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Audit




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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 California by the U.S. Fish and Wildlife Service*
Report No. 2022-WR-030

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

During our audit, we found that the Department generally ensured 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. However, we noted unsupported staff match cost share contributions and issued a notice detailing the finding and recommendation to FWS and the Department. FWS and the Department concurred, immediately began taking corrective actions, and then provided documentation of their actions. We appreciate these proactive measures to address our recommendations before we issued our report; based on the responses and documentation, we consider the recommendation to be fully implemented. In this report, we summarize the FWS and Department responses and actions taken to address our recommendation, as well as our comments on their responses.

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. 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.

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Introduction

Objectives

In March 2021, 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 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 California Department of Fish 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

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 In general, 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 States and up to 100 percent for the Commonwealths, territories, and the District of Columbia. The reimbursement amount is called the Federal share, and the portion the States must match with their own funds is called the State share. To meet the State-share requirement, the Department used general license revenues, third-party matches, and in-kind contributions.³ 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 License revenues are from the sale of hunting and fishing licenses or permits, third-party matches may consist of expenses that are waived by a subaward recipient, and in-kind contributions may be volunteer hours recorded.

Results of Audit

We determined that the Department generally ensured 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. However, we noted \$12,475 (\$37,426 Federal share) in unsupported staff match cost share contributions.

See Appendix 3 for a statement of monetary impact.

Questioned Costs—Unsupported Staff Match of \$12,475 (\$37,426 Federal Share)

The Code of Federal Regulations (C.F.R.) governing WSFR grants require States to use matching or non-Federal funds to cover at least 25 percent of grant project costs and for said costs to be adequately documented in order to be allowable under Federal awards.⁴ Regulations also require charges to Federal awards for salaries and wages to be based on records that accurately reflect the work performed. These records must be supported by a system of internal control, which provides reasonable assurance that the charges are accurate, allowable, and properly allocated.⁵ Further, the costs of compensation for personal services are allowable to the extent that they are reasonable for the services rendered and conform to the established written policy of the non-Federal entity.⁶

Additionally, the Federal Assistance Section of the Department's *Non-Federal Contributions (State Match) Procedures* states personnel whose work directly benefits a specific grant project are eligible to use their working hours as staff match towards a predesignated Federal grant. Staff must identify a State reporting structure/project identification (ID) that is linked to the Federal grant's activity ID on their timesheets.

During State fiscal years (SFYs) 2019 and 2020, the Department had 21 WSFR grants awarded for a total of \$11,243,844, with staff match approved. We reviewed 21 grants with claimed staff match cost share contributions⁷ of \$3,797,951. We found the Department was unable to support \$12,475 in staff match cost share contributions associated with two of its WSFR grants. We conducted analytical reviews on the labor reports; however, we were not able to reconcile the total amount of staff hours claimed on two grants based on the support the Department provided.

Because the Department used unsupported staff hours (valued at \$12,475) to meet its 25-percent State share requirement (see Figure 1), FWS reimbursed the Department \$37,426 in Federal share for other costs incurred under the WSFR grants.⁸

⁴ 50 C.F.R. §§ 80.83-80.84 and 2 C.F.R. § 200.403(g), respectively.

⁵ 2 C.F.R. § 200.430(i)(1)(i).

⁶ 2 C.F.R. § 200.430(a)(1).

⁷ According to 2 C.F.R. § 200.1, "Cost sharing" or "matching" means the portion of project costs not paid by Federal funds or contributions (unless otherwise authorized by Federal statute).

⁸ The Department was not eligible for the 75-percent Federal share without meeting its 25-percent State share requirement; however, this does not imply that the \$37,426 in costs that FWS reimbursed were unallowable.

Figure 1: Questioned Costs Related to Unsupported Staff Match

Grant No.	State No.	Grant Name	State Share	Unsupported State Share	Unsupported Federal Share
F18AF00261	G1898007	NCR Fish Habitat	\$69,904	\$3,612	\$10,838
F19AF00317	G1998036	Engineering	\$37,897	\$8,863	\$26,588
Totals			\$107,801	\$12,475	\$37,426

The Department's Federal Assistance Section (FAS) is primarily responsible for managing Federal grants funded through FWS. Grant administrators within the FAS oversee the spending and activity of Federal grants, which includes tracking the non-Federal contributions for each grant. Grant administrators verify the information on the Federal grant and ensure staff time and expenses are accurately reported in the financial system, along with employee duty statements to show the duties performed tie to the federally funded project.

This issue occurred because staff made revisions on timesheets that were not captured in the State's financial information system when the Department was closing out Grant No. F18AF00261 (G1898007) and Grant No. F19AF00317 (G1998036). In order to close the grants timely, FAS estimated the expenditures (Federal and State match) associated with the timesheet revisions. Unfortunately, FAS estimates were lower than the actual expenditures once the revised timesheets were captured in the State's financial information system. The difference between the estimates and actuals resulted in unsupported staff match. Department staff told us FAS no longer closes grants with estimates and instead ensures it only closes with actuals to prevent these match discrepancies.

As a result of the Department's unsupported staff match cost share contributions, the Department did not fulfill the required 25-percent State share (\$12,475) on the two grants previously mentioned. Therefore, the Department was not eligible for the 75-percent Federal share (\$37,425). As a result, we are questioning the \$37,425 in Federal share that the Department received in connection with the unsupported staff match cost share contribution.

Recommendation

We recommend that FWS require the Department to:

1. Resolve the \$37,426 in Federal share of questioned costs related to unsupported staff match cost share contribution.

Recommendation Summary

During our audit, we issued a notice on unsupported staff match cost share. FWS and the Department concurred with our recommendation and took immediate action to resolve the finding. Because of the expediency with which our concerns were addressed, we were able to review the corrective actions and associated documentation FWS and the Department provided before we issued our report. Based on this review, we consider Recommendation 1 implemented. Below we summarize the FWS and Department responses and actions taken to implement our recommendation, as well as our comments on their responses.

We recommend that FWS require the Department to:

1. Resolve the \$37,426 in Federal share of questioned costs related to unsupported staff match cost share contribution.

FWS Response: FWS concurred with the recommendation and immediately began working with the Department to resolve the questioned costs.

Department Response: The Department concurred with the recommendation and provided supporting documentation consisting of amending the notice of awards demonstrating the payback.

OIG Comment: We consider Recommendation 1 implemented based on the FWS and Department responses. We obtained and reviewed the supporting documentation and determined it is sufficient support to close the recommendation.

Appendix 1: Scope and Methodology

Scope

We audited the California Department of Fish and Wildlife's (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 264 grants that were open during the State fiscal years (SFYs) ending June 30, 2019, and June 30, 2020. We also reviewed license revenue during the same period. The audit included expenditures of \$208,306,939 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.

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. Specifically, management should:

- 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.

We tested the design, implementation, 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, drawdowns of reimbursements, in-kind contributions, and program income.
- Interviewing Department employees.
- Inspecting equipment and other property.
- Reviewing equipment inventory and disposal records.
- 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.

- 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 Appendix 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 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 California 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 the Department claimed on WSFR grants.⁹ We followed up on 17 recommendations from the 2016 report and 10 from the 2012 report. We reviewed the Department's corrective actions and found all 27 recommendations are implemented. For implemented recommendations, we verified the State has taken the appropriate corrective actions.

State Audit Reports

We reviewed the single audit reports for SFYs 2019 and 2020 to identify control deficiencies or other reportable conditions that affect WSFR. In those reports, the Schedule of Expenditures of Federal Awards indicated no Federal expenditures related to WSFR and 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 WSFR grants. However, both reports noted a significant deficiency in grant accounting for other programs.

⁹ U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the State of California, Department of Fish and Game, From July 1, 2009, Through June 30, 2011 (R-GR-FWS-0004-2012), issued June 2012.

U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the State of California, Department of Fish and Wildlife, From July 1, 2014, Through June 30, 2016 (2017-WR-064), issued April 2019.

Appendix 2: Sites Visited

Laboratories	Nimbus Fish Hatchery Health Lab Wildlife Health Laboratory
Ecological Reserves	Calhoun Cut Cañada de los Osos Eden Landing Liberty Island San Antonio Valley Woodbridge
Wildlife Management Areas	Ash Creek Gray Lodge Honey Lake Knoxville Laguna Lake Sonoma Napa Sonoma Marshes

Appendix 3: Monetary Impact

We reviewed 264 grants that were open during the State fiscal years that ended June 30, 2019, and June 30, 2020. The audit included expenditures of \$208,306,939 million and related transactions. We questioned \$37,426 in Federal share.

Monetary Impact: Questioned Costs

Grant No.	Grant Title	Cost Category	Questioned Costs
F18AF00261	NCR Fish Habitat	Staff Match	\$10,838
F19AF00317	Engineering	Staff Match	\$26,588
Total			\$37,426



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