



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 Delaware, Department of Natural
Resources and Environmental Control, Division of Fish and Wildlife, From
July 1, 2013 Through June 30, 2015




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

FEB 15 2017

Memorandum

To: Jim Kurth
Acting 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 State of Delaware, Department of Natural Resources and Environmental Control, Division of Fish and Wildlife, From July 1, 2013 Through June 30, 2015
Report No. 2016-EXT-043

This report presents the results of our audit of costs claimed by the State of Delaware, Department of Natural Resources and Environmental Control, Division of Fish and Wildlife (Division) under grants awarded by the U.S. Fish and Wildlife Service (FWS). FWS provided the grants to the State under the Wildlife and Sport Fish Restoration Program (Program). The audit included claims totaling \$23.3 million on 88 grants that were open during the State fiscal years that ended June 30, 2014, and June 30, 2015 (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, had applied out-of-period, and therefore ineligible, non-Federal match to two grants, and had not reconciled its grant-funded, real property records with those of FWS.

We provided a draft report to FWS for a response. In this report, we summarize the Division's and FWS' Region 5 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 May 15, 2017. 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:

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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 916-978-5650, 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 State of Delaware, Department of Natural Resources and Environmental Control, Division of Fish and Wildlife (Division)—

- 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 \$23.3 million on the 88 grants open during the State fiscal years (SFYs) that ended June 30, 2014, and June 30, 2015 (see Appendix 1). We report only on those conditions that existed during this audit period. We performed our audit at Division Headquarters located in Dover, and visited a variety of locations across the State (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 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;
- conducting site visits to inspect equipment and other property;
- determining whether the Division used hunting and fishing license revenues solely for the administration of fish and wildlife Program activities; and
- 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 Division'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 Division employees who charged time to Program grants, and verified their hours against timesheets and other supporting data.

Prior Audit Coverage

On May 31, 2011, we issued "US Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the State of Delaware, Department of Natural Resources and Environmental Control, From July 1, 2008, Through June 30, 2010" (R-GR-FWS-0014-2010). 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 2014 and 2015. 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. Out-of-Period Match.** The Division claimed out-of-period, and therefore ineligible, costs in its required matching funds.
- B. Unreconciled Real Property Records.** The Division and FWS had not completed a reconciliation to ensure an accurate and complete inventory of lands acquired under Program grants.

Findings and Recommendations

A. Out-of-Period Match

Under the Wildlife and Sport Fish Restoration Program, States must use State matching (non-Federal) funds to cover at least 25 percent of costs incurred in performing projects under the grants, and as with costs claimed for reimbursement, States must support the value of these contributions.

During our review, we found that the Division claimed out-of-period, and therefore ineligible, third-party donations in its 25 percent required match for projects and operations of the Artificial Reef Program grant. Specifically, the Division banked approximately \$8.5 million in donations made to the project since May 1994. During SFYs 2014 and 2015, the Division used \$343,492 of these costs as ineligible match. The Division plans to use the remaining banked, in-kind balance of approximately \$5.4 million for future Artificial Reef Program grants.

In addition, we found that the Division claimed out-of-period, and therefore ineligible, boardwalk construction costs incurred in the Aquatic Resources Education Center grant. Specifically, the Division banked approximately \$236,262 in construction costs supporting the project since 1995. During SFYs 2014 and 2015, the Division used \$12,068 of these costs as ineligible match. Further, the Division plans to use the remaining banked, in-kind balance of approximately \$79,243 for future Aquatic Resource Education Center grants.

According to 50 C.F.R. §80.94, a State fish and wildlife agency may incur costs under a grant from the effective date of the grant period to the end of the grant period except for pre-award costs that meet specific conditions. Also, 43 C.F.R. § 12.63(a) states that a grantee may charge to the award only costs resulting from obligations of the funding period. Further, 43 C.F.R. § 12.64 (a)(2) provides that a

matching requirement may be satisfied by the value of third-party contributions applicable to the grant period.

Although Division personnel requested and were given approval by FWS’ Region 5 to use the banked match until it was expended, the existing regulations did not allow this process.

During our audit scope, the Division incorrectly applied out-of-period matching contributions of \$343,492 in donations and \$12,068 in construction costs to the Artificial Reef Program and Aquatic Resources Education Center grants, respectively.

Recommendation
<p>We recommend that FWS:</p> <p>I. Work with the Division to resolve the issue of using out-of-period match.</p>

Division Response

The Division recognizes the finding; however, because FWS had approved the use of banked match the Division believed it was in compliance with the regulation and did not knowingly or willfully violate the regulation. As a result of the audit, the use of out-of-period donations and construction costs as a match source was deemed unallowable and therefore the Division will no longer utilize match for similar projects submitted to FWS for review and approval in the future.

FWS Response

FWS concurs with OIG’s finding and recommendation and has reviewed and accepted the Division’s response. FWS will not approve any future grants using this match, and there is no further action required by the Division.

OIG Comments

Based on the Division and FWS’ responses, we consider the recommendation resolved and implemented (see Appendix 3).

B. Unreconciled Real Property Records

To ensure that real property acquired under Program grants continues to serve the purpose for which acquired, the Division must ensure that its database of real property acquired with Program grant funds is accurate and complete, and reconciles with land records FWS maintains. FWS and the Division agreed that a reconciliation has not been completed.

Federal regulation 50 C.F.R. § 80.90(f) requires that the Division maintains control of all assets acquired under Program grants to ensure that they serve the purpose for which acquired throughout their useful life. In addition, the FWS Director reiterated land management requirements to Program participants in a March 29, 2007 letter. The letter requested each State maintain a real property management system that includes a comprehensive inventory of lands to ensure that its inventory is accurate and complete.

The Division and FWS have been unable to commit sufficient resources to ensure that the reconciliation was completed. FWS is in the process of contracting with an outside source to perform the reconciliation, but by the date of our audit exit conference (held August 23, 2016), the land records had not been reconciled.

While the Division does have a real property system in place, the inventory cannot be declared accurate and complete, or that the lands are being used for their intended purposes, until a reconciliation is performed with FWS' land records.

Recommendations

We recommend that FWS:

2. Work with the Division to reconcile their respective records of lands purchased with Program funds, and resolve any differences identified.
3. Require the Division to certify that grant-funded, real property is being used for its intended purpose.

Division Response

The Division concurs with the findings, and is currently coordinating with FWS to reconcile land records.

FWS Response

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

OIG Comments

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

Appendix I

State of Delaware
Department of Natural Resources and Environmental Control
Division of Fish and Wildlife
Grants Open during the Audit Period
July 1, 2013 Through June 30, 2015

Grant Number	Grant Amount	Claimed Costs
Fish		
F12AF00673	\$42,948	\$29,943
F12AF00675	191,015	188,460
F12AF00962	171,728	212,424
F12AF01283	680,000	451,377
F12AF01299	664,000	297,505
F12AF01306	664,000	643,059
F13AF00167	22,028	21,601
F13AF00174	201,160	182,696
F13AF00205	36,992	47,449
F13AF00210	131,560	121,860
F13AF00213	329,156	295,092
F13AF00269	202,696	133,940
F13AF00298	800,000	739,568
F13AF00308	162,564	125,256
F13AF00361	33,688	15,103
F13AF00362	187,348	183,703
F13AF00497	47,236	38,829
F13AF00584	183,460	197,838
F13AF00607	83,635	131,314

Grant Number	Grant Amount	Claimed Costs
Fish		
FI3AF00894	\$664,000	\$588,478
FI3AF00895	660,000	338,111
FI3AF00896	680,000	668,185
FI3AF00978	37,080	37,960
FI3AF01102	18,892	19,843
FI4AF00051	170,692	136,689
FI4AF00053	326,620	327,335
FI4AF00054	42,188	41,016
FI4AF00055	794,000	794,000
FI4AF00056	138,460	125,947
FI4AF00057	220,496	229,047
FI4AF00065	98,400	96,971
FI4AF00066	201,576	107,719
FI4AF00261	12,844	14,269
FI4AF00271	188,512	155,551
FI4AF00573	630,000	697,487
FI4AF00574	660,000	576,447
FI4AF00575	57,992	93,410
FI4AF00623	36,248	41,261
FI4AF00624	264,653	136,463
FI4AF01192	949,836	636
FI4AF01194	600,000	360,963
FI4AF01208	800,000	800,000
FI4AF01209	28,964	38,486
FI4AF01210	139,224	128,735
FI4AF01211	227,992	206,567

Grant Number	Grant Amount	Claimed Costs
Fish		
F15AF00018	\$33,519	\$46,737
F15AF00019	179,236	156,816
F15AF00020	344,972	53,368
F15AF00069	224,784	97,833
F15AF00108	13,684	0
F15AF00406	193,680	0
Fish and Wildlife		
F14AF00067	2,339,004	0
Wildlife		
F10AF00361	3,197,150	1,747,904
F11AF01118	1,487,890	1,479,765
F12AF00404	239,333	233,108
F12AF00669	122,667	135,314
F12AF00702	1,926,950	1,581,451
F12AF01213	15,424	19,630
F12AF01279	749,167	606,887
F12AF01459	176,680	206,845
F12AF01461	16,020	44,902
F12AF01465	111,464	93,523
F13AF00587	7,723	7,717
F13AF00588	18,108	17,595
F13AF00605	657,267	352,687
F13AF00606	65,194	78,722
F13AF00898	1,884,000	1,876,392
F13AF01100	223,759	241,405
F13AF01101	208,704	212,882

Grant Number	Grant Amount	Claimed Costs
Wildlife		
F13AF01124	\$25,432	\$25,432
F13AF01125	47,768	47,768
F13AF01126	10,030	10,023
F14AF00353	690,227	415,597
F14AF00472	398,720	100,214
F14AF00627	17,584	22,137
F14AF00628	35,180	33,961
F14AF00728	7,723	7,717
F14AF00729	17,612	17,652
F14AF00730	193,656	103,977
F14AF00856	2,092,252	1,384,236
F14AF01109	77,325	98,615
F14AF01188	20,394	6,991
F14AF01214	73,333	82,903
F14AF01215	201,333	0
F14AF01216	128,000	6,295
F15AF00200	853,448	850,195
F15AF00201	98,500	1,528
F15AF00202	18,488	18,530
Total	\$32,927,267	\$23,343,848

Appendix 2

**State of Delaware
Department of Natural Resources and Environmental Control
Division of Fish and Wildlife
Sites Visited**

Headquarters

Dover

Wildlife Areas

Little Creek

McKay

Milford Neck

Nanticoke

NG Wilder

Boating/Fishing Access

Cedar Creek

McGinnis

Seaford

Woodland Beach

Other

Aquatic Resources Education Center

“First State” Research Vessel

Kent County Hunter Education Training Center

Little Creek Fisheries Office/Lab

Nanticoke Shad Hatchery

Appendix 3

State of Delaware
Department of Natural Resources and Environmental Control
Division of Fish and Wildlife

Status of Audit Recommendations

Recommendations	Status	Action Required
I	We consider the recommendation resolved and implemented.	No further action is necessary.
2 and 3	<p>We consider the recommendations resolved but not yet implemented.</p> <p>U.S. Fish and Wildlife Service (FWS) regional officials concurred with OIG's findings and recommendations and have reviewed and accepted the Division's response. FWS will work closely with the Division 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 Division.</p> <p>We will refer the recommendations not resolved or implemented at the end of 90 days (after May 15, 2017) to the Assistant Secretary for Policy, Management and Budget for resolution and tracking of implementations.</p>

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