



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

**U.S. Fish and Wildlife Service Grants  
Awarded to the State of Georgia, Department  
of Natural Resources, From July 1, 2018,  
Through June 30, 2020, Under the Wildlife  
and Sport Fish Restoration Program**



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

**JAN 28 2022**

Memorandum

To: Martha Williams  
Principal Deputy Director, Exercising the Delegated Authority of the Director,  
U.S. Fish and Wildlife Service

From: Nicki Miller   
Regional Manager, Eastern Region

Subject: Final Audit Report – *U.S. Fish and Wildlife Service Grants Awarded to the State of Georgia, Department of Natural Resources, From July 1, 2018, Through June 30, 2020, Under the Wildlife and Sport Fish Restoration Program*  
Report No. 2021-ER-028

This report presents the results of our audit of costs claimed by the Georgia Department of Natural Resources (Department) under grants awarded by the U.S. Fish and Wildlife Service (FWS) through the Wildlife and Sport Fish Restoration Program.

We provided a draft of this report to the FWS. The full responses from the Department and the FWS are included in Appendix 4. In this report, we summarize the responses from the Department and from FWS Region 2 (legacy Region 4) to our recommendations, as well as our comments on their responses. We list the status of the recommendations in Appendix 5

We do not require a response to this report. We will notify Congress about our findings, and we will report semiannually, as required by law, on actions you have taken to implement the recommendations. We will also post a public version of this report on our website.

If you have any questions, please contact me at 202-208-5745.

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# Introduction

## Objectives

In June 2016, we entered into an intra-agency agreement with the U.S. Fish and Wildlife Service (FWS) to conduct audits of State agencies receiving grant funds under the Wildlife and Sport Fish Restoration Program (WSFR). These audits assist the 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 Georgia Department of Natural Resources (Department) 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.

See Appendix 1 for details about our scope and methodology. See Appendix 2 for sites we reviewed.

## Background

The FWS provides grants to States<sup>1</sup> through 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.<sup>2</sup> The Acts and related Federal regulations allow the FWS to reimburse grantees a portion of eligible costs incurred under WSFR grants—up to 75 percent for States and up to 100 percent for the Commonwealths, territories, and the District of Columbia.<sup>3</sup> 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.

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<sup>1</sup> 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).

<sup>2</sup> 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.

<sup>3</sup> The District of Columbia does not receive funding under the Pittman-Robertson Wildlife Restoration Act.

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# Results of Audit

We determined that the Department generally ensured that grant funds and State hunting and fishing license revenue were used for allowable fish and wildlife activities and complied with applicable laws and regulations, FWS guidelines, and grant agreements. We noted, however, questioned costs related to the National Bobwhite Conservation Initiative (NBCI) and issues related to subawards.

We found the following:

- **Questioned Costs.** We questioned \$93,749 (\$70,312 Federal share) as unallowable. These questioned costs arose because the Department paid unallowable costs for invoices rendered by the NBCI during State fiscal year 2019.
- **Control Deficiencies.** We found opportunities to improve controls in subaward and contract determinations.

See Appendix 3 for a statement of monetary impact.

## **Questioned Costs—Unallowable Payments of \$93,749 (\$70,312 Federal Share) to the NBCI**

The Department entered into a subaward agreement<sup>4</sup> with the University of Tennessee’s NBCI, a rangewide habitat plan for recovering bobwhite quail species to target densities set by State wildlife agencies, under Grant No. F18AF00801. In State fiscal year 2019, the Department paid \$93,749 to the University of Tennessee for the NBCI subaward expenditures from this grant. The NBCI provides similar services detailed under the grant to other participating States.

The NBCI also receives funding from external partners—including nonprofit, nongovernmental organizations—and other Federal agencies, some of which provide funding to the NBCI using non-Federal funds. In a previous audit, we determined that the NBCI did not properly split or allocate expenditures among all participating States and external partners.<sup>5</sup> The NBCI did not have a policy or a sound and reasonable methodology to determine and allocate assignable expenditures among all participating States and external partners in proportion to the received benefits. Instead, NBCI officials described their funding as one “pot” of money from which to pay for expenses that benefited all participating States and external partners. This practice does not ensure expenditures are properly allocated to Federal grants.

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<sup>4</sup> At the time of payment, the Department classified the agreement with the NBCI as a contract; therefore, the payments were recorded as contract payments. We found that this agreement should have been classified as a subaward (see our finding under “Control Deficiencies”).

<sup>5</sup> *U.S. Fish and Wildlife Service Grants Awarded to the Commonwealth of Pennsylvania’s Game Commission, From July 1, 2016, Through June 30, 2018, Under the Wildlife and Sport Fish Restoration Program* (Report No. 2019-WR-005), issued December 15, 2020.

In 2017, the NBCI implemented a new accounting methodology and procedures referred to as a “recharge center” to better allocate assignable grant expenditures. We separately evaluated whether grant costs claimed using the recharge center method can reasonably allocate costs in proportion to the benefit provided. We issued a management advisory to the FWS to address the issue of costs claimed using this method.<sup>6</sup> In the management advisory, we determined that the recharge method does not comply with Federal regulations. Specifically, the agreements between the NBCI and States contributing Federal funding are fixed-amount subawards; costs charged to States are not related to the benefits received; recharge center rates cannot be measured or verified in the NBCI’s accounting system; and the recharge center rates differ for Federal and non-Federal activities.

Federal regulations at 2 C.F.R. § 200.403 state that costs must be allocable to the Federal award to be allowable. Under 2 C.F.R. § 200.405, a cost is allocable to a particular award if the goods and services involved are chargeable or assignable to that Federal award in accordance with the relative benefits received. Costs are also allocable if, when such costs benefit both the Federal award and other work of the non-Federal entity, they are distributed in proportions that may be approximated using reasonable methods. Part (d) of that section states that if a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects according to the proportional benefit.

During the audit period, the NBCI did not have adequate accounting methodologies that allowed for proper allocation of expenditures among participating States and external partners. Because the NBCI did not properly allocate the expenditures among all participating States and external partners using a method that complies with Federal regulations, these costs are not eligible to be charged to WSFR grants. We questioned \$93,749 (\$70,312 Federal share) that the Department paid to the University of Tennessee under Grant No. F18AF00801 as unallowable expenditures.

<b>Recommendation</b>
We recommend that the FWS work with the Department to:  1. Resolve the Federal share of questioned costs related to the NBCI subaward agreement totaling \$70,312



## **Control Deficiencies**

### **Inaccurate Subaward or Contract Determinations**

The Department inaccurately classified an agreement with the NBCI under Grant Nos. F18AF00801 and F19AF00624 as a contract when it should have been a subaward agreement. In addition, the Department classified an agreement with the Pinetucky Gun Club to

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<sup>6</sup> *Issues Identified With Wildlife Restoration Subawards to the University of Tennessee, National Bobwhite Conservation Initiative* (Report No. 2020-WR-019), issued July 6, 2020.

purchase equipment and operate a shooting range as a contract under Grant No. F17AF01152 when it should have been classified as a subaward agreement.

A subrecipient is defined in Federal regulations (2 C.F.R. § 200.93)<sup>7</sup> as a non-Federal entity that receives a subaward from a pass-through entity to carry out part of a Federal program. Regulations at 2 C.F.R. § 200.330(a)<sup>8</sup> classify this as a Federal assistance relationship with the subrecipient.

According to 2 C.F.R. § 200.330, a non-Federal entity may concurrently receive Federal awards as a recipient, a subrecipient, and a contractor, depending on the substance of its agreements with Federal awarding agencies and pass-through entities. Regulations at 2 C.F.R. § 200.330(a)(5) further state that a non-Federal entity would be classified as a subrecipient if it is using the Federal funds to carry out a program for a public purpose specified in authorizing statute, as opposed to providing goods or services for the benefit of the passthrough entity. Furthermore, 2 C.F.R. § 200.330(b)(3) states that a contractor is an entity that normally operates in a competitive environment. When classifying a non-Federal entity as a subrecipient or contractor, Federal guidance at 2 C.F.R. § 200.330(c) states that the substance of the relationship is more important than the form of the agreement.

The Department created policies and procedures to determine whether an agreement should be classified as a subaward or a contract in 2015, which was before it signed the agreements with the NBCI and Pinetucky Gun Club. In March 2015, the Georgia Department of Audits provided formal Uniform Guidance training to Department staff. The Department has also received annual training at FWS Region 4 coordinators meetings. Despite the policies, procedures, and training, a Department official told us that the Department did not make this determination for the NBCI and Pinetucky Gun Club agreements. The official also noted that if the Department were to make this determination now, it would classify these agreements as subawards.

Not classifying these agreements accurately as subawards prevents the Department from applying the subaward rules and regulations appropriately. We issued a management advisory to the FWS that detailed the accountability and monetary impacts of misclassifying subawards.<sup>9</sup> Although the Department has already developed and implemented guidance on making this determination, it did not apply the guidance to the NBCI or Pinetucky Gun Club agreements.

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<sup>7</sup> The citation for 2 C.F.R. § 200.93 changed to 2 C.F.R. § 200.1 in June 2021.

<sup>8</sup> All citations for 2 C.F.R. § 200.330 changed to 2 C.F.R. § 200.331 in June 2021.

<sup>9</sup> *Issues Identified with State Practices in Subaward Administration for Wildlife and Sport Fish Restoration Program Grants* (Report No. 2018-CR-064), issued September 30, 2019.

**Recommendation**

We recommend that the FWS work with the Department to:

2. Ensure staff are trained on how to apply the Department's policies and procedures for making determinations on whether agreements should be classified as subawards or contracts

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## Recommendations Summary

We provided a draft of this report to the FWS for review. The FWS concurred with our two recommendations and will work with the Department to implement corrective actions. We consider Recommendation 1 closed, and Recommendation 2 resolved and implemented. See Appendix 4 for the full text of the FWS' and the Department's responses; Appendix 5 lists the status of each recommendation.

We recommend that the FWS work with the Department to:

1. Resolve the Federal share of questioned costs related to the NBCI subaward agreement totaling \$70,312

**FWS Response:** The FWS concurred with the finding and stated that it reviewed NBCI expenses and determined that the combined costs of State subawards to the NBCI were necessary and reasonable, relative to the overall benefit to WSFR, and will not require the Department to repay previously awarded funds. The FWS is creating policies and procedures, as well as a new regulation, that will allow States to pool resources using FWS-approved partnerships.

**OIG Comments:** Although we commend the FWS for taking steps to address our concerns, the FWS has not yet implemented corrective action, and we maintain our finding. Because the FWS does not plan to resolve the questioned costs, we consider this recommendation closed. However, in our management advisory, *Issues Identified With Wildlife Restoration Subawards to the University of Tennessee, National Bobwhite Conservation Initiative*, we recommended that the FWS work with the NBCI to develop and implement policies and procedures that comply with Federal regulations; the recommendation in the management advisory will remain open until implemented.

2. Ensure staff are trained on how to apply the Department's policies and procedures for making determinations on whether agreements should be classified as subawards or contracts

**FWS Response:** The FWS concurred with our finding. The FWS reviewed documentation from the Department showing training provided to fiscal staff on its policies and procedures in determining whether agreements should be classified as subawards or contracts.

**OIG Comments:** We reviewed the information the Department provided to staff. This included the Department's policy and evidence of a training session on the policy. We consider this recommendation resolved and implemented.

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# Appendix 1: Scope and Methodology

## Scope

We audited the Georgia Department of Natural Resources' (Department's) use of grants awarded by the U.S. Fish and Wildlife Service (FWS) under the Wildlife and Sport Fish Restoration Program (WSFR). We reviewed 50 grants that were open during the State fiscal years (SFYs) that ended June 30, 2019, and June 30, 2020. We also reviewed license revenue during the same period. The audit included expenditures of \$122 million and related transactions. In addition, we reviewed historical records for acquisition, condition, management, and disposal of real property and equipment purchased with either license revenue or WSFR grant funds.

Because of the COVID-19 pandemic, we could not complete our audit on site. We gathered data remotely and communicated with Department personnel via email and telephone. As a result, we could not perform normal audit procedures for (1) determining adherence to policies and procedures for license revenues, (2) equipment verification, (3) observing grant projects specific to construction and restoration work, and (4) subawards to subrecipients. Therefore, the audit team relied on alternative evidence provided by Department personnel that was determined to be sufficient and appropriate to support our conclusions.

## 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 objective. 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 State's control activities and the following related principles were significant to the audit objectives.

- 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 activities related to our audit objective. 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
- Verifying equipment and other property using photographic evidence
- Determining whether the Department used hunting and fishing license revenue for the administration of fish and wildlife program activities
- Determining whether the State passed required legislation assenting to the provisions of the Pittman-Robertson Wildlife Restoration Act and the Dingell-Johnson Sport Fish Restoration Act
- Evaluating State policies and procedures for assessing risk and monitoring subawards
- Reviewing sites throughout the State (see Appendix 2 for a list of sites reviewed)

We found a deficiency in internal control resulting in our finding related to inaccurate subaward or contract determinations.

Based on the results of our initial assessments, we assigned a level of risk and selected a judgmental sample of transactions for testing. 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.

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 Georgia fish and wildlife agency, and that agency's management of WSFR resources and license revenue.

The Department 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.

## **Prior Audit Coverage**

### **OIG Audit Reports**

We reviewed our last two audits of costs claimed by the Department on WSFR grants.<sup>10</sup> We followed up on 11 recommendations from these reports and found that the U.S. Department of the Interior's Office of Policy, Management and Budget considered all recommendations resolved and implemented. For resolved and implemented recommendations, we verified the State has taken the appropriate corrective actions to resolve these recommendations.

### **State Audit Reports**

We reviewed the single audit reports for SFYs 2019 and 2020 to identify control deficiencies or other reportable conditions that affect WSFR. In those reports, the Schedule of Expenditures of Federal Awards indicated \$56 million (combined) in Federal expenditures related to WSFR. The Department was identified as a major program in SFY 2019 and had one finding related to real property and equipment that was not specifically related to WFSR, but it mitigated the finding immediately. The Department was not identified as a major program in SFY 2020.

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<sup>10</sup> *U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the State of Georgia, Department of Natural Resources From July 1, 2013 Through June 30, 2015* (Report No. 2016-EXT-002), issued April 2016.

*U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the State of Georgia, Department of Natural Resources, From July 1, 2008, Through June 30, 2010* (Report No. R-GR-FWS-0004-2011), issued July 2011.

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## Appendix 2: Sites Reviewed

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Headquarters	Atlanta Social Circle
Archery and Shooting Ranges	Clybel Mike Commander Oakfield Sporting Center Richmond Hill Shoals WMA Two Rivers Unicoi State Park West Point WMA Wilson Shoals
Boating Access Facilities	Houlihan Park North River Dock
Fish Hatchery	Lake Burton
Subrecipient	University of Georgia

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Abbreviation: WMA = wildlife management area

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## Appendix 3: Monetary Impact

We reviewed 50 grants that were open during the State fiscal years that ended June 30, 2019, and June 30, 2020. The audit included expenditures of \$122 million and related transactions. We questioned \$93,749 (\$70,312 Federal share) as unallowable.

### Monetary Impact: Questioned Costs (Federal Share)

<b>Grant No.</b>	<b>Grant Title</b>	<b>Cost Category</b>	<b>Unallowable (\$)</b>
F18AF00801	Wildlife Development Program	Subaward <sup>11</sup>	70,312
<b>Total</b>			<b>\$70,312</b>

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<sup>11</sup> The Georgia Department of Natural Resources originally classified the National Bobwhite Conservation Initiative agreement as a contract. During this audit, we determined that it should have been classified a subaward (see our finding under “Control Deficiencies”).

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## **Appendix 4: Responses to Draft Report**

The U.S. Fish and Wildlife Service's and the Georgia Department of Natural Resources' response to our draft report follows on page 13.



# United States Department of the Interior



## FISH AND WILDLIFE SERVICE

1875 Century Blvd  
Atlanta, Georgia 30345  
December 13, 2021

IN REPLY REFER TO:  
FWS/R2/R4/WSFR

Nicki Miller, Regional Manager, Eastern Region  
U.S. Department of the Interior  
Office of Inspector General  
381 Elden Street, Suite 3000  
Herndon, VA 20170

Re: Draft Audit Report – U.S. Fish and Wildlife Service Grants Awarded to the State of Georgia, Department of Natural Resources, From July 1, 2018, Through June 30, 2020, Under the Wildlife and Sport Fish Restoration Program. Report No. 2021-ER-028, Issued November 12, 2021

Dear Ms. Miller:

The enclosed response to the draft audit report referenced above was developed by the State of Georgia Department of Natural Resources in cooperation with the U.S. Fish and Wildlife Service South Atlantic - Gulf and Mississippi Basin Unified Regions Wildlife and Sport Fish Restoration Program.

If you have any questions or need additional information, please contact Alex Coley at (404) 679-7242.

Sincerely,

Digitally signed by  
PAUL WILKES  
Date: 2021.12.13  
07:48:08 -05'00'

Paul A. Wilkes, Regional Manager  
Wildlife and Sport Fish Restoration

Enclosure

Cc: Ord Bargerstock, Shuwen Cheung  
Division of Financial Assistance Support and Oversight

## Response to Draft Report

**U.S. FISH AND WILDLIFE SERVICE  
WILDLIFE AND SPORT FISH RESTORATION PROGRAM  
Grants Awarded to the State of Georgia, Department of Natural Resources, From July 1,  
2018, Through June 30, 2020  
Draft Report No. 2021-ER-028, Issued November 12, 2021**

### Auditor Recommendation 1

The auditors recommend that the FWS work with the Department to resolve the questioned costs related to the NBCI subaward agreement totaling \$93,749 (\$70,312 Federal share).

### Agency Response

The Agency agrees with the finding and has been advised that the FWS will resolve this issue.

### Service Response

The Service concurs with the auditor's finding.

In July of 2020, the OIG issued the U.S. Fish and Wildlife Service (Service) a Management Advisory, "Issues Identified with Wildlife Restoration Subawards to the University of Tennessee, National Bobwhite Conservation Initiative," which included the recommendation to resolve questioned costs related to subawards to NBCI. In response, the Service reviewed NBCI expenses and determined that the combined costs of State subawards to NBCI were necessary and reasonable relative to the overall benefit to the WSFR program, and so the Service will not require participant States to repay previously awarded funds. The Service is taking the lead in creating policies and procedures, as well as a new regulation that will allow States to pool their resources in partnerships through which State agencies cooperatively plan and enter into Service-approved initiatives. No further corrective actions are necessary. Therefore, we consider this recommendation resolved and implemented.

### Auditor Recommendation 2

The auditors recommend that the FWS work with the Department to ensure staff are trained on how to apply the Department's policies and procedures for making determinations on whether agreements should be classified as subawards or contracts.

### Agency Response

**The Agency concurs with the auditor's finding.** Federal Aid staff from the Georgia Department of Natural Resources and the Wildlife Resources Division met on Monday October 25, 2021, to discuss the findings from its most recent Wildlife and Sport Fish Restoration Program Audit and provide staff training regarding how to apply the Department's policies and procedures for making determinations on whether agreements should be classified as subawards or contracts. Staff were provided with the attached "Subrecipient and Contractor Determination Summary" developed by the Department's Federal Accounting Manager. We also implemented a policy within the Wildlife Resources Division that requires that a copy of the Subrecipient and Contractor Determination form must be submitted with the contract

before the contract can be approved and signed by the Director (attached). The policy states: “Contracts must be reviewed/approved by DNR legal prior to routing for Director’s Office signature. Contracts must also be accompanied by the current DNR subrecipient/contractor determination form or a comment in the cover memo indicating why the determination is not required. Contracts not meeting these requirements will be returned.”

**Service Response**

The Service concurs with the auditor’s finding. After reviewing documentation that the Department has trained staff on applying policies and procedures in determining whether agreements should be classified as subawards or contracts, the Service considers this recommendation resolved and implemented.

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## Appendix 5: Status of Recommendations

<b>Recommendation</b>	<b>Status</b>	<b>Action Required</b>
1	Closed – U.S. Fish and Wildlife Service Disagreed	No action is required.
2	Resolved and implemented	No action is required.

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