



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 North Dakota, Game and Fish Department,
From July 1, 2013, Through June 30, 2015



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INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

Memorandum

SEP 25 2017

To: Gregory Sheehan
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 North Dakota, Game and Fish Department, From July 1, 2013, Through June 30, 2015
Report No. 2016-EXT-046

This final report presents the results of our audit of costs claimed by the State of North Dakota (State), Game and Fish Department (Department), 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 \$42 million on 38 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 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 questioned \$380,142 of in-kind, State matching claims as unsupported. In addition, we found issues related to implementing policies and procedures similar to those reported by the North Dakota State Auditor's Office in an April 2014 Performance Audit Report on the Game and Fish Department.

We provided a draft report to FWS for a response. In this report, we summarize the Department's and FWS Region 6'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 December 26, 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 Tim Horsma, Program Audit Coordinator, at 916-978-5650, or me at 303-236-9243.

cc: Regional Director, Region 6, 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 revenue 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 North Dakota (State), Game and Fish Department (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 revenue 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 \$42.3 million on the 38 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 these audit periods. We performed our audit at Department Headquarters in Bismarck 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.

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.

Our tests and procedures included—

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

- 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 revenue 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 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 December 1, 2011, we issued "U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the State of North Dakota, Game and Fish Department From July 1, 2008, Through June 30, 2010 (No. R-GR-FWS-0011-2011).

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 North Dakota's Single Audit reports for SFYs 2013 and 2014 and noted that the Department's Wildlife Restoration and Basic Hunter Education, and Sport Fish Restoration Programs, were identified as major programs. The Single Audit also identified an issue related to unallowable meal expenses that directly impacted the Program grants.

In addition, we reviewed the State Auditor's "Performance Audit Report: Game and Fish Department" (Report No. 3034 issued April 9, 2014), and noted that it identified a number of issues that affected the Department's administration of Program grants. During our review, we found similar issues related to the Department's implementation of policies and procedures. After discussion with FWS and assurance from the Department that it is working to address the report's recommendations, we will defer to FWS to follow up on the resolution of these issues (see Finding B for details).

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 and recommendations:

A. Unsupported, In-Kind Contributions (\$380,142)—The Department used unsupported, in-kind documentation as part of its required matching funds.

B. Implementation of State Audit Recommendations—The North Dakota State Auditor’s 2014 “Performance Audit Report: Game and Fish Department” included findings and recommendations that could affect the management of Program grants.

Findings and Recommendations

A. Unsupported, In-Kind Contributions (\$380,142)

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. As with costs claimed for reimbursement, States must support the value of these contributions.

The Department claimed the value of hours donated by volunteers as part of its matching share of costs for hunter education, shooting range, and aquatic education program grants. We reviewed volunteer timesheets and the Training and Activity Data, which were reported during SFYs 2014 and 2015. Our analysis disclosed systemic problems with this documentation, specifically volunteer timesheets. These timesheets—

- were not always signed by a lead organizer or instructor;
- were not always fully completed or signed by the volunteer instructor;
- did not always show who was the lead organizer or instructor to approve the timesheets;
- showed inadequate evidence of supervisory review. Even though some of the Training and Activity Data sheets showed signatures from the volunteer instructors, many documents did not show any official’s approving initials or other evidence of review;
- did not show the hours worked per day, but instead showed the accumulated hours worked on a class;
- did not always show how much time was allocated for preparation for the class;
- claimed unreasonable amounts of time donated, including 51 hours

- attributed to a volunteer who taught a class lasting only 2 to 3 hours per day, for a total of 19 hours; and
- only reported class starting dates and omitted class ending dates; therefore, we could not determine the duration of some of the classes.

The Code of Federal Regulations (2 C.F.R. § 225.55 C1 (j)) outlines basic guidelines on cost principles and requires costs to be adequately documented to be allowable under Federal awards.

In addition, 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.

During our review, we found that the Department had not established and implemented sufficient policies and procedures to ensure that in-kind contributions claimed were adequately supported. Specifically, the design of the Department's in-kind timesheets did not allow volunteers to record their hours on a daily basis and the timesheets did not have a place for lead instructor signature or the Department official's approval.

Due to the systemic poor quality of the Department's in-kind documentation, we are questioning all of the volunteer hours donated under the hunter and aquatic education and shooting range programs, as unsupported.

Recommendations

We recommend that FWS:

1. Resolve the unsupported question costs related to volunteer hours totaling \$380,142; and
2. Require the Department to establish and implement policy and procedures to ensure that (1) volunteer hours are reported on a daily basis, and (2) volunteer timesheets include a place for the lead instructor signature and Department approval.

Department Response

The Department does not agree that all of the volunteer hours donated under the hunter and aquatic education and shooting range programs are unsupported. The Department recognizes that there are improvements that can be made and has implemented improvements based on the audit recommendations.

FWS Response

FWS acknowledges the monetary finding and will work with the Department to address the recommendation by collecting and reviewing additional documentation that supports the questioned costs. In addition, FWS concurs with the procedural finding and believes the updated version of the State's volunteer timesheet, in use since January 2017, addresses the deficiencies.

OIG Comments

Based on the Department's and FWS' responses, we consider Recommendation 1 resolved but not implemented and Recommendation 2 resolved and implemented (see Appendix 3).

B. Implementation of State Audit Policies Recommendations

During our review of the Department's Program grants, we noted that the North Dakota State Auditor's Office had performed an extensive review of the Department—"Performance Audit Report: Game and Fish Department" (Report No. 3034, April 9, 2014). These issues include inconsistencies in the Private Land Open to Sportsmen program, noncompliance with procurement requirements, misuse of public funds, a need to document policies and procedures for the Hunter Education Instructor Program, especially for the firearms inventory maintained by the Department.

We performed our testing and found similar issues as those reported in the State's report; however, after discussion with FWS and assurance from the Department that it is working to address the report's recommendations, we determined that additional detailed reporting of these issues was not warranted.

Federal regulation 2 C.F.R. § 200.205, "Federal Awarding Agency Review of Risk Posed by Applicants" states: "the Federal awarding agency may consider any items such as . . . the reports and findings of any other available audits." Further, 2 C.F.R. § 200.207 allows the Federal awarding agency to impose additional, specific, award conditions based on the criteria set forth in 2 C.F.R. § 200.205.

Because these general agency findings in the State or Single Audit report are important in facilitating the WSFR grants, we believe that FWS should monitor the Department's progress in addressing these issues.

Recommendation

We recommend that FWS:

3. Require the Department to inform FWS when the specified State Performance and Single Audit corrective actions have been implemented and cleared through the State's audit follow-up process, and provide relevant documentation from that clearance process.

Department Response

The State's field work for "Performance Audit Follow-Up: Status of Recommendations, Game and Fish Department" was completed in May 2017 (Report No. 3034-1). The Department has reviewed the draft audit report and the State finalized the report in July 2017. The State Auditor's Office stated that the Department has fully implemented 36 of the 44 recommendations presented in the performance report. The remaining 8 recommendations (including those related to policy and procedure development and implementation, maintaining adequate support for expenditures, and equipment management) were considered partially implemented.

The State Single Audit, dated March 28, 2017, reported that Department prior audit findings had been implemented.

FWS Response

FWS concurs with the recommendation and will address this with the Department in the preparation of a corrective action plan.

OIG Comments

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

Appendix 1

**State of North Dakota
Game and Fish Department
Grants Open during the Audit Period
July 1, 2013 Through June 30, 2015**

Grant Number	Grant Amount	Claimed Costs	Unsupported Costs
F08AF00132	\$11,075,240	\$11,014,135	-
F09AF00215	262,300	275,543	-
F10AF00632	330,332	269,335	-
F11AF01303	88,005	88,005	-
F12AF00651	163,698	139,622	\$12,333
F12AF00833	2,340	2,340	-
F13AF00117	2,528,651	2,513,392	-
F13AF00118	719,600	719,533	-
F13AF00119	258,500	249,355	42,728
F13AF00120	979,000	971,308	-
F13AF00121	541,149	450,209	-
F13AF00123	476,300	466,463	51,753
F13AF00639	490,000	476,015	-
F13AF00651	3,486,831	3,305,675	-
F13AF00655	2,506,100	2,450,579	-
F13AF00686	300,000	284,543	-
F13AF00816	400,000	400,000	-
F13AF01266	102,729	86,174	7,158
F14AF00093	266,000	190,337	47,584
F14AF00094	92,941	80,679	-
F14AF00096	531,000	418,239	104,560
F14AF00097	1,284,667	1,257,435	-
F14AF00138	2,694,667	2,552,135	-
F14AF00139	1,088,683	1,006,093	-
F14AF00526	900,000	513,717	-
F14AF00550	102,927	41,560	4,663
F14AF00658	3,386,713	3,357,351	-
F14AF00659	2,777,870	2,747,478	-
F14AF00660	2,045,000	1,810,633	-
F14AF00661	25,000	12,601	-
F15AF00075	87,941	84,778	-
F15AF00076	540,000	513,260	-

Grant Number	Grant Amount	Claimed Costs	Unsupported Costs
F15AF00077	\$2,633,979	\$2,609,069	-
F15AF00078	1,381,501	0	-
F15AF00086	264,803	245,425	\$20,695
F15AF00087	631,422	589,389	88,668
F15AF00229	44,946	24,448	-
F15AF00493	61,615	61,615	-
TOTAL	\$45,552,450	\$42,278,468	\$380,142

Appendix 2

**State of North Dakota
Game and Fish Department
Sites Visited**

Burleigh County
Headquarters, Bismarck

Barnes County
Clausen Springs Boat Ramp
Clausen Springs Wildlife Management Area (WMA)
Valley City Hatchery, USFWS
Valley City WMA

Benson County
Minnewaukan Landing Recreation Area

Bottineau County
Long Lake
Thompson Lake WMA

District Offices
Bismarck
Devils Lake
Dickinson
Jamestown
Riverdale
Williston

Dunn County
Killdeer Mountains WMA

Grand Forks County
Forks Rifle Club
Grand Forks Gun Club

Golden Valley County
Beach City Pond
Camels Hump Lake WMA
Camels Hump Dam

Kidder County
Lake Williams Boat Ramp
Lake Williams WMA

LaMoure County
James River Boat Ramp
James River Lake
James River Sportsman's Club

McHenry County
Buffalo Lodge Lake
Upham WMA

McLean County
Three Mile Corner Recreation Area
Audubon WMA
Custer Mine WMA
de Trobriand WMA
Riverdale WMA
Wolf Creek WMA

Mercer County
Hazen Bay Recreation Area
Zap Shooting Range

Morton County
Heskett Power Plant Public Fishing Area
Storm Creek WMA
Danzig Dam Recreation Area

Mountrail County
New Town Marina
Parshall Bay
Van Hook WMA

Pembina County
Eldon S Hillman WMA
Jay V Wessels WMA

Pierce County
Sand Lake

Ramsey County
Creel Bay Recreation Area
East Bay Recreation Area

Renville County
Mohall Trap Club

Rolette County
Willow Lake WMA

Stark County
Belfield Pond
Dickinson Dike
Dickinson Reservoir
Slope Area Rifle & Pistol Club

Stutsman County
Chase Lake WMA

Williams County
Confluence Recreation Area
Lewis & Clark Bridge Recreation Area
McGregor Lake Recreation Area
Whitetail Bay Recreation Area

Appendix 3

**State of North Dakota
Game and Fish Department
Status of Audit Recommendations**

Recommendations	Status	Action Required
1 and 3	We consider the recommendations resolved but not implemented.	<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 Fish and Wildlife Service Headquarters officials reviewed and approved the actions taken or planned by the State.</p> <p>We will refer the recommendations not implemented at the end of 90 days (December 26, 2017) to the Assistant Secretary for Policy, Management and Budget for tracking of implementation.</p>
2	We consider the recommendation resolved and implemented.	No further action is required.

