AUDIT

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 Oregon, Department of Fish and Wildlife, From July 1, 2015, Through June 30, 2017

Report No.: 2018-WR-038 December 2019

DEC 17 2019

Memorandum

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

From: Michael P. Colombo
Regional Manager, Western Region

Subject: Final Audit Report – U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the State of Oregon, Department of Fish and Wildlife, From July 1, 2015, Through June 30, 2017
Report No. 2018-WR-038

This final report presents the results of our audit of costs claimed by the State of Oregon, Department of Fish and Wildlife (Department), 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 $77 million on 137 grants that were open during the State fiscal years that ended June 30, 2016, and June 30, 2017 (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 did, however, question the Federal share of costs totaling $3,762,152, including $2,894,838 in unsupported in-kind contributions, $708,650 in unreported program income, and $158,664 in unsupported payroll expenses. We also found that the Department did not (1) adequately manage its equipment, (2) accurately report license certification data, (3) develop effective land management policies, or (4) adequately monitor subawards.

We provided a draft of the report to the FWS. In this report we summarize the Department's and FWS Region 1'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 March 16, 2020. The plan should provide information on actions taken or planned to address the recommendations, as well as target dates and titles of the officials responsible for implementation. Please address your response to me and submit a signed PDF copy to aie_reports@doioig.gov.

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 916-978-5650.

cc: Regional Director, Region 1, 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[1] 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 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 Oregon Department of Fish and Wildlife (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 revenues solely for fish and wildlife program activities
- Reported and used program income in accordance with Federal regulations

Scope

Audit work included claims totaling approximately $77 million on the 137 grants open during the State fiscal years (SFYs) that ended June 30, 2016, and June 30, 2017 (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 Salem, OR, and visited one district office, three fish hatcheries, four wildlife management areas (WMAs), four boat access sites, and two shooting ranges (see Appendix 2).

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

[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 revenues 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 July 26, 2013, we issued *U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the State of Oregon, Department of Fish and Wildlife, From July 1, 2010, Through June 30, 2012* (Report No. R-GR-FWS-0005-2013), which reported questioned costs due to unsupported grant expenditures, unsupported in-kind contributions, and excess reimbursement. We also found that the Department did not (1) reconcile its lands records with the FWS, (2) report all program income, (3) manage its equipment adequately, or (4) file accurate financial reports within required deadlines. We followed up on all 13 recommendations in the report and found that the U.S. Department of the Interior, Office of the Assistant Secretary for Policy, Management and Budget (PMB) considered them resolved and implemented.

On February 26, 2009, we issued *U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the State of Oregon, Department of Fish and Wildlife; From July 1, 2005, Through June 30, 2007* (Report No. R-GR-FWS-0010-2008), which reported questioned costs related to overstated indirect costs. We also found that the Department did not (1) report all program income, (2) charge labor to grants based actual time spent on grant-related activities, (3) maintain adequate land management records, or (4) restrict access to computer networks for employees who left the Department. We followed up on all 10 recommendations in the report and found that the PMB considered them resolved and implemented.

We also reviewed the State's single audit reports for SFYs 2016 and 2017 and found that the Department's Program grants were considered major programs in SFY 2017 and assessed as "high risk." Specifically, the single audit report required the Department to ensure the State's in-kind match was adequately supported, to implement monitoring and maintenance policies for real property, and to include only paid hunting and angling licenses in certification reports to the FWS.

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 including questioned costs totaling $3,762,152.

A. **Questioned Costs—$3,762,152.**

   1. **Unsupported In-Kind Contributions—$2,894,838.** The Department did not consistently support its claims for in-kind contributions or provide its valuation methodology.

   2. **Unreported Program Income—$708,650.** The Department did not accurately record and report program income earned.

   3. **Unsupported Payroll Expenses—$158,664.** The Department did not consistently track or accurately report employee time charged to Program grants.

B. **Insufficient Equipment Management.** The Department did not follow established equipment management procedures and did not properly manage and control equipment purchased with grant and license revenues.

C. **Inaccurate License Certification Reporting.** The Department included estimated percentages rather than actual numbers of unique licenses sold from daily license booklets in its annual certification.

D. **Absence of Land Management and Monitoring Policies.** The Department did not develop and implement sufficient policies for managing real property.

E. **Inconsistent Subaward Management and Monitoring.** The Department did not consistently perform and document risk assessments or monitoring plans for subrecipients.

Findings and Recommendations

A. Questioned Costs—$3,762,152

1. Unsupported In-Kind Contributions—$2,894,838

Under the Program, States must use “State matching” (non-Federal) funds to cover at least 25 percent of costs incurred in performing projects under the grants. Noncash (“in-kind”) contributions may be used to meet States’ matching share of costs, and as with costs claimed for reimbursement, the State must support the value of these contributions. The Department did not consistently support its claims for in-kind contributions or provide its valuation methodology to support in-kind labor hours claimed to satisfy matching requirements on Program grants, so we question the Federal share of costs associated with these claims.

In a prior audit (Report No. R-GR-FWS-0005-2013), we also found that the Department could not support a portion of its claimed in-kind contributions and questioned the Federal share associated with those costs. In response to recommendations made in that audit, the FWS and Department used an overmatch from another Federal grant to pay back the questioned Federal share costs associated with the unsupported in-kind contribution.

The Code of Federal Regulations (2 C.F.R. § 200.306(e)) states that in-kind contributions consisting of volunteer services must, to the extent possible, be supported by the same methods that the organization uses to support the allocability of regular personnel costs. Federal regulations (2 C.F.R. § 200.403) also state that costs must be necessary, reasonable, and adequately documented to be allowable under Federal awards. The *Oregon Accounting Manual* (Section 10.15.00, Paragraph 107) states that all recorded transactions, including adjusting entries and transfers, should be supported by source documents and other information sufficient to provide clear evidence of (1) the authenticity of the transaction, (2) the purpose/reason for the transaction, (3) the vendor/customer involved, and (4) the authorization for the transaction. We noted the *Oregon Accounting Manual* does not provide specific guidance on documenting, monitoring, or valuating in-kind contributions.

We selected a sample of 13 grants to test their claimed in-kind match. The Department provided documentation for only nine of these grants. The Department did not provide documentation for the remaining four grants in our sample. During our review of in-kind supporting documentation, we identified the following issues:

a. In-kind labor hours on three Program grants were inflated by $388,368 because the Department incorrectly applied guidelines from the performance incentive program used for hunter education instructors. In doing so, “bonus points” earned from instructor training classes were converted into classroom training hours, which were used in the total number of claimed hours. Figure 1 illustrates this inflation:

Federal Grant No.	Overstated Hours	Excess In Kind Claimed
F14AF00901	3,600	$127,512
F15AF00875	3,850	137,214
F16AF00741	3,425	123,642
Total	**10,875**	**$388,368**

Figure 1. Overstated in-kind labor hours by grant number.

b. The Department was also unable to provide individual activity logs or reports showing the daily break down of hours for activities performed under the three Program grants shown in Figure 1 above. As a result, we could not determine the reasonableness of the number of hours claimed against Grant Nos. F14AF00901 ($628,395), F15AF00875 ($1,263,058), and F16AF00741 ($1,000,683).

c. In-kind match support provided for Grant No. F14AF00310 ($1,371,945) was heavily modified with handwritten notes and recalculations, with no explanation for why the original values were being overridden. In addition, the supporting documentation for this grant and Grant No. F14AF00366 ($273,437) did not include corresponding invoices or other support for the claimed figures.

d. The Department was unable to provide an adequate valuation methodology for the in-kind match support claimed on Grant Nos. F15AF00748 ($125,442), F13AF00844 ($128,047), F15AF00768 ($112,526), and F16AF00799 ($74,074).

e. Supporting documentation provided for our sample did not contain all required signatures from the third-party entity, instructors, and Department representative.

f. Forms used to report instructor hours were incomplete but were still accepted and claimed by the Department.

g. The Department was unable to provide documentation for in-kind claims for Grant Nos. F14AF00902 ($56,799), F15AF00887 ($48,458), F15AF01023 ($190,585), and F16AF00988 ($185,802).

The Department was unable to demonstrate compliance with State and Federal requirements related to support for in-kind contributions claimed because it misread its policy regarding treatment of instructor bonus performance points, did not possess policies and procedures to monitor and manage volunteer timesheets, and did not ensure in-kind contributions were fully documented. Because the Department could not support its claimed in-kind contributions, totaling $5,459,251 on 13 grants reviewed, we question the $2,894,838 in Federal share of costs associated with these claims. See Appendix 1 for all grants affected by unsupported questioned costs.

Recommendations

We recommend that the FWS:

1. Resolve the questioned costs of $2,894,838 related to unsupported in-kind contributions claimed

2. Require the Department to update its policies and procedures to ensure that in-kind contributions are adequately supported

Department Response

The Department concurred with our finding and recommendations. It will implement a volunteer and event management system in 2021 and draft a procedure to clearly identify what forms of work are permitted as an in-kind match. The Department will also work with the FWS to resolve the questioned costs related to unsupported in-kind contributions claimed.

FWS Response

The FWS concurred with our finding and recommendations. It will work with the Department to resolve the questioned costs related to unsupported in-kind contributions claimed and require the Department to update its policies and procedures to ensure adequate support for claimed in-kind contributions. The FWS will identify the target dates and official(s) responsible for implementing these recommendations in its corrective action plan.

OIG Comment

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

2. **Unreported Program Income—$708,650**

The Department did not accurately record and report program income earned. Specifically, it did not disclose the full amount of program income generated through (1) parking fees, (2) employee housing and freezer rentals, and (3) hunter education training class receipts on its grant claims.

Federal regulations (2 C.F.R. § 200.80) state that program income includes gross income that a grantee earns from a grant-supported activity or from the grant agreement during the grant period. Regulations (2 C.F.R. § 200.305(b)(5)) also require that grantees disburse program income, rebates, refunds, contract settlements, audit recoveries, and interest earned on such funds before requesting reimbursement. Further, regulations (50 C.F.R. § 80.120(b)(2)) state that program income includes revenues from use of property managed with grant funds. In response to our prior audits, the FWS reported that the Department had developed desk procedures to ensure proper reporting of program income.

Because the Department did not report and use program income prior to requesting reimbursement, it may have received excess reimbursement from the FWS, totaling $708,650. See Appendix 1 for all grants affected by unsupported questioned costs.

The Department did not disclose the full amount of program income generated because of how it chose to allocate parking revenue and because, in some cases, it claimed that it should not report the revenue. These findings are discussed below.

a. **Parking Fees**

In prior audits (Report Nos. R-GR-FWS-0010-2008 and R-GR-FWS-0005-2013), we found that the Department did not report income attributed from Sauvie Island Wildlife Area (SIWA) for parking fees and housing rentals for employees. In response to recommendations made in those audits, the FWS and Department agreed that program income would be accurately recorded and reported for SIWA.

In a letter to the FWS, dated December 16, 2014, the Department claimed that any parking fees associated with SIWA, which most parking revenue is derived from, should not be included as program income because it mostly accounts for visitors to the island's recreational, nonwildlife beach, which is not supported through grant funds. As a result, 89 percent of all parking revenue was determined to be from SIWA and excluded from reporting. The remaining parking revenue was allocated among the remaining WMAs, by determining their respective percentage of total WMA project costs and multiplying it by total revenue. Neither the Department nor the FWS provided supporting analysis for this allocation methodology.

The Department reported generating $710,682 and $693,848 (a total of $1,404,530) in WMA parking revenue in SFYs 2016 and 2017, respectively. Using a methodology approved by the FWS, the Department calculated the share of parking revenue attributable to grant funds by first subtracting SIWA parking revenue from the total WMA parking revenue (a total of $1,277,531 in SFYs 2016 and 2017). The Department then determined the percentage of total project costs for all other WMAs and used these percentages to allocate the remaining parking revenue (a total of $126,999 in SFYs 2016 and 2017). The Department excluded the portions associated with non-grant funded WMAs (a total of $14,991 in SFYs 2016 and 2017) in this remaining parking revenue, resulting in $44,094 and $67,914 ($112,008) attributed to grant funds for SFYs 2016 and 2017 respectively, as illustrated in Figure 2 below:

Type of Parking Revenue	2016 Revenue ($)	2017 Revenue ($)
Total WMA parking revenue	710,682	693,848
SIWA parking revenue	- 660,684	- 616,847
Remaining WMA parking revenue	49,998	77,001
Parking revenue allocated to non-grant-funded WMAs	- 5,904	- 9,087
Total WMA parking revenue claimed	44,094	67,914

Figure 2. The Department's calculation for the share of parking revenue attributable to grant funds.

Because of its determination that the parking revenue generated from SIWA is not reportable as program income, the Department asserted that the $1,277,531 ($660,684 in SFY 2016 and $616,847 in SFY 2017) attributable to SIWA should not be reported. The Department's grant application and corresponding agreement for SIWA in SFY 2016 (Grant No. F15AF00748) and 2017 (Grant No. F16AF00730), however, state that 55 percent of total annual public use is attributed to beach use (nonwildlife) and 45 percent is attributable to wildlife activities. Because of these varying interpretations and justifications, we consider all parking revenue related to SIWA to be potential unreported program income and therefore questioned the full amount of parking revenue attributable to SIWA.

b. Housing and Freezer Rentals

In prior audits (Report Nos. R-GR-FWS-0005-2013 and R-GR-FWS-0010-2008), we found that the Department did not report the full program income earned, and we questioned the Federal share associated with those costs. In response to recommendations made in those audits, the FWS required the Department to submit revised grant SF-425s to report program income earned and expended and to develop desk procedures to ensure that program income is properly reported and its claims are supported.

During our current audit, we found that the Department did not report program income for six hatcheries to the FWS on Grant Nos. F15AF01023 and F16AF00988 (see Figure 3). The Department told us that it should not claim housing and freezer rentals but did not clarify the reasoning behind this decision.

Hatchery	Housing Rental	Freezer Rental	Unreported
Cole River	$14,778	-	$14,778
Fall River	2,699	-	2,699
Klamath	7,528	-	7,528
Oak Springs	10,432	$327	10,759
Roaring River	11,933	-	11,933
Wizard Falls	10,594	-	10,594
Total	**$57,964**	**$327**	**$58,291**

Figure 3. Unreported program income from housing and freezer rentals at six hatcheries.

c. Other Unreported Program Income

During our review of program income reported, we identified 10 grants for which the total amount reported to the FWS was less than what was stated in the Department's accounting records and, therefore, appear to have been underreported (see Figure 4). The underreported revenue sources under each grant include WMA parking revenue, employee housing revenue, and hunter education application and course fees.

Federal Grant No.	Reportable Program Income	Reported Program Income	Underreported Program Income
F15AF00749	$7,372	$7,248	$124
F15AF00752	450	434	16
F15AF00803	5,588	3,232	2,356
F15AF00875	46,171	43,300	2,871
F16AF00729	6,802	6,250	552
F16AF00741	39,219	28,685	10,534
F16AF00743	10,206	4,330	5,876
F16AF00745	11,000	10,732	268
F16AF00800	6,536	3,360	3,176
F16AF00855	8,692	8,219	473
Total	**$142,036**	**$115,790**	**$26,246**

Figure 4. Underreported program income on 10 grants.

Recommendations

We recommend that the FWS:

3. Resolve the questioned costs of $708,650 related to unreported program income

4. Require the Department to update policies and procedures to ensure that program income is accurately reported

5. Require the Department to provide supporting documentation for program income with the final claim for Federal reimbursement

Department Response

The Department neither concurred nor did not concur. It will (1) work with the FWS to resolve the questioned costs related to unreported program income, (2) update policies and procedures to ensure program income is accurately reported, and (3) seek clarification from the FWS on the current treatment of program income and adjust its practices, as necessary, to meet Federal requirements.

FWS Response
The FWS concurred with our finding and recommendations. It will work with the Department to resolve the questioned costs related to unreported program income and also require the Department to update policies and procedures to ensure that it accurately reports program income and provides supporting documentation with the final claim for Federal reimbursement. The FWS will identify the target dates and official(s) responsible for implementing these recommendations in its corrective action plan.

OIG Comment
Based on the Department's and the FWS' responses, we consider Recommendations 3 – 5 resolved but not implemented (see Appendix 3).

3. Unsupported Payroll Expenses—$158,664

In a prior audit (Report No. R-GR-FWS-0010-2008), we found that the Department charged labor costs to Program grants based on budgeted percentages rather than actual time spent on each activity. In response to our recommendations, the FWS required the Department to conduct a review of grant labor charges and update and implement its timekeeping policy to ensure that all timekeeping records are accurately reported and appropriately reviewed and approved.

During our current audit, we found the Department did not consistently track or accurately report employee time charged to Program grants.

Federal regulations (2 C.F.R. § 200.302(a)) require the State to expend and account for a Federal award in accordance with State law and procedures for expending and accounting for the State's own funds. Regulations (2 C.F.R. § 200.430(i)) also require that charges to Federal awards for salaries and wages be based on records that accurately reflect the work performed. The *Oregon Accounting Manual* (Section 10.15.00, Paragraph 103(a)) requires that recorded transactions be valid and supported by appropriate documentation. Further, the manual indicates that State employees are expected to prepare and present accurate and timely documentation of their time and attendance.

We found that the Department did not require employees who allocate part or all of their salaries to Program grants to document actual hours spent on grant-related activities to bill their time against. While some employees maintain either a paper or digital daily activity log, employees rely on the instructions provided by the Department to bill the appropriate portions of their time to the grants.

At Lower Deschutes WMA, we found that employees used an online activity tracking system to track work performed daily. Instead of using this information to bill Program grants, they were instructed to select 1 – 2 months of salaries to bill Program grants. Similarly, employees interviewed at the Department headquarters indicated that they use predetermined percentages to charge portions of their time to the Program grants, but do not maintain any form of activity log to support the allocation. We classified the salaries of two employees at the Lower Deschutes WMA and three employees at the Department headquarters as unsupported because they were not documented with personnel activity reports.

At SIWA, we found that employees were charging all their time to Program grants, despite acknowledging their involvement in other activities not directly related to SIWA operations. For example, employees perform work at Collins Beach (an area in SIWA), which is not sponsored under Program grants, and assist in hunter education activities, which are not funded through the grants they are billing against. An employee also indicated that shortly after our last audit, management at SIWA phased out the time tracking system, which allowed employees to report time spent on specific activities. We classified the hours billed to Program grants for two employees at SIWA as unsupported because they are not tracking actual hours worked on program and nonprogram activities.

Finally, during our review of individual timesheets, we found that an employee from the Ladd Marsh WMA did not provide a daily breakdown of regular work hours during four tested periods, so we could not determine which hours were attributable to program activities. Therefore, we classified the hours billed to Program grants for this employee, as unsupported.

The Department does not consistently and accurately track and support employee time charged to Program grants because it has not enforced requirements for employees to accurately document and report their hours. Therefore, the basis for reimbursement through Program grants is not accurately reflective of the time spent working on program activities, and we question the $158,664 in Federal share of costs associated with these unsupported payroll expense. See Appendix 1 for all grants affected by unsupported questioned costs.

Recommendations

We recommend that the FWS:

6. Resolve the questioned costs of $158,664 related to unsupported payroll expenses claimed

7. Require that the Department ensures that payroll expenses are properly supported with personnel activity reports to equitably charge time to Program grants

Department Response

The Department concurred with our finding and recommendations. It will work with the FWS to resolve the questioned costs related to unsupported payroll expenses claimed and provide guidance to all staff who charge their hours to Program grants on how to accurately document and report their time.

FWS Response

The FWS concurred with our finding and recommendations. It will work with the Department to resolve the questioned costs related to unsupported payroll expenses claimed and require the

Department to ensure it properly supports payroll expenses. The FWS will identify the target dates and official(s) responsible for implementing these recommendations in its corrective action plan.

OIG Comment

Based on the Department's and the FWS' responses, we consider Recommendations 6 and 7 resolved but not implemented (see Appendix 3).

B. Insufficient Equipment Management

The Department did not follow established equipment management procedures and did not properly manage and control equipment purchased with grant and license revenues. We found items that were inaccurately reported on the inventory ledger or that were missing, including high-risk assets.

Federal regulations (2 C.F.R. § 200.313(b)) require the Department to use, manage, and dispose of equipment acquired under a Federal award in accordance with State laws and procedures. In addition, the *Oregon Accounting Manual* (Section 10.50.00, Paragraph 103) states, "agency management is responsible to ensure that internal controls are sufficient to provide reasonable assurance that State assets are not lost or stolen." The manual further states that the administrative head of each agency is responsible for maintaining a system that will assure the State's property is accounted for and classified properly, accurately, and systematically.

We judgmentally selected 93 assets—including 56 firearms—from 8 different locations, to test the accuracy and reliability of the Department's inventory ledger and to determine whether the Department followed State and Federal requirements when managing these assets.

Of our asset sample, the Department was unable to locate 34 pieces of equipment, including 25 firearms, 5 gun training sets, a trailer, a forklift, a tractor, and a small utility vehicle. We also identified 13 assets with one or more inaccuracies in the equipment inventory spreadsheets, such as assets with the wrong tag numbers and descriptions, assets located at facilities other than shown on the inventory record, and assets reported as equipment on the inventory records that were not actually equipment (such as real property and equipment service costs). In addition, the asset ledger did not identify which grant the items were charged against and only noted that the Department had internally classified these assets, totaling $67,410, as grant-funded equipment during the audit period.

The Department did not adequately manage its equipment because it phased out its internal asset management system in February 2018 and is currently relying on an Excel spreadsheet to manage both normal and high-risk inventories of all personal property. In addition, the Department has not committed sufficient resources to equipment management to ensure records are accurate and complete. Without accurate records and asset management practices, the Department cannot ensure accountability and control of equipment purchased with Program grants and license revenues.

Recommendations
We recommend that the FWS: 8. Ensure that the Department reports the missing firearms to local law enforcement and the National Crime Information Center 9. Work with the Department to ensure that missing equipment is either accounted for or the cost of the equipment is repaid to the FWS 10. Ensure that the Department implements a tracking system that accurately manages equipment

Department Response
The Department concurred with our finding and recommendations and stated that it has concluded a firearm inventory, and any firearms listed in the previous inventory that were not located in the most recent inventory were reported to law enforcement and the National Crime Information Center as lost/missing. The Department will work with the FWS to determine the appropriate action to be taken for pieces of equipment identified as missing and is assessing various software applications used to manage fixed assets and inventory.

FWS Response
The FWS concurred with our finding and recommendations. It will work with the Department to ensure that either the missing equipment is accounted for or the cost of the missing equipment is repaid. The FWS will also identify the target dates and official(s) responsible for implementing these recommendations in its corrective action plan.

OIG Comment
Based on the Department's and the FWS' responses, we consider Recommendations 8 – 10 resolved but not implemented (see Appendix 3).

C. Inaccurate License Certification Reporting

All States provide a certified count of paid hunting and fishing license holders to the FWS each year. The accuracy and consistency of the annual count matter because the FWS bases the annual apportionment of Program funds to each State, in part, on the number of paid license holders in each State. The Department, however, included estimated percentages rather than actual numbers of unique licenses sold from daily license booklets in its annual certification.

Federal regulations (50 C.F.R. §§ 80.10(a) and (b)) require States to provide information to the FWS concerning the number of persons holding paid hunting and/or fishing licenses in the State each year. In addition, the director of the State fish and wildlife agency is required to certify that the information is accurate. Regulations (50 C.F.R. §§ 80.31(a)(2) and (b)(3)) also require State fish and wildlife agencies to certify annually the number of paid fishing license holders and eliminate multiple counts of the same individuals. Essentially, the State may count each individual license holder only once in the annual certification. Further, regulations (50 C.F.R. § 80.33) require that States only count people who have a license issued in the license holder's name or with a unique identifier that is traceable to the license holder and verifiable in State records.

The Department sells daily license booklets to charter operations and sports fishing guides each year, of which an unknown number of unique licenses are purchased by individuals. To include these booklet sales in the license certification to the FWS, the Department uses a formula to derive a percentage of individual licenses sold as a stand-in for the actual number sold from the booklets. The Department adds the percentage to the total number of unique license holders and reports that total in its license certifications. Using a formula to estimate the number of licenses sold does not meet the Program requirement that license holders be verifiable in State records.

The Department did not accurately report the number of unique license holders because it had no written procedures regarding license certification, and Department officials told us they were not aware that they could not include estimated figures in their certification totals.

As a result of these estimates, the Department's license certification numbers were overstated by as many as 42,127 in calendar year 2014 and 39,581 in calendar year 2015. By overstating its license counts, the Department may have received a larger apportionment of grant funds than it was entitled to receive.

Recommendations

We recommend that the FWS:

11. Resolve the inaccurate license certifications for calendar years 2014 and 2015 and correct any effects on apportionments

12. Require the Department to establish procedures to ensure that it only counts unique and verifiable license holders in its license certifications

Department Response
The Department concurred with our finding and recommendations. It submitted a revised license certification for calendar years 2014 and 2015 to the FWS and created a procedure to ensure accurate reporting, including a secondary review process.

FWS Response
The FWS concurred with our finding and recommendations and reported that the Department has submitted a revised license certification for calendar years 2014 and 2015. The FWS stated that it has recalculated the Program funds apportionment and will adjust the Federal FY 2020 apportionment accordingly. The FWS will also require the Department to establish procedures to ensure that it only counts unique and verifiable license holders. The FWS will identify target dates and official(s) responsible for implementing these recommendations in its corrective action plan. The FWS considers Recommendation 11 resolved and implemented.

OIG Comment
Although the FWS considers Recommendation 11 resolved and implemented, we will not consider Recommendation 11 implemented until the adjustment to the Federal FY 2020 apportionment is verified. Therefore, based on the Department's and the FWS' responses, we consider Recommendations 11 and 12 resolved but not implemented (see Appendix 3).

D. Absence of Land Management and Monitoring Policies

The Department did not develop and implement sufficient policies for managing real property. In prior audits (Report Nos. R-GR-FWS-0010-2008 and R-GR-FWS-0005-2013), we found issues with management of real property and recommended that the FWS work with the Department to develop and implement policies and procedures to ensure supervisors are aware of land under their supervision and monitor lands for compliance with Program requirements.

Federal regulations (50 C.F.R. § 80.90(f)) require the Department to maintain control of all assets acquired under Program grants to ensure that they serve the purpose for which acquired throughout their useful life.

The Department sent an email to all employees in April 2017 to inform them of its intent to advance the development of land management and monitoring policies and procedures. The email stated that a policy was forthcoming and included a list of areas it would cover. The email did not, however, provide detailed instructions on how to conduct land management and monitoring. In addition, no policy has been put forth since that time.

Without established and comprehensive policies, the Department cannot ensure accountability for and control of land purchased with grant funds.

Recommendations

We recommend that the FWS require the Department to:

13. Develop and implement procedures to ensure supervisors are aware of lands under their supervision
14. Establish a monitoring process to inspect lands regularly for compliance with Program requirements

Department Response
The Department concurred with our finding and recommendations. It will develop and implement procedures to ensure supervisors are aware of lands under their supervision and will establish a monitoring process to ensure that lands are inspected regularly for compliance with Program requirements.

FWS Response
The FWS concurred with our finding and recommendations. It will work with the Department to develop and implement procedures to ensure supervisors are aware of lands under their supervision and establish a monitoring process to regularly inspect lands for compliance with Program requirements. The FWS will identify the target dates and official(s) responsible for implementing these recommendations in its corrective action plan.

OIG Comment
Based on the Department's and the FWS' responses, we consider Recommendations 13 and 14 resolved but not implemented (see Appendix 3).

E. Inconsistent Subaward Management and Monitoring

The Department did not consistently perform and document risk assessments or monitoring plans for subrecipients. In addition, the Department did not publicly report all required subawards or include all necessary disclosures in subaward agreements.

Federal regulations (2 C.F.R. § 200.331(b)) require the Department to evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate level of monitoring. In addition, regulations (2 C.F.R. § 200.331(d)) require the State to monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes and performance goals are achieved. States are also required (2 C.F.R. § 170, Appendix A) to file a subaward report on http:///www.fsrs.gov by the end of the month following the month in which the State awarded any subgrant equal to or greater than $25,000.

Regulations (2 C.F.R. § 200.331(a)) also stipulate the minimum content requirements for all subrecipient awards, which include disclosing whether the agreement is for research and development, whether there is an approved indirect cost rate, and the appropriate terms and conditions concerning closeout of the subaward.

The *Oregon State Accounting Manual* (Section 30.40.00, Paragraph 107(c)) states that monitoring should include (1) reviewing financial and programmatic reports required by the contributing agency, (2) following up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient, and (3) issuing management decisions for audit findings pertaining to the Federal award provided to the subrecipient.

During the audit, we reviewed six subawards and found that three did not included a risk assessment or monitoring plan. In lieu of a formal risk assessment, the Department assembled a committee of both departmental and nondepartmental personnel to sort and rank subaward applications each year but did not document this process. In addition, there was no documentation of consideration for a prospective subrecipient's qualifications or capabilities. Further, the Department did not document how or if it monitored the subrecipient's progress. We also found three subawards did not contain a formal monitoring plan based on the assessed risk level. Instead, monitoring consisted of periodic emails and photos to document progress of a project or to address a concern identified during the project period.

Of the six subawards agreement reviewed, we found that four did not include the following required disclosures:

- Whether the subaward was for a research and development project
- The indirect cost rate for the Federal award
- The indirect cost rate between the subrecipient and Federal Government, rate negotiated with the subrecipient and State, or a de minimis indirect cost rate
- The appropriate terms and conditions concerning closeout of the subaward

In addition, we found that only 6 of the 23 subawards funded during the audit period with Federal grants were posted to http:///www.fsrs.gov for public viewing. Department officials indicated that they could neither determine how information on their subawards was published to the website nor identify an employee familiar with the process.

Because the Department did not conduct risk assessments, it may have awarded Federal grant dollars to unqualified subrecipients. In addition, by not posting subawards publicly, the Department violated the disclosure requirements stipulated in the Federal regulations. Finally, the absence of all required disclosures in the agreement may have resulted in unnecessary disputes between the Department and subrecipient.

Recommendations

We recommend that the FWS require the Department to:

15. Develop policies and procedures to ensure compliance with the Code of Federal Regulations and *Oregon State Accounting Manual* guidance regarding subaward risk assessment and monitoring
16. Ensure subawards are posted online for public viewing, as required in the Code of Federal Regulations
17. Ensure subawards contain all disclosures required by the Code of Federal Regulations

Department Response

The Department concurred with our finding and recommendations. It will (1) revise its procedures related to monitoring and assessing subawards, (2) revise its procedures to ensure subawards in excess of $25,000 are reported, and (3) develop policies and procedures to ensure all required disclosures are included in future subaward agreements.

FWS Response

The FWS concurred with our finding and recommendations. It will work with the Department to develop policies and procedures that ensure the Department's compliance with the C.F.R. and with the State's guidance regarding subaward risk assessment and monitoring, including the requirement for the Department to post subawards online and to ensure that they contain all required disclosures. The FWS will identify the target dates and official(s) responsible for implementing these recommendations in its corrective action plan.

OIG Comment

Based on the Department's and the FWS' responses, we consider Recommendations 15 – 17 resolved but not implemented (see Appendix 3).

Appendix 1

State of Oregon
Department of Fish and Wildlife
Grants Open During the Audit Period
July 1, 2015, Through June 30, 2017

Grant No.	Grant Amount	Claimed Costs	Questioned Costs
F11AF00157	$842,205	$730,433	$0
F13AF00842	564,152	563,961	0
F13AF00844	577,484	525,150	83,443
F14AF00008	333,000	261,114	0
F14AF00011	80,000	134,399	0
F14AF00012	115,000	131,499	0
F14AF00013	280,400	362,992	0
F14AF00310	2,975,567	2,670,377	643,885
F14AF00336	394,100	433,268	95,277
F14AF00355	117,891	114,989	0
F14AF00366	425,000	554,227	0
F14AF00531	309,500	300,177	0
F14AF00901	2,614,380	2,547,499	463,903
F14AF00902	187,233	193,219	34,110
F14AF01037	216,275	194,090	0
F14AF01038	519,522	453,984	0
F14AF01039	233,067	233,067	0
F14AF01060	555,361	555,361	0
F14AF01061	1,453,052	1,345,847	0
F14AF01066	155,188	143,942	0
F14AF01067	161,497	144,069	0
F14AF01079	59,012	51,082	0
F14AF01080	3,229,677	3,271,281	0
F14AF01081	440,010	563,096	0
F14AF01088	693,498	693,498	0

Grant No.	Grant Amount	Claimed Costs	Questioned Costs
F14AF01089	$480,629	$471,686	$0
F15AF00005	168,749	168,749	0
F15AF00437	3,288,350	3,151,380	0
F15AF00593	564,827	499,744	0
F15AF00652	374,000	139,000	0
F15AF00715	579,230	537,370	0
F15AF00716	328,897	315,489	0
F15AF00717	502,357	512,473	0
F15AF00718	72,223	57,644	0
F15AF00748	961,537	1,080,029	563,790
F15AF00749	754,297	770,971	0
F15AF00750	613,023	582,155	0
F15AF00751	473,003	460,834	0
F15AF00752	393,383	327,368	0
F15AF00768	2,979,137	2,552,582	98,961
F15AF00801	557,401	369,612	0
F15AF00802	715,884	614,901	0
F15AF00803	443,361	414,980	0
F15AF00804	654,087	559,353	0
F15AF00805	516,410	483,188	0
F15AF00851	1,517,851	1,009,488	0
F15AF00852	740,641	740,641	0
F15AF00853	391,237	356,623	0
F15AF00863	462,768	440,917	0
F15AF00864	380,000	380,000	0
F15AF00865	110,985	37,758	0
F15AF00866	1,492,913	1,217,681	0
F15AF00868	961,983	768,231	0
F15AF00869	54,163	$54,280	0
F15AF00871	102,704	107,828	0

Grant No.	Grant Amount	Claimed Costs	Questioned Costs
F15AF00872	$140,000	$98,023	$0
F15AF00873	185,400	179,672	0
F15AF00874	60,135	60,135	0
F15AF00875	2,538,961	3,157,465	483,222
F15AF00876	316,331	298,698	0
F15AF00887	193,832	188,794	35,084
F15AF00967	432,995	511,748	0
F15AF00968	157,494	143,286	0
F15AF00970	311,343	311,343	0
F15AF00971	56,648	56,648	0
F15AF00972	172,181	153,413	0
F15AF00974	218,294	179,729	0
F15AF00975	39,958	33,716	0
F15AF01021	1,183,736	1,183,736	0
F15AF01022	1,511,609	1,378,979	0
F15AF01023	3,346,648	3,375,321	134,510
F15AF01024	34,446	33,831	0
F15AF01025	176,509	137,444	0
F15AF01026	507,194	504,687	0
F15AF01027	568,256	567,427	0
F15AF01068	781,327	979,624	0
F15AF01105	233,215	494,590	0
F15AF01152	42,607	26,354	0
F15AF01153	167,391	139,905	0
F15AF01238	759,438	557,733	0
F15AF01239	1,699,769	0	0
F15AF01240	320,000	94,005	0
F15AF01356	429,462	257,341	0
F16AF00068	38,132	45,725	0
F16AF00079	316,800	315,371	0

Grant No.	Grant Amount	Claimed Costs	Questioned Costs
F16AF00080	$195,071	$111,663	$0
F16AF00257	18,630	18,059	0
F16AF00342	596,000	123,373	0
F16AF00478	721,281	546,924	0
F16AF00631	377,768	377,768	0
F16AF00632	130,000	0	0
F16AF00633	1,001,383	796,356	0
F16AF00634	79,033	75,601	0
F16AF00635	211,920	196,901	0
F16AF00664	57,649	55,350	0
F16AF00678	35,149	40,506	0
F16AF00679	590,081	534,223	0
F16AF00680	391,526	417,896	0
F16AF00690	195,009	88,397	0
F16AF00693	30,940	31,304	0
F16AF00724	124,820	30,931	0
F16AF00725	252,683	252,565	0
F16AF00729	454,699	425,343	0
F16AF00730	968,220	967,767	532,963
F16AF00731	413,413	407,725	0
F16AF00732	356,300	326,959	0
F16AF00733	295,716	271,500	0
F16AF00741	2,596,160	2,389,205	396,179
F16AF00743	491,022	447,134	4,407
F16AF00744	419,726	353,458	0
F16AF00745	887,189	886,697	201
F16AF00799	536,812	519,792	47,177
F16AF00800	388,499	385,477	0
F16AF00803	499,727	499,727	0
F16AF00805	166,880	151,303	0

Grant No.	Grant Amount	Claimed Costs	Questioned Costs
F16AF00807	$488,970	$564,389	$0
F16AF00808	39,752	28,207	0
F16AF00810	33,131	28,257	0
F16AF00811	1,174,624	1,174,624	7,718
F16AF00812	565,854	565,854	0
F16AF00814	167,292	128,383	0
F16AF00852	90,030	70,319	0
F16AF00853	49,813	45,741	0
F16AF00855	652,968	637,526	355
F16AF00857	1,389,205	1,342,971	0
F16AF00858	147,141	139,347	0
F16AF00875	1,442,303	1,392,266	0
F16AF00884	1,726,435	1,109,943	0
F16AF00905	29,938	25,578	0
F16AF00907	2,998,406	2,585,588	0
F16AF00988	3,375,477	3,339,171	136,967
F16AF01083	27,652	3,806	0
F16AF01274	718,017	256,896	0
F16AF01323	16,620	12,799	0
F17AF00002	25,954	10,567	0
F17AF00242	290,000	240,624	0
F17AF00723	84,005	0	0
Totals	**$85,125,105**	**$77,253,080**	**$3,762,152**

Appendix 2

State of Oregon
Department of Fish and Wildlife
Sites Visited

Headquarters
Salem, OR

Fish Hatchery
Roaring River
Fall River
Oak Springs

Wildlife Management Areas
EE Wilson
Ladd Marsh
Lower Deschutes
Sauvie Island

Boating Access
Buena Vista
Cedar Oak
Riverfront Park on Milwaukie Bay
Scappoose Bay Marine Park

Other
Corvallis District Office
Corvallis Research Lab
Douglas Ridge Rifle Club
Cottage Grove-Eugene Sportsmens Club

Appendix 3

State of Oregon
Department of Fish and Wildlife
Status of Audit Recommendations

Recommendations	Status	Action Required
1 – 17	We consider the recommendations resolved but not implemented. U.S. Fish and Wildlife Service (FWS) regional officials concurred with the recommendations and will work with the Oregon Department of Fish and Wildlife to develop and implement a corrective action plan for these recommendations.	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 the actions taken or planned by the State. We will refer the recommendations not implemented at the end of 90 days (after March 16, 2020) to the Assistant Secretary for Policy, Management and Budget for tracking of implementation.

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