



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 Missouri, Department of Conservation,
From July 1, 2013, Through June 30, 2015




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

Memorandum

SEP 18 2018

To: James W. Kurth
Deputy Director, Exercising the Authority of the Director
U.S. Fish and Wildlife Service

From: Charles Haman 
Audit Manager

Subject: Final Audit Report – U.S. Fish and Wildlife Service Wildlife and Sport Fish
Restoration Program Grants Awarded to the State of Missouri, Department of
Conservation, From July 1, 2013, Through June 30, 2015
Report No. 2016-EXT-048

This final report presents the results of our audit of costs claimed by the Missouri State Department of Conservation, under grants awarded by the U.S. Fish and Wildlife Service (FWS). The FWS provided the grants to the State under the Wildlife and Sport Fish Restoration Program. The audit included claims totaling approximately \$68.3 million on 39 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 collecting and using hunting and fishing license revenue and reporting program income.

We questioned costs totaling \$2,813,979 due to financial management system errors, improper drawdowns, unreported program income, unsupported subaward claims, and unallowable indirect costs. In addition, we determined that the Department potentially diverted \$30,500 in license revenue in a real property trade and did not comply with Federal and State subaward requirements.

We provided a draft to the FWS for a response. In this report, we summarize the Department's and FWS Region 3'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 17, 2018. The plan 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 303-236-9243.

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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 the 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 whether the Missouri State Department of Conservation:

- 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 \$68.3 million on the 39 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 the Department's headquarters in Jefferson City, MO, and visited several other offices, conservation areas, fish hatcheries, conservation nature centers, boat ramps, a shooting range, and a subrecipient university (see Appendix 2).

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

Our ability to audit payroll charged to the Department's Program grants was limited because the Department changed electronic timekeeping systems in SFY 2015 and did not keep all data necessary to support the payroll of salaried employees. Although the Department could produce reports from the SFY 2014

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

system showing hours charged by the employees, it could not provide evidence that (1) employees electronically signed their timesheets to attest to the accuracy of the hours they worked or (2) supervisors signed to indicate approval. Therefore, we cannot provide reasonable assurance that \$22.2 million (\$16.7 million Federal share) in salaried payroll costs from SFY 2014 was supported by accurate, approved timesheets. Hourly employees recorded their time on paper timesheets, and we noted no issues with the accuracy or approval of their time charges.

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, 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 February 15, 2011, we issued *Audit on U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the State of Missouri, Department of Conservation, From July 1, 2008, Through June 30, 2010* (Report No. R-GR-FWS-0002-2011). The report contained no findings.

On November 15, 2012, the Department's internal auditor issued a memorandum regarding a review of the St. Louis Region. She reported that the Department did not consistently record inventory items properly or ensure that property identification numbers were visible on all items. In several offices, she noted the absence of a segregation of duties. For example, at one location, the same person who received cash also prepared and made bank deposits. The auditor also reported that staff did not always record bulk fuel use on the corresponding fuel log. She made nine recommendations to rectify the issues discussed in the memorandum.

In an October 18, 2013 memorandum, the internal auditor detailed the results of a review of the Ozark Region. She noted that the Department did not consistently record inventory items properly, remove obsolete property from the inventory records, or ensure that property identification numbers were visible on all items. In addition, staff did not deposit cash weekly, as required, and did not properly secure the cash box at one location. Lastly, bulk fuel use was not always reconciled with fuel logs. The internal auditor provided 10 recommendations to rectify these and other findings noted in the memorandum.

On December 3, 2014, the internal auditor issued a memorandum concerning a review of internal controls over the Department's payroll process. The scope of the review was to ensure that salaries and changes to salaries were accurate and properly authorized, staff physically existed, and amounts earned, withheld, and paid were reasonable. The memorandum recommended that the Department implement an online time reporting system for hourly employees but noted no other recommendations or significant findings.

In November 2015, the Missouri State Auditor issued *Department of Conservation* (Report No. 2015-104), which detailed an evaluation of the Department's internal controls, compliance with certain legal provisions, and economy and efficiency of operations. Regarding issues potentially pertinent to Program grants and license revenue, the State Auditor found that the Department paid for group meals for commissioners, employees, and others that did not appear to be necessary or reasonable uses of State funds. Furthermore, the

Department had not adopted limits for meals purchased while employees were on official travel and allowed some employees to claim meal costs above the State's per diem rates. The State Auditor also noted that the Department did not consistently follow its own grant policies when awarding grants and reimbursing grantees under two State grant programs. Finally, the Department did not comply with State requirements to provide a contractor with a maximum budget and ensure that the contract budget was sufficiently detailed.

The Department concurred with five of the State Auditor's eight recommendations. It did not concur with two recommendations related to meal costs or a recommendation that the Department make public the final disposition of legal matters discussed at closed Conservation Commission meetings.

The Department's internal auditor issued a memorandum on May 16, 2016, that outlined the results of a review of the Central Region. She noted that nine items listed on the inventory could not be located, inventory items were not all recorded properly, and property identification numbers were not always visible on the items. Furthermore, the Department overpaid a vendor, did not consistently deposit cash weekly, and did not always record deposits in the financial management system in the month that they occurred. The memorandum made 13 recommendations to rectify these issues.

We also reviewed the State's single audit reports for SFYs 2014 and 2015. Neither of these reports contained any findings directly affecting the Program grants.

Results of Audit

Audit Summary

We identified the following conditions that resulted in our findings, including questioned costs totaling \$2,813,979.

- A. Questioned Costs—\$2,813,979.** We questioned costs due to (1) financial management system errors, (2) improper drawdowns, (3) unreported program income, (4) unsupported subaward claims, and (5) unallowable indirect costs.
- B. Potential Diversion of License Revenue—\$30,500.** The Department potentially diverted license revenue by (1) trading real property purchased with license revenue for land of lesser monetary value, (2) not documenting whether the traded properties provided approximately equal benefits to fish and wildlife, and (3) not noting the protected status of the acquired parcel in its real property management system.
- C. Noncompliance With Subaward Requirements.** The Department did not (1) ensure that its subawards contained all required information or (2) report them for posting on www.USAspending.gov, a website designed to promote transparency in Federal spending.

Findings and Recommendations

A. Questioned Costs—\$2,813,979

1. Financial Management System Errors—\$2,411,173

We noted several instances where Department officials did not correct erroneous entries in the Department's financial management system. According to the officials:

- Due to a glitch in the system, construction costs became disassociated with Federal grant codes during the rollover from one State fiscal year to the next. Department officials did not reassociate these costs with their grant codes in the financial management system.
- More than \$9,000 in expenditures claimed under Grant No. F13AF00496 for the survival, recruitment, and movement of black bears was not linked to that grant in the financial management system. According to the Federal aid coordinator, this issue resulted from human error, and the Department did not make the appropriate corrections in the financial accounting system.

- In its claims for reimbursement to the FWS, the Department allocated approximately \$2.2 million in costs associated with raising fish to Grant No. F14AF00107 for fish stocking. While such costs were allowable under the grant, the allocation was performed off-book and was never recognized in the financial management system.
- At the end of grant periods, the Federal aid coordinator worked with the appropriate project leader to determine if the financial management system correctly reflected all grant costs. The Department generally claimed any additional costs identified by the project leader for reimbursement, but no one subsequently linked them to the correct grant in the financial management system.

These issues arose because Department officials did not adhere to requirements for financial management systems from the Code of Federal Regulations (C.F.R.). Specifically, 2 C.F.R. § 200.302(a) requires that States' financial management systems be capable of preparing reports required by general and program-specific terms and conditions. The systems must also allow the tracing of funds to a level of expenditures adequate to establish that the funds have been used according to Federal statutes, regulations, and the terms and conditions of the Federal award.²

Furthermore, the Department did not follow its invoice processing policy and procedures and ensure that information in its financial management system was accurate. These procedures state that if additions or corrections are required subsequent to invoice processing, staff should complete a data change request form. The reason for the modification must be documented on the form. The Administrative Services Division is then required to process a journal voucher to change the original entry in the financial management system.

Due to these issues, the Department was unable to provide all Program grant expenditures in our audit universe without employing an inordinate amount of resources. We therefore could not conduct full audit tests of costs claimed under the Department's Program grants.

Furthermore, expenditure data from the financial management system were not reconcilable to the Department's Federal financial reports (Standard Forms 425) for six Program grants. We sampled 10 grants, under which the Department claimed \$28,772,107 in Federal and State expenditures. We could only reconcile \$25,557,209 (89 percent), however, to the financial management system. Thus, the Department claimed \$3,214,898 (\$2,411,173 Federal share) for reimbursement that we question as unsupported costs (see Figure 1).

² Prior to December 26, 2014, this requirement was located at 43 C.F.R. § 12.60(a).

Grant Number	Purpose	Unsupported Questioned Costs	
		Total	Federal
F13AF00425	Aquatic Resources Education Program	\$10,784	\$8,088
F13AF00455	Motor Boat Access Operations and Maintenance	105,982	79,487
F13AF00494	Maramec Spring Fish Hatchery	43,779	32,834
F13AF00496	Survival, Recruitment, and Movement of Missouri Black Bears	17,247	12,935
F13AF00506	Lost Valley Fish Hatchery	26,815	20,111
F14AF00107	Fish Stocking for Public Fishing and Aquatic Resource Education	3,010,291	2,257,718
Total		\$3,214,898	\$2,411,173

Figure 1. Unsupported questioned costs not reconcilable to the Department's Federal financial reports.

The Department risks incorrectly claiming the same costs under multiple Federal grants because its financial management system does not correctly identify the expenditures attributable to each Program grant.

Recommendations

We recommend that the FWS:

1. Resolve the unsupported questioned costs of \$2,411,173
2. Require the Department to adhere to the C.F.R.'s requirements for financial management systems, issue journal vouchers to correct miscoded transactions, and justify the need for corrections

Department Response

The Department concurred with the finding and recommendations. It stated that its Federal Aid Unit, Administrative Services Division, and Information Technology Unit have made several attempts to use the invoice processing policy and procedures to associate costs with grants in the financial management system. According to the Department, however, it has met with limited success. Specifically, the procedures are sufficient for data changes required in the current (i.e., open) fiscal year but do not work for changes required for prior fiscal years. The Department added that the Federal Aid Unit is working to ensure that all

SFY 2019 grant costs will be correctly identified in the financial management system.

FWS Response

The FWS concurred with the recommendations and stated that the Department's response will be considered in the corrective action plan.

OIG Comments

Based on the FWS response, we consider these recommendations resolved but not implemented (see Appendix 3).

2. Improper Drawdowns—\$204,879

The Department consistently drew down Federal funds (i.e., obtained Federal reimbursement) in excess of its actual cash needs for awards to two subrecipients under four Program grants. After the Department received and paid invoices submitted by the subrecipients, it drew down the Federal share (75 percent) of the amount invoiced approximately 2 months later. Examples of the improper drawdowns during our audit period are as follows:

- The Department obtained excessive Federal funds from each of its seven drawdowns under Grant No. F13AF00496 for the survival, recruitment, and movement of black bears. The largest cumulative amount that the Department overdraw and provided to its subrecipient, Mississippi State University, totaled \$161,567. As of the end of our audit period, June 30, 2015, the university had \$120,515 in excess Federal funds on hand.
- The Department obtained excess Federal funds from six of its seven drawdowns for Grant No. F13AF00498 for regional turkey population monitoring. At one point, the Department had drawn down \$73,341 more than its subrecipient, the University of Missouri, needed to pay its obligations under the subaward. By June 30, 2015, the university still had a surplus of \$49,499 on hand.

According to 50 C.F.R. § 80.95(a), a State fish and wildlife agency may receive Program grant funds through either a request for reimbursement or an advance of funds. For an advance, however, the State agency must maintain procedures to minimize the time between the transfer of funds and their disbursement by the State or its subrecipient.

The Department did not have such policies and procedures. Appropriate procedures could require Department officials to verify whether subrecipients are prepared to expeditiously disburse Federal funds before the Department draws them down. Alternatively, subrecipients could be required to provide evidence that they expended the subaward amounts before the Department draws down Federal funds. The Department could then reimburse the subrecipients.

Because the Department drew down Federal funds in advance of immediate cash needs, \$204,879 was held in abeyance by subrecipients as of June 30, 2015. Since these funds were not yet needed by the subrecipients, the Department could have used them to further wildlife restoration objectives elsewhere in the State. As a result, we question the \$204,879 as ineligible costs (see Figure 2).

Grant Number	Purpose	Sub recipient	Largest Overdraw of Federal Funds During Audit Period	Unused Advance of Federal Funds as of 6/30/2015
FI3AF00496	Survival, recruitment, and movement of black bears	Mississippi State University	\$161,567	\$120,515
FI3AF00498	Regional turkey population monitoring	University of Missouri	73,341	49,499
FI4AF00465	Survival, recruitment, and movement patterns of white-tailed deer	University of Missouri	103,766	34,865
FI4AF01155	Unstaffed firearm ranges visitor use survey	University of Missouri	4,304	0
Ineligible Questioned Costs				\$204,879

Figure 2. Improper drawdowns of Federal funds related to subawards.

Recommendations

We recommend that the FWS:

3. Resolve the ineligible questioned costs of \$204,879
4. Require the Department to implement policies and procedures to minimize the time between the drawdown of Federal funds by the Department and their disbursement by subrecipients

Department Response

The Department concurred with the finding and recommendations and stated that it will explore revising policies and procedures to minimize the time between the drawdown of Federal funds and their disbursement by subrecipients. The Federal Aid Unit has begun to (1) request actual cost documentation from subrecipients, (2) develop procedures on the timing of payments, and (3) develop a new subrecipient template for implementation in SFY 2019.

FWS Response

The FWS concurred with the recommendations and stated that the Department's response will be considered in the corrective action plan.

OIG Comments

Based on the FWS response, we consider these recommendations resolved but not implemented (see Appendix 3).

3. Unreported Program Income—\$119,500

The Department did not report program income to the FWS that it earned from activities funded by three Program grants. Consequently, the FWS overcompensated the Department under Grant Nos. F13AF00164, F14AF00107, and F15AF00090 for fish stocking.

Program income is gross income earned by a grantee that is directly generated by a supported activity or earned as a result of a Federal award during its period of performance. In this case, the Department bought fish food with grant funds and sold it to the public from vending machines at fish hatcheries. The public purchased the food to feed fish during hatchery visits. For our audit period, the applicable sales amounted to \$159,333 (\$119,500 Federal share).

In accordance with the C.F.R., the Department should have offset the total grant amounts and the reimbursements due from the FWS by those sales. Specifically, 2 C.F.R. §§ 200.307(e) and (e)(1) state that if the Federal awarding agency does not give prior approval regarding the use of program income, it must be deducted from total allowable grant costs.³ The FWS did not provide alternative approval in the grant awards for fish stocking.

Although the Department reported several types of program income under four other Program grants, officials had not considered the possibility that fish food sales were program income. In addition, the Department did not have written policies and procedures describing the process to report program income. Widely distributing policies and procedures to field staff would help ensure that all program income is reported, since those staff members are well positioned to recognize program income related to their assigned projects.

³ Prior to December 26, 2014, this requirement was located at 43 C.F.R. §§ 12.65(g) and (g)(1).

After we brought this issue to the Department's attention, it began reporting program income from fish food sales on subsequent fish stocking grants. Nevertheless, ineligible questioned costs of \$159,333 (\$119,500 Federal share) remain that are attributable to Grant Nos. F13AF00164, F14AF00107, and F15AF00090 (see Figure 3).

Grant Number	Purpose	Ineligible Questioned Costs	
		Total	Federal
F13AF00164	Fish stocking for public fishing and aquatic resource education	\$56,267	\$42,200
F14AF00107	Fish stocking for public fishing and aquatic resource education	90,730	68,048
F15AF00090	Fish stocking for public fishing and aquatic resource education	12,336	9,252
Total		\$159,333	\$119,500

Figure 3. Ineligible questioned costs due to unreported program income.

Recommendations
<p>We recommend that the FWS:</p> <ol style="list-style-type: none"> Resolve the ineligible questioned costs of \$119,500 Require the Department to implement and disseminate policies and procedures that describe the process for reporting program income by all applicable staff

Department Response

The Department concurred with the finding and recommendations and will use the unreported program income toward its fish stocking grant for calendar year 2018. The response indicated that the Federal Aid Unit will disseminate information about program income and develop additional procedures if necessary.

FWS Response

The FWS concurred with the recommendations and stated that the Department's response will be considered in the corrective action plan.

OIG Comments

Based on the FWS response, we consider these recommendations resolved but not implemented (see Appendix 3).

4. Unsupported Subaward Claims—\$72,197

The Department did not adequately monitor the City of Brookfield, a subrecipient that received \$96,262 (\$72,197 Federal share) for boating access development under Grant No. F11AF00049. Specifically, the Department did not sufficiently review the city's financial management system, equipment usage rate, or labor charges.

First, the Department could not provide assurance that the city's financial management system accounted for Federal funds at the transaction level. We attempted to review this issue when we visited the city, but despite multiple requests, the city manager did not provide us with a list of all project expenditures from the financial management system. Instead, she gave us off-book spreadsheets containing entries that she claimed were charged to the subaward. The C.F.R., however, states that fiscal control and accounting procedures of subrecipients must permit the tracing of funds to a level of expenditures adequate to establish that such funds have been used in accordance with applicable Federal statutes and regulations (43 C.F.R. § 12.60(a)(2)).⁴

Furthermore, neither the Department nor the city could provide support for the rate that the city used when charging equipment costs to the subaward. The city applied a usage rate of \$150 per hour to the number of hours that employees used heavy equipment, including a loader, backhoe, and grader, in the construction of the boating access site. The resulting cost amounted to \$35,100 (\$26,325 Federal share). To develop the equipment usage rate, the city manager stated, "area rental companies were contacted, and then adjustments were made by staff to be fair, and then [the rates] were okayed by [the] Department of Conservation." The city, however, did not provide us with any documentation detailing how the rate was developed. Moreover, the Department's Federal aid coordinator informed us that the Department did not have support on file for the equipment usage rate. This situation does not comply with 2 C.F.R. § 225, Appendix A(C)(1)(j), which states that to be allowable under Federal awards, costs must be adequately documented.⁵

Finally, the Department paid the city \$15,810 (\$11,858 Federal share) for labor expenses that were not documented appropriately. City employees did not sign their timesheets or denote the number of hours they worked on the boating access project separately from hours worked on unrelated activities. Instead, a single employee noted workers' boating access project hours on a separate sheet of paper that was not signed by the employees or approved by a supervisor. This is contrary to 2 C.F.R. § 225, Appendix B(8)(h)(4) and (5)(b) and (d), which state that when employees work on multiple activities, a distribution of their salaries or wages must be supported by personnel activity reports (i.e., timesheets).

⁴ This regulation was in effect for the duration of Grant No. F11AF00049, but since December 26, 2014, this requirement has been located at 2 C.F.R. § 200.302(a).

⁵ This regulation was in effect for the duration of Grant No. F11AF00049, but since December 26, 2014, this requirement has been located at 2 C.F.R. § 200.403(g).

Personnel activity reports must account for the total activity for which each employee is compensated and be signed by the employee. Furthermore, 2 C.F.R. § 225, Appendix B(8)(h)(1), states that charges to Federal awards for salaries and wages will be approved by a responsible official of the governmental unit.⁶

These problems arose because the Department did not develop or document an adequate monitoring plan for its subaward with the City of Brookfield. According to the Department's grants and cooperative agreements policy and procedures:

All grants and agreements must be adequately monitored to ensure compliance with all terms and agreements, to track progress toward achievement of objectives and goals, and to identify any problems. The method(s) to be used to monitor agreements should be clearly stated in the agreement and be based on dollar amount involved, complexity of the agreement, and experience with the recipient party. All monitoring efforts must be adequately documented.

Moreover, the grants and cooperative agreements policy and procedures were not adequate to ensure that subrecipients' labor costs were allowable. The policy and procedures state that subrecipients should submit an itemized list of expenditures to the Department. Source documents, including signed timesheets, however, were not required to be submitted. Thus, Department officials did not review subrecipients' timesheets, even though labor costs run a high risk of being insufficiently documented under subawards.

Even though the City of Brookfield fulfilled the grant objectives by completing the boating access facility, without detailed transaction information from its financial management system, we could not conduct appropriate audit testing. Therefore, we have no assurance that the city used Federal funds only for allowable purposes. As a result, we question \$96,262 (\$72,197 Federal share) in unsupported costs, equal to the amount the Department provided the city under Grant No. F11AF00049.

In addition, because of inadequate documentation, we could not determine the allowability of \$35,100 (\$26,325 Federal share) in equipment charges or \$15,810 (\$11,858 Federal share) in labor charges under the grant. We therefore question those costs as unsupported as well.⁷

⁶ These regulations were in effect for the duration of Grant No. F11AF00049, but they were revised and partially rescinded as of December 26, 2014. See 2 C.F.R. §§ 200.430(i)(1) and (8).

⁷ The \$26,325 in equipment costs and the \$11,858 in labor charges are each part of the \$72,197 that we questioned due to the issue with the city's financial management system. These questioned costs therefore overlap and will need to be resolved for two different reasons.

Recommendations

We recommend that the FWS:

7. Resolve the unsupported questioned costs of \$72,197 under Grant No. F11AF00049 due to the City of Brookfield's inability to demonstrate the adequacy of its financial management system for recording and reporting the use of Federal funds
8. Resolve the unsupported questioned costs of \$26,325 for equipment charges and \$11,858 for labor costs improperly documented under Grant No. F11AF00049
9. Require the Department to communicate its policy and procedures regarding subaward monitoring to all applicable employees and document its monitoring plans for each subaward
10. Require the Department to establish policies and procedures to review subrecipients' timesheets when labor costs are claimed

Department Response

The Department concurred with the finding and recommendations. It stated that the Federal Aid Unit will work with Department staff to revise the grants and cooperative agreements policy and procedures. The response also noted that clear procedures and examples are necessary to help staff understand the requirements for subrecipients' financial systems and documentation of labor and equipment use costs.

FWS Response

The FWS concurred with the recommendations and stated that the Department's response will be considered in the corrective action plan.

OIG Comments

Based on the FWS response, we consider these recommendations resolved but not implemented (see Appendix 3).

5. Unallowable Indirect Costs—\$6,230

The Department overcharged the FWS \$6,230 for indirect costs claimed under Grant No. F13AF00510 for Statewide hunter education and shooting range operations and maintenance. To determine the indirect costs attributable to the grant, the Department multiplied a base amount consisting of select direct costs by a federally approved indirect cost rate. In this instance, however, the Department did not remove all capital expenditures and passthrough funds from the cost base for Grant No. F13AF00510 before doing the calculation, as required.

The C.F.R. states that a grantee wanting to claim indirect costs must submit an indirect cost rate proposal to its cognizant Federal agency upon request (2 C.F.R. § 225, Appendix E(D)(1)(a) and (b)).⁸ The Federal agency then reviews the proposal and negotiates an indirect cost with the grantee, and the results of the negotiation must be formalized in a written agreement between the two parties (2 C.F.R. § 225, Appendix E(E)(1) and (3)).⁹ Accordingly, the Department's indirect cost negotiation agreements for SFYs 2014 and 2015 note that neither capital expenditures nor passthrough funds may be included in the base used to calculate indirect costs for Federal grants.

This issue occurred due to several reasons:

- The Department did not have adequate policies and procedures to properly modify the direct cost bases used to calculate indirect costs for its Federal grants.
- A capital expenditure was not removed from the direct cost base before applying the indirect cost rate for Grant No. F13AF00510 due to an oversight.
- Department officials did not consider all items coded in the accounting system as “Aid to Institutions/Individuals/Landowners” and “Aid to Local Government” as passthrough funds. Therefore, they did not remove five expenditures coded in this manner from the direct cost base before calculating indirect costs.

Not excluding capital expenditures and passthrough funds from the indirect cost base results in inflated indirect costs. As a result, we question \$8,307 (\$6,230 Federal share) in ineligible costs under Grant No. F13AF00510 (see Figure 4).

⁸ This regulation was in effect for the duration of Grant No. F13AF00510, but since December 26, 2014, this requirement has been located at 2 C.F.R. § 200, Appendix VII(D)(1)(a) and (d).

⁹ This regulation was in effect for the duration of Grant No. F13AF00510, but since December 26, 2014, this requirement has been located at 2 C.F.R. § 200, Appendix VII(E)(1) and (3).

Description	Amount
Allowable base	\$3,346,463
Multiplied by the indirect cost rate	38.24%
Allowable indirect costs	\$1,279,687
Original indirect costs claimed	\$1,287,994
Less allowable indirect costs (from above)	1,279,687
Total ineligible questioned costs	8,307
Multiplied by the Federal share percentage	75.00%
Ineligible Questioned Costs (Federal Share)	\$6,230

Figure 4. Ineligible indirect costs claimed under Grant No. F13AF00510.

Recommendations
<p>We recommend that the FWS:</p> <ol style="list-style-type: none"> 11. Resolve the ineligible questioned costs of \$6,230 12. Require the Department to implement policies and procedures outlining the process for eliminating unallowable costs from indirect cost bases

Department Response

The Department concurred with the finding and recommendations. The response stated that the Federal Aid Unit has begun working with the Department's divisions to remove equipment and passthrough funds from indirect cost bases. The Federal Aid Unit is also developing procedures to eliminate equipment and passthrough funds from the indirect cost base for all grants.

FWS Response

The FWS concurred with the recommendations and stated that the Department's response will be considered in the corrective action plan.

OIG Comments

Based on the FWS response, we consider these recommendations resolved but not implemented (see Appendix 3).

B. Potential Diversion of License Revenue—\$30,500

The Department potentially diverted hunting license revenue from its control when it traded parcels of land with a timber company. Specifically, the Department:

- Traded a tract originally purchased with license revenue for property of lesser monetary value
- Did not document whether the traded acreages provided approximately equal benefits to fish and wildlife
- Did not note the protected status of the acquired parcel in its real property management system

We refer to this situation as a “potential diversion” because only the FWS Director can declare an actual diversion of license revenue.

First, the Department lost \$30,500 in license revenue in the land trade. It exchanged a 90-acre parcel from Clubb Creek Conservation Area for the timber company’s 85.9-acre property adjacent to the Coldwater Conservation Area. The Clubb Creek property, which the Department had originally purchased with license revenue, was appraised at \$103,500, but the Coldwater property was valued at only \$73,000, a difference of \$30,500.

This transaction was counter to 50 C.F.R. § 80.11(c)(1), which notes that a State becomes ineligible to receive the benefits of the Acts if it diverts hunting and fishing license revenue from the control of the State fish and wildlife agency. To resolve a diversion of real property purchased with license revenue, 50 C.F.R. §§ 80.22(d) and (e) require the State fish and wildlife agency to do one of the following:

- Regain management control of the property
- Receive replacement property that has a market value at least equal to the current market value of the diverted property and has fish and wildlife benefits that at least equal to those of the diverted property
- Receive a cash amount at least equal to the current market value of the diverted property if the FWS Director finds that the first two options are impractical

Second, the Department could not provide documentation showing whether the fish and wildlife benefits of the traded properties were approximately equal. Instead, the Department justified its acquisition of the Coldwater property as follows:

This trade will remove a tract that has boundary line problems and is difficult to manage for public use. If [the Department] makes the trade, it will add isolated acres to a larger, more manageable unit.

According to 522 FW 20.6(C) of the *FWS Manual*, the State must demonstrate in writing that there has not been a diversion (i.e., that fish and wildlife benefits of traded properties are approximately equal) when real property originally purchased with license revenue is replaced.

Third, because the Clubb Creek property had been purchased with license revenue, the Department should have ensured that the newly acquired Coldwater tract was linked to license revenue in the Department's real property management system. Instead of being coded as "Permit Revenues" (i.e., license revenue) in the system, however, the Coldwater property was coded as "Commission Fund," with no further identification of the funding source. Since the Commission Fund is the Department's main fund, in which all of its moneys are commingled, the State's official records do not indicate that the Coldwater property must be used only for the administration of fish and game.

In this regard, 50 C.F.R. § 80.10(c)(2) requires that revenue from hunting and fishing licenses be used "only for the administration of the State fish and wildlife agency, which includes only the functions required to manage the agency and the fish- and wildlife-related resources for which the agency has authority under State law." Without an accurate inventory of all lands associated with license revenue, we cannot know whether the Department is managing the appropriate properties only for fish and wildlife activities.

The land trade was not carried out properly because Department officials were unaware that they (1) may not trade land purchased with license revenue for property of lesser monetary value and (2) must document and compare the fish and wildlife benefits of traded properties that involve license revenue. The Department did not have policies and procedures to implement these requirements.

Furthermore, the Federal aid coordinator informed us that the Coldwater parcel was recorded as a "Commission Fund" property due to an error. After we brought this issue to the Department's attention, the general services supervisor prepared a correction form to change the property's funding source to "Permit Revenues." As of March 2018, however, the Department was in the process of migrating to a new lands management system, and the correction will not be made until all data have been transferred to the new system.

Because the Department's responsibilities include activities not related to fish and wildlife, such as forestry work, it risks using license revenue property for unallowable purposes. Moreover, the potential diversion resulting from the land trade jeopardizes the State's continued participation in the Program.

Recommendations

We recommend that the FWS:

- I3. Resolve the potential diversion of license revenue totaling \$30,500
- I4. Require the Department to implement and communicate policies and procedures on land trades that prevent the diversion of license revenue

Department Response

The Department partially concurred with the finding and recommendations. It claimed that in addition to providing the Coldwater property, the timber company paid the Department \$35,874 at closing. The Department also “disagree[d] with the audit report that the trade resulted in receiving a property with lower wildlife benefits than the parcel divested.” The response asserted that both parcels were in the same geographic area, had the same habitats and natural communities, and possessed similar “wildlife carrying capacity.”

Although the Department stated that it was fully compensated for the traded land, it agreed to ask field staff to provide the necessary information about fish and wildlife for similar transactions in the future.

FWS Response

The FWS concurred with the recommendations and stated that the Department’s response will be considered in the corrective action plan.

OIG Comments

The Department did not provide documentary evidence that it received a \$35,874 payment from the timber company as consideration for the Coldwater property. Furthermore, the finding does not state that the Department received property with lesser wildlife benefits when it participated in the land trade. Instead, we noted that the Department could not provide evidence showing whether it evaluated the fish and wildlife benefits of the traded properties. We therefore have no assurance that the fish and wildlife benefits of the two properties involved in the trade were approximately equal.

Based on the FWS response, we consider these recommendations resolved but not implemented (see Appendix 3).

C. Noncompliance With Subaward Requirements

The Department did not consistently comply with requirements for subawards funded by its Program grants. Specifically, the Department did not (1) include all

required information and clauses in its subaward agreements or (2) report its subawards to a website designed to promote transparency in Federal spending.

1. Missing Subaward Elements

The Department's subawards did not contain all 19 elements required by its grants and cooperative agreements policy and procedures. The following items were missing:

- Information on the ownership of property, equipment, or unused supplies paid for under the agreement
- A clause defining the Department's right to terminate the agreement at any time by a 30-day written notice
- A clause requiring the subrecipient to comply with all local, State, and Federal laws and regulations related to the performance of the agreement
- The amount and source of Federal funds
- The Catalog of Federal Domestic Assistance (CFDA) name and number
- Federal administrative and audit requirements
- The source for matching funds used
- A provision allowing the Department access to the subrecipient's financial records and audited financial statements related to the project
- A requirement that the subrecipient maintain support for its expenses, including signed timesheets
- A statement of whether billing frequency would be monthly or quarterly
- A requirement for the subrecipient to compare budgeted to actual expenses
- A clause requiring the submission and describing the contents of periodic and final reports
- Identification of the official responsible for monitoring and the monitoring tools that will be used

This occurred because Department officials did not follow their own policy and procedures. Furthermore, they did not use a subaward template that incorporated all the necessary subaward elements.

As a result, the Department stripped itself of key monitoring tools. Termination clauses, provisions giving the Department access to subrecipients' financial information, and requirements that subrecipients file reports are important to ensure that subrecipients efficiently and effectively complete their projects.

2. No Public Reporting of Subawards

The Department could not provide evidence that it reported subawards of \$25,000 and over for posting on www.USAspending.gov, a public website created to promote transparency in Federal spending. We identified eight subawards totaling \$5.1 million that did not appear on the website (see Figure 5).

Grant Number	Purpose	Subrecipient	Award Amount
F10AF00225	Population estimation of American black bear	Mississippi State University	\$373,212
F10AF00225	Population estimation of American black bear	University of Missouri	89,157
F11AF00045	Ecology and management of reintroduced elk	University of Missouri	2,003,141
F13AF00496	Survival, recruitment, and movement of black bears	Mississippi State University	486,751
F13AF00498	Regional turkey population monitoring	University of Missouri	555,061
F13AF01212	Fishing and boating access development, Platte Landing Park access	Platte County	450,000
F14AF00465	Survival, recruitment, and movement patterns of white-tailed deer	University of Missouri	871,183
F14AF01155	Unstaffed firearm ranges visitor use survey	Missouri 4-H Foundation	289,349
Total			\$5,117,854

Figure 5. Department subawards not posted on www.USAspending.gov.

Regarding this issue, 2 C.F.R. § 170, Appendix A(I)(a)(1) and (I)(a)(2)(i), require Federal grantees to report each subaward action that obligates \$25,000 or more in Federal funds at www.fsrc.gov. This information is then posted to www.USAspending.gov.

The Department did not report its subawards because its grants and cooperative agreements policy and procedures had not been updated since 2003 and therefore did not reference the need for such reporting. Without this information, accountability is limited, as is the public's ability to know how Federal funds are spent.

After we brought this issue to their attention, Department officials reported the applicable data to www.fsrs.gov for the subawards. We noted, however, that they did not develop written policies and procedures to ensure that current and future staff continue to report subaward data.

Recommendations

We recommend that the FWS:

15. Require the Department to communicate and follow policies and procedures to ensure that all necessary elements are included in subaward agreements
16. Require the Department to implement policies and procedures to submit subaward information for posting on www.USAspending.gov

Department Response

The Department concurred with the finding and recommendations and stated that the Federal Aid Unit has begun to develop a new subaward template containing all of the required elements. Use of the form will be implemented in SFY 2019. The Federal Aid Unit has also taken steps to update the grants and cooperative agreements policy and procedures.

FWS Response

The FWS concurred with the recommendations and stated that the Department's response will be considered in the corrective action plan.

OIG Comments

Based on the FWS response, we consider these recommendations resolved but not implemented (see Appendix 3).

Appendix I

State of Missouri
Missouri Department of Conservation
Grants Open During the Audit Period
July 1, 2013, Through June 30, 2015

Grant Number	Grant Amount	Claimed Costs	Questioned Costs	
			Ineligible	Unsupported
Fish				
FI1AF00049	\$146,328	\$146,328	\$0	\$72,197
FI1AF00170	1,405,153	1,405,153	0	0
FI1AF00646	1,101,801	1,112,113	0	0
FI1AF00663	165,837	177,878	0	0
FI2AF00226	1,662,903	1,395,391	0	0
FI2AF00296	445,289	445,289	0	0
FI2AF00973	388,968	388,968	0	0
FI2AF01223	115,691	123,247	0	0
FI2AF01239	98,187	82,018	0	0
FI2AF01422	177,363	143,035	0	0
FI3AF00111	1,205,724	772,364	0	0
FI3AF00164	2,930,571	2,600,884	42,200	0
FI3AF00259	340,873	232,005	0	0
FI3AF00280	468,445	430,743	0	0
FI3AF00319	248,095	271,429	0	0
FI3AF00425	1,211,460	1,396,329	0	8,088
FI3AF00451	924,259	715,624	0	0
FI3AF00455	978,769	1,096,955	0	79,487
FI3AF00484	3,538,131	3,535,475	0	0
FI3AF00494	297,116	317,855	0	32,834
FI3AF00506	90,479	96,207	0	20,111
FI3AF01212	749,311	636,876	0	0
FI4AF00107	3,370,191	3,081,184	68,048	2,257,718
FI4AF00438	1,456,899	1,536,533	0	0
FI4AF00449	3,440,187	3,409,087	0	0
FI4AF00451	1,148,759	928,683	0	0
FI4AF01024	277,455	199,823	0	0
FI5AF00090	3,088,953	12,336	9,252	0

Grant Number	Grant Amount	Claimed Costs	Questioned Costs	
			Ineligible	Unsupported
Fish (continued)				
FI5AF00187	\$1,542,315	\$187,280	\$0	\$0
Wildlife				
FI0AF00225	\$1,462,319	\$1,569,625	\$0	\$0
FI1AF00045	2,173,320	2,211,163	0	0
FI3AF00426	11,881,711	12,236,062	0	0
FI3AF00496	2,369,268	848,532	120,515	12,935
FI3AF00498	2,083,896	744,481	49,499	0
FI3AF00510	4,024,565	4,326,320	6,230	0
FI4AF00465	3,467,223	1,010,972	34,865	0
FI4AF00487	4,310,988	4,531,055	0	0
FI4AF00497	12,383,132	13,455,157	0	0
FI4AF01155	635,905	532,949	0	0
Totals	\$77,807,839	\$68,343,408	\$330,609	\$2,483,370

Appendix 2

State of Missouri Missouri Department of Conservation Sites Visited

Headquarters

Jefferson City

Other Offices

Alton Forestry Sub-Office
Branson Forestry Office
Hannibal Office
Northeast Regional Office
Ozark Regional Office
St. Louis Regional Office
Southeast Regional Office

Conservation Areas

Atlanta-Long Branch
Caney Mountain
Crowleys Ridge
Deer Ridge
Fourche Creek
Poplar Bluff
Stephen J. Sun
Ted Shanks
William R. Logan

Fish Hatcheries

Chesapeake
Hunnewell
Roaring River
Shepherd of the Hills

Conservation Nature Centers

Cape Girardeau
Powder Valley

Boat Ramps

Brookfield City Lake
Shelvin Rock Access
Sims Valley Community Lake

Other

Jay Henges Shooting Range and Outdoor Education Center
University of Missouri

Appendix 3

**State of Missouri
Missouri Department of Conservation
Status of Audit Recommendations**

Recommendations	Status	Action Required
1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, and 16	<p>We consider the recommendations resolved but not implemented.</p> <p>FWS regional officials concurred with these recommendations and will work with the Department to resolve all findings and recommendations.</p>	<p>Complete a corrective action plan that includes information on actions taken or planned to address the recommendations, target dates and title(s) of the official(s) responsible for implementation, and verification that FWS headquarters officials reviewed and approved of the actions taken or planned by the Department.</p> <p>We will refer the recommendations not implemented at the end of 90 days (after December 17, 2018) to the Assistant Secretary for Policy, Management and Budget for tracking of implementation.</p>

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