



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

**U.S. Fish and Wildlife Service Grants
Awarded to the Commonwealth of the
Northern Mariana Islands, Department
of Lands and Natural Resources,
From October 1, 2017, Through
September 30, 2019, Under the Wildlife
and Sport Fish Restoration Program**

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



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

AUG 16 2022

Memorandum

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

From: Bryan Brazil *Bryan Brazil*
Regional Manager, Western Region

Subject: Final Audit Report – *U.S. Fish and Wildlife Service Grants Awarded to the Commonwealth of the Northern Mariana Islands, Department of Lands and Natural Resources, From October 1, 2017, Through September 30, 2019, Under the Wildlife and Sport Fish Restoration Program*
Report No. 2020–WR–054

This report presents the results of our audit of costs claimed by the Commonwealth of the Northern Mariana Islands, Department of Lands and Natural Resources, under grants awarded by the U.S. Fish and Wildlife Service through the Wildlife and Sport Fish Restoration Program.

We provided a draft of this report to the FWS. The FWS concurred with our recommendation and will work with the Department to implement corrective actions. The full responses from the Department and the FWS are included in Appendix 3. In this report, we summarize the Department's and FWS Region 1's responses to our recommendations, as well as our comments on their responses. We list the status of the recommendations in Appendix 4.

Please provide us with a corrective action plan based on our recommendations by November 15, 2022. 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. 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 916–978–6199.

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Introduction

Objectives

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

The objectives of this audit were to determine whether the Commonwealth of the Northern Mariana Islands, Department of Lands and Natural Resources (Department), used grant funds and Commonwealth 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 reviewed.

Background

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

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

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

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

Results of Audit

We determined that the Department generally ensured that grant funds and Commonwealth 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, a control deficiency with the Department’s subaward determinations.

Control Deficiency

Subaward Agreements Incorrectly Classified as Contracts

We identified two agreements between the Department and external partners that were greater than \$25,000 and reviewed them to determine whether they were subawards. Upon review, we found that the Department incorrectly classified both as contracts instead of subawards (see Figure 1).

Figure 1: Agreements Incorrectly Classified as Contracts

Grant No.	Recipient	Agreement Purpose	Total (\$)
F15AF01004	Smithsonian Institute	Genetic Analysis of the Saipan and Alamagan Nightingale Reed-Warbler	42,984
F17AF00713	Institute for Bird Populations	Monitoring Avian Productivity and Survivorship	40,719
Total			\$83,703

According to 2 C.F.R. § 200.330, 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.⁴ Regulations at 2 C.F.R § 200.330(a)(5) further state that a non-Federal entity is classified as a subrecipient when it is using 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 pass-through entity.

Additionally, 2 C.F.R. § 200.93 defines a subrecipient as a non-Federal entity that receives a subaward from a pass-through entity to carry out part of a Federal program. Regulations at 2 C.F.R. § 200.330(a) classify this as a Federal assistance relationship with the subrecipient.⁵

The two agreements the Department classified as contracts should have been classified as subawards due to the substance of the agreements. When we reviewed the two agreements, we determined that the purpose listed in the agreements was to carry out a program for a public purpose of a Federal award, not the procurement of services typical of a contract. For example, the purpose for the award under Grant No. F17AF00713 is to perform data analysis regarding the

⁴ The citation for 2 C.F.R. § 200.330 changed to 2 C.F.R. § 200.331 in November 2020.

⁵ The citation for 2 C.F.R. § 200.93 changed to 2 C.F.R. § 200.1 in November 2020.

resident bird population. The activities outlined in the agreement with the Institute for Bird Populations included this data analysis; therefore, the Department created a subrecipient relationship with the Institute by retaining it to carry out this part of the grant purpose. The Department should have classified the agreement as a subaward accordingly.

This occurred because the Department did not have formal policies and procedures in place for subawards, including guidance for performing contract-versus-subaward determinations. Further, while the Department told us it performs subaward-versus-contract determinations, it did not document its decisions. Not classifying agreements appropriately as subawards prevents the Department from applying subaward rules and regulations. Specifically, these determinations have accountability and potential monetary impacts with respect to profit taking, asset management, revenue management, and the treatment of indirect costs, which we previously detailed in a management advisory we issued to the FWS.⁶

Recommendation
<p>We recommend that the FWS:</p> <ol style="list-style-type: none">1. Work with the Department to develop and implement policies and procedures regarding subaward determinations to ensure compliance with Federal regulations.

⁶ [*Issues Identified with State Practices in Subaward Administration for Wildlife and Sport Fish Restoration Program Grants*](#) (Report No. 2018–CR–064), issued September 30, 2019.

Recommendation Summary

We provided a draft of this report to the FWS for review. The FWS concurred with our recommendation. We consider Recommendation 1 resolved but not implemented. Below we summarize the FWS' and the Department's responses to our recommendation, as well as our comments on their responses. See Appendix 3 for the full text of the FWS' and the Department's responses; Appendix 4 lists the status of the recommendation.

We recommend that the FWS:

1. Work with the Department to develop and implement policies and procedures regarding subaward determinations to ensure compliance with Federal regulations.

Department Response: The Department acknowledged that the agreements were classified as contracts and stated that it has since developed and implemented a process to determine and document whether an agreement is a subaward or a contract. The Department provided supporting documentation for its new process but did not provide a policy for subaward determination.

FWS Response: The FWS concurred with our recommendation and stated that it will work with the Department to develop and implement policies and procedures regarding subaward determinations.

OIG Reply: Based on the FWS' response, we consider this recommendation resolved but not implemented. The recommendation will be considered implemented when the Department provides supporting documentation demonstrating that it has developed a policy regarding subaward determinations.

Appendix 1: Scope and Methodology

Scope

We audited the Commonwealth of the Northern Mariana Islands Department of Lands and Natural Resources' (Department's) use of grants awarded by the U.S. Fish and Wildlife Service (FWS) under the Wildlife and Sport Fish Restoration Program (WSFR). We reviewed 51 grants that were open during the State fiscal years (SFYs) that ended September 30, 2018, and September 30, 2019. We also reviewed license revenue during the same period. The audit included expenditures of \$4.5 million and related transactions. In addition, we reviewed historical records for the acquisition, condition, management, and disposal of equipment purchased with either license revenue or WSFR grant funds.

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

Methodology

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

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

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

We tested the operation and reliability of internal control over activities related to our audit objective. Our tests and procedures included:

- Examining the evidence that supports selected expenditures charged to the grants by the Department.
- Reviewing transactions related to purchases, direct costs, drawdowns of reimbursements, and program income.
- Interviewing Department employees.
- Reviewing photographic evidence of 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 Commonwealth passed required legislation assenting to the provisions of the Pittman-Robertson Wildlife Restoration Act and the Dingell-Johnson Sport Fish Restoration Act.
- Evaluating Commonwealth policies and procedures for assessing risk and monitoring subawards.
- Virtually reviewing sites throughout the Commonwealth (see Appendix 2 for a list of sites reviewed).

We found deficiencies in internal control resulting in our finding of improper subaward-versus-contract determinations.

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 Commonwealth fish and wildlife agency, and that agency's management of WSFR resources and license revenue.

The Commonwealth 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.⁷ We followed up on eight recommendations from these reports and found that the U.S. Department of the Interior's Office of Policy, Management and Budget considered all eight recommendations resolved and implemented.

State Audit Reports

We reviewed the single audit reports for SFYs 2017 and 2018 to identify control deficiencies or other reportable conditions that affect WSFR. In those reports, the Schedule of Expenditures of Federal Awards indicated \$4 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. Both reports noted a significant deficiency in grant accounting for other programs, and we considered this as a risk indicator when we prepared our audit procedures and tests.

⁷ *U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the Commonwealth of the Northern Mariana Islands, Department of Lands and Natural Resources, From October 1, 2012, Through September 30, 2014* (Report No. 2015-EXT-044), dated August 2016.

U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the Commonwealth of the Northern Mariana Islands, Department of Lands and Natural Resources, From October 1, 2007, Through September 30, 2009 (Report No. R-GR-FWS-0007-2010), dated October 2010.

Appendix 2: Sites Reviewed Virtually

Headquarters	Saipan
Fisheries Offices	Saipan
Marina	Smiling Cove Marina West Harbor Marina (Rota)
Public Boat Ramps	DFW Beach Sugar Dock Tanapag Beach
Wildlife Offices	Saipan

Appendix 3: Responses to Draft Report

The U.S. Fish and Wildlife Service's response to our draft report follows on page 10.
The Commonwealth of the Northern Mariana Islands, Department of Lands and Natural Resources' response to our draft report follows on page 11.



United States Department of the Interior

FISH AND WILDLIFE SERVICE
911 NE 11th Avenue
Portland, Oregon 97232-4181



In Reply Refer to:
FWS/R1/WSFR/

Memorandum

To: Bryan Brazil
Regional Manager, Western Region

From: David Teuscher
Regional Manager
Wildlife and Sport Fish Restoration
Portland, Oregon

Digitally signed by
DAVID TEUSCHER
Date: 2022.06.14
16:41:34 -07'00'

Subject: Comments on the Draft Audit Report on the U.S. Fish and Wildlife Service Federal Assistance Grants Issued to the Commonwealth of the Northern Mariana Islands, Department of Land and Natural Resources, from October 1, 2017, through September 30, 2019 Report No. 2020-WR-054

Introduction

This letter contains the U.S. Fish and Wildlife Service (Service) determinations regarding the subject report. Direct any questions regarding the Service's comments to Kelly Sliger, Grants Fiscal Officer for the Pacific Region, Wildlife and Sport Fish Restoration Program at [REDACTED]@fws.gov.

Control Deficiency

Subaward Agreements Incorrectly Classified as Contracts

Recommendations

The Service concurs with the auditor's recommendation. The Service will work with the Commonwealth of the Mariana Islands, Department of Natural Resources (Department) to develop and implement policies and procedures regarding subaward determinations to ensure compliance with Federal regulations. The Department will update and implement policies and procedures to ensure subaward determinations comply with Federal regulations. The Service will identify target dates and the official(s) responsible for implementing these recommendations in the Corrective Action Plan (CAP).

PACIFIC REGION 1

IDAHO, OREGON*, WASHINGTON,
AMERICAN SAMOA, GUAM, HAWAII, NORTHERN MARIANA ISLANDS

*PARTIAL



Commonwealth of the Northern Mariana Islands
Department of Lands and Natural Resources

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June 9, 2022

David Teuscher
Chief, Wildlife and Sport Fish Restoration
U.S. Fish and Wildlife Service
U.S. Fish and Wildlife Service
Columbia Pacific Northwest & Pacific Islands
911 NE 11th Ave.
Portland, Oregon 97232

Subject: CNMI DLNR DFW Response to OIG's Report No.: 2020-WR-054

Dear Mr. Teuscher:

Please find our response attached, for the recently concluded OIG audit of the DLNR Division of Fish and Wildlife for the period covering October 1, 2017 through September 30, 2019.

Please let me know if you have any questions pertaining to our response. We look forward to your feedback, guidance, and continued partnership.

Sincerely,

Anthony Benavente
DLNR Secretary

Attachment (1)

cc: Manny Pangelinan, Director, Division of Fish and Wildlife
File

CNMI responds to the Draft Audit Report No. 2020-WR-054 dated 29 April 2022, on the U.S. Fish and Wildlife Service Federal Assistance Grants issued to the Commonwealth of the Northern Mariana Islands, Department of Lands and Natural Resources, from October 1, 2017, through September 30, 2019.

Only one finding is addressed in the draft audit: A. Control Deficiency

Finding A. Control Deficiency

Subaward Agreements Incorrectly Classified as Contracts: OIG identified two agreements with external partners that were greater than \$25,000 and determined that these agreements were subawards. Upon review, OIG determined that the DLNR DFW incorrectly classified the agreements as contracts, in contravention to 2 C.F.R §200.93 and 2 C.F.R §200.330

Recommendations

Audit recommends that the DLNR FWS:

A.1. Work with the Department to develop and implement policies and procedures regarding subaward determinations to ensure compliance with Federal Regulations.

CNMI Response

A.1 The CNMI DLNR DFW acknowledges that, in the absence of CNMI policy governing differentiating between a contract or a subaward, agreements with the Smithsonian Institute (funded under F15AF01004) and the Institute for Bird Populations (funded under F17AF00713) were captured under a contract.

The CNMI DLNR DFW has implemented the following processes to accurately identify a subaward from a contract:

- **Since October 6, 2020, the contract/subaward checklist is utilized for all contractual requests to document the determination between a contract and a subaward.**
- **If a subaward is determined, then the subaward registry is filled out, in addition to the subaward document (e.g. Cooperative Agreements, MOA, MOU, etc.). The registry also prompts to file reporting within 30 days of executing the award.**
- **The subaward registry will include required documentation from the subrecipient including the following data to meet FFATA requirements:**
 1. **Name of entity receiving award**
 - a) **Amount of award**
 - b) **Funding agency**
 - c) **CFDA program number for grants**
 - d) **Program funding source**
 - e) **Award title of funding source and description of purpose of award**
 - f) **Subrecipient's business location**

- g) Place of performance**
- h) Recipient's UEI and DUNS Number (including its parent company),**
- i) Confirmation that recipient reports compensation of senior executives of the entity through periodic section 13(a) or 15 (d) of the Securities Exchange Act of 1933 (15 U.S.C. §§ 78m(a), 78o(d)) or section 6104 of the Internal Revenue Code of 1986. See FFATA § 2(b)(1).**
 - If the answer to 'i' is no, then subaward registry will need compensation and names of top five executives if...**
 - More than 80% of annual gross revenues from the federal government, and those revenues are greater than \$25M annually and**
 - Compensation information is not already available through reporting to the SEC.**

Appendix 4: Status of Recommendations

Recommendation	Status	Action Required
1	Resolved but not implemented: U.S. Fish and Wildlife Service (FWS) regional officials concurred with this recommendation and will work with staff from the Commonwealth of the Northern Mariana Islands Department of Lands and Natural Resources to develop and implement a corrective action plan.	Complete a corrective action plan (CAP) that includes information on actions taken or planned to address the recommendation, target dates and titles of the officials responsible for implementation, and verification that FWS headquarters officials reviewed and approved the actions the State has taken or planned.



REPORT FRAUD, WASTE, ABUSE, AND MISMANAGEMENT

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