



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

**U.S. Fish and Wildlife Service Grants Awarded
to the State of Maryland, Department of
Natural Resources, From July 1, 2018, Through
June 30, 2020, Under the Wildlife and Sport
Fish Restoration Program**



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

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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 Maryland, Department of Natural Resources, From July 1, 2018, Through June 30, 2020, Under the Wildlife and Sport Fish Restoration Program*
Report No. 2021–ER–034

This report presents the results of our audit of costs claimed by the Maryland Department of Natural Resources (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 the 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 May 23, 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 202–208–5745.

Contents

Introduction.....1

 Objectives1

 Background1

Results of Audit2

 Questioned Costs—\$58,800 (\$44,100 Federal Share).....2

 License Revenue To Be Put To Better Use and Potential Diversion—\$38,6155

 Control Deficiencies6

Recommendations Summary15

Appendix 1: Scope and Methodology.....20

Appendix 2: Sites Visited23

Appendix 3: Monetary Impact24

Appendix 4: Responses to Draft Report25

Appendix 5: Status of Recommendations.....32

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 Maryland Department of Natural Resources (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 did not comply with applicable laws and regulations, FWS guidelines, and grant agreements. We identified internal control issues throughout the program—for example, WSFR-funded firearms were situated outside of their assigned and inventoried locations, including in hunter education volunteers’ homes. We were also unable to locate 11 percent of the other equipment items selected for our audit sample, likely because the Department had not conducted a physical inventory in the past 5 years. Moreover, we identified similar internal control issues during each of our three prior audits, dating back to our report issued in 2007.⁴

During this audit, we found the following:

- **Questioned Costs.** We questioned \$58,800 (\$44,100 Federal share). These questioned costs arose due to unreported program income and unallowable payments to the National Bobwhite Conservation Initiative (NBCI).
- **License Revenue To Be Put To Better Use and Potential Diversion.** We found \$35,634 in unused license revenue that are funds to be put to better use. In addition, we found the Department did not collect \$2,981 in license revenue from a nonprofit organization that it worked with to sell hunting licenses and did not account for this type of license revenue in a WSFR-designated account.
- **Control Deficiencies.** We found opportunities to improve controls in procedures, equipment management, and subaward management.

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

Questioned Costs—\$58,800 (\$44,100 Federal Share)

Unreported Program Income of \$53,800 (\$40,350 Federal Share)

Federal regulations at 50 C.F.R. § 80.120(a) state, “Program income is gross income received by the grantee or subgrantee and earned only as a result of the grant during the grant period.” Program income guidance is also provided in 2 C.F.R. § 200.307(e)(1), which states:

⁴ *U.S. Fish and Wildlife Service Federal Assistance Grants Awarded to the State of Maryland, Department of Natural Resources, From July 1, 2003, Through June 30, 2005* (Report No. R-GR-FWS-0025-2005), issued February 2007.

U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the State of Maryland, Department of Natural Resources, From July 1, 2008, Through June 30, 2010 (Report No. R-GR-FWS-0007-2011), issued November 2011.

U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the State of Maryland, Department of Natural Resources From July 1, 2013, Through June 30, 2015 (Report No. 2016-EXT-003), issued September 2017.

Program income that the non-Federal entity did not anticipate at the time of the Federal award must be used to reduce the Federal award and non-Federal entity contributions rather than to increase the funds committed to the project. Also, the Department must reduce the Federal award rather than increase the funds committed to the project.

Furthermore, the Department's "Administrative Procedure for Federal Grants (Program Income)," specifies that the individuals who are responsible for verifying program income are to ensure they appropriately account for it before requesting grant funds from the Federal Government. It also states, "Their signature approving the draw down shall document that they have reviewed and approved the program income, which is a component of the draw down."

Non-Federal entities may choose between three methods⁵ for applying program income, and the FWS must approve the method for each award.⁶ The Department was approved to use the cost share method to account for up to \$500,000 of program income under Grant No. F17AF00952 for Land Management. The cost share method allows the Department to use 100 percent of its program income as its match. However, if the agency were to exceed its approved amount, the excess program income would default to the deductive method, which requires the Department to reduce the grant by the excess amount.

During our audit,⁷ we found the Department did not apply \$53,800 in program income made from timber sales. Specifically, the timber sales were proceeds from an agricultural lease agreement for trees cut in a wildlife management area. This caused the Department to overdraw \$40,350 in Federal funds and exceed its allowable cost share because it had already claimed \$500,000 in program income. According to a Department official, this occurred because a former employee may have overlooked these timber sales when applying program income during the audit period. Additionally, we found that the Department did not ensure employees were trained to follow the review and approval process established in its standard operating procedures.

By not properly applying the proceeds of the timber sales, the Department received more grant funding than it would have been allowed if it had reported the \$53,800 in program income. Because the grant period of performance is over, the Department will have to use other funds or reduce the amount of another WSFR grant to correct this issue.

⁵ These include the deductive, additive, and cost share (also known as matching) methods.

⁶ 50 C.F.R. § 80.123(a).

⁷ During our 2016 audit, we found the Department did not account for program income because staff only counted the revenue in the first year it was earned. See *U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the State of Maryland, Department of Natural Resources From July 1, 2013, Through June 30, 2015* (Report No. 2016-EXT-003), issued September 2017.

Recommendations

We recommend that the FWS work with the Department to:

1. Resolve the questioned costs related to timber sales totaling \$40,350.
2. Develop and implement a mechanism to train staff to use the correct method of accounting to appropriately account for, track, and ensure all program income is spent before the Department requests reimbursement.

Unallowable Payments to the NBCI of \$5,000 (\$3,750 Federal Share)

The Department entered into a subaward agreement with the University of Tennessee’s NBCI, a rangewide habitat plan for recovering bobwhite quail species to target densities set by State wildlife agencies, under Grant No. F18AF00892. In State fiscal year 2020, the Department paid \$5,000 to the University of Tennessee for the NBCI subaward expenditures from this grant. The NBCI provides similar services to other participating States.

The NBCI also receives funding from external partners—including nonprofit, nongovernmental organizations—and other Federal agencies, some of which provide funding to the NBCI using non-Federal funds. In a previous audit, we determined that the NBCI did not properly split or allocate expenditures among all participating States and external partners.⁸ The NBCI did not have a policy or a sound and reasonable methodology to determine and allocate assignable expenditures among all participating States and external partners in proportion to the received benefits. Instead, NBCI officials described their funding as one “pot” of money from which to pay for expenses that benefited all participating States and external partners. This practice does not ensure expenditures are properly allocated to Federal grants.

In 2017, the NBCI implemented a new accounting methodology and procedures referred to as a “recharge center” to better allocate assignable grant expenditures. We separately evaluated whether grant costs claimed using the recharge center method can reasonably allocate costs in proportion to the benefit provided. We issued a management advisory to the FWS to address the issue of costs claimed using this method.⁹ In the management advisory, we determined that the recharge center method does not comply with Federal regulations.

Specifically, the agreements between the NBCI and States contributing Federal funding are fixed-amount subawards; costs charged to States are negotiated up front and are not related to the benefits received; recharge center rates cannot be measured or verified in the NBCI’s accounting system; and the recharge center rates differ for Federal and non-Federal activities.

⁸ *U.S. Fish and Wildlife Service Grants Awarded to the Commonwealth of Pennsylvania’s Game Commission, From July 1, 2016, Through June 30, 2018, Under the Wildlife and Sport Fish Restoration Program* (Report No. 2019–WR–005), issued December 2020.

⁹ *Issues Identified With Wildlife Restoration Subawards to the University of Tennessee, National Bobwhite Conservation Initiative* (Report No. 2020–WR–019), issued July 2020.

Federal regulations at 2 C.F.R. § 200.403 state that costs must be allocable to the Federal award to be allowable. Under 2 C.F.R. § 200.405, a cost is allocable to a particular award if the goods and services involved are chargeable or assignable to that Federal award in accordance with the relative benefits received. Costs are also allocable if such costs benefit both the Federal award and other work of the non-Federal entity and they are distributed in proportions that may be approximated using reasonable methods. Part (d) of 2 C.F.R. § 200.405 states that if a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects according to the proportional benefit.

During the audit period, the NBCI did not have adequate accounting methodologies that allowed for proper allocation of expenditures among participating States and external partners. Because the NBCI did not properly allocate the expenditures among all participating States and external partners using a method that complies with Federal regulations, these costs are not eligible to be charged to WSFR grants. We questioned \$5,000 (\$3,750 Federal share) that the Department paid to the University of Tennessee under Grant No. F18AF00892 as unallowable expenditures.

Recommendation

We recommend that the FWS work with the Department to:

3. Resolve the Federal share of questioned costs related to the NBCI subaward agreement totaling \$3,750.

License Revenue To Be Put To Better Use and Potential Diversion—\$38,615

According to Federal regulations, to be eligible for benefits from the Acts, States must require revenue from hunting and fishing licenses be controlled by the State fish and wildlife agency and used only for its administration, which includes only the functions required to manage the agency and the fish- and wildlife-related resources for which the agency has authority under State law.¹⁰

Maryland's Natural Resources – Conservation Law Enforcement Act of 2010 established a commemorative lifetime hunting license. The Department was required to issue a limited number of such licenses to nonprofit organizations; these nonprofit organizations could then, in cooperation with the Department, market and sell the licenses. Proceeds from commemorative lifetime hunting licenses must be allocated to the Natural Resources Police (NRP) to use only for the administration of the fish and wildlife agency.

In an interview with a Department employee, we learned that from 2010 to 2013, the Department, in cooperation with a nonprofit organization—the Maryland Legislative Sportsmen's Foundation (MLSF), sold special limited lifetime hunting licenses to provide funding to the NRP. These

¹⁰ 50 C.F.R., subpart B, §§ 80.10(c)–80.10(c)(2).

license sales were not identified in our previous audits, so we looked into this further. According to Maryland’s Natural Resources – Conservation Law Enforcement Act of 2010, the MLSF should have provided all proceeds from the hunting license sales to the NRP “for conservation law enforcement.” However, the MLSF gave only \$35,634 out of the \$38,615 in sales to the NRP—a \$2,981 difference that results in a potential diversion of license revenue.

We found that the Department did not have policies in place to ensure controls exist for collecting all license revenue and preventing potential diversion; for example, it did not reconcile the number of licenses sold with the amount of revenue received. This was exacerbated by the fact that the Department did not account for WSFR funds separately and instead placed the commemorative lifetime license revenue into a “miscellaneous revenue” account. Furthermore, because the NRP provides maritime homeland security services, we could not verify that the license revenue was used solely for the administration of the fish and wildlife agency. To date, the balance of \$35,634 has been housed in the miscellaneous revenue account without obvious earmarks designating it as license revenue. This revenue, which has remained unused for almost 10 years, could be put to better use and, if repurposed, could be used to improve fish- and wildlife-related resources.

Potential diversion of license revenues jeopardizes the State’s continued participation in WSFR and brings into question whether fish and wildlife resources appropriately benefited from the funds.

Recommendations

We recommend that the FWS work with the Department to:

4. Resolve the potential diversion of \$2,981 related to uncollected license revenue.
5. Develop and implement policy to ensure that license revenue is used only for the functions required to manage the Department and fish and wildlife resources.
6. Resolve the \$35,634 of unused license revenue to improve fish- and wildlife-related resources.

Control Deficiencies

Outdated Policies and Procedures

Federal regulations require non-Federal entities receiving Federal awards to “[e]stablish and maintain effective internal control over the Federal award” and to evaluate and monitor to ensure the award complies with Federal statutes, regulations, and the terms and conditions of the Federal award.¹¹ Similarly, the U.S. Government Accountability Office’s *Standards for Internal*

¹¹ 2 C.F.R. §§ 200.303–200.303(c), “Internal controls.”

Control in the Federal Government also requires management to implement control activities through policies¹² and “periodically reviews policies, procedures, and related control activities for continued relevance and effectiveness in achieving the entity’s objectives or addressing related risks.”¹³

While we were conducting our audit, the Department was using outdated policies and procedures. Specifically, we found several policies that had not been updated since a 2014 revision to Federal regulations that changed parts of 43 C.F.R. to 2 C.F.R. These changes included a consolidation of the Office of Management and Budget circulars for costing, administration, and audit of Federal awards; revisions to Uniform Guidance; and the adoption of the common rule from 43 C.F.R. part 12. Even though the Department was required to implement these changes by 2016, we found policy documents that still referred to 43 C.F.R. Furthermore, we found that nine IT policies had not been updated in 20 or more years. This is of particular concern because technology and systems have substantially changed over the past two decades. We found the following policy documents to be many years out of date (see Figure 1).

Figure 1: Outdated Policies

Category	Title	Effective Date
Equipment	Inventory Control Manual	July 1, 2012
In-kind	Hunter Education Program Procedure Manual*	April 2018
Program Income	Administrative Procedure for Federal Grants (Program Income)*	-
IT	Content Standard for Geospatial Metadata	Dec. 31, 2002
IT	External Geospatial Data Distribution Policy	Dec. 31, 2002
IT	Computer Hardware Standards	May 1, 2001
IT	Computer Hardware and Software Inventory	July 1, 2001
IT	Electronic Mail (E-Mail) and Internet Use	April 19, 2005
IT	Access and Use of Internal DNR Geospatial Data	Jan. 2006
IT	IT Training and Certification	Feb. 1, 2002
IT	Network Design and Operation	Jan. 15, 2002
IT	DNR Privacy Policy	July 1, 2002
IT	Software Standards (Commercial Off the Shelf)	Oct. 1, 2001
IT	Universal Electronic Access Policy	July 1, 2001

* Contains a reference to 43 C.F.R., which was superseded by 2 C.F.R. part 200 on December 26, 2014.

Abbreviations:

DNR = Department of Natural Resources

IT = Information Technology

¹² *Standards for Internal Control in the Federal Government, Government Accountability Office, Principle 12.02.*

¹³ *Standards for Internal Control in the Federal Government, Government Accountability Office, Principle 12.05.*

These policies were out of date because the Department did not take measures to regularly review its policies and procedures. Since the C.F.R. update, the FWS has held regional-level presentations during Federal Aid Coordinator meetings to discuss the C.F.R. changes. However, we did not see evidence that Department personnel attended these meetings or reviewed current regulations to update policies accordingly.

Because the Department has not updated its WSFR program policies and procedures, it is not in compliance with WSFR grant agreements with the FWS, which state that awards are subject to the terms and conditions incorporated into the notice of award either by direct citation or by reference to Federal regulations, program legislation or regulation, and special award terms and conditions. The policies do not incorporate important major updates to the C.F.R.—which, in turn, puts the Department at risk of noncompliance. It also demonstrates a lack of commitment to Federal internal control standards. Noncompliance puts grant funds at risk because the Department is not following required internal controls and updated guidance on effective and relevant risk avoidance measures.

Recommendations

We recommend that the FWS work with the Department to:

7. Develop and implement a mechanism to ensure that policies are reviewed and updated on a periodic basis to align with current processes and relevant Federal guidance.
8. Develop and implement a mechanism to ensure that Department employees are trained on current regulations.

Inadequate Equipment Management

Federal regulations at 2 C.F.R. § 200.1 define equipment as “tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes, or \$5,000.”

The Maryland Department of General Services (DGS), *Inventory Standards and Support Services Division Inventory Control Manual* states that the Department must maintain detailed inventory records and control accounts¹⁴ for fixed assets (for example, equipment, motor

¹⁴ In this case, a “control account” refers to an inventory control account, which the inventory control manual defines as a summarized history of acquisitions and disposals and shall be maintained for each category of capital equipment independent of the detail records in either an automated or manual system.

vehicles, or livestock).¹⁵ It also specifies that the following minimum data shall be maintained for all items:

- Item identification consisting of at least the agency property identification number and description,
- Name of supplier and purchase order or other acquisition document number,
- Acquisition cost and date,
- Physical location of item,
- Serial number, if any,
- Source of funds,
- Most recent physical inventory date, and
- Justification and authorization reference for transfer or disposal.

Additionally, the inventory control manual states, “Firearms and other law enforcement weapons regardless of cost are considered capital equipment,” and therefore are subject to the same requirements as other capital equipment.¹⁶ Furthermore, the *Maryland Natural Resources Police Hunter Education Program Procedure Manual* states that Regional Coordinators will survey and advise when a location has met the standards for storage of program equipment, and a secure location will be established for each teaching team and approved by the Safety Education Section Supervisor. The Hunter Education Regional Coordinator will assign the firearm to a teaching team and update the Capital Equipment Inventory System with the approved secure storage location. The hunter education manual also specifies, “The Hunter Education Program staff will forward information regarding the approved locations for firearms storage to the NRP Inventory Control Officer, who will contact DNR Inventory Control for a location code.”

We found that the Department does not actively use the State’s approved inventory management system, Equip, to track firearms, as required. Furthermore, we found firearms situated outside of their assigned locations, including in hunter education volunteers’ homes. We were also unable to locate 11 percent of the other equipment items selected for our audit sample. This likely occurred because the Department did not adequately track and label other equipment and because it has been 5 years since the Department last conducted a physical inventory.

¹⁵ According to the manual, “fixed assets” include land, land improvements, buildings, building improvements, and capital equipment. The term does not include materials, supplies, and non-capital equipment.

¹⁶ The Maryland DGS *Inventory Standards and Support Services Division Inventory Control Manual* defines “Capital Equipment” as any equipment item or furnishing having a probable useful life in excess of 1 year and a procurement cost of \$100 or more per unit, such as furniture, machinery, instruments and other apparatus. The term includes all motor vehicles regardless of cost and livestock if the procurement cost is \$100 or more. It also includes sensitive items, having a procurement cost of \$50 or more and a useful life of 1 year or more.

Firearms Stored at Unapproved Locations

We sampled 20 firearms assigned to the NRP, each of which was assigned to either the Matapeake Terminal or Springfield Hospital in the Department's inventory system, Equip. However, when we went to view the firearms, we found that 16 of 20 were not located in their approved locations. Instead, we found that the firearms were being stored at other, unapproved, locations, including private residences. The NRP inventory control officer told us that the firearms are issued to police officers and hunter education volunteers who are not all stationed at the Matapeake Terminal.

While the NRP has practices to maintain an inventory of its firearms, they do not meet Federal and State requirements. The hunter education officer stated that the NRP tracks hunter education firearms in a Google spreadsheet. However, the Google spreadsheet is not a system of record, and we found that its contents are not linked to Equip. The NRP inventory control officer informed us that the NRP was working to update Equip with the location of the firearms and to create a new standard operating procedure that will require firearms to be logged in Equip along with the actual location of where the firearm is located.

Without a reliable, current inventory of firearms, there is an increased risk to public safety if firearms are lost, stolen, or misused. Also, because firearms were not inspected at their storage locations, the Department does not know if they are stored safely and securely.

Missing Equipment and Inaccurate Inventory Records

We found that the Department did not have adequate internal controls over its equipment inventory. Specifically, we selected a sample of 66 pieces of equipment (totaling \$2,319,456) purchased with WSFR funds and general funds (which include license revenues) to verify the accuracy of the inventory. Neither we nor Department personnel at the locations could locate 7 of 66 pieces (11 percent) of equipment (see Figure 2).

Figure 2: Missing Equipment

Property Tag No.	Value (\$)	Manufacturer/Model	Item Description	Purchase Date
34740	679	GE/PHOENIX-N5A06	Radio – Mobile	02/13/1986
47229	653	GE/NPH20	Radio – Mobile	06/07/1990
70397	599	Apple/iPad A 1219	Laptop (Micro Computer)	06/20/2010
73737	939	Vertex/VX-4000VC	Radio – Mobile	12/06/2002
76785	1,565	Gateway/M465/2000	Laptop (Micro Computer)	04/09/2007
85437	1,121	Dell/OptiPlex 790MT	Desk Top (Micro Computer)	05/14/2012
86060	599	Bendix/GPH5	Radio – Portable	04/13/2003

This may have occurred because personnel did not follow inventory policy. We were informed that the most recent physical inventory should have taken place in 2020, but in light of the

COVID–19 pandemic, the Department has been unable to complete the inventory. The Department expected to complete the inventory by June 30, 2022; however, it is still not done. To date, it has been 5 years since the Department’s last physical inventory.

Furthermore, we had difficulties locating a radio console with a value of \$332,336. We found that the radio console, Property Tag No. 71919, was purchased in 2004 and was intended for the Hollofield Fleet and Communication Services site. This item, however, had the wrong tag number recorded in the inventory system and was at a different location.

We also found four pieces of equipment that were not included in Equip as required: two tractors, a boom mower, and a 50-foot rotator at a combined value of \$189,438.¹⁷ A Department official stated that this happened because the employee whose signature was on the purchase agreements and who was responsible for entering the equipment into Equip is no longer with the Department and did not follow through with ensuring the items got entered. Once we notified the Department of this issue, it updated its inventory to include these items, which resolved the issue.

The Department could not demonstrate that it has control of \$338,491 worth of items in its inventory. This is exacerbated by the fact that we have identified similar issues during three prior audits, over the course of two decades. Specifically:

- In a 2007 audit report, we concluded that inventory records for equipment were incomplete. The records did not always (1) list property tag numbers and (2) identify the actual location of equipment.
- Also, in the 2007 audit report, we concluded that inventory records were inaccurate and incomplete. Of 128 pieces of equipment selected for testing, we could not find 6. Additionally, 50 items were not physically tagged, 9 items were not included in the inventory listing, and 69 items had inaccurate or incomplete data in the inventory system.
- In a 2011 audit report, we concluded that there was a “loss of physical and administrative control over firearms.” We found that 761 of 906 (84 percent) of firearms were not included in the Department’s inventory system and that there was no record of the physical location of the firearms. We also found that other equipment, such as vehicles, computers, and cameras, were inadequately tracked or missing.
- In a 2017 audit report, we again concluded that equipment was inadequately tracked or missing. Of 255 pieces of equipment selected for testing, we could not locate 13. Additionally, 40 items were not physically tagged, 20 items were not included in the inventory listing, and 22 had inaccurate data in the inventory system.

The inability to maintain an adequate inventory with appropriate oversight controls increases the potential for loss or theft. Given the Department’s history of issues with equipment management, to include missing assets, it is imperative that additional internal controls are implemented.

¹⁷ These purchases occurred between August and September 2018 for Grant No. F17AF00952 for Land Management.

Recommendations

We recommend that the FWS work with the Department to:

9. Establish an accountable process that ensures the inventory system lists the specific location of equipment as required by policy.
10. Establish an accountable process for regular periodic inventory of equipment so that the inventory list is up to date and all firearms are accounted for.
11. Complete a full physical inventory of all capital equipment as soon as possible and develop a mechanism that holds the Department responsible for performing regular periodic inventories to ensure that all equipment is properly tagged and accounted for.
12. Establish controls and determine milestones to track the progress of the Department in properly tagging and accounting for all equipment.
13. Locate or dispose of the missing equipment listed in Figure 2 of this report.

Inadequate Subaward Management

Federal regulations state that a pass-through entity—in this case, the Department—“must make case-by-case determinations 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.”¹⁸ A subrecipient is defined as an entity that receives a subaward from a pass-through entity to carry out part of a Federal award.¹⁹ This is classified as a Federal assistance relationship with the subrecipient.²⁰ Additionally, 2 C.F.R. §§ 200.331(a) and (b)²¹ state that a subaward carries out a portion of a Federal award and creates a Federal assistance relationship with the subrecipient, while a contract obtains goods and services for the non-Federal entity’s own use and creates a procurement relationship with the contractor.

Unlike contracts, subawards need to be reported. Federal regulations at 2 C.F.R. § 170, Appendix A(I)(a), state that, unless exempted, a non-Federal entity must report each subaward action that equals \$30,000 or more in Federal funds for a subaward to an entity.²² Furthermore, 2 C.F.R. § 170, Appendix A(I)(2)(i), states that a non-Federal entity must report each obligating action described in the previous reference of this award term to the Federal Funding Accountability and Transparency Act (FFATA) Subaward Reporting System, <https://www.fsrs.gov>. This information is then posted in <https://USASpending.gov>, a Federal website intended to promote

¹⁸ 2 C.F.R. § 200.331, “Subrecipient and contractor determinations,” updated as of August 2020; previously 2 C.F.R. § 200.330.

¹⁹ 2 C.F.R. § 200.1, “Definitions,” updated 2020; previously 2 C.F.R. § 200.93.

²⁰ 2 C.F.R. § 200.331(a), updated as of August 2020; previously 2 C.F.R. § 200.330(a).

²¹ Updated as of August 2020; previously 2 C.F.R. § 200.330(b).

²² Previously Appendix A(I)(a)(1); the 2020 update increased the threshold from \$25,000 to \$30,000.

governmental transparency and a mandatory reporting requirement under the DATA Act for subawards. Additionally, subawards are subject to more rigorous monitoring than contracts. According to 2 C.F.R. § 200.332(b), all pass-through entities must evaluate each subrecipient’s risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring.²³

We found that the Department did not properly classify or report all subawards despite having policies and procedures to do so. Specifically, we identified several agreements that should have been classified as subawards but were instead classified as contracts, showing employees did not follow policies and procedures. The agreements transferred WSFR grant funds to subrecipients for wildlife-related research projects and other initiatives having a public benefit and purpose—which constitutes a subaward. Because the Department did not follow its own policies and procedures for subawards, it misclassified relationships with recipients. Without the correct subaward determinations in place, the Department cannot ensure that the proper monitoring is being performed, program objectives are being met, and grant funds are being spent according to Federal regulations and solely for the benefit of WSFR. Further, the Department did not perform risk assessments or monitor subrecipient activities. Without performing a risk assessment, the Department cannot ensure that the pass-through entities are eligible to receive Federal funds.

Finally, the Department did not comply with Federal requirements for its subrecipients because it did not report all subawards publicly on USASpending.gov. After our review of the agreements and vendor payments, we determined that the following grants contained unreported subawards during the audit period (see Figure 3).

Figure 3: Grants Containing Unreported Subawards

Grant No.	Subrecipient	Amount (\$)
F16AF00957	Calvert County Commissioner	599,075
F17AF00114	Commission of Mardela Springs	285,380
F18AF00892	National Audubon Society	170,701
F19AF00994	National Audubon Society	19,206
F18AF00892	University of Delaware	314,991
F18AF00892	Western Maryland Resource Conservation and Development Council	287,772

Failure to report subawards creates a lack of transparency to the public regarding how Federal money was spent.

²³ Updated as of August 2020; previously 2 C.F.R. § 200.331(b).

Recommendation

We recommend that the FWS work with the Department to:

14. Develop a mechanism to ensure all relevant Department staff adhere to Federal subaward requirements, including following Departmentwide guidance for determining whether WSFR funds pass through as subawards or contracts and checking the USASpending.gov website.

Incorrect License Certification

Federal regulations specify that State fish and wildlife agencies certify the number of paid license holders by responding to the Director’s annual request for information, which includes “[t]he number of people who have paid licenses to hunt in the State during the State-specified certification period.”²⁴

The Department overstated its certified hunting licenses by 4,761 in license year 2019 and by 4,481 in 2020.²⁵ The Department mistakenly included these 9,242 Black Bear Lottery Entry Application and Black Bear Lottery Preference Point sales in its annual certification of license holders for WSFR. These sales are not licenses for hunting but instead give the purchaser a chance to hunt black bear by placing them in a lottery for a permit. If the purchaser wins the lottery, then they would need to have a hunting license to receive the black bear hunting permit. Based on this error, we determined that the Department did not have controls in place to include only actual hunting license sales in its annual license certification. We also found that the 20 lifetime hunting licenses (addressed in the “License Revenue To Be Put To Better Use and Potential Diversion” section) were not accounted for in the annual license certification to the FWS for WSFR.

Overstating the number of certified hunting licenses could possibly increase the annual apportionment of grant funds provided under WSFR because States receive funds, in part, based on the number of licenses sold.

Recommendation

We recommend that the FWS work with the Department to:

15. Implement controls to ensure that the Department counts all hunting and fishing licenses reassuring that only eligible licenses are counted for the annual certification.

²⁴ 50 C.F.R., subpart D, §§ 80.31(a)–80.31(a)(1).

²⁵ Hunting license years run from August 1 through July 31.

Recommendations Summary

We provided a draft of this report to the FWS for review. The FWS concurred with all recommendations. In addition, the FWS' response proposed modifying certain language in the report. We clarified some passages to address these comments, but we did not modify our overall analysis or our conclusions. We consider all recommendations resolved but not implemented. Below we summarize the FWS' and the Department's responses to our recommendations, as well as our comments on their responses. See Appendix 4 for the full text of the FWS' and the Department's responses. Appendix 5 lists the status of each recommendation.

We recommend that the FWS work with the Department to:

1. Resolve the questioned costs related to timber sales totaling \$40,350.

Department Response: The Department concurred with our recommendation and stated it will reduce a drawdown of the Land Management Grant No. F19AF00994.

FWS Response: The FWS concurred with the finding and recommendation.

OIG Response: We consider Recommendation 1 resolved but not implemented. The recommendation will be considered implemented when the Department shows that the drawdown reduction has occurred.

2. Develop and implement a mechanism to train staff to use the correct method of accounting to appropriately account for, track, and ensure all program income is spent before the Department requests reimbursement.

Department Response: The Department concurred with our recommendation and stated it will evaluate current policies and training and adapt as needed to ensure accurate reimbursement.

FWS Response: The FWS concurred with the finding and recommendation.

OIG Response: We consider Recommendation 2 resolved but not implemented. The recommendation will be considered implemented when the Department shows that the policies and training have been reviewed and adapted to ensure the correct method of accounting is used to appropriately account for, track, and ensure all program income is spent before the Department requests reimbursement.

3. Resolve the Federal share of questioned costs related to the NBCI subaward agreement totaling \$3,750.

Department Response: The Department concurred with our recommendation and stated it will reduce a drawdown of the Research and Surveys Grant No. F20AF12053.

FWS Response: The FWS concurred with the finding and recommendation.

OIG Response: We consider Recommendation 3 resolved but not implemented. The recommendation will be considered implemented when the Department shows a reduced drawdown of Research and Surveys Grant No. F20AF12053 totaling \$3,750.

4. Resolve the potential diversion of \$2,981 related to uncollected license revenue.

Department Response: The Department concurred with our recommendation and stated it is consulting with the Office of the Attorney General to determine available options for addressing uncollected revenue from the subject organization, which is no longer in existence.

FWS Response: The FWS concurred with the finding and recommendation.

OIG Response: We consider Recommendation 4 resolved but not implemented. The recommendation will be considered implemented when the Department has resolved the potential diversion related to uncollected license revenue.

5. Develop and implement policy to ensure that license revenue is used only for the functions required to manage the Department and fish and wildlife resources.

Department Response: The Department concurred with our recommendation and stated it will review existing policies to ensure compliance with allowable uses of license revenue.

FWS Response: The FWS concurred with the finding and recommendation.

OIG Response: We consider Recommendation 5 resolved but not implemented. The recommendation will be considered implemented when the Department shows that it has conducted the review and determined compliance with allowable uses of license revenue to ensure that license revenue is used appropriately, accounted for, and tracked.

6. Resolve the \$35,634 of unused license revenue to improve fish- and wildlife-related resources.

Department Response: The Department concurred with our recommendation and stated it will identify appropriate uses for the license revenue and complete those expenditures by the close of the current fiscal year (June 30, 2023).

FWS Response: The FWS concurred with the recommendation but requested clarification of the language under “License Revenue To Be Put To Better Use and Potential Diversion.”

OIG Response: We consider Recommendation 6 resolved but not implemented. The recommendation will be considered implemented when the Department shows that appropriate uses for license revenue have been determined and implemented.

7. Develop and implement a mechanism to ensure that policies are reviewed and updated on a periodic basis to align with current processes and relevant Federal guidance.

Department Response: The Department concurred with our recommendation and stated it will review all policies and processes to ensure continued relevance and update as needed to address current Federal guidance.

FWS Response: The FWS concurred with the finding and recommendation.

OIG Response: We consider Recommendation 7 resolved but not implemented. The recommendation will be considered implemented when the Department shows that the policies and processes have been reviewed and updated to ensure that Federal guidance is reflected in policy.

8. Develop and implement a mechanism to ensure that Department employees are trained on current regulations.

Department Response: The Department concurred with our recommendation and stated it will work with relevant units to ensure applicable regulations are monitored for changes and that those changes are transmitted to appropriate personnel.

FWS Response: The FWS concurred with the finding and recommendation.

OIG Response: We consider Recommendation 8 resolved but not implemented. The recommendation will be considered implemented when the Department shows that the units have been briefed on regulations and trained to transmit those regulations to appropriate personnel to ensure the current regulations are understood and enforced.

9. Establish an accountable process that ensures the inventory system lists the specific location of equipment as required by policy.

Department Response: The Department concurred with our recommendation and stated it is working with impacted units to create subcategories in the inventory database that better define locations.

FWS Response: The FWS concurred with the finding and recommendation.

OIG Response: We consider Recommendation 9 resolved but not implemented. The recommendation will be considered implemented when the Department shows that the subcategories in the inventory database have been updated to define their locations.

10. Establish an accountable process for regular periodic inventory of equipment so that the inventory list is up to date and all firearms are accounted for.

Department Response: The Department concurred with this recommendation and stated that it currently inventories firearms at least twice annually. Additional staff have been assigned to confirm the accuracy of firearms entries in the inventory database, and a real-time notification process has been implemented to track the movement of firearms.

FWS Response: The FWS concurred with the finding and recommendation.

OIG Response: We consider Recommendation 10 resolved but not implemented until the Department can provide documentation showing additional staff assignments and proof of a real-time notification process to track the movement of firearms.

11. Complete a full physical inventory of all capital equipment as soon as possible and develop a mechanism that holds the Department responsible for performing regular periodic inventories to ensure that all equipment is properly tagged and accounted for.

Department Response: The Department concurred with our recommendation and stated that the property officer is working with unit staff to conduct physical inventories. Once all unit inventories are determined to be accurate in the inventory database, the Department will assign each unit a particular month in which they must conduct a physical inventory. In accordance with Department of General Services requirements, an inventory of sensitive assets will be required annually and all other assets at least every 3 years.

FWS Response: The FWS concurred with the finding and recommendation.

OIG Response: We consider Recommendation 11 resolved but not implemented. The recommendation will be considered implemented when the Department shows that the physical inventory has been completed and we receive documentation stating the policy has been updated in conjunction with Recommendation 7.

12. Establish controls and determine milestones to track the progress of the Department in properly tagging and accounting for all equipment.

Department Response: The Department concurred with our recommendation and acknowledged the need to better track, tag, and account for purchased assets in the inventory database. The Department stated that it is working to improve those processes.

FWS Response: The FWS concurred with the finding and recommendation.

OIG Response: We consider Recommendation 12 resolved but not implemented. The recommendation will be considered implemented when the Department shows that the tagging and accounting of equipment process has established controls and milestones.

13. Locate or dispose of the missing equipment listed in Figure 2 of this report.

Department Response: The Department concurred with our recommendation and stated that it subsequently identified one missing item as part of a lot of 49 computers awaiting disposal via public auction. The remaining items are in the process of submission to the Department of General Services for removal from inventory as “lost or stolen.”

FWS Response: The FWS concurred with the finding and recommendation.

OIG Response: We consider Recommendation 13 resolved but not implemented. The recommendation will be considered implemented when the Department shows that it has disposed of all equipment listed.

14. Develop a mechanism to ensure all relevant Department staff adhere to Federal subaward requirements, including following Departmentwide guidance for determining whether WSFR funds pass through as subawards or contracts and checking the USASpending.gov website.

Department Response: The Department concurs with the recommendation and stated it is working with relevant units to ensure compliance with Federal subaward requirements.

FWS Response: The FWS concurred with the finding and recommendation.

OIG Response: We consider Recommendation 14 resolved but not implemented. The recommendation will be considered implemented when the Department shows that the appropriate staff have been instructed on Federal subaward requirements to ensure that the staff adhere to Federal requirements.

15. Implement controls to ensure that the Department counts all hunting and fishing licenses reassuring that only eligible licenses are counted for the annual certification.

Department Response: The Department concurred with our recommendation and stated it has corrected the error in the database query that unintentionally overstated the number of unique license holders.

FWS Response: The FWS concurred with the finding and recommendation.

OIG Response: We consider Recommendation 15 resolved but not implemented. The recommendation will be considered implemented when the Department shows that the database query has been corrected.

Appendix 1: Scope and Methodology

Scope

We audited the Maryland Department of Natural Resources' (Department'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 35 grants that were open during the State fiscal years (SFYs) that ended June 30, 2019, and June 30, 2020. We also reviewed license revenue for the same period. The audit included expenditures of \$35,616,382 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 performed limited onsite inspections and supplemented them with virtual site visits. 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 with the exception of conducting limited site visits, interviews, and equipment inspections in person (because of the COVID-19 pandemic). 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. Because we were not able to conduct certain procedures in person, we conducted them virtually, when needed, using Microsoft Teams to conduct video conference interviews, site visits, and equipment inspections. When video conferencing was not available, we used telephone calls and pictures sent via email correspondence. 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.

- Define objectives clearly to enable the identification of risks and define risk tolerances.
- Identify, analyze, and respond to risks related to achieving the defined objectives.
- Consider the potential for fraud when identifying, analyzing, and responding to risks.

- Identify, analyze, and respond to significant changes that could impact the internal control system.
- Design control activities to achieve objectives and respond to risks.
- Design the entity's information system and related control activities to achieve objectives and respond to risks.
- Implement control activities through policies.
- Establish and operate monitoring activities to monitor the internal control system and evaluate the results.

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.
- Determining whether the Department appropriately 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.
- Visiting sites throughout the State (see Appendix 2 for a list of sites visited).

We found deficiencies in internal control resulting in our seven findings of unreported program income, unallowable payments to the National Bobwhite Conservation Initiative, uncollected license revenue, outdated procedures, inadequate equipment management, inadequate subaward management, and incorrect license certification.

Based on the results of our initial assessments, we assigned a level of risk and selected a 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 generated using both judgmental and statistical sampling, depending on audit

risk in each section, 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 Maryland 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.²⁶ We followed up on 45 recommendations from these reports and considered all recommendations resolved and implemented. We did, however, find that some of our findings were similar to previous findings and noted that in this report.

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 \$18.2 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 and tests.

²⁶ *U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the State of Maryland, Department of Natural Resources, From July 1, 2008, Through June 30, 2010* (Report No. R-GR-FWS-0007-2011), issued November 2011.

U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the State of Maryland, Department of Natural Resources From July 1, 2013, Through June 30, 2015 (Report No. 2016-EXT-003), issued September 2017.

Appendix 2: Sites Visited

Headquarters	Annapolis*
Fish Hatcheries	Albert Powell* Unicorn Lake*
Boating Access Facilities	Town of Vienna
Regional Office	Billmeyer*
Wildlife Management Areas	LeCompte Wellington*

* Virtually

Appendix 3: Monetary Impact

We reviewed 35 grants that were open during the State fiscal years (SFYs) that ended June 30, 2019, and June 30, 2020. The audit included expenditures of \$35,616,382 and related transactions. We questioned \$58,800 (\$44,100 Federal share) as unallowable. We also identified unused license revenue funds to be put to better use of \$35,634 and a potential diversion of \$2,981 in license revenue from the Department (non-Federal funds).

Monetary Impact: Questioned Costs (Federal Share)

Grant No.	Grant Title	Cost Category	Unallowable Costs (\$)	Funds To Be Put To Better Use (\$)
F18AF00892	Maryland Research and Surveys	Subaward	3,750	-
F17AF00952	Land Management	Program Income	40,350	-
-	-	License Revenue	-	\$35,634
Total			\$44,100	\$35,634

Monetary Impact: Potential Diversion of License Revenue

Finding Area	Amount (\$)
Uncollected License Revenue	2,981
Total	\$2,981

Appendix 4: Responses to Draft Report

The U.S. Fish and Wildlife Service's response to our draft report follows on page 26. The Maryland Department of Natural Resources' response to our draft report follows on page 28.



United States Department of the Interior

FISH AND WILDLIFE SERVICE

300 Westgate Center Drive
Hadley, MA 01035-9589



January 23, 2023

In Reply Refer To:
FWS/IR01/WSFR

Michelle Diggs, Acting Regional Manager
Eastern Region
U.S. Department of the Interior
Office of Inspector General

Dear Regional Manager Diggs:

Enclosed is the State of Maryland, Department of Natural Resources, response to the Office of Inspector General's Draft Audit Report No. 2021-ER-034. The Service has confirmed with the State these are the only comments they have on this Draft Report.

The Service concurs with almost all of the auditor's findings and recommendations but is requesting clarification of the language on page 4-5 under *License Revenue To Be Put To Better Use and Potential Diversion* in the final report. The language currently states the following:

Page 4 and top of Page 5:

Proceeds from commemorative lifetime hunting licenses must be allocated to the Natural Resources Police (NRP) to use only for WSFR activities.

Page 5:

Furthermore, because the NRP provides maritime homeland security services that do not benefit WSFR, we could not verify that the revenue will be used solely for WSFR purposes. To date, the balance of \$35,634 has been housed in the miscellaneous revenue account without obvious earmarks for WSFR purposes. This revenue, which has remained unused for almost 10 years, could be put to better use and, if repurposed, could be used to improve WSFR.

Recommendation 6:

Resolve the \$35,634 of unused license revenue to improve WSFR.

The State of Maryland does not have to use license revenue to benefit WSFR, the revenue needs to be used for the administration of the State fish and wildlife agency. We recommend that the language be revised to the following:

Page 4 and top of Page 5:

Proceeds from commemorative lifetime hunting licenses must be allocated to the Natural Resources Police (NRP) to use only for the administration of the fish and wildlife agency.

Page 5:

Furthermore, because the NRP provides maritime homeland security services, we could not verify that the license revenue was used solely for the administration of the fish and wildlife agency. To date, the balance of \$35,634 has been housed in the miscellaneous revenue account without obvious earmarks designating it as license revenue. This revenue, which has remained unused for almost 10 years, could be put to better use and, if repurposed, could be used to improve fish and wildlife related resources.

Recommendation 6:

Resolve the \$35,634 of unused license revenue to improve fish and wildlife related resources

The Service will work 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

Attachments:

MD DNR OIG Audit Draft Report Response



Larry Hogan, Governor
Boyd Rutherford, Lt. Governor
Allan Fisher, Acting Secretary

January 17, 2023

Colleen E. Sculley
Assistant Regional Director
Wildlife and Sport Fish Restoration Program
U.S. Fish & Wildlife Service
300 Westgate Center Drive
Hadley, MA 01035-9589

Dear Ms. Sculley:

The Department appreciates the opportunity to offer our responses to the draft report. We also appreciate the cooperation and professionalism with which the audit of our grant programs was conducted.

Sincerely,

A handwritten signature in black ink, appearing to read "Allan Fisher".

Allan Fisher
Deputy Secretary

CC: Shelley A. DiBona
U.S. Fish & Wildlife Service
Region 5 Coordinator

Recommendation 1 -- *Resolve the questioned costs related to timber sales totaling \$40,350.*

- The Department concurs with this Recommendation. The Department will address the questioned costs by reducing a drawdown of the Land Management grant F19AF00994.

Recommendation 2 -- *Develop and implement a mechanism to train staff to use the correct method of accounting to appropriately account for, track, and ensure all program income is spent before the Department requests reimbursement.*

- The Department concurs with this Recommendation. The Department will evaluate current policies and training, and will adapt as needed to ensure accurate reimbursement.

Recommendation 3 -- *Resolve the Federal share of questioned costs related to the NBCI subaward agreement totaling \$3,750.*

- The Department concurs with this Recommendation. The Department will resolve the questioned costs by reducing a drawdown of the Research and Surveys grant F20AF12053.

Recommendation 4 -- *Resolve the potential diversion of \$2,981 related to uncollected license revenue.*

- The Department concurs with this Recommendation and is consulting with the Office of the Attorney General to determine available options for addressing uncollected revenue from the subject organization, which is no longer in existence.

Recommendation 5 -- *Develop and implement policy to ensure that license revenue is used only for the functions required to manage the Department and fish and wildlife resources.*

- The Department concurs with this Recommendation and will review existing policies to ensure compliance with allowable uses of license revenue.

Recommendation 6 -- *Resolve the \$35,634 of unused license revenue to improve WSFR.*

- The Department concurs with this Recommendation. The Department will identify appropriate uses for the license revenue and complete those expenditures by the close of the current fiscal year (June 30).

Recommendation 7 -- *Develop and implement a mechanism to ensure that policies are reviewed and updated on a periodic basis to align with current processes and relevant federal guidance.*

- The Department concurs with this Recommendation. The Department will review all policies and processes to ensure continued relevance. Policies and procedures will be updated as needed to address current federal guidance.

Recommendation 8 -- *Develop and implement a mechanism to ensure that Department employees are trained on current regulations.*

- The Department concurs with this Recommendation. The Department will work with relevant units to ensure applicable regulations are monitored for changes and that those changes are transmitted to appropriate personnel.

Recommendation 9 -- *Establish an accountable process that ensures the inventory system lists the specific location of equipment as required by policy.*

- The Department concurs with this Recommendation and is working with impacted units to create subcategories in the inventory database that better define locations.

Recommendation 10 -- *Establish an accountable process for regular periodic inventory of equipment so that the inventory list is up to date and all firearms are accounted for.*

- The Department concurs with this Recommendation. The Department currently inventories firearms at least twice annually. Additional staff have been assigned to confirm the accuracy of firearms entries in the inventory database; and a real-time notification process has been implemented to track the movement of firearms.

Recommendation 11 -- *Complete a full physical inventory of all capital equipment as soon as possible and develop a mechanism that holds the Department responsible for performing regular periodic inventories to ensure that all equipment is properly tagged and accounted for.*

- The Department concurs with this Recommendation. The Department's property officer is working with unit staff to conduct physical inventories. Once all unit inventories are determined to be accurate in the inventory database, the Department will assign each unit a particular month in which they must conduct a physical inventory. In accordance with Department of General Services requirements, an inventory of sensitive assets will be required annually and all other assets at least every 3 years.

Recommendation 12 -- *Establish controls and determine milestones to track the progress of the Department in properly tagging and accounting for all equipment.*

- The Department concurs with this Recommendation. The Department acknowledges the need to better track, tag and account for purchased assets in the inventory database and is working to improve those processes.

Recommendation 13 -- *Locate or dispose of the missing equipment listed in Figure 2 of this report.*

- The Department concurs with this Recommendation. The Department subsequently identified one missing item as part of a lot of 49 computers awaiting disposal via public auction. The remaining items are in the process of submission to the Department of General Services for removal from inventory as “lost or stolen”.

Recommendation 14 -- *Develop a mechanism to ensure all relevant Department staff adhere to Federal subaward requirements, including following Department-wide guidance for determining whether WSFR funds pass through as subawards or contracts and checking the USASpending.gov website.*

- The Department concurs with the recommendation and is working with relevant units to ensure compliance with federal subaward requirements.

Recommendation 15 -- *Implement controls to ensure that the Department counts all hunting and fishing licenses, reassuring that only eligible licenses are counted for the annual certification.*

- The Department concurs with this Recommendation and has corrected the error in the database query that unintentionally overstated the number of unique license holders.

Appendix 5: Status of Recommendations

Recommendation	Status	Action Required
1-15	Resolved but not implemented	Complete a corrective action plan (CAP) that includes information on actions taken or planned to address the recommendations, target dates and titles of the officials responsible for implementation, and verification that FWS headquarters officials reviewed and approved the actions the State has taken or planned.



REPORT FRAUD, WASTE, ABUSE, AND MISMANAGEMENT

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