



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

**U.S. Fish and Wildlife Service Grants Awarded
to the State of Maine, Department of Inland
Fish and Wildlife, From July 1, 2017, Through
June 30, 2019, Under the Wildlife and Sport
Fish Restoration Program**



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

JUL 28 2023

Memorandum

To: Martha Williams
Director, U.S. Fish and Wildlife Service

From: Colleen Kotzmoyer 
Director, Eastern Region Audit Division

Subject: Final Audit Report – *U.S. Fish and Wildlife Service Grants Awarded to the State of Maine, Department of Inland Fish and Wildlife, From July 1, 2017, Through June 30, 2019, Under the Wildlife and Sport Fish Restoration Program*
Report No. 2021–ER–029

This report presents the results of our audit of costs claimed by the State of Maine Department of Inland Fisheries and Wildlife (Department) under grants awarded by the U.S. Fish and Wildlife Service through the Wildlife and Sport Fish Restoration Program.

We provided a draft of this report to the FWS. The FWS concurred with all recommendations and will work with the Department to implement corrective actions. The full responses from the Department and the FWS are included in Appendix 4. In this report, we summarize the Department's and FWS' responses to our recommendations, as well as our comments on their responses. We list the status of the recommendations in Appendix 5.

Please provide us with a corrective action plan based on our recommendations by October 27, 2023. The plan should provide information on actions taken or planned to address each recommendation, as well as target dates and titles of the officials responsible for implementation. It should also clearly indicate the dollar value of questioned costs that you plan to either allow or disallow. If a recommendation has already been implemented, provide documentation confirming that the action is complete. Please send your response to aie_reports@doioig.gov.

We will notify Congress about our findings, and we will report semiannually, as required by law, on actions you have taken to implement the recommendations and on recommendations that have not been implemented. We will also post a public version of this report on our website.

If you have any questions regarding this report, please contact me at aie_reports@doioig.gov.

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Introduction

Objectives

In June 2016, we entered into an intra-agency agreement with the U.S. Fish and Wildlife Service (FWS) to conduct audits of State agencies receiving grant funds under the Wildlife and Sport Fish Restoration Program (WSFR). These audits assist the FWS in fulfilling its statutory responsibility to oversee State agencies' use of these grant funds.

The objectives of this audit were to determine whether the Maine Department of Inland Fisheries and Wildlife (Department) used grant funds and State hunting and fishing license revenue for allowable fish and wildlife activities and complied with applicable laws and regulations, FWS guidelines, and grant agreements.

See Appendix 1 for details about our scope and methodology. See Appendix 2 for sites we visited.

Background

The FWS provides grants to States¹ through WSFR for the conservation, restoration, and management of wildlife and sport fish resources as well as educational and recreational activities. WSFR was established by the Pittman-Robertson Wildlife Restoration Act and the Dingell-Johnson Sport Fish Restoration Act.² The Acts and related Federal regulations allow the FWS to reimburse grantees a portion of eligible costs incurred under WSFR grants—up to 75 percent for States and up to 100 percent for the Commonwealths, territories, and the District of Columbia.³ The reimbursement amount is called the Federal share. The Acts require that hunting and fishing license revenue be used only for the administration of participating fish and wildlife agencies. In addition, Federal regulations require participants to account for any income earned from grant-funded activities and to spend this income before requesting grant reimbursements.

¹ Federal regulations define the term “State” as the 50 States; the Commonwealths of Puerto Rico and the Northern Mariana Islands; the territories of Guam, the U.S. Virgin Islands, and American Samoa; and the District of Columbia (Dingell-Johnson Sport Fish Restoration Act only).

² Formally known, respectively, as the Federal Aid in Wildlife Restoration Act, 16 U.S.C. § 669, as amended, and the Federal Aid in Sport Fish Restoration Act, 16 U.S.C. § 777, as amended.

³ The District of Columbia does not receive funding under the Pittman-Robertson Wildlife Restoration Act.

Results of Audit

We determined that the Department did not ensure that grant funds and State hunting and fishing license revenue were used for allowable fish and wildlife activities and complied with applicable laws and regulations, FWS guidelines, and grant agreements. We question costs relating to unfunded liabilities,⁴ in-kind contributions, and subrecipient reimbursements in addition to a potential diversion of license revenue and control deficiencies related to subawards and subrecipient oversight.

We found the following:

- Questioned Costs.** We question \$3,120,095 (\$2,340,072 Federal share)⁵ as unallowable and \$80,447(\$60,335 Federal share) as unsupported (see Figure 1). These questioned costs arose due to the Department claiming unreasonably high unfunded liabilities costs and not having adequate supporting documentation for in-kind volunteer hours claimed and subrecipient reimbursements.
- Potential Diversion of License Revenue.** The Department potentially diverted license revenue totaling \$548,166 by allowing outside law enforcement organizations to share its use allocation of a shooting range built using license revenue as the Maine Warden Service’s (MWS’) match.
- Control Deficiencies.** We found opportunities to improve controls in the Department’s subrecipient determination process, subaward reporting, and subaward agreements.

Figure 1: Summary of Unallowable and Unsupported Costs (Federal Share)

Issue	Unallowable Costs (\$)	Unsupported Costs (\$)	Totals (\$)
Unfunded Liabilities	2,250,417	-	2,250,417
In-kind	69,981	41,358	111,339
Subrecipient Reimbursements	19,674	18,977	38,651
Totals	\$2,340,072	\$60,335	\$2,400,407

See Appendix 3 for a statement of monetary impact and a summary of potential diversion of license revenue.

⁴ In this report, we use the term “unfunded liabilities” to refer to unfunded pension plan and retiree healthcare costs. Unfunded liabilities are also known as unfunded “actuarial accrued liabilities.”

⁵ The amounts are presented as a total cost, which includes both State share (25 percent) and Federal share (75 percent). The Federal share, in parentheses, identifies how much of the total cost was paid directly by the Federal grants.

Questioned Costs—\$3,200,542 (\$2,400,407 Federal Share)

Unfunded Liabilities Resulted in Questioned Costs of \$3,000,556 (\$2,250,417 Federal Share)

The Department used WSFR grant funds for payments toward the State's unfunded liabilities. In this context, unfunded liabilities are projected financial obligations accrued in previous years that the State does not have requisite funds to pay. If a pension fund or other type of fund has projected debts that exceed its current capital, projected income, and investment returns, it has unfunded liabilities. An unfunded liability is the difference between the projected amount due to current and future retirees and the amount of money the fund will have to make those payments in the future. In Maine, these unfunded liabilities occurred because the State underfunded the plan and had a lower-than-expected rate of return.⁶ While State employees contribute a mandatory percentage of their salaries and wages to the normal costs for pensions,⁷ the State of Maine (as their employer) contributes to both the normal costs for pension and unfunded liabilities at a specific rate expressed as a percentage of payroll. These employer contributions for unfunded liabilities are calculated automatically in the accounting system during payroll processing. Maine then claims Federal reimbursement for the unfunded liability costs for the contributions made based on WSFR-funded salaries and wages.

We question whether using grant funds to pay for these unfunded liabilities constitutes an allowable cost. Generally, for a cost to be considered allowable, it must meet various conditions specified in Federal regulations and the award letter from the FWS to the State grant recipient. These conditions include factors related to reasonableness, timing, and nature of the costs.⁸ With respect to pension plan and post-retirement healthcare, the costs must be incurred in accordance with established awardee policies and other requirements, such as reasonableness, to be allowable.⁹ Unfunded liabilities, in particular, may be allowable costs if certain criteria are met.¹⁰ We requested relevant policies from the State Controller, but it did not provide us with any related to unfunded liabilities. Under these circumstances, we question whether the State's use of WSFR funds to address these unfunded liabilities complied with the Federal regulations and award letters as they relate to reasonableness and nature of the costs.

The Department charged 6 FWS grants that we audited for payments toward the State's unfunded liabilities and related indirect costs, totaling \$3,000,556 (\$2,250,417 Federal share) in

⁶ State of Maine, Summary Budget Information 2012–2013, “Unfunded Government Employee Pension Liabilities Reform.” February 11, 2011.

⁷ “Normal costs for pensions” refers to the actuarial present value of projected benefits that is allocated to a period. For example, here, they are the costs contributed to the pension fund by current employees for their future retirement and are separate from the unfunded liabilities contributions.

⁸ 2 C.F.R. § 200.403.

⁹ 2 C.F.R. § 200.431 (c), (d), (g), (h).

¹⁰ The criteria for pension costs allowability include (1) when pension costs are calculated using an actuarial cost-based method recognized by generally accepted accounting principles (GAAP) and they are funded for that year within 6 months after the end of that year and (2) when a non-Federal entity converts to an acceptable actuarial cost method and funds the costs in accordance with that method, the initial unfunded liability attributable to prior years is allowable if amortized over a period of years in accordance with GAAP. 2 C.F.R. § 200.431(g)(6)(ii), (h)(4).

WSFR funds (see Figure 2). This reduced the funding available to accomplish the WSFR grant objectives.

Figure 2: Questioned Costs (Federal Share) Related to Unfunded Liabilities

Grant No.	Grant Title	Unallowable (\$)
F12AF01334	Shooting Range Access Improvement Program	3,613
F15AF01135	Wildlife Management Outreach and Communication Plan	543
F16AF01107	Hunter/Trapper Education Program	80,879
F16AF01112	Land Acquisition and Habitat Management	108,281
F16AF01174	Wildlife Assessment and Management	1,228,253
F16AF01187	Fisheries Operational Plan	817,279
-	Administration Unit	11,569
Total		\$2,250,417

Reasonableness

As a general matter, a cost must be “reasonable” to be considered allowable for purposes of a Federal grant. “A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.”¹¹ One of the factors in making this determination is whether a cost is “generally recognized as ordinary and necessary¹² for the operation of the non-Federal entity or the proper and efficient¹³ performance of the Federal award.”¹⁴

We found that Maine used 30 percent of grant payroll expenditures—the total amount of salaries and wages, including regular hours as well as sick, vacation, and holiday hours—for unfunded liabilities. By comparison, the Department’s employer “normal” costs for retirement are 8.4 percent of total grant payroll expenditures. This large percentage spent on unfunded liabilities and wide disparity between the unfunded liability contributions and the normal contributions bring into question whether this amount of unfunded liability contributions is “generally recognized as ordinary and necessary for the operation of the non-Federal entity or the proper and efficient performance of the Federal award.”¹⁵

¹¹ 2 C.F.R. § 200.404.

¹² “Ordinary and necessary” costs refer to those that are commonly and typically used by the State. For example, administrative expenses, such as office supplies to support the State and services of professionals that support the State. See IRS News Release FS-2007-17, issued March 2007.

¹³ “Proper and efficient” means that the State used the Federal grant funds with the least waste of resources or effort and that the uses were suitable or appropriate in the context of the award letter terms and governing laws and regulations. Definition retrieved September 24, 2022, from <https://www.merriam-webster.com/dictionary/proper> and <https://www.merriam-webster.com/dictionary/efficient>.

¹⁴ 2 C.F.R. § 200.404(a).

¹⁵ *Id.*

We question whether the amounts of unfunded liabilities charged to the grants, in relation to the overall expenditures, are reasonable pursuant to relevant Federal guidance.

Timing

In our review of the Department's use of WFSR grant funds for payments toward unfunded liabilities, we also considered other aspects of cost allowability—namely the timing and nature of payments. Specifically, we noted that the unfunded liabilities were not incurred during the FWS grants' periods of performance set in the grant terms in the "Notice of Award" letters accepted by the Department. These grant terms state, "Only allowable costs resulting from obligations incurred during the performance period may be charged to this award." Maine's pension liabilities began accruing many decades before the WSFR awards in our review. Because the liabilities accrued before the awards were made, these liabilities may constitute out-of-period costs as anticipated by the award letters.¹⁶

Nature of the Costs

Federal regulations permit recipients to claim both direct and indirect costs as allowable expenditures for awards. The Department claims the unfunded liabilities as a direct cost that is a fixed percentage of payroll costs for all State employees, including those paid with Federal grants. Although Federal regulations permit unfunded liabilities to be designated as either a direct or indirect cost depending on internal accounting policies,¹⁷ we question whether this particular use of WSFR funds may constitute an indirect cost rather than a direct cost. This issue matters because the State's classification of unfunded liabilities as a direct cost versus an indirect cost affects the amount that may be claimed for reimbursement on the Federal awards. More specifically, if the unfunded liabilities are classified as indirect costs, the Federal money spent toward unfunded liabilities may be reduced.

An indirect cost can be characterized as a "cost of doing business." In contrast, a direct cost serves the purpose of the award. "Direct costs are those costs that can be identified specifically with a particular final cost objective, such as a Federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy."¹⁸ Conversely, indirect costs are for a common or joint purpose within the State and benefit all programs or projects, and they are usually charged to the Federal awards by the use of an indirect cost rate.¹⁹

¹⁶ 2 C.F.R. § 200.403(h).

¹⁷ Pensions and retiree healthcare (unfunded liabilities) are generally treated as "fringe benefits," but relevant Federal regulations do not differentiate between unfunded pensions and "normal" pensions. Fringe benefits are defined as "allowances and services provided by employers to their employees as compensation in addition to regular salaries and wages. Fringe benefits include, but are not limited to, the costs of leave (vacation, family-related, sick or military), employee insurance, pensions, and unemployment benefit plans." See 2 C.F.R. § 200.431(a). Fringe benefits may be charged directly or indirectly "[i]n accordance with the non-Federal entity's accounting practices. See 2 C.F.R. § 200.431(a). Therefore, States may implement a policy that identifies unfunded liabilities as either direct or indirect costs.

¹⁸ 2 C.F.R. § 200.413(a).

¹⁹ In general terms, an indirect cost rate is the percentage of an organization's indirect costs to its direct costs and is a standardized method of charging individual programs for their share of indirect costs.

For example, the pay and benefits of a resource biologist who works exclusively within the Department on a WSFR-funded grant are direct costs. In contrast, the cost of utilities at a building that many departments share is an indirect cost because it is necessary for the operation of the Maine government but cannot be assigned to individual departments within the building. These utility costs would be included in determining the indirect cost rate, and the State can request reimbursement of only the Federal portion (no more than 75 percent) of the indirect costs.

If only a portion of the direct costs are attributable to the Federal grant, the costs must be allocated between the Federal and non-Federal entity in proportion to the benefits received. When a cost is allocated, it must satisfy the following conditions:²⁰

- The goods or services were specifically for the Federal grant;
- The goods or services benefit both the Federal grant and other work of the grant recipient and the costs can be shared equitably; and
- The goods or services are necessary for the grant recipient's overall operations and allowable to the Federal grant.

We analyzed the nature of the unfunded liability expense and determined that although both direct and indirect costs are allowable under these Federal awards, Maine's unfunded liabilities may be more properly identified as indirect costs. These unfunded liabilities do not benefit the Federal award. Moreover, they are incurred State costs and amortized on the basis of historical obligations; that is, they are not incurred specifically for the purposes of WSFR awards. These State liabilities have no beneficial impact on the WSFR program, accomplishment of grant goals, or any benefit to the Federal award.

This designation is significant because, if unfunded liabilities are treated as indirect costs, the amounts charged to WSFR grants and thus to the Federal Government could be reduced, potentially substantially. More specifically, if Maine were to classify unfunded liabilities as indirect costs, Maine's Statewide cost allocation would capture those costs and assign them to the benefiting activities on a reasonable and consistent basis; in addition, the Department's indirect cost rate would change. If unfunded liabilities were included in the States' indirect cost rate, it could decrease the amount of unfunded liabilities attributed to the Federal awards because indirect rates are charged as a percentage of direct costs incurred under the award and are spread among numerous cost objectives.

²⁰ 2 C.F.R. § 200.405.

Cost Allowability

The WSFR Program’s authorizing legislation limits State central service costs²¹ to 3 percent of the annual apportionment to that State each year.²² This protects funding for WSFR projects and limits funding for activities that do not directly relate to those projects. The Department’s apportionments totaled just over \$20.3 million for the 25 grants open during the audit period; accordingly, the maximum amount for central service costs the Department could claim would be approximately \$600,000.²³ We believe the unfunded liabilities for the Department potentially constitute central service costs within the meaning of the statute and that the FWS should consider this point when determining reasonableness.

We have separately issued a management advisory to the FWS, recommending that it consult with appropriate U.S. Department of the Interior offices to determine the extent to which unfunded liabilities are allowable grant expenditures and that it develop and implement guidance pertaining to the appropriate use of grant funds—if any—to pay unfunded liabilities.

Recommendation

We recommend that the FWS:

1. Address the questioned costs related to unfunded retirement and retiree health totaling \$2,250,417 (Federal share) in consultation with appropriate U.S. Department of the Interior offices to determine if the costs are allowable pursuant to Federal regulations and award terms and conditions.

Unsupported and Unallowable In-Kind Contributions Resulted in Questioned Costs of \$148,452 (\$111,339 Federal Share)

WSFR requires States to use matching,²⁴ non-Federal, funds to cover at least 25 percent of costs incurred for projects under the grants. States may use noncash (in-kind) contributions to meet the matching share of costs; however, the value of these contributions must be supported. The in-kind contributions satisfy a cost-sharing or matching requirement if they are verifiable from the records of grantees, among other requirements.²⁵ Also, for third-party in-kind contributions,²⁶ the fair market value of goods and services must be documented and to the extent feasible

²¹ Central service costs are the costs of services provided by a State on a centralized basis to its departments and agencies. 2 C.F.R. § 200.1.

²² 50 C.F.R. § 80.53.

²³ Three percent of \$20,346,468 (total apportionment) is \$610,394.

²⁴ Matching (or cost share) is the State portion of project costs or value of any State in-kind contributions of a grant-funded project, unless a Federal statute authorizes match using Federal funds. 50 C.F.R. § 80.2.

²⁵ 2 C.F.R. § 200.306(b)(1).

²⁶ Third-party in-kind contributions means the value of non-cash contributions (*i.e.*, property or services) that – (1) Benefit a federally assisted project or program; and (2) Are contributed by non-Federal third parties, without charge, to a non-Federal entity under a Federal award. 2 C.F.R. § 200.1.

supported by the same methods used internally by the non-Federal entity.²⁷ We evaluated the volunteer in-kind timesheets using the requirements of the *Maine State Administrative and Accounting Manual*. The requirements note that each employee must submit and sign electronic biweekly timesheets at the end of the pay period.²⁸

We found that the Department approved timesheets that applied an incorrect hourly rate and approved in-kind match on volunteer timesheets that were either improperly calculated or unsigned. The Department's approval process for the volunteers' timesheets did not ensure that the approved hourly rate was used or that all information was recorded, including the volunteers' names and signatures.

Use of an Incorrect Hourly Rate

Under one program,²⁹ the WSFR-approved rate was \$19.54 per hour for volunteer time, but the Department used a rate of \$30.73. The Department routinely uses the salary and wage schedules prepared by the Maine Bureau of Human Resources to determine the rate for volunteers. We found that the Department staff incorrectly used the premium rate from those schedules rather than the rate approved in the grant agreement. We requested the policies and procedures for the approval of volunteer rates, but the Department only provided us the salary and wage schedules that list both an hourly base rate and a "premium rate." The hourly base rate includes both the hourly rate of pay and the fringe benefits. The premium rate is the hourly rate at time-and-a-half. When we discussed this issue with the Department, they informed us that the higher rate was approved by the FWS, but neither the Department nor the FWS could provide any documentation for the approval. As a result, we identified \$13,786 of overcharged in-kind contributions as unsupported. The State's match generated \$41,358 in unsupported Federal reimbursement. It is important to note, the Department originally proposed 9,178 hours per year under this program, which could generate over \$200,000³⁰ in overclaimed match during the audit period.

In addition, the Department claimed over \$11 million of in-kind matching contributions on all grants during the audit period. While we did not test the entirety of the in-kind match, if the premium rate for volunteer hours was applied across all grants in lieu of the base rate, the Department would have over claimed their match by as much as \$3.7 million.

Inaccurate and Unsigned Timesheets

Under another program,³¹ we identified multiple instances where the in-kind contribution was overstated due to incorrect counting of a second volunteer's hours and mileage, whose name was

²⁷ 2 C.F.R. § 200.306(j).

²⁸ *Maine State Administrative and Accounting Manual* § 25.15.20.b (1).

²⁹ The 2nd Maine Breeding Bird Atlas is Job 296 under the Wildlife Assessment and Management Project, W-87-R-7 (Grant No. F16AF01174).

³⁰ 9,178 hours × \$11.19 (\$30.73 less \$19.54) × 2 years = \$205,404

³¹ Piping Plover Population Monitoring and Management is Job 233 under the Wildlife Assessment and Management Project, W-87-R-7 (Grant No. F16AF01174).

added to the same timesheet in addition to the original volunteer. We also identified a volunteer who calculated their contribution as a lump sum with inadequate supporting details for the mileage, hours, and days volunteered, which does not meet the minimum requirement of the Federal regulations.³² These instances occurred because the Department provided inadequate timesheet training to volunteers and Department personnel inadequately reviewed submitted timesheets. In addition, we found timesheets that did not contain volunteers' signatures as required by Federal regulations. Namely, we identified double-sided timesheets with only one side signed by the volunteer. This occurred because volunteers entered each date with hours worked on separate lines of the timesheet. If the volunteers worked more days than space allowed on one side of the page, they would enter any additional dates and hours worked on the opposite side. We identified timesheets where volunteers had signed one side but did not sign the other side. As a result, we identified \$23,327 of these in-kind contributions as unallowable. The State's match generated \$69,981 in unallowable Federal reimbursement (see Figure 3).

Because the Department claimed incorrect hourly rates and provided inaccurate and unsigned timesheets for the State's matching share of costs, it did not satisfy its required 25 percent match and received reimbursement from the FWS that it was not entitled to receive. As a result, we could not verify that hours, mileage, and volunteer hourly rate, valued at \$37,113,³³ were valid in-kind contributions. These contributions were claimed as the State match on Grant No. F16AF01174 and generated a Federal reimbursement of \$111,339. We therefore question \$111,339 as unsupported and unallowable costs.

Figure 3: Questioned Costs (Federal Share) Related to In-Kind Contributions

Grant No.	Grant Title	Unallowable (\$)	Unsupported (\$)
F16AF01174	Wildlife Assessment and Management	69,981	41,358
Totals		\$69,981	\$41,358

³² 2 C.F.R. § 200.403(g).

³³ The total unsupported (\$13,786) and unallowable (\$23,327) in-kind contributions equals \$37,113.

Recommendations

We recommend that the FWS require the Department to:

2. Resolve the Federal share of questioned costs related to in-kind volunteer match totaling \$111,339.
3. Update its policies and procedures to include a review of the agreed-upon rate and that it uses that rate for volunteer in-kind matches.
4. Evaluate its in-kind policies and procedures for grants to ensure program-specific procedures agree with Federal regulations and staff are trained on these policies.

Unsupported and Unallowable Subrecipient Reimbursements Resulted in Questioned Costs of \$51,535 (\$38,651 Federal Share)

A pass-through entity is responsible for monitoring the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes in compliance with Federal statutes, regulations, and the terms and conditions of the subaward and achieves performance goals. Pass-through entity monitoring of the subrecipient must include reviewing financial and performance reports required by the pass-through entity.³⁴ In addition, costs must be supported by adequate documentation in order to be allowable.³⁵

The Department did not ensure that claims for reimbursement from subrecipients under Grant No. F12AF01334 were accurate, sufficiently documented, and correctly reported match amounts. Our testing identified invoices that were not supported with evidence demonstrating the costs were incurred and allocable to the grant (see Figure 4). For example, one payment request (for Project No. 2016–3) claimed a total of \$19,699 (Federal share). However, only \$5,991 of these costs were supported with receipts. As a result, we question \$13,708 as unsupported. We also identified a payment request (for Project No. 2016–5) where the supporting documents contained insufficient detail and were unreadable. As a result, we question \$19,674 as unallowable.

As a result of the Department not adequately monitoring the subrecipients, we question \$51,535 (\$38,651 Federal share) in unsupported and unallowable expenses.

³⁴ 2 C.F.R. § 200.331(d).

³⁵ 2 C.F.R. § 200.403(g).

Figure 4: Questioned Costs (Federal Share) Related to Unsupported and Unallowable Subrecipient Reimbursements

Grant No.	Subgrant	Unsupported (\$)	Unallowable (\$)
F12AF01334	Project No. 2016-3	13,708	-
F12AF01334	Project No. 2016-5	-	19,674
F12AF01334	Project No. 2017-1	5,269	-
Totals		\$18,977	\$19,674

Additionally, to assist the gun club subrecipients with calculating their matches, the Department provided them with a payment request template that had an error in the instructions. The subrecipients followed the incorrect instructions, overstating the amounts of match claimed. Department personnel explained that staffing changes in State fiscal year 2017, including several months when the Grant Coordinator position was vacant, had resulted in inconsistent review of the payment request form, which would have detected inaccuracies. They believe the error in the template was created during an update to the payment request form. The Department explained that it provided in-person training to subrecipients, however, there were no written instructions or procedures other than the incorrect instructions on the form.

This is a systemic error that affected multiple subawards issued under the \$5.3 million grant, but the overstatement of the match is unknown because we only tested the subrecipients' invoiced receipts claimed against the grant. After we identified the issue, the Department stated that it reviewed all 36 subawards under the grant to ensure that all costs submitted for reimbursement were properly supported with receipts. In addition, Department staff reviewed the reimbursement requests and disallowed the expenses that were not adequately supported and corrected errors in the calculation of match. Their review identified a decrease in match of \$281,346 over the course of the grant, however, we did not analyze the testing they performed or verify the information. The Department stated that it will incorporate the adjustments into the claim prior to the grant closeout, which would decrease the amount of overmatch recorded.

Recommendations

We recommend that the FWS require the Department to:

5. Resolve the \$51,535 (\$38,651 Federal share) of questioned costs related to unsupported and unallowable subrecipient reimbursements.
6. Develop and implement written procedures to assist subrecipients in properly documenting payment requests.
7. Develop and implement instructions to assist subrecipients in calculating matching contributions.
8. Identify all incorrectly calculated subawards match amounts, correct any final reports, and resolve the related costs.
9. Ensure the requests for payment and financial reports from subrecipients are reviewed and approved in compliance with Federal statutes, regulations, and the terms and conditions of the subaward.

Potential Diversion of License Revenue—\$548,166

According to Federal regulations, a State becomes ineligible to receive the benefits of the Acts if it diverts³⁶ hunting and fishing license revenue from purposes other than the State fish and wildlife agency's administration.³⁷ In addition, Maine statute³⁸ states that "the Commissioner shall ensure that none of the revenue collected, received, or recovered by the department from license and permit fees; fines; the sale, lease or rental of property; penalties; and all other revenue sources pursuant to the laws of the State administered by the department, is diverted to any purpose other than administration of the department."

To participate in WSFR, States must agree to use hunting and fishing license revenue, and anything purchased with those funds, solely to manage their fish and wildlife resources. The Department potentially diverted State license revenue by allowing outside law enforcement organizations to share its use allocation of the WSFR-funded Summerhaven Shooting Area (Summerhaven) built using license revenue as the MWS' contribution to the project.³⁹ While the MWS' use supports the administration of the agency, use by outside law enforcement agencies does not. We therefore identified the portion paid with license revenue of \$548,166 as a potential diversion.

³⁶ 50 C.F.R. § 80.2, "Acts."

³⁷ 50 C.F.R. § 80.11(c)(2).

³⁸ 12 M.R.S. § 10106.

³⁹ The Department contributed a total of 40 percent, 20 percent of which was contributed by the MWS. WSFR funded 60 percent of the total project costs. The Department (State match) funds was derived from license revenue funds.

The Department proposed constructing a shooting area on Department-owned land that could accommodate public use as well as the ability to house law enforcement training exercises. The Department's May 2018 budget for Summerhaven identified that 20 percent of the total project costs (\$548,166) would be funded outside the WSFR program by the MWS to allow law enforcement agencies to access and use the shooting area 20 percent of the time. In discussions with staff, we determined that the 20 percent that the MWS contributed as the law enforcement match for the shooting area was instead funded using State license revenue and was not a separate State appropriation, as listed in the project budget.

Since Summerhaven began operations, nine law enforcement agencies, apart from the MWS, have trained there. Potential diversions of license revenues jeopardize the State's continued participation in the WSFR program and bring into question whether fish and wildlife resources appropriately benefited from the funds. After our discussions with the Department, it has stopped allowing outside law enforcement to use the shooting area and is working with the FWS to implement a fee for usage, which would be deposited back into the State's license revenue fund.

Recommendations

We recommend that the FWS require the Department to:

10. Resolve the potentially diverted funds of \$548,166.
11. Develop and implement policies and procedures to ensure that program activities, including construction and capital improvements, funded by license revenues are used only for the administration of fish and wildlife program activities.
12. Update its policies and procedures to ensure that if license revenue is used, fees are collected to avoid any possible diversion.

Control Deficiencies

Inadequate Subaward Policies and Procedures

A subrecipient⁴⁰ is a non-Federal entity that receives a subaward⁴¹ from a pass-through entity (the Department) to carry out part of a Federal program;⁴² this arrangement is known as a Federal assistance relationship.⁴³ A non-Federal entity may concurrently receive Federal awards as a recipient, a subrecipient, and a contractor depending on the substance of its agreements with

⁴⁰ 2 C.F.R. § 200.93.

⁴¹ Subaward means an award provided by a pass-through entity to a subrecipient for the subrecipient to carry out part of a Federal award received by the pass-through entity. See 2 C.F.R. § 200.92.

⁴² Updated as of August 2020 to 2 C.F.R. § 200.1.

⁴³ 2 C.F.R. § 200.330(a), updated as of August 2020 to 2 C.F.R. § 200.331(a).

Federal awarding agencies and pass-through entities.⁴⁴ Therefore, the Department must make a case-by-case determination whether each agreement it makes for the disbursement of Federal program funds casts the party receiving the funds in the role of a subrecipient or contractor.

During the audit period, the Department classified some of its WSFR agreements as contracts that should have been classified as subawards. We determined that four of the contracts were for the purpose of carrying out part of a Federal award, which creates a Federal assistance relationship (see Figure 5). Furthermore, the activities outlined in the agreements were to carry out a program specified in the Pittman-Robertson Wildlife Restoration Act and not for procurement services typical of a contract. For example, the 2018 Maine Audubon Society award states that the description of service is to monitor and manage nesting endangered piping plovers and least terns on private and public beaches, which aligns with the WSFR grant purposes to restore and conserve wild birds and their habitats. When we discussed this with the Department, it informed us that it does not have policies and procedures for documenting subaward versus contract determinations, which is required by Federal regulations. The Department is, however, currently developing a written policy to implement determination guidance issued by the FWS in May 2020⁴⁵ in addition to working with the FWS to identify training opportunities for its staff concerning the updated subaward procedures.

Figure 5. Financial Assistance Awarded as Contracts

Grant No.	Subrecipient	Maine Contract No.	Contract Value (\$)
F16AF01107	University of Maine 4-H Shooting Sports	20180423_3283	35,650
F16AF01174	Maine Natural History Observatory	20170803_0488	98,450
F16AF01174	Maine Audubon Society	20160129_2469	165,151
F16AF01174	Maine Audubon Society	20180222_2509	177,855
Total			\$477,106

Additionally, the Department must evaluate each subrecipient’s risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining appropriate subrecipient monitoring.⁴⁶

Further, each non-Federal entity must report each subaward action that obligates \$25,000 or more in Federal funds for a subaward to an entity⁴⁷ over the term of the subaward to the Federal Funding Accountability and Transparency Act (FFATA) Subaward Reporting System, <https://www.fsr.gov>. This information is then posted in <https://USASpending.gov>, a Federal

⁴⁴ 2 C.F.R. § 200.330, updated as of August 2020 to 2 C.F.R. § 200.331.

⁴⁵ “Third Party Determination – Management Guide” (2020_WSFR_1), FWS, issued May 2020.

⁴⁶ 2 C.F.R. § 200.331(b).

⁴⁷ 2 C.F.R. § 170, Appendix A(I)(a)(1).

website intended to promote governmental transparency and a mandatory reporting requirement under the DATA Act for subawards issued that are over \$25,000.⁴⁸

The Department awarded financial assistance to rod and gun clubs, however, the subaward agreements did not include all required elements, including Federal compliance requirements and monitoring plans. Additionally, the Department did not comply with Federal requirements for reporting subawards on USASpending.gov (see Figure 6).

Figure 6: Subrecipients Not Reported on USASpending.gov Under Grant No. F12AF01334

Subrecipient	Maine Subaward No.	Subaward Value (Federal Share) (\$)
Wilton Fish & Game Association	2013-11	48,795
Big Pine Gun Club	2016-2	44,531
Carrabassett Valley Outdoor Association	2016-3	47,009
Maine Youth Fish & Game Association	2016-5	50,000
Arnold Trail Sportsman’s Association	2017-1	32,269
Buxton Hollis Rod & Gun Club	2017-2	49,000
Total		\$271,604

The Department acknowledged its lack of current policies and procedures and stated that it is currently developing policy and procedures based on guidance received from the FWS in 2020.⁴⁹ Since the Department has no policies or procedures for subawards, it risks incorrectly awarding or reporting subrecipients and contracts. The Department cannot ensure that the subrecipients are eligible to receive Federal funds, properly monitored, meet program objectives, and spend grant funds in accordance with the Federal regulations because it did not ensure that all required elements were included in the subaward agreements. Finally, failure to report subawards greater than \$25,000 creates a lack of transparency regarding how Federal money was spent.

⁴⁸ 2 C.F.R. § 170, Appendix A(I)(a)(1).

⁴⁹ “Third-Party Determination – Management Guide” (2020_WSFR_001), FWS, issued May 1, 2020.

Recommendations

We recommend that the FWS require the Department to:

13. Develop and implement subaward policies and procedures to ensure compliance with Federal requirements for performing risk assessments, subcontractor monitoring, and reporting awards on USASpending.gov.
14. Provide training to all relevant Department staff on Federal subaward requirements.

Recommendations Summary

We provided a draft of this report to the FWS for review. The FWS concurred with all 14 recommendations. We consider all recommendations resolved. Below we summarize the FWS' response to our recommendations. The Department also provided comments for each section of the draft report but did not explicitly use "concur" and "do not concur" language for some of the recommendations. As such, the language below is our understanding of their response as it relates to each recommendation, as well as our comments on the FWS' and the Department's responses. See Appendix 4 for the full text of the FWS' and the Department's responses as well as the Maine State Controller memorandum; Appendix 5 lists the status of each recommendation.

We recommend that the FWS:

1. Address the questioned costs related to unfunded retirement and retiree health totaling \$2,250,417 (Federal share) in consultation with appropriate U.S. Department of the Interior offices to determine if the costs are allowable pursuant to Federal regulations and award terms and conditions.

FWS Response: The FWS concurred with the recommendation.

Department Response: The Department did not concur with the recommendation and referred us to a letter from the Maine State Controller's Office for its response. The Controller stated that fringe benefits "are granted under established written policies, charged as direct costs in accordance with our accounting practices, and approved in our SWCAP⁵⁰ by USHHS⁵¹ Division of Cost Allocation, funded within the fiscal year charged, computed via an acceptable actuarial cost method, with the unfunded liability component amortized over a period of years in accordance with [generally accepted accounting principles]."

The Controller further stated, "It is contended that the State cannot distinguish which former employee is receiving pension benefits and if they had worked on these FWS awards prior to their retirement; therefore, the OIG finds these costs are not fully representative of a direct cost, they are unreasonably high and do not satisfy grant objectives. This contention is irrelevant and in conflict with the Uniform Guidance. In a defined benefit pension plan, as is the case in Maine, pension costs are not tied directly to which former employee is receiving pension payments. Costs are calculated for classes of employees based on the pension plan in which they participate and the actuarial projections of the pension benefit obligation for those plans."

OIG Comments: We consider Recommendation 1 resolved based on the FWS response. We will consider this recommendation implemented when the FWS provides

⁵⁰ Statewide Cost Allocation Plan

⁵¹ U.S. Department of Health and Human Services

documentation demonstrating that it has addressed the questioned costs related to unfunded retirement and retiree health.

With respect to the submission provided by the Department, we reviewed the Controller's position in addition to other criteria specified by Federal regulation (namely reasonableness, timing, nature of the costs). As set forth in the report, we recommend that the FWS analyze and consider whether the WSFR program should pay costs that are computed accurately and follow 2 C.F.R. § 200.431 and its subsections but that do not adhere to the cost principles outlined in Subpart E of the Uniform Guidance.

Further, we questioned whether the rate charged by Maine for unfunded liabilities is reasonable or necessary to achieve grant purposes. We note particularly the 3-percent apportionment limitation, described in the "Cost Allowability" section, which begins on page 7, expressly limits charges for administrative overhead costs and certain costs of State central services.

We acknowledge, however, that contributions to a defined benefit pension plan fund benefit payments to current retirees, future retirees, and the investments necessary to fund the projected payments. The FWS is in the best position to determine if these costs are reasonable within the context of the WSFR program.

We recommend that the FWS require the Department to:

2. Resolve the Federal share of questioned costs related to in-kind volunteer match totaling \$111,339.

FWS Response: The FWS concurred with the recommendation.

Department Response: The Department partially concurred with the recommendation. Specifically, the Department disagreed that it had used the incorrect hourly rate for in-kind match. The Department asserted that it had correctly used the fully burdened \$30.73 per hour rate in the calculations of the match, despite the \$19.54 per hour volunteer rate identified in the approved grant proposal. However, the Department committed to develop and implement new policies to document approved in-kind match.

In addition, in its response regarding inaccurate and unsigned timesheets, the Department agreed that unsigned and inadequately supported timesheets existed but reiterated the belief that the documents were only questioned because we reviewed electronic files and not the hard copy originals.

OIG Comment: We consider Recommendation 2 resolved based on the responses from the FWS and the Department. Despite their stance that the fully burdened rate was allowable, neither the FWS nor the Department had documentation showing approval for the burdened rate.

Regarding inaccurate and unsigned timesheets, the Department's response indicated that a single signature on the double-sided timesheet was sufficient and that if we had performed our analysis in person, we would have accepted the validity of the documents. Regardless of whether we reviewed the hard copy originals or digital copies, we still take issue with the lack of signature on one side of the timesheets because each side represents different pay periods that need to be signed by the volunteer and then verified by the Department's staff.

We recognize that the volunteers are not State employees; however, 2 C.F.R. § 200.306(j) suggests that volunteer timekeeping should match State timekeeping to the greatest extent feasible. In this case, we believe the State's administrative and accounting manual requirement that State employees certify their timesheet each pay period is a reasonable, feasible requirement that should be applied to volunteer timekeeping. However, only half of the timesheets in question contained signatures. When both sides of the timesheet are used, a signature certifying the dates and hours worked should be present on each side. We also note that the volunteer timesheets that were signed on only one side did contain the Department's signed approval on both sides. While not noted in our draft report, we also found timesheets that were signed and dated prior to the work being performed, further emphasizing the need for action on this recommendation. The recommendation will be considered implemented when the FWS provides documentation that it has addressed the questioned costs related to in-kind match.

3. Update its policies and procedures to include a review of the agreed-upon rate and that it uses that rate for volunteer in-kind matches.

FWS Response: The FWS concurred with the recommendation.

Department Response: The Department's response did not conclusively indicate concurrence or nonconcurrence with the recommendation. The Department stated that although the finding may have been due to an error in the grant's report narrative, the Department has identified policy and procedural changes that will more clearly convey the jobs using volunteer match, the rates and supporting documentation used to value volunteer match, and document changes in that value over time, as well as the FWS approval of that value. The Department proposed implementing policies for assigning and approving match rates for jobs as a companion project to implementation of an online volunteer match reporting system currently in development.

OIG Comment: We consider Recommendation 3 resolved based on the responses from the FWS and the Department. The recommendation will be considered implemented when the Department provides evidence that its policies have been updated to include a review that the volunteer in-kind match rate is the agreed-upon rate.

4. Evaluate its in-kind policies and procedures for grants to ensure program-specific procedures agree with Federal regulations and staff are trained on these policies.

FWS Response: The FWS concurred with the recommendation.

Department Response: The Department concurred with our recommendation, noting that it developed an online system for volunteer timekeeping that complies with State and Federal regulations for timekeeping and will ultimately address the address our concerns. The Department has shared this system with the FWS for review and approval.

OIG Comment: We consider Recommendation 4 resolved based on the responses from the FWS and the Department. The recommendation will be considered implemented when evidence is provided to support that in-kind procedures include applicable Federal regulations and that staff were trained on the updated policies.

5. Resolve the \$51,535 (\$38,651 Federal share) of questioned costs related to unsupported and unallowable subrecipient reimbursements.

FWS Response: The FWS concurred with the recommendation.

Department Response: The Department concurred with our recommendation. It asserted that although there were issues with the support on subrecipient reimbursement claims throughout the 36 subawards, the grant was still open and it was able to incorporate changes into the grant accounting to correct these errors.

OIG Comment: We consider Recommendation 5 resolved based on the responses from the FWS and the Department. The recommendation will be considered implemented when the Department provides records indicating the appropriate changes have been made to the accounting of Grant No. F12AF01334.

6. Develop and implement written procedures to assist subrecipients in properly documenting payment requests.

FWS Response: The FWS concurred with the recommendation.

Department Response: The Department concurred with our recommendation and noted that it is not awarding any subawards of this kind currently. However, if the need for a similar subaward occurs again, the Department commits to provide written procedures to ensure that these oversights do not occur again in the future.

OIG Comment: We consider Recommendation 6 resolved based on the responses from the FWS and the Department; however, the actions described by the Department will not meet the intent of the recommendation. While we acknowledge that the Department committed to provide written procedures, the commitment was contingent on similar subawards occurring again. The procedures recommended could assist any subrecipients with reimbursement requests. As such, the recommendation will be considered implemented when the Department provides written procedures to assist subrecipients that include detailed instructions to properly document payment requests.

7. Develop and implement instructions to assist subrecipients in calculating matching contributions.

FWS Response: The FWS concurred with the recommendation.

Department Response: The Department concurred with our recommendation and noted that it is not awarding any subawards of this kind currently. However, if the need for a similar subaward occurs again, the Department commits to develop instructions to ensure that these oversights do not occur again in the future.

OIG Comment: We consider Recommendation 7 resolved based on concurrences from the FWS and the Department; however, the actions described by the Department will not meet the intent of the recommendation. While we acknowledge that the Department committed to develop instructions, this commitment was contingent on similar subawards occurring again. The instructions recommended could assist any subrecipients with calculating matching contributions. Therefore, the recommendation will be considered implemented when the Department provides written procedures to assist subrecipients in calculating matching contributions.

8. Identify all incorrectly calculated subawards match amounts, correct any final reports, and resolve the related costs.

FWS Response: The FWS concurred with the recommendation.

Department Response: The Department concurred with our recommendation and stated that it has resolved any outstanding errors within the awards and any related costs.

OIG Comment: We consider Recommendation 8 resolved based on the responses from the FWS and the Department. The recommendation will be considered implemented when the Department provides evidence that these errors have been corrected.

9. Ensure the requests for payment and financial reports from subrecipients are reviewed and approved in compliance with Federal statutes, regulations, and the terms and conditions of the subaward.

FWS Response: The FWS concurred with the recommendation.

Department Response: The Department concurred with our recommendation and noted that it is not awarding any subawards of this kind currently. However, if the need for a similar subaward occurs again, the Department commits to provide written procedures to ensure that these oversights do not occur again in the future. Further, the Department is exploring additional FWS sponsored training for staff working on FWS grants.

OIG Comment: We consider Recommendation 9 resolved based on the concurrences from the FWS and the Department; however, the actions described by the Department will not meet the intent of the recommendation. While we acknowledge that the Department committed to provide written instructions, this was contingent on similar

subawards occurring again. The review of payment requests from subrecipients should include compliance with Federal statutes, regulations, and subaward terms and conditions prior to any reimbursement payment. The recommendation will be considered implemented when the Department provides written procedures documenting these changes or evidence to support that training on this issue has been conducted for Department staff working on FWS grants.

10. Resolve the potentially diverted funds of \$548,166.

FWS Response: The FWS concurred with the recommendation.

Department Response: The Department did not concur with our recommendation. It stated that it believes the project was outlined in grant documents and approved by the FWS and that supporting firearm education is a mandated program for the Department and the MWS. However, it agreed that the use of the range by outside law enforcement could be clarified and has stated that Maine has enough “True General Fund” non-license revenue dollars to support the use of the range by outside law enforcement agencies.

OIG Comment: We consider Recommendation 10 resolved based on the responses from the FWS and the Department. The recommendation will be considered implemented when the FWS provides documentation that has addressed the potentially diverted funds.

11. Develop and implement policies and procedures to ensure that program activities, including construction and capital improvements, funded by license revenues are used only for the administration of fish and wildlife program activities.

FWS Response: The FWS concurred with the recommendation.

Department Response: It is unclear if the Department concurred with our recommendation. The Department recognized the need to provide clarity in how the use of the range was not supported by license revenue dollars; however, it did not address developing and implementing the recommended policies and procedures when a project is funded by license revenue, including construction and capital improvements. The Department stated that it has developed a solution that documents the use of the range, which it considers to be a way to appropriately control that the use of the range coincides with the purposes of the grant.

OIG Comment: We consider Recommendation 11 resolved based on the response from the FWS. The recommendation will be considered implemented when the Department provides evidence that it has developed policies and procedures that ensure construction and capital improvements paid from license revenues are used only for the administration of fish and wildlife program activities.

12. Update its policies and procedures to ensure that if license revenue is used, fees are collected to avoid any possible diversion.

FWS Response: The FWS concurred with the recommendation.

Department Response: It is unclear if the Department concurred with the recommendation. The Department referred to December 23, 2022 correspondence between the OIG and the Department, which detailed a usage fee of \$45 per day for outside law enforcement use of the range. The Department has started revising the policy and plans to work with the FWS to ensure it addresses the concerns presented in the audit finding about use of the range by outside law enforcement.

OIG Comment: We consider Recommendation 12 resolved based on the response the FWS. The recommendation will be considered implemented when the Department provides evidence that it has updated policies and procedures to ensure fees are collected to fully offset the license revenue.

13. Develop and implement subaward policies and procedures to ensure compliance with Federal requirements for performing risk assessments, subcontractor monitoring, and reporting awards on USASpending.gov.

FWS Response: The FWS concurred with the recommendation.

Department Response: The Department concurred with the recommendation and acknowledged that it did not have formal policy and procedures for determining subawards versus contracts. However, it disagreed with the OIG's assessment of subrecipients versus contractors in the body of the report. The Department is currently working with the FWS to put a written policy in place for subawards.

OIG Comment: We consider Recommendation 13 resolved based on the responses from the FWS and the Department. The recommendation will be considered implemented when the Department provides evidence that it developed and implemented policies and procedures that ensure compliance with Federal requirements for performing risk assessments, subcontractor monitoring, and reporting procedures compliant with the Federal Funding Accountability and Transparency Act of 2006 (as amended).

14. Provide training to all relevant Department staff on Federal subaward requirements.

FWS Response: The FWS concurred with the recommendation.

Department Response: The Department concurred with the recommendation and stated that it is working with FWS staff to identify existing training opportunities to update staff on these issues.

OIG Comment: We consider Recommendations 14 resolved based on the responses from the FWS and the Department. The recommendation will be considered implemented when the Department provides evidence that training was provided to all relevant Department staff and Federal subaward requirements.

Appendix 1: Scope and Methodology

Scope

We audited the Maine Department of Inland Fisheries and Wildlife’s use of grants awarded by the U.S. Fish and Wildlife Service (FWS) under the Wildlife and Sport Fish Restoration Program (WSFR). We reviewed 25 grants that were open during the State fiscal years (SFYs) that ended June 30, 2018, and June 30, 2019. We also reviewed license revenue during the same period. The audit included expenditures of \$60.2 million and related transactions. In addition, we reviewed historical records for the acquisition, condition, management, and disposal of real property and equipment purchased with either license revenue or WSFR grant funds.

Because of the COVID–19 pandemic, we could not complete our audit onsite. We gathered data remotely and communicated with Department personnel via email and telephone. As a result, we could not perform normal audit procedures for (1) determining adherence to policies and procedures for license revenues, (2) equipment verification, (3) observing grant projects specific to construction and restoration work, and (4) subawards to subrecipients. Therefore, the audit team relied on alternative evidence provided by Department personnel that was determined to be sufficient and appropriate to support our conclusions.

Methodology

We conducted this performance 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.

We assessed whether internal control was significant to the audit objectives. We determined that the State’s control activities and the following related principles were significant to the audit objectives.

- Management should design control activities to achieve objectives and respond to risks.
- Management should design the entity’s information system and related control activities to achieve objectives and respond to risks.
- Management should implement control activities through policies.

We tested the operation and reliability of internal control over activities related to our audit objective. 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.
- Inspecting equipment and other property virtually.
- Determining whether the Department used hunting and fishing license revenue for the administration of fish and wildlife program activities.
- Determining whether the State passed required legislation assenting to the provisions of the Pittman-Robertson Wildlife Restoration Act and the Dingell-Johnson Sport Fish Restoration Act.
- Evaluating State policies and procedures for assessing risk and monitoring subawards.
- Reviewing sites throughout the State (see Appendix 2 for a list of sites reviewed).

We found deficiencies in internal control resulting in our five findings of unallowable unfunded liabilities, unsupported and unallowable in-kind contributions, unsupported and unallowable subrecipient reimbursements, outside law enforcement use of a WSFR-funded shooting area, and inadequate subaward policies and procedures.

Based on the results of our initial assessments, we assigned a level of risk and selected a judgmental sample of transactions for testing. We used auditor judgment and considered risk levels relative to other audit work performed to determine the degree of testing performed in each area. Our sample selections were not generated using statistical sampling, and therefore we did not project the results of our tests to the total population of transactions.

This audit supplements, but does not replace, the audits required by the Single Audit Act Amendments of 1996. Single audit reports address controls over Statewide financial reporting, with emphasis on major programs. Our report focuses on the administration of the Maine fish and wildlife agency, and that agency's management of WSFR resources and license revenue.

The Department provided computer-generated data from its official accounting system and from informal management information and reporting systems. We tested the data by sampling expenditures and verifying them against WSFR reports and source documents, such as purchase orders, invoices, and payroll documentation. While we assessed the accuracy of the transactions tested, we did not assess the reliability of the accounting system as a whole.

Prior Audit Coverage

OIG Audit Reports

We reviewed our last two audits of costs claimed by the Department on WSFR grants.⁵² We followed up on nine recommendations from these reports and considered all recommendations resolved and implemented.

State Audit Reports

We reviewed the single audit reports for SFYs 2018 and 2019 to identify control deficiencies or other reportable conditions that affect WSFR. In those reports, the Schedule of Expenditures of Federal Awards indicated \$23 million (combined) in Federal expenditures related to WSFR but did not include any findings directly related to WSFR, which was not deemed a major program for Statewide audit purposes. Neither of these reports contained any findings that would directly affect the Program grants.

⁵² *U.S Fish and Wildlife Service and Sport Fish Restoration Program Grants Awarded to the State of Maine, Department of Inland Fisheries and Wildlife, From July 1, 2008, Through June 30, 2010* (R-GR-FWS-0012-2011), issued March 2012.

U.S Fish and Wildlife Service and Sport Fish Restoration Program Grants Awarded to the State of Maine, Department of Inland Fisheries and Wildlife, From July 1, 2013, Through June 30, 2015 (2016-EXT-045), issued June 2017.

Appendix 2: Sites Reviewed

Aquatic Access Development & Reconstruction	Schoodic Lake
Aquatic Access Reconstruction	Beech Pond Damariscotta Lake Mousam Lake Pemaquid Pond Square Pond

Appendix 3: Monetary Impact

We reviewed 25 grants that were open during the State fiscal years that ended June 30, 2018, and June 30, 2019. The audit included expenditures of \$60.2 million and related transactions. We questioned \$3,120,095 (\$2,340,072 Federal share) as unallowable and \$80,447 (\$60,335 Federal share) as unsupported. We also identified a potential diversion of \$548,166 in license revenue from the Maine Department of Inland Fisheries and Wildlife (non-Federal funds).

Monetary Impact: Questioned Costs and Funds To Be Put To Better Use

Grant No.	Grant Title	Cost Category	Questioned Costs (\$) (Federal Share)		Funds To Be Put To Better Use (\$)
			Unallowable	Unsupported	
F12AF01334	Shooting Range Access Improvement Program	Payroll, Subrecipient Reimbursements, License Revenue	23,287	18,977	548,166
F15AF01135	Wildlife Management Outreach and Communication Plan	Payroll	543	-	-
F16AF01107	Hunter/Trapper Education Program	Payroll	80,879	-	-
F16AF01112	Land Acquisition and Habitat Management	Payroll	108,281	-	-
F16AF01174	Wildlife Assessment and Management	Payroll, In-Kind Contributions	1,298,234	41,358	-
F16AF01187	Fisheries Operational Plan	Payroll	817,279	-	-
-	Administration Fund	-	11,569	-	-
Totals			\$2,340,072	\$60,335	\$548,166

Monetary Impact: Potential Diversion of License Revenue

Finding Area	Amount (\$)
Outside Law Enforcement Use of WSFR-funded Shooting Area	548,166
Total	\$548,166

Appendix 4: Responses to Draft Report

The U.S. Fish and Wildlife Service’s response to our draft report follows on page 32. The Department’s response to our draft report follows on page 33. In the Department’s response, it included a memorandum from the Maine State Controller (see page 39), which stated “we do not concur that unfunded pension liability costs are unallowable, unreasonable or questionable.” The memorandum provided five explanations regarding the State’s stance on the allowability of unfunded pension liability costs, which we address below.

Maine State Controller Statement 1: “The fringe benefits identified in this finding are granted under established written policies, charged as direct costs in accordance with our accounting practices and approved in our [Statewide Cost Allocation Plan] by [the U.S. Department of Health and Human Services] Division of Cost Allocation, funded within the fiscal year charged, computed via an acceptable actuarial cost method, with the unfunded liability component amortized over a period of years in accordance with [generally accepted accounting principles].”

OIG Response: We acknowledge the allowability of the type of charge; that is, unfunded liabilities can be allowable costs, if they meet all aspects of cost allowability to include reasonableness. We found that Maine used 30 percent of grant payroll expenditures—the total amount of salaries and wages, including regular hours as well as sick, vacation, and holiday hours—for unfunded liabilities. By comparison, its employer “normal” costs for retirement and health contributions were a combined 8.4 percent of total grant payroll expenditures. The large percentage spent on unfunded liabilities and the wide disparity between the unfunded liability contributions and the normal contributions bring into question whether this amount of unfunded liability contributions is reasonable.

Maine State Controller Statement 2: “Maine charges these fringe benefits as direct costs by separate allocations to each selective group of employees based on the pension plan in which the position is eligible.”

OIG Response: We acknowledge that Maine charges fringe benefits as direct costs and makes allocations depending on the group of employees eligible for pension plans. We do not call into question the manner in which fringe benefits were charged, rather the reasonability of cost.

Maine State Controller Statement 3: “Maine computes pension plan costs on an acceptable actuarial cost method in accordance with established written policies.”

OIG Response: We requested the State’s established written policies relating to unfunded liabilities during our audit and did not receive a response. However, regardless of Maine’s established written policies related to pension plan costs, we question the extent to which the State used WSFR funds for unfunded liabilities.

Maine State Controller Statement 4: “Maine funds pension plan costs for a given fiscal year within that fiscal year.”

OIG Response: We acknowledge the manner in which the State funds its pension plan costs. We question the reasonableness of the amount of the cost.

Maine State Controller Statement 5: “Maine’s pension actuaries calculated an initial [unfunded liability] at time of conversion to actuarial funding in 1998 and amortizes that liability over a fixed period of 30 years, specified in Constitution, in accordance with [generally accepted accounting principles]. The initial [unfunded liability] balance under the current funding method will be fully amortized in [fiscal year] 2028. At that point, the employer contribution rates under this baseline scenario drop substantially, initially to 7.4%, with small further changes thereafter with a general downward trend, dropping to 4.9% by the end of the projection period. Note that this baseline projection is based on all assumptions being met each and every year where the reality is that there will be gains and losses each and every year, resulting in new amortization layers (negative or positive) occurring every year.”

OIG Response: During our audit, representatives of the Maine Public Employee Retirement System explained that “the current plan was established in 1942 for State employees; teacher employees were added in 1947. As to funding, as near as we can tell, the plan’s annual required contribution has been calculated on an actuarial basis since its inception. The constitutional amendment adopted in 1995 clarified how those costs are required to be paid by the State of Maine.” We conclude that the adoption of the relevant State Constitutional Amendment included an amortization of unfunded liabilities, rather than a conversion of the Maine Public Employee Retirement System from a pay-as-you-go funding method to an actuarial basis.

We acknowledge that rates should drop as the timeline approaches fiscal year 2028, however, the scope of our audit was costs incurred during the State fiscal years that ended June 30, 2018, and June 30, 2019.



United States Department of the Interior

FISH AND WILDLIFE SERVICE

300 Westgate Center Drive
Hadley, MA 01035-9589



February 14, 2023

In Reply Refer To:
FWS/R5/WSFR

Nicki Miller
Deputy Assistant Inspector General for Audits,
Inspections and Evaluations
U.S. Department of the Interior
Office of Inspector General

Dear Deputy Assistant Inspector General Miller:

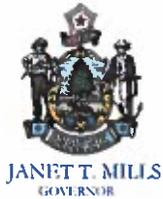
Enclosed is the State of Maine, Department of Inland Fish and Wildlife (Department), response to the Office of Inspector General's Draft Audit Report No. 2021-ER-029. The U.S. Fish and Wildlife Service (Service) has confirmed with the State that these are the only comments they have on this Draft Report.

The Service concurs with the auditor's findings and recommendations and has reviewed and accepted the State's response. We will work closely with the Department staff in developing and implementing a corrective action plan that will resolve all the findings and recommendations.

Sincerely,

Colleen E. Sculley
Assistant Regional Director, Wildlife and
and Sport Fish Restoration Program

Enclosure:
MDIFW Draft Audit Report Response 02232023
Exhibit 1 – Unfunded Pension Liabilities



STATE OF MAINE
DEPARTMENT OF
INLAND FISHERIES & WILDLIFE
353 WATER STREET
41 STATE HOUSE STATION
AUGUSTA ME 04333-0041



February 13, 2023

Mr. Patrick O'Boyle
Office of Inspector General
US Department of the Interior

Dear Mr. O'Boyle:

The Maine Department of Inland Fisheries and Wildlife (Department) received a Draft Audit Report entitled, "U.S. Fish and Wildlife Service Grants Awarded to the State of Maine, Department of Inland Fisheries and Wildlife, From July 1, 2017, Through June 30, 2019, Under the Wildlife and Sport Fish Restoration Program". The Department had previously submitted detailed responses to the OIG for the 6 NPFRs with copies to the US Fish and Wildlife Service (FWS). I will go over the major points of each of those responses and our position on each of these issues as they were raised in the draft report. We will include the responses we provided to each NPFR again as part of our response here and provide an update if appropriate on our response or actions taken to address the issue.

Response to Bullet 1 Questioned Costs:

Part 1 - Unallowable Unfunded Liabilities Resulted in questioned Costs of \$3,000,556 (\$2,250,417 Federal Share) - NPFR No. 5

The State Auditor Douglas E. Cotnoir has provided a more detailed response (please see Exhibit 1) to the issue of the Unfunded Pension Liability Issue raised in the Auditor's draft report and in NPFR No. 5. The State of Maine and the Department specifically do not concur with the audit finding. It is our position as explained in the response provided by the State Controller that in Maine unfunded liabilities are handled properly in accordance with 2 CFR§200.431 and accepted accounting practices. We feel that this response properly addresses the scope of the accounting issue raised within Maine.

However, we feel this topic is one that seems centered around issues that are not accounting based but rather differences between states as to whether or not unfunded pension liabilities are an issue or consideration. The perspective of balance/fairness in the issue of unfunded pension liabilities is most properly addressed elsewhere rather than in a state's audit finding. The issue should be discussed at the national level as a policy issue and then if necessary, a decision made at that level on an appropriate course of action.

Part 2 - Unsupported and Unallowable In-Kind Contributions Resulted in questioned Costs of \$148,452 (\$111,339 Federal Share) - NPFR No 6 and NPFR No 4

"Use of an Incorrect Hourly Rate"

The Department responded to the issue raised in NPFR No 6 (2nd Maine Breeding Bird Atlas) in a letter dated November 4, 2022 with exhibits. The finding concerns the approval of timesheets for in-

kind match that applied an incorrect hourly rate. The Department's matching share of costs on its Wildlife Assessment and Management Project program grant, W-87-R-7 (F16AF01174), is partly funded by in-kind contributions consisting of the value of volunteer hours and mileage, using agreed upon rates. Specifically, the auditors determined that some contributions claimed under the 2nd Maine Breeding Bird Atlas Program during the audit period were unsupported by being valued at an hourly rate of \$30.73/hour by the Department instead of the \$19.54/hour rate submitted in the original grant proposal that was approved by the US Fish and Wildlife Service (FWS). The Department's response included Exhibits that explained the Department's position that we did not concur with the finding. The Department provided information that despite the error in the report narrative the Department appropriately and consistently used the fully burdened rate of \$30.73/hour in the calculations of the match. The Department has identified policy and procedural changes that will more clearly convey the jobs using volunteer match, the rates and supporting documentation used to value volunteer match, and document changes in that value over time as well as the USFWS approval of that value. We propose to implement the policies for assigning and approving match rates for jobs as a companion project to implementing the online volunteer match reporting system that we are currently developing. We believe that reporting system together with the protocol described above will allow us to meet the Recommendations in NPFR No 4 and address the concern raised in NPFR No 6.

"Inaccurate and Unsigned Timecards"

The Department responded to the issue raised in NPFR No 4 (Piping Plover Monitoring and Management) in a letter dated July 11, 2022 with exhibits attached marked E1 through E5. The Department both concurred and did not concur with the auditors findings. This was a complicated issue that revolved around paper records that were double sided but in a virtual audit were reduced to scanned images. A scan of one side of a document does not convey the relationship between the two sides that was obvious in the paper document. The Department's response and Exhibits conveyed where the Department concurred and didn't concur with the audit, and the limitations we saw in an audit based solely on scans. The Department is troubled that the auditors established a standard to facilitate conducting an audit remotely using electronic images of what were paper documents originally. These standards seem inconsistent with a reasonable and appropriate conclusion you would draw having the paper document in hand. Having a paper form in hand you can see the front and the back are linked by the one piece of paper, handwriting, markings, and notes. In fact, Mr. Siebert mentioned that he could accept the validity of the document identified as Exhibit 3 (7/11/22 Response) in the response because the stain on the front and the back matched showing it was the same paper form. That in and of itself supports our belief that Exhibit 2 (7/11/22 Response) a document that was signed and dated on the front side, with identical handwriting on both sides should have been counted for both sides. Without a clear standard requiring each side of a double-sided document to be signed we feel that a document with a signature on the front only meets the state audit standard. There were a few instances where a husband and wife submitted a joint volunteer form. This dual submission was inconsistent with the directions on the form, and we agree that technically they should be rejected. In another instance a volunteer did not provide individual daily supporting documentation as required. We would refer the reviewers to the information provided in that response to fully explain our position.

To address items 1 and 2 in the Recommendation in NPFR No 4 the Department created an online system for volunteer timekeeping that complies with State and Federal regulations for timekeeping. The Department has shared that database with the USFWS for their review and approval. Wildlife Division Director Nathan Webb has already talked to his staff, and we are prepared to

implement the new system. We have been reviewing any forms on hand for the time between the audit period and the starting date for the new system to resolve any concerns. The Department does have additional appropriate match within the grant and audit period that can substitute for any match found to be unsupported. We believe the new online match reporting system and the unused match will allow us to meet Recommendations 1 and 2 of NPFR No 4.

Part 3 - Unsupported and unallowable Subrecipients Reimbursements Resulted in questioned Costs of \$51,535 (\$38,651 Federal Share) - NPFR No. 2

The Department concurred with the audit finding in the response to NPFR No 2 sent on March 2, 2022 that there were errors in the handling of the claims for reimbursement made under this grant. Once the issue was identified the Department reviewed all 36 subawards to the subrecipients under this grant. In doing this the Department ensured that all costs that were submitted for reimbursement were properly supported with receipts. Department staff then reviewed the forms for consistency with regulations for accounting for match under this grant. Reimbursement requests that had expenses that were not adequately supported were disallowed. Requests that contained errors in the calculation of match were corrected. While the Department acknowledges there were errors in these areas, no funds were improperly distributed to grant recipients. We would also point out that since the grant was still open the Department was able to incorporate these changes into the grant accounting. In short, no funds were improperly distributed to any subrecipients. The adjustments did decrease the amount of over match that was tallied but did not affect the match needed to support the disbursements made under the grant. The subawards were distributed in four rounds occurring in 2013, 2015, 2016 and 2017. All subawards under these four rounds have been reviewed and corrected as needed. At this point in time, we are not aware that there are any outstanding issues with the final accounting for the total subawards made to subrecipients under this grant.

The Department is not awarding any additional subawards of this kind currently. Should the Department reinstate a grant program of this type the Department will ensure applicants receive written procedures and instructions that support proper grant accounting procedures. Department staff have already discussed how to ensure that this lapse in proper oversight and verification of requests for payment and financial reports does not occur in the future. We agree having clear written instructions and designated roles for staff in administering grants is necessary. In addition, we are exploring additional USFWS training such as the Project Leaders Course for staff working on USFWS grants. The Department believes this is a unique situation limited to this grant and that it has been properly dealt with. We have provided the information on the corrections to the auditors and the USFWS and feel this issue has been resolved.

Response to Bullet 2 Potential Diversion of License Revenue – NPFR No 1

The Department did not concur with this position that the Department potentially diverted \$548,166 in license revenues in constructing the Summerhaven range when it was raised in NPFR No. 1. The Department stands behind its response (letter dated January 31, 2022) that using Department license revenues to build a range that allowed/provided for use by the Maine Warden Service (MWS) as part of a PR funded project to provide public shooting is entirely appropriate. This project was clearly outlined

in the grant and approved by the USFWS. The issue we agree that could be clarified, is how the use of the range by outside law enforcement is supported financially. The Department would reiterate here for the record as was previously stated by Commissioner Camuso that providing for the use of the Summerhaven Range by outside law enforcement was never a reason to build the range. The Department built the range to create a safe and appropriate range for the public and MWS to use. It was the Department's intent as we clearly stated in the grant documents to also allow use of the range by outside law enforcement groups that regularly worked with the Maine Warden Service. Supporting firearm education within the State of Maine is clearly a mandated program for the Department and the Maine Warden Service. In looking at the issue now we understand the need to provide clarity in how the use of the range by outside law enforcement would be supported financially to ensure the use was not being subsidized by Department license dollars. To that point the Department provided a solution that documented the value of that use, a way to manage/control that use appropriately and consistent with the purposes of the grant. Finally, the Department outlined a process to document the Department receives enough "True General Fund" non-license dollars from the Maine Legislature in its annual budget to support that use with non-license dollars. The Department provided that response on December 23, 2022 and is attaching that information here again for your consideration. The Department has already begun revising the use policy to address the concerns raised in the audit. We will review the policy with the USFWS to ensure it meets any concerns in the use of the facility by outside law enforcement and that the use is not supported by either license revenue or grant funds.

Response to Bullet 3 Control Deficiencies Inadequate Subaward Policies and Procedures – NPFR No 3

The Department responded to this issue when it was raised in NPFR No. #3 – Inadequate Subaward Policies & Procedures dated April 19, 2022 as part of Assignment No. 2021-ER-029. The finding concerned the lack of procedures for documenting subaward versus contract determinations. The Department's management agrees that the Department did not have formal written procedures in place during the audit period for documenting subaward versus contract determinations and the recommendation that these should be developed. In fact, this issue was identified as an area of concern in the September 30, 2019 Department of Interior, Office of Inspector General Management Advisory Report No. 2018-CR-064, which stated that guidance on whether a non-Federal entity is a subrecipient or a contractor is unclear. The report went on to recommend the US Fish and Wildlife Service (Service) provide guidance to the States clarifying the application of Federal regulations in this area. That guidance was issued in 5/1/2020 in Document 2020_WSFR_001 entitled Third Party - Management Guide. The fact that those Departmental policies did not exist within the Department during the audit period is not surprising when the guidance on the basic issues raised were unclear to even the OIG until May of 2020. The Department is currently working with the WSFR program in Hadley to put a written policy in place to implement that guidance and document those decisions. The Department anticipates having that guidance in place soon. In addition to that we are working with the WSFR staff to identify any existing training opportunities that can be used to update our staff on these issues. At the same time, we are exploring the potential availability of an online training opportunity for subrecipients being made available at the national level. This is such an important area the Department feels having a WSFR sponsored course providing standard guidance to subrecipients on their obligations would be an important tool for States to have access to.

While the auditors did clearly identify an issue with the lack of formal procedures to make this determination, we feel the contractors identified in Figure 5 were not subrecipients. In particular, the Maine Audubon Society contracts 20160129_2469 and 20180222_2509 were contractual relationships established with Maine Audubon to carry out specific actions that supported the objectives of the Department's Piping Plover Management program. The Piping Plover Management Plan program was crafted by Department staff as the State Fish and Wildlife Agency with the responsibility for managing Piping Plovers. While we did have outside experts contribute to the development of the plan the ultimate decision-making authority rested fully with the Department. That plan identified specific activities such as posting signs, erecting fencing, and conducting beach patrols monitoring activity around plover nests that the Department contracted for. However, the programmatic (biological) decisions on plover management were identified in the Department's management plan and all on the ground decisions were overseen by the Department's shorebird biologist. Maine Audubon hired and supervised unskilled laborers who after a brief training carried out these supportive tasks. The actual skilled work was done in creating the program which was developed by the Department as part of its plover management program. Another important consideration is that many plover beaches are regulated (Title 12 §12804, §12805) as Essential Habitats by the Department. The Department and the Service have Beach Management Agreements with the municipalities that own these beaches that govern the use of the beach by the public and protect plovers. That regulatory authority has not been delegated to Audubon. We would also like to point out that the Department complied with all State of Maine Purchasing Protocols for sole source contracts in establishing the contract with Maine Audubon.

The Department also would like to point what it feels are deficiencies in the analysis of the six financial assistance subawards to rod and gun clubs included in Figure 6. We offer these points considering these awards were made prior to the guidance issued in May of 2020. The grant process used to establish these awards was a competitive RFP process established through State of Maine purchasing regulations that included public notice, formal scoring, and review and approved by both Maine Purchasing and WSFR. While these grants may not have been reported on the federal website, we would offer that there was full transparency and consistency with all State of Maine purchasing standards.

The Subaward Agreement each entity signed clearly identifies the federal involvement starting with the statement "Whereas, MDIFW has received funding from the United States Fish and Wildlife Service" and goes on to detail the recipient's obligations under the terms of the Subaward Agreement. The agreement for project 2016-5 the Maine Youth Fish & Game association was included with the Department's response to NPFR No 3. In the Subaward Agreement under Applicant Agrees to: Items 1 through 8 and under Additionally MDIFW and Applicant agree: items 1 through 4 as well as Exhibits A through C these obligations are clearly outlined. This Subaward agreement was reviewed and approved as part of the Department's Grant Number F12AF01334 by the WSFR staff in Hadley. This document details the responsibilities of the recipient and clearly outlines the monitoring (item 6.) that the Department will be conducting. The monitoring results are included in the annual grant report (copies attached) submitted to WSFR. We feel the monitoring program is effective and adequate to ensure compliance with the grant. It does appear that there was a miscommunication here in Maine between the Department and the Natural Resources Service Center (NRSC) on who was taking the responsibility for the reporting of subawards. We are working with the NRSC to ensure that any future subawards issued by the Department are properly reported on USASpending.gov.

In conclusion the Department agrees with the recommendations and has already begun talking with WSFR staff on implementing them. As stated above we do not concur with NPFR No 3 and the conclusions the auditors reached on the contracts outlined in Figure 5 and subrecipients in Figure 6.

We would be glad to meet and discuss any of the items outlined above if you wish. The Department believes the beginnings of a Corrective Action Plan are included in the responses above. We look forward to working with the Hadley office of the USFWS to resolve any concerns.

Sincerely,



James M. Connolly
Director, Bureau of Resource Management

Attachments:

CC: Timothy E. Peabody, Deputy Commissioner MDIFW
Shelley Dibona, & Colleen Sculley, WSFR, USFWS, Hadley MA



STATE OF MAINE
DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES
OFFICE OF THE STATE CONTROLLER
14 STATE HOUSE STATION AUGUSTA, MAINE 04333-0014

SERVING THE PUBLIC AND DELIVERING ESSENTIAL SERVICES TO STATE GOVERNMENT

DOUGLAS E. CÔTNOIR, CPA, CIA
STATE CONTROLLER

SHIRLEY A. BROWNE, CIA
DEPUTY STATE CONTROLLER

February 3, 2023

Judy Camuso, Commissioner
Maine Department of Inland Fisheries & Wildlife
41 State House Station
Augusta, Maine 04333-0041

RE: Draft Audit Report – *U.S. Fish and Wildlife Service Grants Awarded to the State of Maine, Department of Inland Fish and Wildlife, From July 1, 2017, Through June 30, 2019, Under the Wildlife and Sport Fish Restoration Program*
Report No. 2021-ER-029

Commissioner Camuso –

Thank you for the opportunity to review and comment on the subject draft audit report of the Office of Inspector General, U.S. Department of the Interior (OIG).

We do not concur that Unfunded Pension Liability costs are unallowable, unreasonable or questionable. The Uniform Guidance (2 CFR §200.431) explicitly states that such costs are allowable. In Maine's case, these fringe benefits are granted under established written policies, charged as direct costs in accordance with our accounting practices, funded within the fiscal year charged, computed via an acceptable actuarial cost method, with the unfunded liability component amortized over a period of years in accordance with GAAP.

It is contended that the State cannot distinguish which former employee is receiving pension benefits and if they had worked on these FWS awards prior to their retirement; therefore, the OIG finds these costs are not fully representative of a direct cost, they are unreasonably high and do not satisfy grant objectives. This contention is irrelevant and in conflict with the Uniform Guidance. In a defined benefit pension plan, as is the case in Maine, pension costs are not tied directly to which former employee is receiving pension payments. Costs are calculated for classes of employees based on the pension plan in which they participate and the actuarial projections of the pension benefit obligation for those plans. In general, the basic minimum required contribution is equal to: Normal cost, plus amortization of the unfunded actuarial liability ("UAL"), which is allowed under the Uniform Guidance as enumerated below.

Criteria:

2 CFR §200.431 Compensation—fringe benefits

- (a) General. Fringe benefits are allowances and services provided by employers to their employees as compensation in addition to regular salaries and wages. Fringe benefits include. . .employee insurance, pensions. . .
- (c) Fringe benefits. The cost of fringe benefits in the form of employer contributions or expenses for social security; employee life, health, unemployment, and worker's compensation insurance (except as indicated in §200.447); pension plan costs (see paragraph (i) of this section); and other similar benefits are allowable, provided such benefits are granted under established written policies. Such benefits must be allocated to Federal awards and all other activities in a manner consistent with the pattern of benefits attributable to the individuals or group(s) of employees whose salaries and wages are chargeable to such Federal awards and other activities, and charged as direct or indirect costs in accordance with the non-Federal entity's accounting practices.

Maine's position:

The fringe benefits identified in this finding are granted under established written policies, charged as direct costs in accordance with our accounting practices and approved in our SWCAP by USHHS Division of Cost Allocation, funded within the fiscal year charged, computed via an acceptable actuarial cost method, with the unfunded liability component amortized over a period of years in accordance with GAAP.

- (d) Cost objectives. Fringe benefits may be assigned to cost objectives by identifying specific benefits to specific individual employees or by allocating on the basis of entity-wide salaries and wages of the employees receiving the benefits. When the allocation method is used, separate allocations must be made to selective groupings of employees, unless the non-Federal entity demonstrates that costs in relationship to salaries and wages do not differ significantly for different groups of employees.

Maine's position:

Maine charges these fringe benefits as direct costs by separate allocations to each selective group of employees based on the pension plan in which the position is eligible.

- (6) Pension plan costs may be computed using a pay-as-you-go method or an acceptable actuarial cost method in accordance with established written policies of the non-Federal entity.

Maine's position:

Maine computes pension plan costs on an acceptable actuarial cost method in accordance with established written policies.

(ii) Pension costs calculated using an actuarial cost-based method recognized by GAAP are allowable for a given fiscal year if they are funded for that year within six months after the end of that year. Costs funded after the six-month period (or a later period agreed to by the cognizant agency for indirect costs) are allowable in the year funded. The cognizant agency for indirect costs may agree to an extension of the six-month period if an appropriate adjustment is made to compensate for the timing of the charges to the Federal Government and related Federal reimbursement and the non-Federal entity's contribution to the pension fund. Adjustments may be made by cash refund or other equitable procedures to compensate the Federal Government for the time value of Federal reimbursements in excess of contributions to the pension fund.

Maine's position:

Maine funds pension plan costs for a given fiscal year within that fiscal year.

(iv) When a non-Federal entity converts to an acceptable actuarial cost method, as defined by GAAP, and funds pension costs in accordance with this method, the unfunded liability at the time of conversion is allowable if amortized over a period of years in accordance with GAAP.

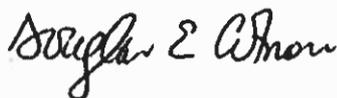
Maine's position:

Maine's pension actuaries calculated an initial UAL at time of conversion to actuarial funding in 1998 and amortizes that liability over a fixed period of 30 years, specified in Constitution, in accordance with GAAP.

The initial UAL balance under the current funding method will be fully amortized in FY 2028. At that point, the employer contribution rates under this baseline scenario drop substantially, initially to 7.4%, with small further changes thereafter with a general downward trend, dropping to 4.9% by the end of the projection period. Note that this baseline projection is based on all assumptions being met each and every year where the reality is that there will be gains and losses each and every year, resulting in new amortization layers (negative or positive) occurring every year.

If you have any questions or would like any additional information, please don't hesitate to reach out.

Sincerely,



Douglas E. Cotnoir, CPA, CIA
State Controller

Cc: Gilbert Bilodeau, Director, Natural Resources Service Center

Appendix 5: Status of Recommendations

Recommendation	Status	Action Required
<p>2021-ER-029-01 We recommend that the U.S. Fish and Wildlife Service (FWS) address the questioned costs related to unfunded retirement and retiree health totaling \$2,250,417 (Federal share) in consultation with appropriate U.S. Department of the Interior offices to determine if the costs are allowable pursuant to Federal regulations and award terms and conditions.</p>	<p>Resolved: FWS regional officials concurred with the recommendation and will work with the U.S. Department of the Interior to develop and implement corrective actions.</p>	<p>We will track implementation.</p>
<p>2021-ER-029-02 We recommend that the FWS require the Maine Department of Inland Fisheries & Wildlife (the Department) to resolve the Federal share of questioned costs related to in-kind volunteer match totaling \$111,339.</p>	<p>Resolved: FWS regional officials concurred with the recommendation and will work with staff from the Department to develop and implement corrective actions.</p>	<p>We will track implementation.</p>
<p>2021-ER-029-03 We recommend that the FWS require the Department to update its policies and procedures to include a review of the agreed-upon rate and that it uses that rate for volunteer in-kind matches.</p>	<p>Resolved: FWS regional officials concurred with the recommendation and will work with staff from the Department to develop and implement corrective actions.</p>	<p>We will track implementation.</p>

Recommendation	Status	Action Required
<p>2021-ER-029-04 We recommend that the FWS require the Department to evaluate its in-kind policies and procedures for grants to ensure program-specific procedures agree with Federal regulations and staff are trained on these policies.</p>	<p>Resolved: FWS regional officials concurred with the recommendation and will work with staff from the Department to develop and implement corrective actions.</p>	We will track implementation.
<p>2021-ER-029-05 We recommend that the FWS require the Department to resolve the \$51,535 (\$38,651 Federal share) of questioned costs related to unsupported and unallowable subrecipient reimbursements.</p>	<p>Resolved: FWS regional officials concurred with the recommendation and will work with staff from the Department to develop and implement corrective actions.</p>	We will track implementation.
<p>2021-ER-029-06 We recommend that the FWS require the Department to develop and implement written procedures to assist subrecipients in properly documenting payment requests.</p>	<p>Resolved: FWS regional officials concurred with the recommendation and will work with staff from the Department to develop and implement corrective actions.</p>	We will track implementation.
<p>2021-ER-029-07 We recommend that the FWS require the Department to develop and implement instructions to assist subrecipients in calculating matching contributions.</p>	<p>Resolved: FWS regional officials concurred with the recommendation and will work with staff from the Department to develop and implement corrective actions.</p>	We will track implementation.

Recommendation	Status	Action Required
<p>2021-ER-029-08 We recommend that the FWS require the Department to identify all incorrectly calculated subawards match amounts, correct any final reports, and resolve the related costs</p>	<p>Resolved: FWS regional officials concurred with the recommendation and will work with staff from the Department to develop and implement corrective actions.</p>	<p>We will track implementation.</p>
<p>2021-ER-029-09 We recommend that the FWS require the Department to ensure the requests for payment and financial reports from subrecipients are reviewed and approved in compliance with Federal statutes, regulations, and the terms and conditions of the subaward.</p>	<p>Resolved: FWS regional officials concurred with the recommendation and will work with staff from the Department to develop and implement corrective actions.</p>	<p>We will track implementation.</p>
<p>2021-ER-029-10 We recommend that the FWS require the Department to resolve the potentially diverted funds of \$548,166.</p>	<p>Resolved: FWS regional officials concurred with the recommendations and will work with staff from the Department to develop and implement corrective actions.</p>	<p>We will track implementation.</p>
<p>2021-ER-029-11 We recommend that the FWS require the Department to develop implement policies and procedures to ensure that program activities, including construction and capital improvements, funded by license revenues are used only for the administration of fish and wildlife program activities.</p>	<p>Resolved: FWS regional officials concurred with the recommendation and will work with staff from the Department to develop and implement corrective actions.</p>	<p>We will track implementation.</p>

Recommendation	Status	Action Required
<p>2021-ER-029-12 We recommend that the FWS require the Department to update its policies and procedures to ensure that if license revenue is used, fees are collected to avoid any possible diversion.</p>	<p>Resolved: FWS regional officials concurred with the recommendation and will work with staff from the Department to develop and implement corrective actions.</p>	<p>We will track implementation.</p>
<p>2021-ER-029-13 We recommend that the FWS require the Department to develop and implement subaward policies and procedures to ensure compliance with Federal requirements for performing risk assessments, subcontractor monitoring, and reporting awards on USASpending.gov.</p>	<p>Resolved: FWS regional officials concurred with the recommendation and will work with staff from the Department to develop and implement corrective actions.</p>	<p>We will track implementation.</p>
<p>2021-ER-029-14 We recommend that the FWS require the Department to provide training to all relevant Department staff on Federal subaward requirements.</p>	<p>Resolved: FWS regional officials concurred with the recommendation and will work with staff from the Department to develop and implement corrective actions.</p>	<p>We will track implementation.</p>



REPORT FRAUD, WASTE, ABUSE, AND MISMANAGEMENT

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