was not listed.

Federal Regulations (2 C.F.R. § 225, Appendix A, Subsections C.1., a, b, and j) specify that to be allowable, costs must be necessary and reasonable, allocable to the award only if they provide a benefit to the grant, and adequately supported. Regulation 43 C.F.R. § 12.64(b)(6) states that third-party, in-kind contributions used to satisfy a cost-sharing or matching requirement must be verifiable from the records of grantees. Furthermore, it notes that to the extent feasible, volunteer services will be supported by the same methods that the organization uses to support its regular personnel costs. In that regard, Department personnel recorded their daily hours on work reports (similar to timesheets), signed their work reports, and obtained their supervisors' signature to indicate approval.

For its hunter education program, the hours donated by volunteers should be documented in a manner similar to hours worked by employees who charge their time to Program grants.

These problems arose for several reasons. First, the design of the Department's in-kind timesheets did not allow volunteers to record their hours daily, but forced them to report hours as a lump sum for multiple-day courses. Second, the timesheets did not have a place for a departmental official to sign for approval, or fields for both starting and ending class dates. Finally, the Department does not have policies and procedures to review volunteers' timesheets for accuracy, completeness, and compliance with Federal regulations.

Due to the systematic, poor quality of the Department's in-kind documentation, we question all of the volunteer hours that were charged against the hunter education program grants (see Figures 1 and 2 for the value of volunteer hours questioned).

Description	Grant No. F09AF00084	Grant No. F13AF00658
Total Outlays	\$1,286,718	\$1,327,548
Less Unsupported In-Kind Contributions	321,679	331,887
Total Supported Grant Outlays	965,039	995,661
Federal Share Percentage	75%	75%
Supported Federal Share	\$723,779	\$746,746

Figure 1. Federal share of grant outlays after deducting unsupported, in-kind contributions for volunteer hours during the audit scope, July 1, 2012, through June 30, 2014.

Description	Grant No. F09AF00084	Grant No. F13AF00658
Original Federal Share Claimed	\$965,038	\$995,661
Less Supported Federal Share (Figure 1)	723,779	746,746
Federal Share of Questioned Costs	\$241,259	\$248,915

Figure 2. Federal share of questioned costs for volunteer hours.

Recommendations	
<p>We recommend that FWS:</p> <ol style="list-style-type: none"> 1. Resolve the unsupported questioned costs related to volunteer hours totaling \$490,174 (\$241,259 on Grant No. F09AF00084 and \$248,915 on Grant No. F13AF00658). 2. Require the Department to develop policy and implement procedures that ensure that volunteer timesheets show volunteers' hours on a daily basis, class starting and ending dates, and include a place for a Department official's approval. 	

Department Response:

The Department concurred with the findings and said measures have been implemented to ensure the issues are not repeated in the future. A new volunteer time sheet modeled after another State's and reviewed by the Office of Inspector General, was put into use 10/01/2015. The Department said it is looking forward to developing a corrective action plan and working with FWS to resolve the question costs.

FWS Response:

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

OIG Comments:

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

**2. Unsupported Mileage Reimbursed to Volunteer Instructors—
\$106,637**

The Department reimbursed volunteer instructors for mileage under its hunter education program (Grant Nos. F09AF00084 and F13AF00658). The reimbursement of mileage was based on mileage data contained on volunteer timesheets and the Training and Activity Data Sheets. Based on our review of a sample of volunteer timesheets reported during CFYs 2013 and 2014, we found systemic problems with this documentation. Specifically, we found inconsistencies and inadequate evidence of supervisory review.

We also found that volunteers recorded miles as a lump sum, sometimes spanning multiple days. For example, one particular Training and Activity Data Sheet showed a volunteer claiming reimbursement for 616 miles. With data aggregated in this fashion, we were not able to determine whether these miles all pertain to grant-related activity.

Regulations (2 C.F.R. § 225, Appendix A, Subsection C.1., a, b and j,) specify that allowable costs must be necessary and reasonable, allocable, and adequately documented. Regulation 2 C.F.R. § 225, Appendix A, Subsection C.3. a, also states that a cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to it in accordance with relative benefits received.

The unsupported mileage reimbursement to volunteer instructors occurred because (1) the Training and Activity Data Sheets do not have spaces for supervisory signature and date, and (2) employees responsible for the hunter

education program did not adequately review the Training and Activity Data Sheets for supervisory signatures.

Due to the systematic, poor quality of the training and activity data, we question all of the volunteer mileage expenses that were charged against the hunter education program grants. Specifically, this includes \$70,960 (\$53,220 Federal share) under Grant No. F09AF00084 and \$71,223 (\$53,417 Federal share) under Grant No. F13AF00658, for a total of \$142,183 (\$106,637 Federal share).

Recommendations

We recommend that FWS:

3. Resolve the unsupported questioned costs related to volunteer mileage totaling \$106,637 (\$53,220 under Grant No. F09AF00084 and \$53,417 on Grant No. F13AF00658).
4. Require the Department to implement policies and procedures to ensure volunteer mileage are properly supported, reviewed and documented.

Department Response:

The Department concurred with the findings, and measures have been implemented to ensure the issues are not repeated in the future. The Department said it looks forward to developing a corrective action plan and working with FWS to resolve the questioned costs.

FWS Response:

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

OIG Comments:

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

3. Unreported Program Income—\$14,506

Federal regulations allow grantees to earn income as a result of grant-supported activities, but they must account for the income in an agreed-upon manner. During CFYs 2013 and 2014, the Department reported that program income was earned on grants for the operation and maintenance of its wildlife management areas and hatcheries. Although the Department claimed program income totaling

\$1,826,380 under these grants, we determined that an additional \$19,341 (Federal share \$14,506) from employee housing rental leases was not reported.

The Department's staff members charged related operation and maintenance costs of these leased properties to Program grants. In addition, the program income amounts from the rental leases were not adjusted from the grant expenditures prior to requests for reimbursement and it was not reported as program income on the grant's Federal Financial Reports (SF-425s). FWS Region 5 officials stated they were unaware that the grants were earning program income from employee housing rental leases or that the properties were maintained with grant funds.

Federal Regulation 43 C.F.R. § 12.65(b) defines program income as gross income a grantee receives that is "directly generated by a grant supported activity, or earned only as a result of the grant agreement during the grant period." Regulation 43 C.F.R. § 12.65(g)(2) and the grant agreements stipulate that any program income should be added to grant funds and used for grant-related purposes. In addition, regulation 43 C.F.R. §12.61(f)(2) provides that grantees shall disburse program income, rebates, refunds, contract settlements, audit recoveries, and interest earned on such funds before requesting additional cash payments. Finally, 43 C.F.R. § 12.60(b)(3) states: "Effective control and accountability must be maintained for all grant cash. Grantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes."

Department officials agree that the revenues are program income, and they stated that not reporting the program income on SF-425 was an oversight. The Department has procedures for identifying and accounting for program income, but was not aware that the properties were maintained with grant funds and that the revenue should be reported as program income.

Because the Department did not report rental program income of \$19,341, neither the Department or FWS could ensure that the funds were used for the grant purposes as required. Furthermore, because the Department did not adjust program income from grant outlays before requesting reimbursements, it received excess Federal reimbursements totaling \$14,506 (75 percent of \$19,341) (see Figure 3 for grants' questioned amounts).

Grant No.	Unreported Amount	Federal Share
F09AF00083	\$9,904	\$7,428
F12AF00002	150	113
F13AF00278	251	189
F13AF00649	9,035	6,776
Total	\$19,341	\$14,506

Figure 3. Federal share of questioned costs for program income.

Proper future identification and reporting of program income will help the Department and FWS to ensure appropriate accounting for program income, and that program income is used for the purposes of the grant agreement, as required.

Recommendations

We recommend that FWS:

5. Resolve the questioned costs of \$14,506 (Federal share) related to unreported program income (\$7,428 on Grant No. F09AF00083, \$113 on Grant No. F12AF00002, \$189 on Grant No. F13AF00278 and \$6,776 on Grant No. F13AF00649).
6. Require the Department to implement policies and procedures to identify, account for, and report all revenues earned from grant-supported activities on the grant SF-425s.

Department Response:

The Department concurred with the findings and recommendations, and measures have been implemented to ensure the issues are not repeated. The Department started including rental income as program income on the appropriate grant as of 07/01/16. It said it looks forward to developing a corrective action plan and working with FWS to resolve the questioned costs.

FWS Response:

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

OIG Comments:

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

Appendix I

Commonwealth of Virginia
Department of Game and Inland Fisheries
Grants Open during the Audit Period
July 1, 2012, Through June 30, 2014

Grant Number	Grant Amount	Claimed Costs	Questioned Costs
F06AF00032	\$11,123,000	\$7,325,615	\$0
F09AF00083	16,321,184	14,717,071	7,428
F09AF00084	6,952,000	7,456,779	490,174
F09AF00085	2,500,000	1,369,667	0
F10AF00506	792,109	890,185	0
F11AF00851	200,000	33,333	0
F12AF00002	9,516,000	9,136,176	113
F12AF00004	872,139	760,319	0
F12AF00026	25,297,873	17,310,129	0
F12AF00030	3,875,706	3,812,543	0
F12AF00261	12,110,000	4,267,320	0
F13AF00278	8,551,000	3,501,886	189
F13AF00648	21,103,000	5,084,041	0
F13AF00649	22,495,000	3,482,666	6,776
F13AF00658	6,453,333	1,327,548	106,637
F13AF00825	1,560,000	247,224	0
F13AF01154	1,276,215	1,276,215	0
Total	\$150,998,559	\$81,998,717	\$611,317

Appendix 2

**Commonwealth of Virginia
Department of Game and Inland Fisheries
Sites Visited**

Department Headquarters

Henrico

Regional Offices

Charles City

Forest

Fredericksburg

Marion

District Office

Blacksburg

Fish Hatcheries/Cultural Stations

Buller

Front Royal

King and Queen

Vic Thomas Stripped Bass

Wytheville

Wildlife Management Areas (WMAs)

Amelia

Big Survey

C.F Phelps

Chickahominy

Fairystone Farms

Featherfin

Havens

Land's End

Mattaponi

Merrimac

Mockhorn Island

Saxis

Boating Access

Hammock Boat Ramp

Lake Nelson Boating Access

Morris Creek Boat Ramp

Oak Grove Boating Access

Oyster Boat Ramp

Rappahannock River Boat Ramp

Smith Mountain Lake Boating Access
Whitethorne Boating Access

Shooting Ranges

C.F Phelps Sighting-In Range
Chickahominy WMA

Appendix 3

Commonwealth of Virginia Department of Game and Inland Fisheries

Status of Audit Recommendations

Recommendations	Status	Action Required
1,2,3,4,5 and 6	<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 it has reviewed and accepted the Department of Game and Inland Fisheries' (Department) response. FWS will work closely with Department staff in developing and implementing 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 resolved and implemented at the end of 90 days (December 6, 2016) to the Assistant Secretary for Policy, Management and Budget for resolution and tracking of implementation.</p>

