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INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR



Audit




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DEC 03 2024

Memorandum

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

From: Colleen Kotzmoyer 
Director, Contract and Grant Audit Division

Subject: Final Audit Report – *Wildlife and Sport Fish Restoration Grants Awarded to the State of North Carolina, Department of Environmental Quality, Division of Marine Fisheries by the U.S. Fish and Wildlife Service* Report No. 2024-CGD-016

We audited the expenditures and related license revenue made by the North Carolina Department of Environmental Quality, Division of Marine Fisheries (Department), under grants awarded by the U.S. Fish and Wildlife Service (FWS) through the Wildlife and Sport Fish Restoration Program. We found that the Department ensured that grant funds and license revenue were used for allowable activities and complied with applicable laws and regulations, FWS guidelines, and grant agreements. We did not identify any reportable conditions. Background information and the objective, scope, and methodology for this audit can be found in Attachment 1. A list of the sites visited during this audit is provided in Attachment 2.

Because we are not offering recommendations, we do not require a response to this report. We will notify Congress about our findings, and we will summarize this work in our next *Semiannual Report to Congress*, as required by law. We will also post a public version of this report on our website.

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

Attachments (2)

Attachment 1: Background, Objectives, Scope, and Methodology

Background

The U.S. Fish and Wildlife Service (FWS) provides grants to States¹ through its Wildlife and Sport Fish Restoration Program (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 FWS to reimburse grantees a portion of eligible costs incurred under WSFR grants—up to 75 percent for the 50 States and up to 100 percent for the Commonwealths, territories, and the District of Columbia. 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.

Objectives

In March 2021, we entered into an intra-agency agreement with FWS to conduct audits of State agencies receiving grant funds under WSFR. These audits assist 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 North Carolina Department of Environmental Quality, Division of Marine Fisheries (Department) used grant funds and State fishing license revenue for allowable fish and wildlife activities and complied with applicable laws and regulations, FWS guidelines, and grant agreements.

Scope

We audited the Department's use of grants awarded by FWS under WSFR. The scope of our audit included grants open during State fiscal years (SFYs) ending June 30, 2022, and June 30, 2023. During the audit period, there were 18 grants that claimed \$5,959,345 in Federal expenditure reimbursements. We reviewed three grants with \$3,080,835 in Federal expenditures (approximately 52 percent of Federal expenditures made during the audit period). We also reviewed license revenue during the same period. In addition, we reviewed historical records for the acquisition, condition, management, and disposal of equipment purchased with either license revenue or WSFR grant funds.

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.

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.

We assessed whether internal control was significant to the audit objectives. We determined that the following related principles were significant to the audit objectives:

- Management should identify, analyze, and respond to risks related to achieving the defined objective(s).
- Management should design control activities to achieve objectives and respond to risk.
- Management should implement control activities through policies.
- Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.

We tested the design, implementation, and operating effectiveness of internal controls over activities related to our audit objective. Our tests and procedures included:

- Examining the evidence that supports selected expenditures that the Department charged to the grants.
- Reviewing transactions related to purchases, direct costs, and drawdowns of reimbursements.
- Interviewing Department employees.
- Inspecting equipment and other property.
- Reviewing equipment inventory and disposal records.
- Determining whether the Department used fishing license revenue for the administration of allowable program activities.
- Determining whether the State passed required legislation assenting to the provisions of the Acts.
- Determining whether the Department charged the State's unfunded pension liabilities to WSFR grants. Department officials stated that the Department did not have unfunded pension liabilities, and our review of the general ledger confirmed that unfunded pension liabilities were not charged to WSFR grants.
- Reviewing the fringe benefits charged during the payroll process to understand the coding for payroll deductions and to determine whether the fringe benefit codes are allowable, allocable, and reasonable.
- Visiting sites throughout the State (see Attachment 2 for a list of sites visited).

Based on the results of our initial assessments, we assigned a level of risk and selected a judgmental sample of three out of 18 grants with activity during our audit period. This included grants for the North Carolina Finfish Assessment Program and the North Carolina Artificial Reef Program.

Our review of these grants included assessments on the following:

- Actual costs incurred.
- Grant claims and corresponding drawdowns.
- Application of the negotiated indirect cost rate agreement.
- Payroll allocations.
- Management of equipment.
- Progress of agreed-upon grant objectives.

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. We did not find deficiencies in internal control.

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 Department and its 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.

We conducted an exit conference on November 15, 2024 with FWS and the Department. During the conference, responsible officials were given the opportunity to provide their views on our results. Neither FWS nor the Department had any comments for inclusion in the report.

Prior Audit Coverage

OIG Audit Reports

We reviewed our last two audits of costs the Department claimed on WSFR grants.³ We followed up on two recommendations from the 2013 report and four from the 2019 report. We reviewed the Department's corrective actions and found all recommendations have been implemented and resolved.

State Audit Reports

We reviewed the single audit reports for SFYs 2022 and 2023 to identify control deficiencies or other reportable conditions that affect WSFR. In those reports, the Schedule of Expenditures of Federal Awards indicated \$6 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.

Investigations

We coordinated with the Department and our Office of Investigations and found there are no ongoing investigations or legal proceedings pertaining to the Department in SFYs 2022 and 2023.

³ U.S. Fish and Wildlife Service Sport Fish Restoration Program Grants Awarded to the State of North Carolina, Division of Marine Fisheries From July 1, 2010, Through June 30, 2012 (Report No. R-GR-FWS-0013-2013), issued March 2014.

U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the State of North Carolina Department of Environmental Quality, Division of Marine Fisheries From July 1, 2016, Through June 30, 2018 (Report No. 2019-ER-018), issued September 2019.

Attachment 2: Sites Visited

Headquarters	Division of Marine Fisheries, Morehead City
Fisheries Offices	Pamlico District Office, Washington
	Southern District Office, Wilmington



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