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

U.S. Fish and Wildlife Service Grants Awarded to the State of Louisiana, Department of Wildlife and Fisheries, From July 1, 2019, Through June 30, 2021, Under the Wildlife and Sport Fish Restoration Program

This is a revised version of the report prepared for public release.

Report No.: 2023-CR-001 March 2024

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Memorandum

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

From: Amy R. Billings Amy R Billings
Director, Central Region Audit Division

Subject: Final Audit Report – *U.S. Fish and Wildlife Service Grants Awarded to the State of Louisiana, Department of Wildlife and Fisheries, From July 1, 2019, Through June 30, 2021, Under the Wildlife and Sport Fish Restoration Program*
Report No. 2023-CR-001

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

We provided a draft of this report to FWS. FWS concurred with seven recommendations and provided supporting documentation that the recommendations have been implemented. FWS did not concur with two recommendations. The full responses from FWS and the Department are included in Appendix 4. In this report, we summarize the FWS and Department 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 June 28, 2024. 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. If a recommendation has already been implemented, provide documentation confirming that the action is complete. For any target implementation dates that are more than 1 year from the issuance of this report, the Department should establish mitigating measures until the corresponding recommendations are fully implemented and provide those measures in the response.[1] Please send your response to aie_reports@doioig.gov.

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

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

[1] The Good Accounting Obligation in Government Act, Pub. L. No. 115-414, 132 Stat. 5430 (2019), requires that all recommendations that are not implemented and have been open more than 1 year be reported in the annual budget justification submitted to Congress.

Contents

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 Louisiana Department of Wildlife and Fisheries (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 States[1] 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 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 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. We noted, however, issues with unallowable leave benefits, unsupported in-kind contributions, and control deficiencies.

We found the following:

- **Questioned Costs.** We questioned $505,269 ($378,952 Federal share) as unallowable and $23,878 ($17,908 Federal share) as unsupported (see Figure 1). These questioned costs arose due to unallowable leave benefit allocations and unsupported in-kind contributions.

- **Control Deficiencies.** We found opportunities to improve controls related to subaward determinations and prevention of labor mischarging.

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

Issue	Unallowable Costs ($)	Unsupported Costs ($)	Total ($)
Leave benefits	378,952	–	378,952
In-kind contributions	–	17,908	17,908
Totals	**$378,952**	**$17,908**	**$396,860**

See Appendix 3 for a statement of monetary impact.

Questioned Costs—$529,147 ($396,860 Federal Share)

Unallowable and Inconsistent Leave Allocation—Questioned Costs of $505,269 ($378,952 Federal Share)

According to 2 C.F.R. § 200.431(b)(2), for fringe benefits (such as annual leave, family-related leave, sick leave, holidays, court leave, military leave, administrative leave, and other similar benefits) to be allowable, the benefits must be provided under established written leave policies, and the costs must be equitably allocated to all activities, including Federal awards.

Department officials told us the Department's practice was to charge leave benefits to the conservation fund.[4] However, during our examination of payroll costs, we noted that the Department inconsistently charged leave benefits to hunter education grants, management of wildlife management area (WMA) grants, and wildlife research and technical assistance (TA) grants. Specifically, we tested 20 out of 27,903 timesheets to determine whether fringe benefits were equitably allocated across all applicable activities and grants. For four of the timesheets tested, we found that instead of charging leave benefits to the conservation fund, the Department charged this benefit directly to the WSFR grants. The Department did not prepare an analysis to demonstrate its practice of charging leave benefits to the grants (hunter education, management of WMA, and wildlife research and TA) was equitable and proportionately benefited the grants.

To understand the Department's cost accounting practice for charging leave benefits to all grants and activities, we analyzed and summarized all leave benefit costs incurred by the Department during State fiscal years (SFYs) 2020 and 2021. In total, we found that the Department allocated $505,269 ($378,952 Federal share) of leave benefit costs to WSFR grants as shown in Figure 2.

Figure 2: Federal Share of Questioned Costs Related to Inconsistent Leave Allocation

Federal Grant No.	Grant Title	Unallowable ($)
F19AF00629	Hunter Education Program	179,097
F20AF10203	Hunter Education Program	177,754
F19AF00639	Management of WMA	11,458
F20AF10311	Management of WMA	9,496
F19AF00633	Wildlife Research and TA	162
F20AF10280	Wildlife Research and TA	985
Total		**$378,952**

This inconsistent leave allocation occurred because the Department does not have a written policy for charging leave equitably across all related activities, including Federal awards, as

[4] The conservation fund is a statutory dedicated fund that receives its revenues from fees, licenses, permits, and royalties; it provides for programs and initiatives to conserve and protect the State's natural resources and wildlife.

required by Federal regulations. A Department official told us that the Department changed its practice of charging leave to certain awards during the period of audit and that the Department is currently charging all leave to its conservation fund.

Allocating costs to Federal awards without a cost accounting practice that is consistently applied results in an inequitable distribution of costs. The lack of consistency in the Department's practice for allocating leave could result in accrued costs being charged to a WSFR grant that did not benefit from these costs. Because the Department did not demonstrate it charged leave benefits proportionately, we questioned $378,952 (Federal share) of leave benefits charged to the WSFR grants.

Recommendations
We recommend that FWS require the Department to: 1. Resolve the Federal share of questioned costs related to unallowable leave benefits totaling $378,952. 2. Establish and consistently follow written policies and procedures for the allocation of leave benefits.

Unsupported In-Kind Contributions—Questioned Costs of $23,878 ($17,908 Federal Share)

WSFR requires States to use matching or non-Federal funds to cover at least 25 percent of grant project costs. States may use non-cash or in-kind contributions to meet the matching share of costs, but the value of these contributions must be supported. Federal regulations at 2 C.F.R. § 200.306(b)(1) state that third-party in-kind contributions satisfy a cost-sharing or matching requirement if they are verifiable from the records of grantees, among other requirements. Additionally, 2 C.F.R. § 200.434(d) states that donated services should be supported by the same methods used to support regular personnel costs. Federal regulations at 2 C.F.R. § 200.403(g) also require that costs be adequately documented to be allowable under Federal awards.

We sampled 44 out of 1,217 volunteer timesheet transactions and identified issues with 5 transactions: 1 duplicate transaction and 4 transactions with miscalculations. We found that the Department did not provide sufficient documentation to support the value of 161.5 volunteer hours valued at $5,969 (see Figure 3). The Department received Federal reimbursement in the amount of $17,908 in connection with the unsupported volunteer hours.

Specifically, we identified that a transaction summarizing three volunteer timesheets with a total of 132 hours had been duplicated. As a result, the Department claimed 264 hours as match under Grant No. F20AF10203. The Department told us it used a manual spreadsheet to account for volunteer hours claimed under the grant and recorded the entry twice.

In addition, we identified miscalculations in 4 of the 44 timesheet transactions we examined, including 3 unsupported hours claimed as in-kind contributions under Grant No. F20AF10203, and 26.5 unsupported hours claimed under Grant No. F19AF00629.

Figure 3: Questioned Costs Related to In-Kind Contributions Claimed Under Hunter Education Grants

Federal Grant No.	Questioned Hours	Approved Volunteer Hourly Rate ($)	State Share ($)	Federal Share ($)	Total Questioned Costs ($)
F20AF10203	135.0	37.20	5,022	15,066	20,088
F19AF00629	26.5	35.75	947	2,842	3,790
Totals	**161.5**		**$5,969**	**$17,908**	**$23,878**

These issues occurred because the Department's system to account for volunteer in-kind hours is manual and susceptible to errors, and its review process is insufficient to ensure timekeeping is accurate. Although Department personnel approved all the timesheets, the approvers did not verify that the mathematical calculations in the timesheets were accurate. In addition, a Department official enters the manual timesheets into a spreadsheet in batched summary entries instead of by individual timesheets, which makes it more difficult to identify duplicates.

The Department did not demonstrate it had satisfied its required 25-percent match due to unsupported in-kind volunteer time and may have received excessive Federal reimbursements. As a result of the weaknesses within the Department's internal control processes over volunteer timekeeping, we questioned $17,908 of the Federal reimbursements received in connection with the unsupported in-kind contributions. In addition, because we examined a small number of timesheet transactions and did not project the results of our testing to the entire population of timesheet transactions, the Department may have received additional unallowable Federal reimbursements that we did not identify in our testing.

Recommendations

We recommend that FWS require the Department to:

3. Resolve the Federal share of questioned costs related to unsupported in-kind contributions totaling $17,908.

4. Develop and implement procedures to account for volunteer in-kind contributions that require the Department to recalculate hours that volunteers manually record or implement an automated system to prevent calculation errors.

5. Design and implement controls to verify the accuracy of the summary timesheet data reported in Federal Financial Reports.

Control Deficiencies

Inaccurate Subaward Determinations

A subrecipient is defined in Federal regulations under 2 C.F.R. § 200.1, as an entity that receives a subaward from a passthrough entity—in this case, the Department—to carry out part of a Federal award. According to 2 C.F.R. § 200.331, a non-Federal entity may concurrently receive Federal awards as a recipient, a subrecipient, and a contractor, depending on the substance of its agreements with Federal awarding agencies and passthrough entities. Therefore, 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 a contractor. Each designation entails different requirements for award decisions, performance monitoring, and reporting.

In addition, 2 C.F.R. § 200.331 states that the characteristics that support the classification of a non-Federal entity as a subrecipient include when the non-Federal entity, in accordance with its agreement, uses the Federal funds to carry out a program for a public purpose specified in authorizing statute, as opposed to providing goods or services for the benefit of the passthrough entity.

Further, 2 C.F.R. § 200.332(b) requires the Department, as the passthrough entity, to "[e]valuate 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." This evaluation may consider factors such as (1) the subrecipient's prior experience with the same or similar subawards, (2) the results of previous audits of the subrecipient, (3) whether the subrecipient has new personnel or new or substantially changed systems, and (4) the extent and results of Federal awarding agency's monitoring of the subrecipient.

Regarding subaward reporting requirements, 2 C.F.R. § 170, Appendix A(I)(a) states that Federal grantees must report each subaward action that obligates $30,000 or more in Federal funds to the Federal Funding Accountability and Transparency Act Subaward Reporting System (https://www.fsrs.gov). This information is then posted to https://USAspending.gov, a Federal website intended to promote transparency.

We found that the Department did not correctly identify agreements as subawards. Specifically, we identified three agreements that the Department classified as contracts that should have been classified as subawards. These agreements were for the purpose of carrying out part of a Federal award (see Figure 4), which creates a Federal assistance relationship subject to the monitoring requirements outlined in 2 C.F.R. § 200.332, as well as the reporting requirements outlined in the Federal Funding Accountability and Transparency Act. The Department prepared a subrecipient determination form for two of these agreements; however, it still incorrectly classified all three of the subawards as contracts.

Figure 4: Contract Agreements Carrying Out Part of a Federal Award

Purchase Order	Federal Grant No.	Title
2000361823	F19AF00791/F20AF10289	Largemouth Bass Genetic Testing
2000449916	F19AF00633/F20AF10280	LA Wildlife Research and TA
2000452753	F19AF00633/F20AF10280	LA Wildlife Research and TA

We identified a similar issue in our last audit of the Department, as noted in our August 2018 report,[5] and the Department issued a corrective action plan indicating that it had resolved the noncompliance. The Department's corrective action plan included implementing a checklist for Department personnel to use to evaluate the subrecipient or contractor relationship. However, the criteria used in the checklist did not prioritize critical elements in the subrecipient determination such as whether the recipient was carrying out part of a Federal program. In addition, the Department did not train personnel on how to determine whether the party receiving the funds is a subrecipient or a contractor based on the regulations. Instead, personnel responsible for the determinations told us that they used experience and judgment to evaluate the relationship.

A Department official stated that the Department updated its checklist in February 2023, and had this newly implemented checklist been used when evaluating the agreements above, the Department's determination would have identified the receiving entities as subrecipients, as defined in 2 C.F.R. § 200.1. While the Department official stated that the newly implemented procedure will prevent future noncompliance, the Department did not reevaluate existing agreements to identify subrecipients potentially misclassified as contractors.

Not classifying the agreement appropriately as a contract or a subaward prevents the Department from appropriately applying the subaward's rules and regulations. Additionally, inadequate monitoring of subrecipients could result in inappropriate use of Federal funds. Further, in our 2019 management advisory issued to FWS,[6] we outlined the lack of transparency regarding the use of Federal funds and implications to contractor processes and controls as some of the key impacts of misclassifying subawards.

[5] *U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the State of Louisiana Department of Wildlife and Fisheries, From July 1, 2014, Through June 30, 2016* (Report No. 2017-EXT-049), issued August 2018.

[6] *Issues Identified with State Practices in Subaward Administration for Wildlife and Sport Fish Restoration Program Grants* (Report No. 2018-CR-064), issued September 2019.

Recommendations
We recommend that FWS require the Department to: 6. Review all open agreements to determine if any contracts should have been subawards. If so, amend the agreements, include all required elements, conduct risk assessments, develop monitoring plans, and report on USAspending.gov. 7. Develop and implement training for Department officials on how to determine whether the party receiving the funds is a subrecipient or a contractor based on the regulations.

Inadequate Controls To Prevent Labor Mischarging

Federal regulations at 50 C.F.R. § 80.90 describe the Department's responsibilities in the administration of Federal awards. These responsibilities include exercising adequate supervision to ensure that the work follows the terms of the grant (including regular inspection and monitoring of work in progress) and ensuring project personnel meet time schedules, accomplish the proposed work, and meet objectives.

Further, 2 C.F.R. § 200.430(i) requires that charges to Federal awards for salaries and wages be based on records that accurately reflect the work performed and that are supported by a system of internal controls that provides reasonable assurance that the charges are accurate, allowable, and properly allocated.

We found that the Department does not have effective internal controls in place to prevent labor mischarging. In particular, the Department did not ensure that employees assigned to remote locations such as WMAs were present at their assigned work locations and performing their assigned tasks.

According to an investigation the Department conducted, an employee charged WSFR grants for approximately 320 hours that he did not work from November 16, 2020, through April 21, 2021. To identify the hours not worked, the Department used the GPS location of the employee and concluded that the employee left the worksite early or arrived late every day during the period of the investigation. The Department had assigned a GPS unit to the employee when it noted irregularities in the employee's attendance. However, according to a Department official, the time range used to determine the extent of labor mischarging was limited to the 5 months during which GPS data was available.

We analyzed the data provided by the Department and noted that the pattern of mischarging averaged between 3 and 8 hours every day, from the first day the data was collected. This indicated that the mischarging likely began before November 16, 2020. We interviewed the employee's supervisor at the time the reported mischarging happened, and he informed us that he reported his suspicions to his chain of command when he first noted that the employee was not present at his assigned location. However, the supervisor had no record of when he initially notified the Department. Additionally, the supervisor said he approved the employee's questioned timesheets because he "had to take the employee's word for it," "they could not terminate the employee on the spot," and "they had to build the case."

We confirmed that the WSFR program was credited for the time the employee mischarged for the 5 months during which data was available. However, the credit likely does not reflect the total amount mischarged to the program because of the GPS data limitations. In addition, there might be other cases of mischarging the Department has not detected. When asked what measures the Department took to prevent future cases of labor mischarging, the Department explained that trucks assigned to employees working at remote locations have GPS units. However, the Department uses the GPS data only if it notices an irregularity related to an employee's attendance instead of being proactive with preventive controls.

This happened because the Department did not have preventive internal controls, including adequate supervision and monitoring controls at remote locations, to ensure that employees are performing their assigned tasks in support of the objectives of Federal grants. When the Department does not implement adequate preventive internal controls, such as monitoring activities and adequate supervision at remote locations, it cannot ensure that labor charges to Federal awards are accurate, as required by Federal regulations.

Recommendations

We recommend that FWS require the Department to:

8. Implement preventive controls to ensure that employees are performing their assigned tasks and that payroll charges are accurate.

9. Implement controls that include maintaining records sufficient to determine the accurate impact of any future labor mischarging.

Other Matters

Unfunded Pension Liability

For a cost to be considered allowable, it must meet various conditions set forth in the Federal regulations and in the award letter from FWS to the State grant recipient. Unfunded pension liability costs may be allowable if certain criteria are met.[7] These conditions include several factors related to reasonableness, timing, and the nature of the costs.[8] According to 2 C.F.R. § 200.404, "A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur

[7] 2 C.F.R. § 200.431(g)(6)(ii).

[8] 2 C.F.R. § 200.403.

the cost." One of the factors in making this determination is whether a cost is "generally recognized as ordinary and necessary for the operation of the non-Federal entity or the proper and efficient performance of the Federal award."[9]

The terms set in the grants' Notice of Award letters state, "Only allowable costs resulting from obligations incurred during the performance period may be charged to this award." Because the liabilities accrued before the awards were made, these liabilities may constitute out-of-period costs as anticipated by the award letters.[10]

Furthermore, fringe benefits[11] may be charged directly or indirectly "in accordance with the non-Federal entity's accounting practices."[12] According to 2 C.F.R. § 200.413, "Direct costs are those costs that can be identified specifically with a particular final cost objective, such as a Federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy." Indirect costs are costs for a common or joint purpose within the State and that benefit all programs or projects and are usually charged to the Federal awards by the use of an indirect cost rate.

During SFYs 2020 and 2021, the Department charged $6,905,014 to WSFR grants to pay down the Louisiana State Employee Retirement System (LASERS) unfunded pension liabilities[13] in addition to charging employer normal costs[14] for the retirement of State employees. The Department also classified $6,005 of unfunded pension liability costs as matching funds.[15] The unfunded pension liability costs paid with WSFR grant funds and the unfunded pension liability costs classified as matching on WSFR grants represent 19 and 15 percent of the funds apportioned to the State for SFYs 2020 and 2021, respectively (see Figure 5).

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[9] 2 C.F.R. § 200.404(a).

[10] 2 C.F.R. § 200.403(h).

[11] According to 2 C.F.R. § 200.431(a), "Fringe benefits are allowances and services provided by employers to their employees as compensation in addition to regular salaries and wages. Fringe benefits include, but are not limited to, the costs of leave (vacation, family-related, sick or military), employee insurance, pensions, and unemployment benefit plans."

[12] 2 C.F.R. § 200.431(c).

[13] In this report, the term "unfunded liabilities" refers to liabilities that are not covered by assets. A pension fund has unfunded liabilities when its projected debts exceed its current capital, projected income, and investment returns. In this case, an unfunded liability is the difference between the total projected amount due to current and future retirees and the amount of money the fund will have available to make those payments.

[14] According to Actuarial Standards of Practice No. 4 § 2.17, "normal cost" is the "portion of the actuarial present value of projected benefits (and expenses, if applicable) that is allocated to a period, typically twelve months under the actuarial cost method. Under certain actuarial cost methods, the normal cost is dependent upon the actuarial value of assets."

[15] Match refers to the non-Federal portion of project costs. On WSFR grants, the State must generally contribute 25 percent of the project costs to receive 75 percent in Federal funds. The State would not receive Federal funds unless the matching requirement is met.

Figure 5: Summary of Federal Funds and Match Used to Pay Unfunded Pension Liabilities

SFY	Unfunded Pension Liability Federal ($)	Match ($)	Total ($)	State Apportionment WR/SFR ($)	Unfunded Cost Apportionment (%)
2020	3,614,194	1,066	3,615,260	19,214,829	19
2021	3,290,820	4,939	3,295,759	22,193,465	15
Totals	**$6,905,014**	**$6,005**	**$6,911,019**		

Abbreviation: WR/SFR = Wildlife Restoration/Sport Fish Restoration.

The unfunded pension liability costs classified as match ($6,005) resulted in $18,015 in Federal reimbursements that the State would have not received if the unfunded pension liability costs were not allowable.

The State's retirement fringe rate includes normal, unfunded liability, and administration costs. The State applied a LASERS fixed rate to each employee's regular pay and compensated absences. For instance, the retirement rate determined by the LASERS actuarial valuation report was 40.7 percent for SFY 2020 and 40.1 percent for SFY 2021.[16] These rates included 36.1 percent for SFY 2020 and 35.1 percent for SFY 2021 attributable to the unfunded pension liability costs (see Figure 6).

Figure 6: Fringe Pension Rate Applied to Direct Salaries on WSFR Grants

Description	SFY 2020 (%)	SFY 2021 (%)
LASERS retirement fringe rate applied	40.7	40.1
Normal costs	4.6	5.0
Unfunded pension liability	36.1	35.1

In addition to the unfunded pension liability costs allocated to regular employees, the Department applied a fringe rate of 50 percent and 51.13 percent to volunteer hours used as match for SFYs 2020 and 2021, respectively. The Department stated it did not have supporting documentation on how it calculated the fringe benefit rate. However, a Department official indicated the rate included the LASERS rate for the current year. While we did not question the fringe costs because the rate was comparable to regular employees, we determined that the amount associated with the unfunded pension liability costs allocated to volunteer hours was $404,308. The unfunded pension liability costs applied to volunteer hours resulted in $1,212,924 in Federal reimbursements that the State would have not received if the unfunded pension liability costs were not allowable.

[16] Foster and Foster, Actuaries and Consultants, *Louisiana State Employees' Retirement System Actuarial Valuation,* issued September 26, 2019.

Based on information published in the LASERS actuarial valuation as of June 30, 2019,[17] the State's unfunded accrued liability increased by $263.6 million from June 2018 to June 2019 because of various factors—including interest on the unfunded liability, investment experience loss,[18] discount rate change,[19] and other factors.[20]

The State allocated unfunded pension liability costs, which accrued years before the grants were awarded, to current salaries of all State employees and volunteer pay using an actuarially determined rate. We found no evidence to demonstrate that the unfunded pension liability costs charged to WSFR grants were allocable and representative of the salaries earned by employees working on the WSFR program.

The efficiency and effectiveness of Federal grants are potentially reduced when a State directly charges a Federal grant to pay down unfunded liabilities. If States use a greater proportion of WSFR grant funding to pay down unfunded liabilities, less funding would be available to accomplish the grant's agreed-upon objectives. We have identified similar issues in other States that received WSFR funds. As a result, our office issued a management advisory to FWS on unfunded liabilities for WSFR grants in July 2023.[21]

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[17] *Id.*

[18] The difference in investment earnings below those expected in the actuarially estimated rate.

[19] An interest rate actuarially determined to develop present values to reflect the time value of money.

[20] Differences in demographic and salary experience.

[21] *Unfunded Liabilities for Wildlife and Sport Fish Restoration Program Grants* (Report No. 2020-ER-058-A), issued July 2023.

Recommendations Summary

We provided a draft of this report to FWS and the Department for review; FWS and the Department provided a combined response in which they concurred with seven recommendations and did not concur with two recommendations. We consider Recommendations 1 through 7 implemented and Recommendations 8 and 9 unresolved. Below we summarize the FWS and Department responses to our recommendations, as well as our comments on their responses. See Appendix 4 for the full text of the FWS and Department responses; Appendix 5 lists the status of each recommendation.

We recommend that FWS require the Department to:

1. Resolve the Federal share of questioned costs related to unallowable leave benefits totaling $378,952.

   FWS Response: FWS concurred with the recommendation and provided supporting documentation consisting of revised and approved SF-425s and credit memos for cash remittances.

   Department Response: The Department concurred with the recommendation and stated that it did not have policies addressing the allocation of leave; therefore, the Department agreed that the leave expenses were not allowable. The Department stated that it "paid back the unallowable Federal expense of $378,951.75 using overmatch from the grants in question," and it issued a check to FWS for $114,273.60.

   OIG Comment: Based on the responses from FWS and the Department, we consider Recommendation 1 implemented. We reviewed the revised SF-425s and remittances and determined that the Department provided sufficient support to close the recommendation.

2. Establish and consistently follow written policies and procedures for the allocation of leave benefits.

   FWS Response: FWS concurred with the recommendation and stated that the Department "no longer charges any leave directly to grants and [the Department] developed and distributed revised policies and procedures to relevant staff at the time of implementation."

   Department Response: The Department stated that it ceased allocating leave to Federal grants as of July 1, 2022. Specifically, it said, "Per the Indirect Cost Guidance used by the Office of Wildlife, all leave benefits are charged to the LDWF Conservation Fund." The Department stated that the updated guidance was provided to employees, and it monitors leave allocations to ensure leave is no longer applied to Federal grants.

OIG Comment: Based on the response from FWS, the Department's change in policy, and the indirect cost guidance the Department provided, we consider Recommendation 2 implemented. We reviewed the Department's updated policy and guidance and determined it was sufficient to close the recommendation.

3. Resolve the Federal share of questioned costs related to unsupported in-kind contributions totaling $17,908

   FWS Response: FWS concurred with the recommendation and provided "approved revised SF-425s for offsets applied as reduction in approved overmatch."

   Department Response: The Department concurred with the recommendation and agreed "to reimburse the unsupported in-kind contributions in the amount of $17,908." The Department further stated that it satisfied the unsupported in-kind match using overmatch from Grant Nos. F19AF00629 and F20AF10203.

   OIG Comment: Based on the responses from FWS and the Department, we consider Recommendation 3 implemented. We reviewed the revised SF-425s and determined that the Department provided sufficient support to close the recommendation.

4. Develop and implement procedures to account for volunteer in-kind contributions that require the Department to recalculate hours that volunteers manually record or implement an automated system to prevent calculation errors.

   FWS Response: FWS concurred with the recommendation and referred to the "updated procedures and training documentation" the Department provided in its response.

   Department Response: The Department concurred with the recommendation and stated that, effective October 6, 2023, it implemented a policy and procedure for verifying hours manually recorded by volunteers. The Department further stated that it trained personnel on the new policy in October 2023.

   OIG Comment: Based on the responses from FWS and the Department, we consider Recommendation 4 implemented. We reviewed the policy, emails, and records of training the Department provided and determined this documentation is sufficient to close the recommendation.

5. Design and implement controls to verify the accuracy of the summary timesheet data reported in Federal Financial Reports.

   FWS Response: FWS concurred with the recommendation and referred to "updated procedures including the internal review and verification of volunteer timesheets" the Department provided in its response.

   Department Response: The Department concurred with the recommendation and stated it updated its procedures to "include an internal audit component conducted on all volunteer hour timesheets prior to the final draw and subsequent Federal Financial Reporting."

OIG Comment: Based on the responses from FWS and the Department, we consider Recommendation 5 implemented. We reviewed updates to the procedures the Department established, which incorporate various levels of review including a review by internal auditors. The Department also provided records showing that it trained personnel on the new procedures. We consider this documentation sufficient to close the recommendation.

6. Review all open agreements to determine if any contracts should have been subawards. If so, amend the agreements, include all required elements, conduct risk assessments, develop monitoring plans, and report on USAspending.gov.

   FWS Response: FWS concurred with the recommendation and referred to the Department's documentation, evaluation of agreements using the new procedure, and reassessment of existing agreements.

   Department Response: The Department concurred with the finding and stated it instituted new contract and subaward determination procedures in March 2020 and refined the procedures in February 2023. The Department also stated it "surveyed all open PR/DJ-funded agreements and identified only two" that had not been assessed using the new procedure; it reassessed those two agreements and found that one should have been identified as a subaward. The agreement that should have been classified as a subaward expires June 30, 2024, and the Department said that, if the agreement is extended, it will administer the agreement as a subaward. The Department provided a list of subawards processed since February 2023 under the new procedure and USAspending.gov submission reports.

   OIG Comment: Based on the responses from FWS and the Department, we consider Recommendation 6 implemented. We reviewed the supporting documentation the Department provided that showed subaward agreements executed since February 2023 used the new procedure and were reported on USAspending.gov. The Department also reassessed existing agreements. We consider this supporting documentation sufficient to close the recommendation.

7. Develop and implement training for Department officials on how to determine whether the party receiving the funds is a subrecipient or a contractor based on the regulations.

   FWS Response: FWS concurred with the recommendation and referred to the subaward determination training the Department provided in February 2024.

   Department Response: The Department provided documentation showing it held a training for officials on the topic of "making contractor vs. subrecipient determinations" on February 6, 2024.

OIG Comment: Based on the responses from FWS and the Department, as well as the supporting documentation and attendance records the Department provided, we consider Recommendation 7 implemented. We consider this supporting documentation sufficient to close the recommendation.

8. Implement preventive controls to ensure that employees are performing their assigned tasks and that payroll charges are accurate.

FWS Response: FWS did not concur with the recommendation and stated it considered the labor mischarging case an outlier. It further stated that the Department's existing controls detected a potential time and attendance fraud by a remote employee during the pandemic, and the Department took appropriate personnel action and compensated the Federal program to the extent supported by the investigative data. FWS also noted that the Department's internal audit division "evaluates the risk of fraud in its annual risk assessment procedures," and the Department emphasizes the importance of fraud reporting to its staff and supervisors. Additionally, FWS stated that the Department plans to amend its fraud policy to include tools such as GPS monitoring that "can be used to corroborate suspected fraud."

Department Response: The Department did not concur with the finding or the recommendation and stated it has "internal controls in place to provide reasonable assurance that charges for salaries and wages accurately reflect the work performed, and the work supports the Federal award objectives." The Department also provided its July 2023 response to our notice of potential findings and recommendations.

OIG Comment: Based on the responses from FWS and the Department, we consider Recommendation 8 unresolved. We acknowledge that the Department took appropriate action to correct the incident of labor mischarging that the employee's supervisor reported to management. The Department was also cooperative and transparent in providing records related to the labor mischarging case when we asked if it was aware of instances of fraud affecting WSFR grants.

While the Department was diligent in correcting the issue, it did not provide evidence of execution of internal controls designed to prevent future fraudulent activity. In its July 2023 response to our notice of potential findings and recommendations, the Department stated that supervisors conduct scheduled and unscheduled visits to WMAs but did not provide records of those visits. We consider this an effective preventive control if the process includes documentation of the visits.

Additionally, in its July 2023 response, the Department stated that management personnel in its Office of Wildlife perform routine GPS monitoring on a sample basis. We asked for written policies and procedures describing this internal control, but the Department could not produce the requested policy. The Department agreed to amend its *Reporting Misappropriations/Allegations of Fraud* policy to "incorporate GPS information as a tool that can be used to corroborate suspected fraud," but did not propose adding the preventive control of "performing routine GPS monitoring on a sample basis." Updated fraud policy or training for staff that includes timekeeping and oversight procedures may prevent or deter future labor mischarging and fraud.

Detection controls may identify errors or fraud but not on a timely basis. In the case of fraud discussed in our finding, the detection control identified fraudulent activity too late; the Department could not quantify or recover time mischarges that occurred prior to the installation of a GPS unit on the subject's truck.

In addition, while FWS considered the identified case of fraud as an isolated incident, the Department notified us of an additional case of labor mischarging under similar circumstances that occurred outside the period of this audit. Furthermore, because the employee and supervisor involved in this additional case of labor mischarging worked onsite during the pandemic, we do not consider the pandemic a factor in the untimely detection of the mischarging.

This recommendation will be resolved when FWS requires the Department to implement internal controls designed to prevent or deter labor mischarging, some of which were noted in the Department's July 2023 response. It will be implemented when FWS and the Department provide documentation demonstrating the execution of the preventive internal controls such as written policies and procedures, records of site visits or random checks, or other consistently executed preventive controls established by the Department.

9. Implement controls that include maintaining records sufficient to determine the accurate impact of any future labor mischarging.

   FWS Response: FWS did not concur with the recommendation and stated it considered the case of labor mischarging an outlier case of fraud and not a systemic issue. FWS stated that the case did not warrant additional recordkeeping to guard against "future potential" fraudulent behavior. FWS added that the Department's "time and attendance systems were reviewed by the [OIG] auditors with no findings of inadequacy, inaccuracy, or noncompliance," and the Department's supervisory structure and systems "appear adequate to detect errors and support corrections of common coding errors under normal operational conditions."

   Department Response: The Department did not concur with the recommendation and referred to its comments on Recommendation 8.

   OIG Comment: Based on the responses from FWS and the Department, we consider Recommendation 9 unresolved. We determined that the Department did not identify any controls to ensure it maintains sufficient documentation to determine the impact of other labor mischarging. While we reviewed time and attendance records and payroll charges, we conducted our audit years after the work was performed. Therefore, we could only verify that the time employees recorded on their timesheets reconciled to accounting records and was approved by management. Ensuring accurate timekeeping is a management function that should be performed on a real-time basis. Because it is not feasible for the Department to verify 100 percent of the time employees charge on a real-time basis due to cost and other constraints, management must depend on internal controls and records to identify and quantify exceptions that are detected after timesheets are submitted and approved.

Documented communication related to instances of potential fraud (i.e., records of a supervisor's initial suspicion of mischarging) may help to establish a timeframe to quantify the impact of mischarging if the case is later substantiated. In addition, outputs of monitoring tools such as GPS data, security footage, or WMA supervisory inspection records can help identify and quantify the impact of future cases of labor mischarging.

This recommendation will be resolved when the Department designs controls to maintain records of monitoring activities to quantify the impact of any future labor mischarging. The recommendation will be implemented when FWS and the Department provide a written policy describing the requirements.

Appendix 1: Scope and Methodology

Scope

We audited the Louisiana Department of Wildlife and Fisheries' (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 53 grants that were open during the State fiscal years (SFYs) that ended June 30, 2020, and June 30, 2021. We also reviewed license revenue during the same period. The audit included expenditures of $97.4 million and related transactions. In addition, we reviewed historical records for the acquisition, condition, management, and disposal of real property and equipment purchased with either license revenue or WSFR grant funds.

Methodology

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives

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

- Management should define objectives clearly to enable the identification of risks and define risk tolerances.
- Management should consider the potential for fraud when identifying, analyzing, and responding to risks.
- Management should design control activities to achieve objectives and respond to risks.
- Management should implement control activities through policies.
- Management should use quality information to achieve the entity's objectives.
- Management should remediate identified internal control deficiencies on a timely basis.

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 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 four findings of unallowable and inconsistent leave allocation, unsupported in-kind contributions, inaccurate subaward determinations, and inadequate controls to prevent labor mischarging.

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 Louisiana 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.[22] We followed up on eight recommendations from these reports and considered all eight recommendations implemented. For implemented recommendations, we verified the State had taken the appropriate corrective actions. However, as discussed in the "Results of Audit" section of this report, while the Department implemented the corrective action plan proposed for the classification of agreements as subawards or contracts, we found that the controls implemented were not adequately designed, which resulted in subawards continuing to be misclassified as contracts. Therefore, we issued new recommendations to correct the issue.

State Audit Reports

We reviewed the single audit reports for SFYs 2020 and 2021 to identify control deficiencies or other reportable conditions that affect WSFR. In those reports, the Schedule of Expenditures of Federal Awards (SEFA) indicated $41.6 million (combined) in Federal expenditures related to WSFR, but did not include any findings directly related to WSFR. WSFR was deemed a major program for SFY 2020 only. The SFY 2020 report noted material weaknesses in internal controls over financial reports for other programs. The SFY 2021 report noted deficiencies related to lack of monitoring over subrecipients. We considered these deficiencies in planning the scope of the audit and the extent of testing required to gather evidence to form our audit opinion.

We also reviewed a management letter from the Louisiana Legislative Auditor[23] that found inadequate internal controls to ensure the SEFA was accurate, resulting in a $583,583 error in the expenditures reported in SFY 2020. This finding was directly related to the WSFR program. The State implemented internal controls to address the recommendations related to this finding. In addition, the report noted a repeat deficiency related to fuel cards—specifically, that the Department did not timely deactivate fuel card access for individuals upon separation of employment.

[22] *U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the State of Louisiana Department of Wildlife and Fisheries, From July 1, 2014, Through June 30, 2016* (Report No. 2017-EXT-049), issued August 2018.

U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the State of Louisiana, Department of Wildlife and Fisheries, From July 1, 2009, Through June 30, 2011 (Report No. R-GR-FWS-0002-2012), issued March 2012.

[23] The Louisiana Legislative Auditor, *Department of Wildlife and Fisheries Financial Audit Services Management Letter*, Issued June 14, 2021, describes the results of its evaluation of the effectiveness of the Department's internal controls over compliance with laws and regulations for the SFY ended June 30, 2020, and certain internal controls to ensure accurate financial reporting, compliance with applicable laws and regulations, and accountability over public funds for the period of July 1, 2019, through June 7, 2021.

Appendix 2: Sites Visited

Headquarters	Baton Rouge
Fisheries Offices	Region III, Pineville Region VI, Lafayette Region VIII, New Orleans
Fish Hatcheries	Booker Fowler Lacombe (Huey P. Long)
Boating Access Facilities	Dewey Willis Wildlife Management Area Sherburne Wildlife Management Area Boat Ramp
Wildlife Management Areas	Joyce Maurepas Swamp Richard K. Yancey Salvador Tangipahoa School Board
Hunter Education Facility	Sherburne Wildlife Management Area

Appendix 3: Monetary Impact

We reviewed 53 grants that were open during the State fiscal years that ended June 30, 2020, and June 30, 2021. The audit included expenditures of $97.4 million and related transactions. We questioned $505,269 ($378,952 Federal share) as unallowable and $23,878 ($17,908 Federal share) as unsupported.

Monetary Impact: Questioned Costs

			Questioned Costs ($) (Federal Share)	
Grant No.	**Grant Title**	**Cost Category**	**Unallowable**	**Unsupported**
F19AF00629	Hunter Education Program	Leave Benefits	179,097	–
		In-Kind	–	2,842
F20AF10203	Hunter Education Program	Leave Benefits	177,754	–
		In-Kind	–	15,066
F19AF00639	Management of Wildlife Management Area	Leave Benefits	11,458	–
F20AF10311	Management of Wildlife Management Area	Leave Benefits	9,496	–
F19AF00633	Wildlife Research and Technical Assistance	Leave Benefits	162	–
F20AF10280	Wildlife Research and Technical Assistance	Leave Benefits	985	–
Totals			**$378,952**	**$17,908**

Appendix 4: Responses to Draft Report

The U.S. Fish and Wildlife Service's and Louisiana Department of Wildlife and Fisheries' responses to our draft report follow on page 25.

United States Department of the Interior

FISH AND WILDLIFE SERVICE
1875 Century Blvd
Atlanta, Georgia 30345

February 20, 2024

In Reply Refer To:
FWS/R4/WSFR/2023-CR-001 (LDWF)

Amy R. Billings, Regional Manager
Central Region Audit Division
U.S. Department of the Interior
Office of Inspector General
Lakewood, Colorado
Via email

Re: Draft Audit Report – *U.S. Fish and Wildlife Service grants awarded to the State of Louisiana, Department of Wildlife and Fisheries from July 1, 2019 through June 30, 2021 under the Wildlife and Sport Fish Restoration Program*
Report No. 2023-CR-001, issued January 3, 2024

Dear Ms. Billings:

The enclosed response to the draft audit report referenced above was developed by the State of Louisiana, Department of Wildlife and Fisheries in cooperation with the U.S. Fish and Wildlife Service, Wildlife and Sport Fish Restoration Program, Southeast Region.

If you have any questions or need additional information, please contact Jim Duffy at [redacted] or [redacted]@fws.gov. Please include the Service reference number provided above in all written communications.

Sincerely,

Paul Wilkes 2024.02.20 10:43:54 -05'00'

Paul Wilkes, Regional Manager
Wildlife and Sport Fish Restoration Program

Enclosure

Cc: Ord Bargerstock, Shuwen Cheung
Division of Financial Assistance Support and Oversight

Response to Draft Audit Report

U.S. FISH AND WILDLIFE SERVICE
Wildlife Restoration and Sport Fish Restoration Programs

Grants Awarded to the State of Louisiana, Department of Wildlife and Fisheries from July 1, 2019 through June 30, 2021
Draft Report No. 2023-CR-001, Issued January 3, 2024

We (*OIG*) recommend that the FWS require the Agency to:
[Opening statement to each recommendation]

1. Resolve the Federal share of questioned costs related to unallowable leave benefits totaling $378,952.

Agency Response
The Louisiana Department of Wildlife and Fisheries (LDWF) concurs. LDWF did not have established written policies addressing the allocation of leave, per 2 CFR 200.431(b)(2), therefore, the leave expenses incurred during the audit period were not allowed. To satisfy, LDWF has paid back the unallowable Federal expense of $378,951.75 using overmatch from the grants in question to offset the unallowable costs (revised SF-425s completed and approved), and a check for the balance of $114,273.60 was submitted to the Service. Attached you will find copies of the revised and Service approved SF-425s for grants:

- F19AF00629
- F20AF10203
- F19AF00639
- F20AF10311
- F19AF00633
- F20AF10280

Also attached is a copy of the Service approved receipt and deposit of the physical check sent to cover the questioned cost that was outstanding after overmatch was applied:
Check number 961224 in the amount of $114,273.60.

- $102,815.38 remittance for grant 5130001(Hunter Education Grant)
- $11,458.22 remittance for grant 5130055 (Wildlife Management Area Grant)

Service Response
The Service concurs and considers the recommendation implemented. Attached evidence includes a table detailing transactions, credit memos for cash remittances, and approved revised SF-425s for offsets applied as reduction in approved overmatch.

2. Establish and consistently follow written policies and procedures for the allocation of leave benefits.

Agency Response
LDWF ceased allocating leave to federal grants as of July 1, 2022 in preparation for the Department's transition to implementation of an Indirect Cost Rate. Per the Indirect Cost Guidance used by the Office of Wildlife, all leave benefits are charged to the LDWF Conservation Fund. A copy of the Indirect Cost Guidance and Indirect Cost Policy was

distributed to employees and leave allocations are monitored to ensure leave is no longer applied to federal grants. On October 19th 2023, LDWF provided the written procedures that dictate the allocation of leave benefits to fulfill this recommendation. We have attached the NPFR 4 response and associated attachments as support. Also attached is a PDF copy of the email showing receipt from an OIG audit team member.

Service Response

The Service concurs and considers the recommendation implemented prior to the auditors' arrival, having been executed in mid-2022, cleaned up in late 2022, and memorialized in Policy and Procedure in mid-2023. The state agency no longer charges any leave directly to grants and they developed and distributed revised policy and procedures to relevant staff at the time of implementation. The audit universe predated the state agency's implementation leading to the auditors' detection of the inconsistencies discussed in the finding. The attached state agency NPFR response, dated emails directing accounting adjustments, and revised policy and procedures serves to document implementation.

3. Resolve the Federal share of questioned costs related to unsupported in-kind contributions totaling $17,908.

Agency Response

Louisiana Department of Wildlife and Fisheries (LDWF) concurs and agrees to reimburse the unsupported in-kind contributions in the amount of $17,908. The reimbursed unsupported in-kind contributions amount of $17,908 was satisfied using overmatch for the grant in question. Attached you will find a copy of the revised and Service approved SF-425s for grants:

- F19AF00629
- F20AF10203

Service Response

The Service concurs and considers the recommendation implemented. Attached evidence includes approved revised SF-425s for offsets applied as reduction in approved overmatch.

4. Develop and implement procedures to account for volunteer in-kind contributions that require the Department to recalculate hours that volunteers manually record or implement an automated system to prevent calculation errors.

Agency Response

LDWF developed and implemented a new written policy and procedure, and a process form for checking, summarizing, and validating volunteer hours manually recorded by volunteers, effective October 6, 2023. Staff were trained on the policy and new process at a staff meeting in mid-October, 2023. Attached as support are the written policy with procedure, the form for data validation, the staff meeting agenda including training, the training attendance roster, and a copy of the OIG staff email indicating implemented status.

Service Response

The Service concurs and considers this recommendation implemented. Evidence includes updated procedures and training documentation, as well as OIG confirmation of implemented status.

5. Design and implement controls to verify the accuracy of the summary timesheet data reported in Federal Financial Reports.

Agency Response
Written procedures discussed above include an internal audit component conducted on all volunteer hour timesheets prior to the final draw and subsequent Federal Financial Reporting. As additional support attached is the email stating that this recommendation is considered resolved and implemented from an OIG audit team member.

Service Response
The Service concurs and considers this recommendation implemented. Evidence includes updated procedures including the internal review and verification of volunteer time sheets prior to federal draw and OIG confirmation of implemented status.

6. Review all open agreements to determine if any contracts should have been subawards. If so, amend the agreements, include all required elements, conduct risk assessments, develop monitoring plans, and report on USAspending.gov.

Agency Response
We concur with the finding and have implemented the recommendation. LDWF instituted new contract/subaward determination and administration procedures in March 2020. Subaward processes were further refined in February 2023 to provide the required subaward instrument elements, conduct and document risk assessments, develop and implement monitoring plans, and report to USASpending. Attached is LDWF's NPFR 2 response detailing the timeline of these changes and providing evidence of an agreement that was reassessed, reclassified, and reissued as a subaward upon renewal in 2022.

In response to Recommendation 6, we surveyed all open PR/DJ-funded agreements and identified only two that had not been subjected to our updated determination process. We reassessed these two agreements using "new" processes (forms attached) and found that one should have been classified as a subaward, a 5-year LDWF/LSU cooperative agreement that expires June 30, 2024. Should this work continue beyond the current expiration date, LDWF will reclassify and administer the agreement as a subaward.

Finally, the attached spreadsheet lists subawards processed February 2023 and later that utilized the updated subaward procedures and include all required components. An example of a recent subaward, including instrument, risk assessment, monitoring plan, monitoring plan guide, and USASpending screenshot are attached as an example. Also attached are the USASpending screenshot for each of the subawards in the spreadsheet.

Service Response
The Service concurs with the recommendation and considers it implemented. LDWF found and reassessed two open PR/DJ-funded agreements implemented between March 2020 and February 2023 and reclassified one of them. All agreements executed since February 2023 were assessed and implemented using LDWF's new determination process and exhibit all required elements. All have been entered into FSRS (USASpending).

7. Develop and implement training for Department officials on how to determine whether the party receiving the funds is a subrecipient or a contractor based on the regulations.

Agency Response

LDWF concurs and has implemented this recommendation. First, various LDWF staff including project leaders, WSFR administrators, and contract review managers were integral in development and implementation of LDWF's current subaward process to ensure all state and federal requirements were addressed and therefore all relevant parties were thoroughly trained on the subject matter during development and implementation. Second, and specific to the recommendation, a training event for LDWF officials on making contractor vs subrecipient determinations based on regulations was held on February 6, 2024. Attached are the training agenda and sign in sheet of attendees with titles for this training event.

Service Response

The Service concurs and considers this recommendation implemented. LDWF maintains and the Service agrees that development and implementation of their current determination process provided *de facto* training in its use. In addition, LDWF provided determination training on February 6, 2024 and has provided documentation thereof.

8. Implement preventive controls to ensure that employees are performing their assigned tasks and that payroll charges are accurate.

Agency Response

LDWF does not concur with this finding and associated recommendations. LDWF does have internal controls in place to provide reasonable assurance that charges for salaries and wages accurately reflect work performed, and the work supports the Federal award objectives. These controls were outlined in the NPFR 2 response that was provided on July 18, 2023 and a follow-up email that provides additional clarification at the request of a DOI team member (both documents attached for reference.

Service Response

With respect, the Service considers this an outlier case of fraud, not a systemic case of labor mischarging. LDWF's existing management controls, described in their earlier response to the NPFR, successfully detected a potential time and attendance fraud by an employee assigned to a remote location without close daily supervision during the height of a global pandemic. LDWF opened an internal investigation, confirmed the employee was reporting work time when they were not working, took appropriate personnel action, and compensated the appropriate federal programs to the extent investigative data would support. According to the NPFR (NPFR 2, issued July 11, 2023), LDWF voluntarily reported the resolved incident to the auditors, who subsequently confirmed the outcome.

As standard and pre-existing practice, LDWF Internal Audit Section evaluates the risk of fraud in its annual risk assessment procedures. As indicated to the auditors during the NPFR process, and as provided in attachments to their response herein, LDWF is reinforcing to all supervisors during annual performance planning sessions and at LDWF staff meetings the importance and need to report any suspicion of fraud. Additionally, LDWF is amending their Reporting Misappropriations/Allegations of Fraud policy "to incorporate GPS information as a tool that can be used to corroborate suspected fraud." Based on existing controls, the outcome of the case at hand, and considering subsequent, responsive LDWF adjustments, the Service believes LDWF's preventive controls provide reasonable protection against time and attendance fraud.

9. Implement controls that include maintaining records sufficient to determine the accurate impact of any future potential of labor mischarging.

<u>Agency Response</u>
LDWF does not concur with this finding and subsequent recommendation. Please refer to the attachments provided for recommendation 8 above for detailed information concerning this finding.

<u>Service Response</u>
As discussed above for Recommendation 8, the Service sees this as an outlier case of fraud by an unethical employee during the height of a global pandemic. We do not think this isolated, unsanctioned incident of intentional malfeasance warrants additional record keeping in an effort to guard against “future potential” fraudulent behavior. LDWF’s time and attendance systems were reviewed by the auditors with no findings of inadequacy, inaccuracy, or noncompliance. LDWF’s supervisory structure and T&A systems appear adequate to detect errors and support corrections of common coding errors under normal operational conditions.

Appendix 5: Status of Recommendations

<table>
<tr><th>Recommendation</th><th>Status</th><th>Action Required</th></tr>
<tr><td>2023-CR-001-01
We recommend that the U.S. Fish and Wildlife Service (FWS) require the Department to resolve the Federal share of questioned costs related to unallowable leave benefits totaling $378,952.</td><td rowspan="7">Implemented</td><td rowspan="7">No action is required.</td></tr>
<tr><td>2023-CR-001-02
We recommend that FWS require the Department to establish and consistently follow written policies and procedures for the allocation of leave benefits.</td></tr>
<tr><td>2023-CR-001-03
We recommend that FWS require the Department to resolve the Federal share of questioned costs related to unsupported in-kind contributions totaling $17,908.</td></tr>
<tr><td>2023-CR-001-04
We recommend that FWS require the Department to develop and implement procedures to account for volunteer in-kind contributions that require the Department to recalculate hours that volunteers manually record or implement an automated system to prevent calculation errors.</td></tr>
<tr><td>2023-CR-001-05
We recommend that FWS require the Department to design and implement controls to verify the accuracy of the summary timesheet data reported in Federal Financial Reports.</td></tr>
<tr><td>2023-CR-001-06
We recommend that FWS require the Department to review all open agreements to determine if any contracts should have been subawards. If so, amend the agreements, include all required elements, conduct risk assessments, develop monitoring plans, and report on USAspending.gov.</td></tr>
<tr><td>2023-CR-001-07
We recommend that FWS require the Department to develop and implement training for Department officials on how to determine whether the party receiving the funds is a subrecipient or a contractor based on the regulations.</td></tr>
</table>

Recommendation	Status	Action Required
2023-CR-001-08 We recommend that FWS require the Department to implement preventive controls to ensure that employees are performing their assigned tasks and that payroll charges are accurate. **2023-CR-001-09** We recommend that FWS require the Department to implement controls that include maintaining records sufficient to determine the accurate impact of any future labor mischarging.	**Unresolved**	We will meet with FWS to discuss the recommendations and requirements to include in the corrective action plan for resolution.

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

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