



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 New York State Department of Environmental Conservation,
Division of Fish and Wildlife, From April 1, 2014, Through March 31, 2016



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INSPECTOR GENERAL
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Memorandum

FEB 28 2018

To: Greg Sheehan
Principal Deputy Director, Exercising the Authority of the Director,
U.S. Fish and Wildlife Service

From: Nicki Miller *Nicki Miller*
Regional Manager, Eastern Region

Subject: Final Audit Report – U.S. Fish and Wildlife Service Wildlife and Sport Fish
Restoration Program Grants Awarded to the New York State Department of
Environmental Conservation, Division of Fish and Wildlife,
From April 1, 2014, Through March 31, 2016
Report No. 2017-EXT-051

This audit report presents the results of our audit of costs claimed by the New York State Department of Environmental Conservation, Division of Fish and Wildlife, 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. The audit included claims totaling approximately \$171 million on 19 grants that were open during the State fiscal years that ended March 31, 2015, and March 31, 2016 (see Appendix 1). The audit also covered the Department's compliance with applicable laws, regulations, and FWS guidelines, including those related to collecting and using hunting and fishing license revenue, and reporting program income.

We found that the Department complied, in general, with applicable grant accounting and regulatory requirements. The Department had not, however, reported losing control of real property purchased with grant funds and license revenue, reconciled its real property records with FWS' real property inventory, performed a biennial equipment inventory, followed Federal requirements for subaward administration and reporting, accurately reported grant performance accomplishments at a wildlife management area, and reported barter agreement transactions on Federal Financial Reports.

We provided a draft report to FWS for its response to our recommendations. In this report, we note that FWS concurs with our recommendations and will work with the Department to implement the recommendations. We list the status of the recommendations in Appendix 3.

Please provide us with a corrective action plan based on our recommendations by May 29, 2018. 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 aie_reports@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 me at 703-487-8029.

Table of Contents

| | |
|-----------------------------------|----|
| Introduction..... | 1 |
| Background..... | 1 |
| Objectives | 1 |
| Scope | 1 |
| Methodology..... | 2 |
| Prior Audit Coverage..... | 3 |
| Results of Audit | 4 |
| Audit Summary | 4 |
| Findings and Recommendations..... | 4 |
| Appendix 1..... | 10 |
| Appendix 2..... | 11 |
| Appendix 3..... | 12 |

Introduction

Background

The Pittman-Robertson Wildlife Restoration Act and the Dingell-Johnson Sport Fish Restoration Act¹ established the Wildlife and Sport Fish Restoration 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 New York State Department of Environmental Conservation (Department), Division of Fish and Wildlife:

- 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
- Reported and used program income in accordance with Federal regulations

Scope

Audit work included claims totaling approximately \$171 million on the 19 grants open during the State fiscal years (SFYs) that ended March 31, 2015, and March 31, 2016 (see Appendix 1). We report only on those conditions that existed during this audit period. We performed our audit at the Department's headquarters in Albany, New York, and visited one regional office, three wildlife management areas, one fish culture station, one boat access site, two environmental education centers, a shooting club, and a wildlife resources center (see Appendix 2).

We performed this audit to supplement—not replace—the audits required by the Single Audit Act Amendments of 1996.

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

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:

- 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
- 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 November 2, 2012, we issued “U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the New York State Department of Environmental Conservation, From April 1, 2009 Through March 31, 2011” (R-GR-FWS-0008-2012). 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 the single audit report for SFYs 2015 and 2016. The reports did not contain any findings that would directly affect the 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 and recommendations:

- A. **Loss of Control over Real Property**—The Department lost control of property purchased with grant funds and license revenue.
- B. **Real Property Reconciliation**—The Department did not reconcile its real property records with FWS’ real property inventory.
- C. **Asset Management**—The Department did not perform a required biennial equipment inventory.
- D. **Subaward Administration**—The Department did not follow Federal requirements for subaward administration.
- E. **Grant Performance Compliance Reporting**—The Department did not accurately report grant performance accomplishments at a wildlife management area.
- F. **Unreported Barter Agreements**—The Department did not report barter agreement transactions on Federal Financial Reports (FFRs).

Findings and Recommendations

We provided a draft report to FWS for review. FWS concurred with all nine recommendations and will work with the Department on a corrective action plan. We therefore consider all nine recommendations resolved but not yet implemented (see Appendix 3).

A. Loss of Control over Real Property

The Department lost control of lands acquired with Program grant funds and license revenue for use as a game farm when the Department allowed Five Rivers Environmental Education Center to be built on the property and assigned control to the Operations Division, a separate State division.

The Ackerman land tract was purchased with Program grant funds and license revenue for game propagation, species management, hunting and trapping, and as protection from development. The property is now used for environmental education activities and public nature and environment programs run by an

outside organization, Friends of Five Rivers. This is outside the land's original intended use. Original activities such as hunting and trapping are no longer allowed, and game propagation programs are no longer done. The Department has not provided documentation that the FWS approved the property's change in use. Regulation 50 C.F.R. § 80.134(a) requires that a State fish and wildlife agency must use land acquired with grant funds for the purposes authorized in the grant.

In addition, the Department allowed the State's Division of Lands and Forests to occupy space at its Program-funded Wildlife Resources Center free of charge, potentially diverting license revenues to an unauthorized recipient. The FWS became aware of the non-related Program activity in 2015 and was told the Lands and Forests' staff were only temporarily located at the site. We observed during our site visits that Lands and Forests staff continued to occupy the space, and the Department did not update FWS of the arrangement.

The State passed legislation assenting to the provisions of the Acts, thereby requiring revenue from hunting and fishing licenses to be controlled only by the State fish and wildlife agency, and used only for the State's fish and wildlife activities. Federal regulation prohibits the use of license revenue for any purpose other than the administration of the State's fish and wildlife agency (50 C.F.R. § 80.4). A diversion of Program revenue occurs when any portion of it is used for any purpose other than the administration of the State fish and wildlife agency. Allowing Lands and Forests' use of the Wildlife Resource Center space without an agreement, or any form of compensation, is a potential diversion of license revenues.

Recommendations

We recommend that FWS:

1. Determine whether lands purchased with grant funds and license revenue continue to meet eligible Program purposes and remain under control of the Department. Require appropriate compensation should any diversion be declared.
2. Resolve the Lands and Forests' unauthorized use of space at the Wildlife Resources Center.

B. Real Property Reconciliation

The Department and the FWS each maintain records on land purchased with Program grant funds, but these two sets of records have not been reconciled. We reviewed records and found that at least 74 land tracts associated with 15 grants had not been reconciled with FWS' records. The *Draft Corrective Action Plan* for Audit Report No. R-GR-FWS-0015-2007 cited March 31, 2009, as the targeted

implementation date for reconciliation between the Department's and FWS' records.

According to 50 C.F.R. § 80.18(c), each State is required to maintain accountability and control of Program assets to ensure that the assets were used throughout their useful life for the intended purpose they were acquired. The FWS Director reiterated land management requirements to Program participants in a March 2007 letter. The Director requested each State maintain a real property management system that includes a comprehensive inventory of lands, and to ensure that its inventory is accurate and complete. In addition, 50 C.F.R. § 80.4 extends the same accountability and control requirements to those assets acquired with license revenue.

Until records are reconciled, the Department cannot ensure that its real property management system includes a comprehensive inventory of lands acquired with Program funds and license revenues.

Recommendations

We recommend that FWS:

3. Work with the Department to reconcile its respective records of land purchased with grant funds and license revenue.
4. Require the Department to maintain an accurate and comprehensive inventory of lands acquired with grant funds and license revenue.

C. Asset Management

Federal regulation 2 C.F.R. § 200.313(b) requires a State to follow its own policies and procedures to use, manage, and control its property. We found that the Department did not follow its *Property Management System Handbook* procedures, specifically Section 1.3 (c)(f), which requires them to properly account for equipment and to conduct a physical equipment inventory every 2 years.

We found during inventory testing that all equipment items did not agree with the inventory records, the inventory did not include vehicles purchased with Program funds, and the Department was not conducting required biennial physical inventories. Specifically, inventory records showed the South Otselic Fish Culture Station had seven whisper feeders, but we only could identify four. Other feeders were at the location, but did not have identification tags. The feeders that had been tagged did not have the same identification tag numbers as recorded in the inventory database.

Further, the FWS allowed the Department to purchase 11 vehicles with grant funds to be used only for Program activities, but the vehicles were not included as part of the inventory. The Department maintains a list of vehicles in a separate database. We became aware of the vehicles during site our visits. These vehicles should have been included as part of the personal property inventory for verification.

Finally, the Department was not following its policy and procedure to conduct a physical inventory every 2 years. An inventory had not been conducted since February 2013.

Timely inventories would assist in determining whether all personal property purchased with Program funds are current, properly accounted for, and not used for unauthorized purposes.

Recommendations

We recommend that FWS:

5. Require the Department to follow Federal requirements and its own policies and procedures for inventory.
6. Ensure that personal property inventory records include all equipment purchased with grant funds and license revenue.

D. Subaward Administration

The Department did not always fulfill its oversight responsibilities of subawards. Specifically, the Department did not conduct adequate risk assessments of subrecipients, establish monitoring plans, or publicly report subawards of \$25,000 or more for posting on USASpending.gov, a website dedicated to promoting transparency in Federal spending.

Federal regulation 2 C.F.R § 200.331(b) specifies requirements for pass-through entities and subaward administration, including risk assessment, monitoring, and reporting. The Department awarded subawards of \$20.6 million associated with six Program grants. The subawards had 22 projects, and \$5.2 million had been disbursed. The Department did not perform risk assessments or implement monitoring plans of the subrecipients for various departments at Cornell University and State University of New York.

The Department considered that the standard language in its subawards meet risk assessment and monitoring requirements, but agreed it did not have procedures in place for reporting subaward information to the Federal website. This violated 2 C.F.R. § 170, Appendix A, I.a.1, I.a.2.i, that require Federal grantees to report

each subaward action that obligates \$25,000 or more in Federal funds by posting it on www.fsr.gov. This information is then posted to www.USASpending.gov.

Recommendation

We recommend that FWS:

7. Work with the Department to ensure that the Department establishes and communicates policies and procedures to implement Federal requirements for subaward administration.

E. Grant Performance Compliance Reporting

The Department did not properly review and approve the performance report for grant F11AF00509, *Wildlife Management Area Public Access Enhancement*, to ensure that it contained accurate grant objectives for projects at Tivoli Bays Wildlife Management Area before the document was released to FWS. States are required to submit performance reports to the FWS annually and after completion of each grant awarded through the Program. These reports provide data to help the FWS ensure that States spend funds appropriately and achieve project goals.

Federal Regulation 2 C.F.R. § 200. 328 (d)(1) requires a non-Federal entity to inform the Federal awarding agency, or pass-through entity, as soon as the following types of conditions become known: problems, delays, or adverse conditions which will materially impair the ability to meet the objective of the Federal award. This disclosure must include a statement of the action taken, or contemplated, and any assistance needed to resolve the situation.

In our review of performance reports, the Department reported to FWS that all approved projects at Tivoli Bays were complete. We found work on the boat ramp was not complete and at a standstill. Further, signs were posted on the property that the launch was closed for repairs. Department officials said the boat launch portion of the project required different engineering plans, and the project was on hold. They could not say when work would resume.

When reports are not properly reviewed before submitted, the FWS is unable to determine whether the Department is effectively and appropriately spending Program funds, and completing projects timely as required in the grant terms and conditions.

Recommendation

We recommend that FWS:

8. Work with the Department to ensure performance reports contain accurate information and meet the requirements of 2 C.F.R. § 200.328 (d)(1), and the grant's terms and conditions.

F. Unreported Barter Agreements

Grant recipients are required to report to FWS any barter agreements that are directly related to grant supported wildlife management activities. Barter agreements should be reported on FFR transactions if there is any exchange of goods or services. In addition, grant recipients are permitted to earn income from grant-supported activities, but must account for the income in an agreed upon manner.

Department officials were unaware some of its regions had entered into barter agreements. In one case, Headquarters officials only became aware of the agreement when a citizen lodged a complaint on how the agreement was being awarded. When the Department designated staff to identify barter agreements within the regions, they identified 40 barter agreements at 3 of its regions. None of the agreements had been reported on the FFRs.

Regulation states if the goods or services exchanged have the same market value, the agency does not have to report bartered goods or services as program income or grant expenses in the FFR, but must disclose that barter transactions occurred and state what was bartered in the "Remarks" section of the report (50 C.F.R. § 80.98(a)(1, 3)). In addition, if the market value of the goods or services received exceeds the market value of the goods and services relinquished, the difference in market value must be reported as program income in the FFR.

Unreported barter transactions impact FWS' ability to effectively monitor its program grants.

Recommendation

We recommend that FWS:

9. Require the Department to establish a process to report applicable barter transactions on the FFR in accordance with Federal regulations.

Appendix I

New York State Department of Environmental Conservation,
Division of Fish and Wildlife
Grants Open during the Audit Period
April 1, 2014, Through March 31, 2016

| Grant Number | Grant Amount | Claimed Costs |
|---------------------|----------------------|----------------------|
| F10AF00388 | \$2,295,182 | \$4,928,911 |
| F10AF00389 | 4,120,832 | 5,069,898 |
| F10AF00395 | 11,991,807 | 19,514,359 |
| F10AF00423 | 21,368,779 | 18,665,436 |
| F11AF00506 | 6,267,140 | 7,166,502 |
| F11AF00509 | 6,623,405 | 6,057,381 |
| F11AF00563 | 524,000 | 232,719 |
| F11AF00984 | 243,640 | 273,979 |
| F12AF01212 | 13,648,868 | 12,888,708 |
| F12AF01217 | 40,476,559 | 30,420,864 |
| F12AF01300 | 1,161,799 | 1,161,800 |
| F13AF00453 | 16,113,285 | 43,619,896 |
| F13AF00477 | 18,551,502 | 9,713,197 |
| F14AF00392 | 2,913,136 | 1,422,237 |
| F14AF01243 | 6,695,150 | 3,548,077 |
| F14AF01250 | 519,660 | 0 |
| F15AF00276 | 2,836,603 | 857,490 |
| F15AF00277 | 4,902,406 | 837,660 |
| F15AF00278 | 17,046,621 | 4,143,479 |
| Total | \$178,300,374 | \$170,522,593 |

Appendix 2

New York State Department of Environmental Conservation
Division of Fish and Wildlife
Sites Visited

Headquarters

Albany, NY

Regional Office

Region 3-New Paltz

Fish Hatchery

South Otselic Fish Culture Station

Wildlife Management Areas

Bear Spring Mountain

Pharsalia

Tivoli Bays

Boating Access

Round Lake

Other

Five Rivers Environmental Education Center

Richfield Sportsmen's Club

Rogers Environmental Education Center

Wildlife Resources Center

Appendix 3

**New York State Department of Environmental Conservation,
Division of Fish and Wildlife
Status of Audit Recommendations**

| Recommendations | Status | Action Required |
|-------------------------------|---|--|
| 1, 2, 3, 4, 5, 6, 7, 8, and 9 | <p>We consider the recommendations resolved but not implemented.</p> <p>FWS regional officials concurred with the findings and recommendations and will work with the Department on a corrective action plan.</p> | <p>Complete a corrective action plan that includes information on action(s) taken or planned to address the recommendations, targeted completion dates, title(s) of the official(s) responsible for implementing the action taken or planned, 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 implemented at the end of 90 days (after May 29, 2018) to the Assistant Secretary for Policy, Management and Budget for tracking of implementation.</p> |

