



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 West Virginia, Division of Natural
Resources, From July 1, 2011, Through June 30, 2013



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

DEC 17 2015

Memorandum

To: Daniel M. Ashe
Director, U.S. Fish and Wildlife Service

From: Tim Horsma *Tim Horsma*
Acting Director, Grant Audits

Subject: Final Audit Report – U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the State of West Virginia, Division of Natural Resources, From July 1, 2011, Through June 30, 2013
Report No. R-GR-FWS-0013-2014

This report presents the results of our audit of costs claimed by the State of West Virginia, Division of Natural Resources (Division), under grants awarded by the U.S. Fish and Wildlife Service (FWS). FWS provided the grants to the State under the Wildlife and Sport Fish Restoration Program. The audit included claims totaling \$19.1 million on 38 grants that were open during the State fiscal years that ended June 30, 2012, and June 30, 2013 (see Appendix 1). The audit also covered the Division's compliance with applicable laws, regulations, and FWS guidelines, including those related to the collection and use of hunting and fishing license revenues and the reporting of program income.

We found that the Division complied, in general, with applicable grant accounting and regulatory requirements. We questioned costs totaling \$417,574, however, and found that the Division—

1. potentially diverted license revenues by misusing property acquired with those funds and losing administrative control of license revenues provided to another State agency;
2. did not report to FWS all program income that it earned under the grants;
3. did not have a process to eliminate duplicate license holders from its paper-based licensing system; and
4. did not have sufficient controls, such as policies and procedures, for cash collected at wildlife management areas.

We provided a draft report to FWS for a response. In this report, we summarize the Division's and FWS Region 5'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, 2016. The response should provide information on actions taken or planned to address the recommendations, as well as target dates and title(s) of the official(s) responsible for implementation. Formal responses can be submitted electronically. Please address your response

to me, and submit a signed PDF copy to WSFR_Audits@doioig.gov. If you are unable to submit your response electronically, please send your response to me at:

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The legislation creating the Office of Inspector General requires that we report to Congress semiannually on all audit reports issued, actions taken to implement our recommendations, and recommendations that have not been implemented.

If you have any questions regarding this report, please contact me at 916-978-5668.

cc: Regional Director, Region 5, U.S. Fish and Wildlife Service

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Introduction

Background

The Pittman-Robertson Wildlife Restoration Act and the Dingell-Johnson Sport Fish Restoration Act (Acts)¹ established the Wildlife and Sport Fish Restoration Program (Program). Under the Program, the U.S. Fish and Wildlife Service (FWS) provides grants to States to restore, conserve, manage, and enhance their sport fish and wildlife resources. The Acts and Federal regulations contain provisions and principles on eligible costs and allow FWS to reimburse States up to 75 percent of the eligible costs incurred under the grants. The Acts also require that hunting and fishing license revenues be used only for the administration of the States' fish and game agencies. Finally, Federal regulations and FWS guidance require States to account for any income they earned using grant funds.

Objectives

We conducted this audit to determine if the State of West Virginia, Division of Natural Resources (Division)—

- claimed the costs incurred under the Program grants in accordance with the Acts and related regulations, FWS guidelines, and grant agreements;
- used State hunting and fishing license revenues solely for fish and wildlife program activities; and
- reported and used program income in accordance with Federal regulations.

Scope

Audit work included claims totaling approximately \$19.1 million on the 38 grants open during the State fiscal years (SFYs) that ended June 30, 2012, and June 30, 2013 (see Appendix 1). We report only on those conditions that existed during this audit period. We performed our audit at the Division's headquarters in South Charleston, WV, and visited 4 district offices, 13 wildlife management areas (WMAs), 4 fish hatcheries, 1 boat ramp, 2 State parks, and 1 operations center (see Appendix 2). We performed this audit to supplement—not replace—the audits required by the Single Audit Act Amendments of 1996.

Methodology

We conducted this audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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

Our tests and procedures included—

- examining the evidence that supports selected expenditures that the Division charged to the grants;
- reviewing transactions related to purchases, direct costs, drawdowns of reimbursements, in-kind contributions, and program income;
- interviewing Division employees to ensure that personnel costs charged to the grants were supportable;
- conducting site visits to inspect equipment and other property;
- determining whether the Division used hunting and fishing license revenues solely for the administration of fish and wildlife program activities; and
- determining whether the State passed required legislation assenting to the provisions of the Acts.

We also identified the internal controls over transactions recorded in the labor- and license-fee accounting systems and tested their operation and reliability. Based on the results of initial assessments, we assigned a level of risk to these systems and selected a judgmental sample of transactions for testing. We did not project the results of the tests to the total population of recorded transactions or evaluate the economy, efficiency, or effectiveness of the Division’s operations.

We relied on computer-generated data for other direct costs and personnel costs to the extent that we used these data to select Program costs for testing. Based on our test results, we either accepted the data or performed additional testing. For other direct costs, we took samples of costs and verified them against source documents such as purchase orders, invoices, receiving reports, and payment documentation. For personnel costs, we selected Division employees who charged time to Program grants and verified their hours against timesheets and other supporting data.

Prior Audit Coverage

On November 22, 2010, we issued “Audit on U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the State of West Virginia, Division of Natural Resources, From July 1, 2007, Through June 30, 2009” (R-GR-FWS-0013-2010). We followed up on all recommendations in the report and found that the U.S. Department of the Interior’s Office of the Assistant Secretary for Policy, Management and Budget considered the recommendations resolved and implemented.

We reviewed single audit reports and comprehensive annual financial reports for SFYs 2012 and 2013. None of these reports contained any findings that would directly affect the Program grants.

Results of Audit

Audit Summary

We found that the Division complied, in general, with applicable grant agreement provisions and requirements of the Acts, regulations, and FWS guidance. We identified the following conditions, however, that resulted in our findings, including questioned costs totaling \$417,574.

- A. Questioned Costs.** We questioned costs totaling \$417,574 because (1) the Division did not maintain adequate documentation to support in-kind contributions used as match on hunter education grants; (2) two employees charged unsupported payroll costs to Program grants; and (3) a Division employee split procurement transactions in a manner that avoided competition and resulted in a potential conflict of interest.
- B. Potential Diversions of License Revenues.** The Division potentially diverted hunting and fishing license revenues by using property acquired with those funds for non-fish-and-wildlife activities and by losing administrative control of license revenues transferred to another State agency.
- C. Unreported Program Income.** The Division did not appropriately report \$11,950 that it earned under a Program grant or ensure that the revenue was used exclusively to meet the grant's objectives.
- D. Duplicate License Holders Potentially Counted in License Certifications.** The Division did not eliminate duplicate hunting and fishing license holders from its paper-based licensing system before submitting its license certifications to FWS.
- E. Lack of Cash Management Policies and Procedures for WMAs.** Even though the State Treasurer's Office requires agencies to have cash management policies and procedures, the Division had not fulfilled this requirement for cash collections on WMAs.

Findings and Recommendations

A. Questioned Costs—\$417,574

1. Unsupported In-Kind Contributions—\$295,812

The Program requires States to use matching, or non-Federal, funds to cover at least 25 percent of costs incurred in performing projects under the grants. States may use noncash, or in-kind, contributions to meet the matching share of costs,

but as with costs claimed for reimbursement, the value of these contributions must be supported.

We reviewed 90 timesheets from 4 of the Division's 6 districts that were used to record volunteer instructors' hours and miles driven under Grant Nos. F11AF00557 and F12AF01359 for hunter education. Our analysis disclosed systemic problems with this documentation:

- Eighteen volunteers donated an unreasonable number of hours per course. For instance, the State's hunter education database indicated that one volunteer claimed an average of 64.7 hours for each course he taught in SFY 2013. During discussions with the hunter education coordinator, however, we determined that a volunteer could reasonably donate 20 hours per course at most (12 hours of instruction time, 4 hours of preparatory and closeout time, and 4 hours of travel time).
- Volunteers did not report their hours and mileage on a daily basis but rather recorded them as a lump sum even though the hunter education coordinator informed us that all courses spanned multiple days.
- Division officials with knowledge of the courses did not consistently certify instructors' hours for accuracy.
- One team of volunteers obtained stamps of their signatures, which they affixed to timesheets in place of their individual signatures. As a result, we have no assurance that each volunteer actually certified his or her own time.
- Some of the instructors appeared to complete the timesheets for all other volunteers on their teams. We could not determine whether the volunteers reviewed this information before signing their timesheets or if the hours and mileage were subsequently filled in.

The Code of Federal Regulations (2 C.F.R. Part 225, Appendix A, Section C.1.j) requires costs to be adequately documented to be allowable under Federal awards. In addition, 43 C.F.R. § 12.64(b)(6) states that third-party in-kind contributions used to satisfy a cost-sharing or matching requirement must be verifiable from the records of grantees. Furthermore, it notes that to the extent feasible, volunteer services will be supported by the same methods that the organization uses to support its regular personnel costs. In that regard, Division personnel recorded their daily hours on work reports (similar to timesheets), signed their work reports, and obtained their supervisors' initials to indicate approval.

The problems we identified arose due to four main reasons. First, the design of the Division's in-kind timesheets did not allow volunteers to record their hours and mileage daily but forced them to report this information as a lump sum for multiple-day courses. Second, the timesheets did not have a place for a Division official to sign to indicate approval. Third, Division officials allowed a group of volunteers in Region 5 to develop a signature stamp instead of requiring the volunteers to sign their own timesheets. Finally, although the Division had a

hunter education manual, it did not contain adequate policies and procedures to address these issues.

Due to the poor quality of the Division’s in-kind documentation, we are questioning all of the volunteer hours and miles donated under the hunter education program as unsupported. This includes \$157,109 under Grant No. F11AF00557 and \$138,703 under Grant No. F12AF01359, for a total of \$295,812 (see Figure 1).

Description	F11AF00557	F12AF01359	Total
Total Grant Outlays	\$938,828	\$861,942	\$1,800,770
Less Unsupported In-Kind Contributions	241,353	223,950	465,303
Total Supported Grant Outlays	697,475	637,992	1,335,467
Federal Share Percentage	75%	75%	75%
Supported Federal Share	\$523,106	\$478,494	\$1,001,600
Original Federal Share Claimed	\$680,215	\$617,197	\$1,297,412
Less Supported Federal Share (From Above)	523,106	478,494	1,001,600
Federal Share of Questioned Costs	\$157,109	\$138,703	\$295,812

Figure 1. Federal share of questioned costs related to unsupported in-kind contributions.

After we informed Division officials of our finding, they revised the hunter education timesheet and instructions. The Division now requires volunteers to report their time on a daily basis and has included a space for hunter education regional staff to sign the timesheets to indicate approval. The instructions, however, still do not require volunteers to fill in their own hours or limit the number of hours and miles that they can reasonably donate each day.

Recommendations
<p>We recommend that FWS:</p> <ol style="list-style-type: none"> 1. Resolve the \$295,812 in unsupported questioned costs; and 2. Develop and implement policies and procedures detailing documentation requirements for in-kind donations, such as requiring volunteers to fill out their own timesheets and limiting the number of hours and miles that they can reasonably donate each day.

Division Response

Division officials stated that they believe all costs can be explained. They asserted that the main issue is the manner in which volunteers' hours were accounted for in "non-traditional" hunter education courses. The Division has developed a new time accounting system that, according to the Division officials, allows instructors to report their time daily and supervisors to approve volunteers' hours. The Division also implemented a policy for this new procedure.

FWS Response

FWS concurred with the finding and recommendations and will work closely with Division staff to develop and implement a corrective action plan.

OIG Comments

Division officials did not explain which hunter education courses they considered to be "non-traditional." Regardless, we questioned all volunteer instructors' hours because all courses lasted more than 1 day and the format of the timesheets did not allow volunteers to record their hours on a daily basis, as required. As noted in the finding, timesheets were insufficient for other reasons as well. Furthermore, the Division's response did not indicate whether it had implemented policies and procedures to limit the number of hours and miles that volunteers can reasonably donate in a single day.

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

2. Unsupported Payroll Costs—\$99,164

Division staff charge payroll costs to the State's Program grants by recording on a work report the hours they spend on each grant project. We found two instances where Division employees charged unsupported payroll expenses to the grants:

- An employee at the Apple Grove Fish Hatchery charged maintenance he performed at the hatchery to three Program grants for the Division's rearing and stocking program for warm water fish. His activities benefited the entire hatchery, however, including the Division's Ohio and Kanawha Rivers walleye project, which fell outside the scope of the grants.
- An office assistant charged all of the time she spent on clerical duties to two Program grants for district wildlife management and investigations. She informed us, however, that she also regularly provided administrative support to fish projects that were outside the scope of those grants. The Division could not determine the amount of payroll expenses related to fish projects that should have been charged to other funding sources.

According to 2 C.F.R. Part 225, Appendix A, Sections C.1.a, b, and j, in order to be allowable under Federal awards, costs must be necessary for proper performance and administration of the award, be allocable to the award, and be adequately documented.

The inappropriate charges occurred because (1) the hatchery employee was not aware of the requirement to allocate his time among the hatchery’s projects when doing work that benefited the entire facility; and (2) the office assistant followed the orders of a former supervisor, who had incorrectly told her to code all clerical work to district wildlife management and investigations. As a result, we are questioning \$132,218 (\$99,164 Federal share) in unsupported costs for the hatchery employee’s and office assistant’s payroll expenses (see Figure 2).

Grant Number	Purpose	Unsupported Questioned Costs	Federal Share
F11AF00560	District Wildlife Management and Investigations	\$34,544	\$25,908
F11AF00971	Warm Water Fish Rearing and Stocking Program	\$18,110	\$13,583
F12AF00212	Warm Water Fish Rearing and Stocking Program	32,930	24,698
F12AF00935	District Wildlife Management and Investigations	34,187	25,640
F13AF00236	Warm Water Fish Rearing and Stocking Program	12,447	9,335
Total		\$132,218	\$99,164

Figure 2. Unsupported questioned costs related to payroll.

Recommendations
<p>We recommend that FWS:</p> <ol style="list-style-type: none"> 3. Resolve the unsupported questioned costs of \$99,164; and 4. Ensure that the Division communicates to its employees the requirement to report actual time worked on each project or allocate time to all benefiting projects.

Division Response

Division officials suggested that the questioned costs related to the hatchery employee's time should be reduced by considering the percentage of total fish production attributable to Grants F11AF00971, F12AF00212, and F13AF00236. They stated that the Division would pay back \$51,548 for the questioned costs related to the office assistant's payroll under Grants F11AF00560 and F12AF00935.

FWS Response

FWS concurred with the finding and recommendations and will work closely with Division staff to develop and implement a corrective action plan.

OIG Comments

Division officials did not provide any data on fish production at the Apple Grove Hatchery or a methodology to support a reduction in questioned costs attributable to Grants F11AF00971, F12AF00212, and F13AF00236. Therefore, we did not adjust the amount of questioned costs noted in the finding.

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

3. Split Transactions and Potential Conflicts of Interest—\$22,598

Authorized Division employees may purchase goods and services for the Program grants using State-issued purchase cards and purchase orders. One of the Division's engineering technicians, however, split purchases into several smaller transactions, thereby avoiding competition requirements. He also purchased services from two companies that were operated by his son, potentially creating a conflict of interest.

From July to October 2012, the engineering technician charged Program Grant Nos. F12AF00229 and F12AF00935 to maintain several parking lots, rent a drum roller, and clear trees and brush. He split the cost of these services into 20 transactions, each of which totaled \$2,500 or less. Through this practice, the engineering technician inappropriately avoided the need to obtain competitive quotations.

Furthermore, the engineering technician potentially created a conflict of interest by hiring two companies operated by his son. One company performed the work required by the 20 split transactions, and the second company constructed a walkway and installed bollards at a fish hatchery under Grant No. F11AF00560 (see Figure 3).

Service Performed	Number of Transactions	Cost
Parking Lot Maintenance	13	\$13,911
Rental of Drum Roller	4	10,000
Tree and Brush Removal	3	4,954
Construction of Walkway and Installation of Bollards	1	1,265
Total	21	\$30,130

Figure 3. Services performed by the engineering technician's son.

The C.F.R. requires States to use their normal procedures to procure property and services under a Federal grant (43 C.F.R. § 12.76). Accordingly, the West Virginia Purchasing Division Procedures Handbook states: "Issuing a series of requisitions or purchase orders to circumvent competitive bidding or to defeat the State Purchasing Card transaction or delegated purchasing limit, commonly referred to as 'stringing,' is prohibited by law." In addition, the Division director signed U.S. Office of Management and Budget form 424B, "Assurances – Non-Construction Programs," which certifies that the Division "will establish safeguards to prohibit employees from using their positions for a purpose that constitutes or presents the appearance of personal or organizational conflict of interest, or personal gain."

The Division reported these procurement irregularities to the West Virginia Commission on Special Investigations (Commission). As a result of the Commission's investigation, the engineering technician was arrested in June 2013, and the Division subsequently terminated him. In January 2015, a Kanawha County grand jury indicted the engineering technician and his son for embezzlement and misuse of a purchase card.

According to Division officials, the split-purchase issue occurred because the engineering technician's supervisor retired, and no one assumed the responsibility for reviewing his small-purchase transactions while the supervisory position was vacant. The supervisory position was eventually filled, however, and the new supervisor began reviewing the purchases of the engineering technician.

Because the engineering technician split purchases into smaller amounts that avoided competition requirements and procured services from his son, we have no assurance that the Division paid a fair price for the work performed. As a result, we are questioning \$30,130 (\$22,598 Federal share) in unallowable costs charged to the three Program grants (see Figure 4).

Grant Number	Unallowable Questioned Costs	Federal Share
FI1AF00560	\$1,265	\$949
FI2AF00229	18,865	14,149
FI2AF00935	10,000	7,500
Total	\$30,130	\$22,598

Figure 4. Unallowable questioned costs resulting from split purchases and potential conflicts of interest.

Recommendations

We recommend that FWS:

5. Resolve the \$22,598 in unallowable questioned costs; and
6. Require the Division to develop and implement policies and procedures requiring the review of procurement transactions when supervisory positions are vacant.

Division Response

Division officials accepted the finding and agreed to pay back the \$22,598 in questioned costs. They noted that the Division has adopted a policy requiring all procurement transactions to be reviewed and approved by a supervisor. This responsibility will be assigned with each change in staff.

FWS Response

FWS concurred with the finding and recommendations and will work closely with Division staff to develop and implement a corrective action plan.

OIG Comments

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

B. Potential Diversions of License Revenues

One of the Program's major tenets is the requirement that States use hunting and fishing license revenues solely to manage their fish and wildlife resources. The Acts and the C.F.R. emphasize the importance of this principle by requiring States to pass assent legislation prohibiting the diversion of license revenues.

In 50 C.F.R. § 80.20(a), (b), and (e), license revenues are defined as—

- all proceeds from State-issued hunting and fishing licenses, permits, stamps, tags, access and use fees, and other State charges to hunt or fish for recreational purposes;
- real or personal property acquired with license revenues; and
- interest, dividends, or other income earned on license revenues.

According to 50 C.F.R. § 80.11, a State becomes ineligible under the Program if it diverts license revenues for purposes other than the administration of the State fish and wildlife agency. The C.F.R. clarifies that an agency with multijurisdictional responsibilities is considered the State fish and wildlife agency only when exercising responsibilities specific to the management of the State's fish and wildlife resources (50 C.F.R. § 80.2). Therefore, the Division's Parks and Recreation (Parks) section is not considered part of the State fish and wildlife agency when it performs interpretive services and manages recreational opportunities apart from hunting and fishing.

We noted two instances where the Division potentially diverted license revenues. Specifically, Division officials used real property and equipment purchased with license revenues for Parks activities and lost control of license revenues provided to another State agency. Each potential diversion brings into question whether fish and wildlife activities appropriately benefited from these funds and jeopardizes the State's continued participation in the Program.

1. Inappropriate Use of Real Property and Equipment

The Division potentially diverted State license revenues to non-fish-and-wildlife activities supported by Parks. Specifically:

- In 1960, the Division created the Moncove Lake Hunting and Fishing Area in Monroe County from approximately 270 acres of donated land. This property more than tripled in size in 1977, when the Division purchased an additional 626 acres with license revenues. In 1990, however, the State legislature set aside 250 acres of the area for a State park, and according to a senior Parks official, the Division drew an "arbitrary line" to establish the park's boundaries. The remaining portion of the property became Moncove Lake WMA. As a result, the State park might be located on land that had been purchased with license revenues and that was meant to benefit fish and wildlife rather than serve recreational purposes.
- In 1979, the Division used license revenues to purchase 93 acres in McDowell County that became Berwind Lake WMA. We noted, however, that Parks currently manages a swimming pool and picnic shelters on the property.

- Laurel Creek WMA consists of 12,855 acres, 19 of which were acquired with license revenues in 1963 and 1981. According to Division officials, the Wildlife Resources section constructed a swimming pool on the 19-acre tract in 1967 at the behest of the State legislature. In the late 1970s, Parks was put in charge of the WMA, and it continues to manage the swimming pool today.
- The Division’s Wildlife Resources section used license revenues to purchase two man lifts under a rent-to-own agreement. Although the Division initially used the man lifts to construct facilities at fish hatcheries, at the time of our audit, Parks was employing them at Carnifex Ferry and Pipestem Resort Parks for construction unrelated to the State’s fish and wildlife resources.

These issues occurred due to two main reasons. First, the Division had not reviewed lands managed by Parks to evaluate whether diversions might exist. During our audit, however, Wildlife Resources and Parks officials met to review the Division’s lands for this purpose and concluded that Parks did not manage any other lands purchased with license revenues. Second, the Division did not have policies and procedures in place to ensure that real property and equipment purchased with license revenues were used only for appropriate purposes. Such policies could require Wildlife Resources to charge Parks a fee to use equipment acquired with license revenues. Policies could also mandate Wildlife Resources and Parks to enter into formal written agreements regarding WMAs managed by Parks to ensure that lands purchased with license revenues are used solely for fish and wildlife purposes.

Recommendations

We recommend that FWS:

7. Resolve the potential diversion of license revenues related to the inappropriate use of real property and equipment; and
8. Develop and implement policies and procedures to ensure that real property and equipment purchased with license revenues are used only for the administration of fish and wildlife.

Division Response

Division officials agreed with the finding. They are reviewing all lands purchased with license revenues and Program funds to determine if any lands are still open to alternative recreational use. They also agreed to resolve the land jurisdiction issues noted in the finding within 2 years. Furthermore, the officials stated that they will attempt to recover the cost of the man lifts from Parks and will inform staff about the eligible use of equipment.

FWS Response

FWS concurred with the finding and recommendations and will work closely with Division staff to develop and implement a corrective action plan.

OIG Comments

Division officials' comments did not specifically address the need for policies and procedures to ensure that property purchased with license revenues is used appropriately.

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

2. Loss of Administrative Control of License Revenues

In July 2006, the Division entered into an interagency fund transfer agreement with the West Virginia State Conservation Committee (SCC). The objective of the agreement was to provide funding to SCC, which would pay the State's 14 conservation districts to carry out water and soil conservation projects on the Division's behalf. Under this arrangement, the Division used hunting and fishing license revenues to advance full payments to SCC for anticipated projects.

According to a Division official, however, the West Virginia Commission on Special Investigations determined that the agreement "most likely violated State purchasing regulations." As a result, the Division stopped using the agreement as of January 1, 2014, but it did not ensure that SCC returned all of the unexpended license revenues.

When we inquired about these funds in May 2014, Division officials stated that they did not know the amount of license revenues still held by SCC. A Division official subsequently contacted SCC and reported to us that \$14,754 was outstanding, but he was not able to provide us with documentation to support this figure. By June 2015, more than 17 months after the Division stopped using the agreement, it still had not recovered any of the remaining funds. Furthermore, Division staff did not know whether SCC had earned any interest from these funds, which would also be considered license revenue under the C.F.R.

This issue arose because the Division did not have adequate policies and procedures to account for license revenues transferred to other State agencies that perform work for the Division. Furthermore, although the agreement required SCC to return unused funds to the Division after the completion of individual projects, it did not address the return of funds still outstanding upon termination or expiration of the agreement.

Recommendations

We recommend that FWS:

9. Resolve the potential diversion of license revenues resulting from the loss of control of these funds;
10. Ensure that the Division recovers any interest due as a result of the potential diversion; and
11. Require the Division to develop and implement policies and procedures to account for license revenues transferred outside the Division and to fully address the disposition of unused license revenues in interagency agreements and other contracts.

Division Response

Division officials agreed with the finding and will attempt to recover the unspent license revenues from SCC. The Division no longer approves final payment for activities not fully completed. All payments will follow State purchasing policies.

FWS Response

FWS concurred with the finding and recommendations and will work closely with Division staff to develop and implement a corrective action plan.

OIG Comments

Division officials' comments did not specifically address the need to develop and implement policies and procedures to account for license revenues transferred outside the Division.

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

C. Unreported Program Income

Under the Program, States may earn revenue, or program income, from grant-supported activities but must report and use the income in accordance with Federal regulations. Although program income must typically be deducted from the overall grant award, if approved by the Federal grantor agency, program income may be added to (and thus increase) the total grant amount. In the Division's grant agreements, FWS approved the use of program income in accordance with the additive method.

We found that on its Federal financial report (Standard Form 425), the Division did not report \$11,950 that it earned from land leases under Grant No. F12AF00935 for district wildlife management and investigations. According to 43 C.F.R. § 12.65 (g)(2), however, if program income is added to the funds committed to a grant, it must be used for the purposes and under the conditions of the grant agreement.

A Division official informed us that program income was incorrectly reported due to an oversight. We noted that a single staff member calculates program income, but the Division has no procedures to check the accuracy of the calculations. As a result, we have no assurance that the \$11,950 in program income was used solely for and in accordance with Grant No. F12AF00935.

Recommendations

We recommend that FWS:

12. Resolve the \$11,950 in unreported program income earned under Grant No. F12AF00935; and
13. Require the Division to develop and implement procedures to verify the accuracy of program income prior to submitting its Federal financial reports.

Division Response

Division officials accepted the finding and will pay back the \$11,950 in unreported program income. A guidance document is being developed to help identify and track program income.

FWS Response

FWS concurred with the finding and recommendations and will work closely with Division staff to develop and implement a corrective action plan.

OIG Comments

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

D. Duplicate License Holders Potentially Counted in License Certifications

Each year, States must provide a certified count of paid hunting and fishing license holders to FWS. FWS incorporates this information in a statutory formula to determine States' annual apportionment of Program funds. Within the same

year, some individuals purchase more than one type of hunting or fishing license or buy multiple licenses of the same type. According to 50 C.F.R. § 80.31(b)(3), States are required to eliminate multiple counts of the same individuals from the annual certifications.

For its two most recent license certifications, covering calendar years 2010 and 2011, the Division recorded sales of hunting and fishing licenses using manual (paper-based) and electronic systems. The Division’s certifications, however, did not eliminate duplicate license holders who purchased more than one license using either the manual system or both the electronic and manual systems. The Division only had procedures to eliminate duplicates recorded in its electronic system.

The number of manual license sales from 2010 and 2011 is significant, comprising approximately 25 percent of all hunting and fishing licenses certified by the State (see Figure 5). Not eliminating duplicate license holders can lead to inflated license certification figures, and the Division could potentially receive an excess apportionment of Program funds.

License Year	License Type	Paper-Based Licenses	Total Licenses Certified	Paper-Based as a Percentage of Total
2010	Hunting	54,506	221,806	24.6%
2010	Fishing	68,200	252,977	27.0%
2011	Hunting	47,998	214,286	22.4%
2011	Fishing	62,008	245,190	25.3%

Figure 5. Paper-based licenses compared with total licenses certified by the Division.

The Division implemented a new electronic licensing system on January 1, 2015, and officials informed us that the system will prevent the duplicate counting of hunting and fishing license holders in its annual certifications. Since we completed our audit fieldwork before the rollout of the new licensing system, however, we did not test its ability to accurately eliminate duplicates. Therefore, we are recommending that the Division implement a process to ensure that its system can account for duplicate license holders.

Recommendation

We recommend that FWS:

14. Require the Division to develop and implement a process ensuring that its annual license certifications do not count hunting or fishing license holders multiple times.

Division Response

Division officials agreed with this finding and noted that the licensing system implemented in January 2015 prevents the duplicate counting of hunting and fishing license holders.

FWS Response

FWS concurred with the finding and recommendation and will work closely with Division staff to develop and implement a corrective action plan.

OIG Comments

Although Division officials stated that the new licensing system prevents the duplicate counting of license holders, they did not provide documentation of the process or evidence that it works.

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

E. Lack of Cash Management Policies and Procedures for WMAs

The Division charges fees for the use of campsites on 19 WMAs operated under Grant Nos. F11AF00560 and F12AF00935. In SFYs 2012 and 2013, the Division earned \$24,551 and \$20,200, respectively, in campsite fees collected on these WMAs. Campers pay the fees by cash or check and place their payments in lockboxes located at the campsites.

We noted that the Division has no written policies and procedures regarding the control of cash collected on WMAs. For example, no policies spell out the number of employees that must be present to collect and count cash or how often cash should be collected and deposited.

According to Section 1.6 of the State Treasurer's "Cash Receipts Handbook for West Virginia Spending Units," each State department or agency must implement policies and procedures detailing how cash should be collected, handled, and deposited. The handbook states: "The procedures should give each employee a

clear understanding of what is expected, what behavior is and is not acceptable and how to accurately accept, handle and safeguard Cash. The procedures should also be clear as to which employees have access and the ability to perform each task required in the entire process.”

A Division official informed us that the Division could not implement the State’s cash management policies on WMAs due to the limited number of staff at remote sites. We noted, however, that policies and procedures could still address the issue of staff availability and remoteness by requiring and outlining mitigating controls. In addition, the State Treasurer has not exempted the Division from its cash management policies, nor has the Division developed an alternative acceptable to the State Treasurer. Due to the lack of written policies and procedures, inconsistent safeguards over cash can result, increasing the risk of loss, error, or theft.

Recommendation

We recommend that FWS:

15. Require the Division to work with the State Treasurer’s Office to develop and implement policies and procedures for the handling and safeguarding of cash collected at WMAs.

Division Response

Division officials acknowledged that the Division does not have the policies and procedures required by the State Treasurer’s Office. They will develop a written policy and instruct WMA staff and supervisors on appropriate cash handling procedures.

FWS Response

FWS concurred with the finding and recommendation and will work closely with Division staff to develop and implement a corrective action plan.

OIG Comments

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

Appendix I

State of West Virginia
 Division of Natural Resources
 Grants Open During the Audit Period
 July 1, 2011, Through June 30, 2013

Grant Number	Grant Amount	Claimed Costs	Questioned Costs	
			Unsupported Costs	Other Unallowable Costs
F08AF00059	\$385,000	\$475,568	\$0	\$0
F11AF00428	350,000	328,862	0	0
F11AF00466	2,500,000	2,634,952	0	0
F11AF00477	360,000	347,217	0	0
F11AF00557	1,169,906	938,828	157,109	0
F11AF00560	3,155,946	3,507,258	25,908	949
F11AF00569	963,600	1,360,152	0	0
F11AF00852	40,000	40,000	0	0
F11AF00907	487,500	381,939	0	0
F11AF00967	375,000	337,603	0	0
F11AF00971	450,000	462,542	13,583	0
F11AF00979	150,000	140,967	0	0
F11AF00980	150,000	67,364	0	0
F11AF00981	100,000	84,897	0	0
F11AF00982	150,000	165,134	0	0
F11AF01126	463,084	377,831	0	0
F12AF00167	92,000	63,649	0	0
F12AF00210	149,000	83,687	0	0
F12AF00211	147,000	133,495	0	0
F12AF00212	460,000	449,460	24,698	0
F12AF00213	185,000	151,108	0	0
F12AF00229	796,676	738,885	0	14,149
F12AF00337	375,000	320,048	0	0
F12AF00827	2,600,000	2,812,901	0	0
F12AF00935	3,151,572	1,249,198	25,640	7,500
F12AF00939	995,200	615,576	0	0
F12AF01208	463,084	15,891	0	0
F12AF01209	360,000	162,878	0	0
F12AF01210	350,000	78,982	0	0
F12AF01359	1,170,906	561,817	138,703	0
F13AF00236	435,000	0	9,335	0
F13AF00237	100,000	0	0	0
F13AF00238	78,850	0	0	0

Grant Number	Grant Amount	Claimed Costs	Questioned Costs	
			Unsupported Costs	Other Unallowable Costs
F13AF00239	\$87,000	\$0	\$0	\$0
F13AF00240	173,500	0	0	0
F13AF00295	45,000	0	0	0
F13AF00296	30,000	0	0	0
F13AF00379	375,000	0	0	0
Total	\$23,869,824	\$19,088,689	\$394,976	\$22,598

Appendix 2

**State of West Virginia
Division of Natural Resources
Sites Visited**

Headquarters

South Charleston

District Offices

Beckley

Farmington

Nitro

Romney

Wildlife Management Areas

Alleghany

Berwind Lake

Cecil H. Underwood

Center Branch

Cross Creek

Edwards Run

Hillcrest

Laurel Creek

Pleasant Creek

Pruntytown State Farm

Shannondale Springs

Short Mountain

Sideling Hill

Fish Hatcheries

Apple Grove

Palestine

Petersburg

Ridge

Boat Ramp

Senator Robert C. Byrd – Nitro

State Parks

Carnifex Ferry Battlefield

Pipestem Resort

Other Facilities

Elkins Operations Center

Appendix 3

**State of West Virginia
Division of Natural Resources
Status of Audit Findings and Recommendations**

Recommendations	Status	Action Required
I through 15	We consider the recommendations resolved but not implemented. FWS regional officials concurred with the findings and recommendations and will work with the Division on a corrective action plan.	Complete a corrective action plan that includes specific action(s) taken or planned to address the recommendations, targeted completion dates, title(s) of the official(s) responsible for implementing the action taken or planned, and verification that FWS headquarters officials reviewed and approved of actions taken or planned by the Division. We will refer any unimplemented recommendations to the Assistant Secretary for Policy, Management and Budget for implementation tracking by March 16, 2016.

