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

Audit

Wildlife and Sport Fish Restoration Grants Awarded to the State of West Virginia by the U.S. Fish and Wildlife Service

Report No. 2024-CGD-032

August 2026

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

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Memorandum

To: Brian Nesvik
Director, U.S. Fish and Wildlife Service

From: Colleen Kotzmoyer
Director, Contract and Grant Audit Division

Subject: Final Audit Report – *Wildlife and Sport Fish Restoration Grants Awarded to the State of West Virginia by the U.S. Fish and Wildlife Service*
Report No. 2024-CGD-032

This report presents the results of our audit of costs claimed by the West Virginia Division of Natural Resources (Division) 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 FWS. FWS concurred or partially concurred with eight recommendations and non-concurred with three recommendations. FWS will work with the Division to implement corrective actions. The full responses from FWS and the Division are included in Appendix 4. In this report, we summarize the FWS and Division responses to our recommendations, as well as our comments on their responses. We list the status of the recommendations in Appendix 5.

We will track open recommendations for resolution and implementation. 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.

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Introduction

Objectives

In March 2021, we entered into an intra-agency agreement with the U.S. Fish and Wildlife Service (FWS) to conduct audits of State agencies receiving grant funds under the Wildlife and Sport Fish Restoration Program (WSFR). These audits assist FWS in fulfilling its statutory responsibility to oversee State agencies' use of these grant funds.

The objectives of this audit were to determine whether the West Virginia Division of Natural Resources (Division) 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] In general, the Acts and related Federal regulations allow FWS to reimburse grantees a portion of eligible costs incurred under WSFR grants—up to 75 percent for States and up to 100 percent for the Commonwealths, territories, and the District of Columbia. The reimbursement amount is called the Federal share and the portion the States must match with their own funds is called the State share. To meet the State-share requirement, the Division used general license revenues, third-party matches, and in-kind contributions.[3] The Acts require that hunting and fishing license revenue be used only for the administration of participating fish and wildlife agencies. In addition, Federal regulations require participants to account for any income earned from grant-funded activities and to spend this income before requesting grant reimbursements.

The Office of Management and Budget (OMB) issues guidance, often referred to as the Uniform Guidance, to Federal agencies on Governmentwide policies for the award and administration of Federal financial assistance. The guidance is intended to ensure consistent and uniform Governmentwide policies and procedures for the management of Federal agencies' grants and cooperative agreements.

States that receive grants are stewards of those Federal funds and must adhere to the Uniform Guidance to ensure the funds are used for their intended purpose and properly account for expenditures. States are responsible for:

- Administering the Federal award in an efficient and effective manner.
- Complying with underlying agreements, program objectives, and the terms and conditions of the Federal award.

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

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

[3] License revenues are from the sale of hunting and fishing licenses or permits; third-party match are non-cash contributions, such as donated equipment or volunteer services; and in-kind contributions may be volunteer hours recorded in place of payroll expenses.

- Ensuring that accounting practices comply with applicable grant regulations and that adequate supporting documentation regarding grant expenditures is maintained.
- Adopting administrative requirements for record retention as well as methods for collection, transmission, and storage of information and access to records.
- Ensuring that accounting records identify Federal awards received and expended and include the Assistance Listing number identifying the Federal assistance program.
- Disclosing current financial results of each award accurately and completely.
- Maintaining records that identify the source and application of funds for federally funded activities.
- Maintaining effective control over and accountability for all funds, property, and other assets.
- Developing written procedures for determining the allowability of costs and for requests for payment.

Any claimed shared costs or matching funds and all contributions must meet the following criteria:

- Costs must be verifiable from the non-Federal entity's records.
- Are not included as contribution from any other Federal award.
- Are allowable under cost principles included in 2 C.F.R. 200, Part E, Cost Principles.
- Have not been paid under other Federal awards.

Noncompliance with grant requirements, including failure to submit required performance and financial reports or complete audit requirements, may result in corrective actions up to debarment or suspension from future grant awards.

Management is responsible for establishing and maintaining internal controls over financial reporting to ensure transactions are recorded accurately and completely in accordance with generally accepted accounting principles. This responsibility includes implementing well-designed financial management systems that effectively support those internal controls. Weaknesses in financial systems and internal controls directly affect compliance with Uniform Guidance as it relates to the reasonableness, allowability, and allocability of costs and the reliability of the WSFR grant reporting.

Results of Audit

We determined that the Division had not ensured that grant funds and State hunting and fishing license revenue were used for allowable fish and wildlife activities and did not comply with applicable laws and regulations, FWS guidelines, and grant agreements. Specifically, we found the following:

- Questioned costs. We questioned $3,355,221 ($2,516,416 Federal share) as unsupported. These questioned costs arose due to financial management weaknesses.
- Inequitable leave allocations. The Division's method for allocating leave costs to WSFR grants is not proportional to the actual level of effort devoted to WSFR activities.
- Potential diversion of license revenue. The Division potentially diverted $4,485,150 in license revenue because it was unable to demonstrate that the funds were used for the administration of the fish and wildlife agency.
- Unreported subawards. The Division did not report subawards over $30,000 in Federal funding, as required.

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

Questioned Costs—$3,355,221 ($2,516,416 Federal Share)

Unsupported Costs Related to Weaknesses in the Division's Financial Management Practices—Questioned Costs of $3,355,221 ($2,516,416 Federal Share)

Federal regulations require that the State's financial management systems, including records documenting compliance with Federal statues, regulations, and the terms and conditions of Federal award, must be sufficient to permit the preparation of reports required by the terms and conditions and tracing of funds to a level of expenditures adequate to establish that funds have been used in accordance with the Federal statues, regulations, and the terms and conditions of the Federal award.[4] Furthermore, the Federal standards for documentation of personnel expenses also require that charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must be supported by a system of internal control that provides reasonable assurance that the charges are accurate, allowable, and properly allocated.[5] Additionally, the State must establish, document, and maintain effective internal control over the Federal award that provides reasonable assurance that it is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.[6]

The State's financial management system must provide records that adequately identify the source and application of funds for federally funded activities. These records must contain information pertaining to Federal awards, authorizations, financial obligations, unobligated balances, assets, expenditures, income, and interest and be supported by source documentation.[7] Additionally, the State's share of costs must, among

[4] 2 C.F.R. § 200.302(a).

[5] 2 C.F.R. § 200.430(g)(1)(i), updated in October 2024. The reference that was in effect during the time of the audit was 2 C.F.R. 200.430**(i)**(1).

[6] 2 C.F.R. § 200.303(a).

[7] 2 C.F.R. § 200.302(b)(3)

other things, be verifiable in the State records; allowable, necessary and reasonable; and not included as contributions for any other Federal award.[8]

Furthermore, States must retain all Federal award records for three years from the date of submission of their final financial report. For awards that are renewed quarterly or annually, States must retain records for three years from the date of submission of their quarterly or annual financial report, respectively. Records to be retained include, but are not limited to, financial records, supporting documentation, and statistical records.[9]

> Throughout the audit, specifically from September 2024 through August 2025, we repeatedly sought supporting documentation from the Division to substantiate WSFR grant costs, issuing multiple requests for reconciliations, source documents, and system generated reports. Despite these efforts, the Division largely provided only narrative explanations or demonstrations rather than the documentation needed, and at times acknowledged that required records had not been saved. Ultimately, detailed cost documentation was not obtained until March 2026 through FWS regional personnel and these delays—along with other factors such as personnel changes and a lapse in WSFR funding—prolonged the audit and hindered our ability to verify expenditures.

We determined that more than $3.3 million (22 percent) of the expenditures claimed on the Federal financial reports lacked adequate support from the State's official financial management system[10] due to significant deficiencies (see Figure 1). We could not trace expenditures or verify matching contributions to a sufficient level of detail to confirm whether these transactions complied with Federal regulations and award requirements based on documentation received between September 2024 and August 2025. In addition, we noted limitations in audit analysis due to delayed documentation. Specifically, we were unable to conduct a comprehensive analysis of the Division's records. The lack of timely documentation ultimately prevented us from completing these essential verification procedures. Additionally, the information submitted to FWS conflicted with what had been provided directly to the auditors over the previous year and a half. As a result of these deficiencies, $3,355,211 of the $15,459,171 (22 percent) in costs claimed across the five WSFR grants we reviewed were not supported by records in the State's financial management system.

[8] 2 C.F.R. 200.306(b).

[9] 2 C.F.R. § 200.334.

[10] The State's official financial management system, *wv*OASIS (Our Advanced Solution with Integrated Systems), is a financial management system that supports financial functions in many business areas. *wv*OASIS addresses financial management processes such as budgeting, general and cost accounting, fixed assets, procurement, inventory, accounts payable, and accounts receivable.

Figure 1: Unsupported Costs Related to Inadequate Financial Management

Category	Unsupported Costs	Federal Share
Payroll	$856,210	$642,158
Fringe	$126,857	$95,143
Indirect	$1,367,802	$1,025,852
Invoices and Adjustments*	$5,516	$4,137
Vehicles	$998,835	$749,126
Total	**$3,355,221**†	**$2,516,416**

* Invoices and adjustments include adjustments to grant costs maintained in manual spreadsheets that were not recorded in the State's financial management system ($5,187) and variance between invoice amounts recorded in the financial management system and the claimed invoice costs ($329).

† Rounded.

In addition to the specific deficiencies identified below, we found that the Division was unable to provide complete, consistent, or timely supporting documentation from its financial system because the Division did not retain the necessary monthly data saved from a database application[11] operating independently from the Division's audited financial management system. Although the Division stated that documentation is retained on its shared drive, we found only category-level lump sum costs that were insufficient to support individual transactions. In July 2025, data from the database were provided for three of the five grants sampled through an informal, undocumented workaround; however, our review of records and information obtained during interviews with Division staff indicated that the data were not maintained in the usual course of business. The database support provided in July 2025 contained fewer cost details than the data provided in March 2026. For example, the March 2026 data included job classification, employment status, work location, overtime cost, VIN numbers, annual salary, and the access calculated hourly rate. Furthermore, we noted during our review of drawdown requests for reimbursement, the Division did not have expenditure level detail to support 11 percent of those requests.

Despite the supplemental information provided through FWS in March 2026, the Division did not maintain adequate documentation demonstrating how matching contributions were supported. As a result, we could not determine whether the State satisfied its required non-Federal match for the grants reviewed because the financial management system does not identify the State share of costs by individual grant. Instead, the Division uses database-calculated costs to determine the 25-percent State match. The Division uses a spreadsheet in which the database costs are totaled and then calculated into a 75-percent Federal and 25-percent State cost split to the total costs, rather than substantiating the State share through traceable transactions in the general ledger.

Unsupported Payroll and Fringe Benefit Costs—$983,067 ($737,301 Federal Share)

We found that $856,210 ($642,158 Federal share) in payroll costs and $126,857 ($95,143 Federal share) in fringe benefit costs were unsupported in the Division's financial management system. The Division allocated leave costs to the grants using a database application that inflated employees' hourly rates recorded in the payroll system. This allocation methodology is not in compliance with Federal regulations, which require that leave costs be distributed based on the proportion of benefit the grants receive from employees' work. Division personnel explained that leave costs are not charged directly to the grants in the financial management

[11] This application serves as the primary tool for producing all grant-related costs information.

system; therefore, the Division chose to recover those costs by using the database application to increase the hourly rates charged to the grants for each employee. Using the Division-developed allocation method, an employee's hourly rate of $22.48, for instance, is inflated to $26.31, which is an increase of $7,645 over 12 months of grant claims.

Additionally, we found that payroll information used to calculate requests for reimbursement was inaccurate for 2 of the 21 employees we sampled, ultimately overstating expenditures. Specifically, we noted that the Division claimed hourly rates higher than those supported by payroll records. The Division explained that it is only able to retrieve current payroll information from the financial management system when calculating payroll costs claimed on the grants, rather than historical payroll information that correlates to the period when the work was performed. As a result, the payroll information used in the grant claims can be inaccurate because the current period payroll data can include pay changes such as raises, promotions, or position changes.

Unsupported Indirect and Vehicle Costs—$2,366,637 ($1,774,978 Federal Share)

We found that 100 percent of the indirect and vehicle costs claimed on the grants in our sample—$1,367,802 ($1,025,852 Federal share) and $998,835 ($749,126 Federal share), respectively—were unsupported in the financial management system. The Division calculated these costs outside the State's accounting system, within the same database application used to allocate leave to the grants, preventing us from tracing or verifying the accuracy of the claimed costs. Outputs associated with indirect and vehicle costs from the database application were then hardcoded into external tracking spreadsheets. As we discuss in more detail in the Contributing Factors section below, the database application has never been tested, validated, or audited, yet its outputs were used to develop drawdown requests and Federal financial reports, creating systemic risks of error and lack of compliance. Also, as discussed above, the records and information provided by the Division during our discussions between September 2024 and August 2025 did not show that contemporaneous records were maintained to support these costs and outputs generated from the database application.

In addition, we found duplicative charges in which certain costs were recovered as direct costs and again through indirect or vehicle usage rates, which is not compliant with Uniform Guidance which states that costs must be treated consistently.[12] Duplicative charging occurred on all five sampled grants for indirect costs and three grants for vehicle usage costs, totaling $94,321 ($70,740 Federal share).[13]

Contributing Factors

These issues occurred, in large part, because the Division's financial management practices relied on an unaudited database application and manual processes rather than reconciled data supported by the State's financial management system. These practices are not documented in any formal policies or procedures and instead depend on institutional knowledge and an informal outline of the monthly steps performed. Division staff informed us that the database application was developed in 2015—coinciding with a change in the financial management system—and was intended to bridge the Division's perceived gaps in expenditure tracking and reporting. Since then, the database application has never been audited for accuracy, despite the Division's reliance on its outputs to determine expenditures eligible for reimbursement from FWS, as well as those reported on annual Federal financial reports. Outputs from the database application are tracked alongside support from the financial management system in an accumulated spreadsheet that tracks reimbursement requests and Federal reporting. Reliance on this database application and manual processes associated with this database application increased the likelihood of error and ultimately prevented us from tracing reported costs to source records at the level of detail required under the Uniform Guidance.[14]

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[12] 2 C.F.R. 200.412 states that each cost incurred for the same purpose in like circumstances must be treated consistently either as a direct or an indirect cost to avoid possible double charging of Federal awards.

[13] $94,321 ($70,740 Federal share) are included in the total questioned costs of $3.3 million and are not additional questioned costs.

[14] 2 C.F.R. 200.302(b)(3), & 200.403.

These issues also occurred because the Division lacked formal, written policies and procedures to distinguish indirect and vehicle usage costs from direct grant charges, resulting in inconsistent classification of expenditures across grants. In addition, grant coding was not consistently included to State matching costs recorded in the financial management system, preventing us from determining whether the non-Federal match was correctly attributed to a single Federal award as required. This lack of coding clarity also limited the State's ability to demonstrate that match totals were allowable, properly valued, and adequately supported.

Furthermore, staff did not receive adequate training to ensure compliance with Federal requirements for detailed supporting documentation of both claimed costs and match contributions. For example, during a discussion with accounting personnel, we learned that grant costs were calculated using inherited instructions and a pre-existing spreadsheet, without a clear understanding of the underlying methodology, such as the formulas used or the rationale for excluding certain costs.

Impact and Risks

Due to systemic weaknesses in the Division's financial management practices, including reliance on an unaudited database, inadequate supporting documentation, lack of documented procedures, and inadequate internal controls, we are questioning $2,516,416 (Federal share) as unsupported. The Division's reliance on manual spreadsheets and the unaudited database demonstrate a lack of adequate internal controls, increasing the risk of undetected errors, inconsistent cost coding, or duplicative charges. Manual entries to payroll, fringe rates, indirect cost rates, and vehicle usage rates performed in a spreadsheet outside the financial management system could not be consistently verified or reconciled to source documentation. Without strong internal controls, documented procedures, and repeatable processes, the Division cannot demonstrate that costs charged to WSFR grants meet Federal standards for allowability, allocability, reasonableness, consistency, or documentation.

Additionally, because the Division could not demonstrate how State matching contributions were supported or assigned, the State risks noncompliance with matching requirements. These deficiencies hinder the accurate allocation of Federal and State funding sources and raise the risk of duplicate, overstated, or unallowable charges.

If these weaknesses persist, the Division faces ongoing risk of noncomplying with Federal regulations, potential repayment of questioned costs, jeopardizing future WSFR funding, and diminishing public trust.

Recommendations

We recommend that FWS require the Division to:

1. Resolve the $3,355,221 ($2,516,416 Federal Share) in questioned costs related to unsupported costs charged to the Wildlife and Sport Fish Restoration Program.

2. Develop and implement a process that ensures Federal and State expenditures claimed on grants are documented in the State financial system at a sufficient level of detail that allows them to be identified as grant costs.

3. Develop and provide training to West Virginia Division of Natural Resources personnel to ensure Federal regulations requiring adequate support for all claimed costs are adhered to.

4. Develop a reconciliation process for reimbursed indirect, fringe benefit, and vehicle costs to ensure the West Virginia Division of Natural Resources does not receive more Federal funding than it paid on an annual basis.

5. Develop policies and procedures that outline which costs should be direct costs and which costs should be indirectly charged to grants.

Inequitable Leave Allocations

Federal cost principles require that costs be allocable to a Federal award in proportion to the relative benefits received. A cost is allocable if it (1) is incurred specifically for the Federal award, (2) benefits both the Federal award and other activities of the State and can be approximated using reasonable methods, or (3) is necessary to the overall operations of the State and can be assigned in part to the Federal award in accordance with these cost principles.[15] If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit. However, when those proportions cannot be determined because of the interrelationship of the work involved, then the costs may be allocated or transferred to benefited projects on any reasonable documented basis.[16] Additionally, the cost of regular compensation paid to employees during periods of authorized absences from the job, such as for annual leave, are allowable if (1) they are provided under established written leave policies; (2) the costs are equitably allocated to all related activities, including Federal awards; and (3) the accounting basis for each type of leave is consistently followed by the non-Federal entity or specified grouping of employees.[17]

We found that the Division's method for allocating leave costs to WSFR grants is not proportional to the actual level of effort devoted to WSFR activities. As mentioned in the previous section on payroll, Division personnel explained that leave costs are recorded in the timekeeping system but not charged directly to the grants in the financial management system. Instead, the Division recovers leave costs through an allocation method. While using an allocation method to recoup these costs is allowable, the methodology used by the Division did not comply with Federal regulations. Specifically, the Division calculated leave allocations based on the average hours worked by all full time[18] Wildlife Resources Section employees during the prior year, including 18 employees who did not work on WSFR grants and 55 employees who spent an average of 19 percent of their time working on WSFR grants.

In addition, the Division's allocation method inappropriately applied hours worked that were unrelated to WSFR grants. For example, the annual calculation included time coded to "miscellaneous non federal aid activities." We verified with Division personnel that this category was for work on non-WSFR activities. Upon review, we identified that over 90,000 hours were identified as non-Federal aid activities and applied through the Division's allocation methodology.

Furthermore, the Division's allocation calculations were determined using the average hours worked[19] during the previous State fiscal year and subtracting that amount from the standard 2,080 annual full-time hours, which equates to the average annual leave hours. Based on our knowledge, the Division does not perform reconciliations to ensure that leave allocations reflect actual hours worked to the grant, which could result in over-or-under allocations. If these reconciliations are not completed, the Division faces the possibility of assigning incorrect leave expenses to the grants. This could lead to significant discrepancies, with either excessive or insufficient allocations, ultimately compromising the accuracy of our financial records.

Using documentation provided by the Division, we identified the hours worked exclusively on WSFR grants in fiscal year 2023 and determined that employees who worked full-time on WSFR grants averaged 158 leave hours, resulting in 1,922 average hours worked. In contrast, for the same year, the Division calculated that these employees averaged 1,719 hours worked. Because each employee's effective hourly rate is calculated by dividing the employee's annual salary by the average hours worked, any understatement of hours worked results in inflated effective hourly rates charged to the grants. Applying both methodologies to one fiscal year 2023 grant, the total grant costs are $2,639,254 when using 1,719-hour figure, compared to $2,512,489 using

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[15] 2 C.F.R. § 200.405(a).

[16] 2 C.F.R. § 200.405(d).

[17] 2 C.F.R. § 200.431(b).

[18] For this process, employees are considered full-time when they work more than 334 days per year.

[19] Average hours worked is the total hours worked by full-time wildlife section employees divided by the number of those same employees.

the 1,922-hour figure, an increase of $126,766, or approximately 5 percent. To illustrate the significance of these calculations, total costs claimed on WSFR grants during the audit period were approximately $40 million; a 5 percent variance is roughly $2 million.

The Division does not have documented policies and procedures nor sufficient internal controls to ensure accuracy and completeness of the allocation methodology. For example, when asked to provide support for the allocation hours, the Division identified an error in the calculation that affected all WSFR grant claims for fiscal year 2022. Although the error resulted in lower claimed payroll, fringe, and overhead costs, and no questioned costs for that specific issue, it highlighted a lack of adequate policies and internal controls.

Because of the identified issues showing that the Division's allocation base did not accurately reflect the time worked on only WSFR projects, we could not determine whether leave costs were properly allocated across eligible activities. As a result, the allocations could result in higher Federal costs and noncompliance with Federal cost allocation requirements.

Recommendations

We recommend that FWS require the Division to:

6. Develop and implement a leave allocation method that charges leave in a manner consistent with Federal cost principals, including ensuring charges are based on actual employee work and leave usage and allocates cost only to benefiting activities.

7. Establish and implement internal controls to ensure payroll and leave costs charged to Wildlife and Sport Fish Restoration Program grants are supported by documentation, reviewed for accuracy, and aligned with allowable cost allocation practices.

8. Develop written policies and procedures governing payroll cost allocation, including specific instructions for charging leave, handling non-grant activities, and maintaining documentation to support all allocation decisions.

Potential Diversion of License Revenue—$4,485,150

Federal regulations require that States, acting through their fish and wildlife agencies, are eligible for the benefits of the Acts only if they pass and maintain legislation that (1) assents to the provisions of the Acts; (2) ensures the conservation of fish and wildlife; and (3) requires that revenue from hunting and fishing licenses be controlled only by the State fish and wildlife agency and used only for administration of the agency, which includes only the functions required to manage that agency and the fish- and wildlife-related resources for which that agency has authority under State law.[20]

West Virginia code requires hunting and fishing license fees be placed in the State treasury and credited to the Division's "license fund – wildlife resources," to be used and paid out upon the division director's order solely for law enforcement and other purposes that directly relate to the conservation of wildlife. The West Virginia code further stipulates that the director will use 10 percent of license fees for capital improvement and land purchases, 40 percent for the Wildlife Resources Division, 40 percent for law enforcement, and 10 percent for other purposes directly relating to conservation.[21]

Because West Virginia code requires 40 percent of license revenues be transferred to the law enforcement section within the Division, we reviewed the law enforcement section's license revenue expenditures for State

[20] 50 C.F.R. § 80.10.

[21] WV Code § 20-2-34 (b).

fiscal years 2022 and 2023 and identified that a potential diversion[22] had occurred. Specifically, we could not verify whether approximately $4.5 million of license revenue spent by the Division's law enforcement section was tied to the administration of the fish and wildlife agency or for other purposes directly relating to conservation, protection, propagation, and distribution of wildlife. While Federal regulations do not prohibit using license revenue for law enforcement activities, all expenditures paid using license revenue should be documented to demonstrate that its use was for conservation-related purposes. This is particularly important given that the Division encompasses not only the fish and wildlife section but also administration, State parks, and law enforcement sections, each performing a wide array of functions and can include program activities unrelated to conservation.

Division personnel originally told us that law enforcement activities related to license and non-license activities are accounted for using project codes in the State's accounting system. However, our review of the $11.3 million in law enforcement license revenue expenditures for State fiscal years 2022 and 2023 identified that approximately $4.5 million (40 percent) did not contain project codes, making it impossible to determine whether these costs supported conservation-related activities as required and whether they are sufficient to ensure compliance with Federal and State requirements.

These uncoded expenditures were distributed across various cost categories; however, none of them provided a clear connection to wildlife or conservation activities. For example, $2.2 million (50 percent) of the uncoded expenditures were recorded as current expenses (see Figure 2), which included contractual services, motor vehicle energy and operating costs, insurance, employee travel, and internal computer services.

Figure 2: Cost Category Information for Blank/Uncoded Law Enforcement License Revenue Expenditures

Cost Category	Fiscal Year 2022 and 2023 Expenditures
Payroll	$ 1,437,950
Fringe	$ 588,203
Current Expenses	$ 2,224,352
Assets	$ 16,035
Repairs & Alterations	$ 191,430
Other Assets	$ 27,180
Total Expenses – No Project Codes	**$4,485,150**

While we and the Division agree that license revenues should be safeguarded under the limitations set by the West Virginia code and Constitution,[23] the Division's internal controls may not be adequate to ensure that the expenditure of these revenues are appropriately documented for usage in eligible activities. The Division stated that, although project codes are not applied in the same manner within the law enforcement section as they are in the wildlife section, each transaction is reviewed individually to confirm the appropriate funding source. Despite these assertions, the Division did not provide documentation associated with the potentially diverted amount to support that such expenditures were reviewed and approved as allowable activities.

Without adequate controls, such as consistent use of project coding within the accounting system and retaining documentation to support that these costs were for eligible activities, the Division was unable to support that nearly half of its license-revenue spending for law enforcement complied with Federal and State statutory

[22] 50 C.F.R. § 80.2 defines diversion as any use of revenue from hunting and fishing licenses for a purpose other than administration of the State fish and wildlife agency.

[23] WV Constitution, Article VI, 6-55; WV Code § 20-2-34 (b).

requirements. Clear, consistent, and conservation-specific project coding are also necessary to ensure proper stewardship of license revenue and to verify that all expenditures align with allowable purposes.

Furthermore, since 2015, WSFR has apportioned over $140 million to West Virginia, with an average annual apportionment of $14 million. A diversion of license revenue, if substantiated by FWS, would jeopardize the State's continued participation in the WSFR program and question whether fish and wildlife resources appropriately benefited from the funds.

Recommendations
We recommend that FWS require the Division to: 9. Resolve the potentially diverted funds of $4,485,150. 10. Develop processes to ensure that revenue and expenditure coding is used to distinguish which costs are directly related to the conservation, protection, propagation, and distribution of wildlife within the accounting system.

Unreported Subawards

The Code of Federal Regulations (C.F.R.) requires States to report each subaward action that obligates $30,000 or more in Federal funds to the Federal Funding Accountability and Transparency Act Subaward Reporting System (sam.gov/fsrs) by the end of the month following issuance of the award.[24] This information is then integrated into USAspending.gov.

We found that, during the audit period, the Division did not always report subawards over $30,000 that were funded through WSFR grants to the reporting system, as required. Specifically, we identified five out of eight subawards that should have been reported but were not (see Figure 3).

Figure 3: Unreported Subawards

Grant No.	Amount
F19AF00173	$63,089
F20AF11851	$129,162
F20AF12205	$192,000
F21AF03489	$140,000
F21AF03489	$140,000
Total	**$664,251**

We learned through interviews with Division personnel that during our audit period, the Division did not have policies in place regarding subaward management. In April 2025, we alerted the Division to our potential finding and concerns regarding this matter. The Division agreed with our assessment and took swift action to update its standard operating procedure to require reporting subawards obligating more than $30,000 in Federal funds. As such, the recommendation associated with this finding, as seen below, is considered implemented at the time our final report is published and no further action is required.

[24] During the audit scope (State fiscal years 2023 and 2024), 2 C.F.R. § 170, Appendix A(a) required that subawards over $30,000 to be posted to fsrs.gov. As of March 8, 2025, fsrs.gov was retired, and all subaward reporting data and functionality are now on SAM.gov.

Timely reporting of subawards greater than $30,000 provides transparency to the public on how Federal money was spent. In this case, however, $664,251 in Federal funds went unreported. Subaward reporting is meant to offer the public a means of holding governmental agencies accountable for spending decisions.

Recommendation
We recommend that FWS require the Division to: 11. Update its standard operating procedure to include an internal mechanism to ensure that all subawards with Federal funding over $30,000 are reported, as required in the Code of Federal Regulations.

Recommendations Summary

We provided a draft of this report to FWS and the Division for review. FWS concurred with six recommendations, partially concurred with two recommendations, and did not concur with three recommendations. We consider Recommendations 3, 7, 8, and 10 resolved; Recommendations 5 and 11 implemented; and Recommendations 1, 2, 4, 6 and 9 remain unresolved.

Additionally, we would like to address both FWS' and the Division's concerns regarding characterization of the facts in this report. The report conveys the facts of what we found during the audit—that the Division did not provide sufficient, detailed documentation in response to our requests during the audit—and describes areas of concern regarding financial management practices held by the Division, as they pertain to the WSFR program. The report contains no positive or negative characterization of these facts. Accordingly, as the facts conveyed in the report are accurate, we did not modify our report based on the responses received.

Below we summarize the FWS and Division responses to our recommendations, as well as our comments on their responses. See Appendix 4 for the full text of the FWS and Division responses; Appendix 5 lists the status of each recommendation.

We recommend that FWS require the Division to:

1. Resolve the $3,355,221 ($2,516,416 Federal share) in questioned costs related to unsupported costs charged to the Wildlife and Sport Fish Restoration Program.

   FWS Response: FWS partially concurred with the recommendation and stated that:

   > Based on the Division's corrective actions to date, [FWS] review of the system, [the Division's] macros, Scratch backup files, and reimbursement support, [FWS] are confident that the costs related to payroll, fringe, leave allocation, mileage, overtime and indirect costs are adequately supported and comply with 2 C.F.R. § 200. As a result, FWS does not sustain the questioned costs and will assume the associated risk.

   However, FWS concurred with us that $94,324 ($70,740 Federal share) was charged as both a direct and indirect cost and has worked with the Division to resolve all but the $6,330 which was charged to Grant No. F21AF00379. This $6,330 will be paid back on an award that closes in December 2026.

   Division Response: The Division did not concur with the recommendation and stated that "information provided can be cross walked through [accounting system] exports and calculations and then verified against the costs claimed." The Division also maintains that the documentation supports all of the grant reimbursements.

   OIG Comment: Based on FWS' and the Division's responses, we consider this recommendation unresolved. While we acknowledge that FWS met with the Division and received additional walkthroughs and we received some supporting documentation in March 2026, we were not included in the meetings with FWS and the Division and therefore did not receive the necessary context, including walkthroughs, that were required to demonstrate how the question costs were supported. Additionally, contrary to the FWS' response, we did not receive all scratch documentation. We received only six of the 24 months of scratch files for the audit period. We will consider this recommendation resolved when FWS requires the Division to demonstrate that all expenditures claimed by the Division are supported and reasonable by, for example, auditing the external database or incorporating the costs from the external database into the audited financial system. We will consider it implemented when FWS provides documentation that the Division has completed these actions, such as auditing the database or incorporating database costs into the audited financial system.

2. Develop and implement a process that ensures Federal and State expenditures claimed on grants are documented in the State financial system at a sufficient level of detail that allows them to be identified as grant costs.

   FWS Response: FWS did not concur with the recommendation and stated that the Division's Federal and State expenditures are adequately documented in the Division's financial systems at a sufficient level of detail that allows the costs to be identified as grant expenditures and comply with regulatory requirements.

   Division Response: The Division did not concur with the recommendation and stated that the "information provided can be cross walked through [accounting system] exports and calculations and then verified against the costs claimed."

   OIG Comment: Based on FWS' and the Division's responses, we consider this recommendation unresolved. While both entities characterize the unaudited external database as part of the financial management system, neither response demonstrates how such costs can be fully supported and traced to the amounts claimed. The Division was not able to provide adequate, detailed support during the audit for costs within the unaudited external database, such as leave allocation. Additionally, the Division's State share of expenditures is not tracked within the State accounting system; rather, it is determined by calculating the total amount of grant specific costs housed within the accounting system as well as manipulated costs resulting from the unaudited external database on a spreadsheet and then applying 25 percent to meet the required match. We will consider this recommendation resolved when FWS agrees to require the Division to develop and implement a process that ensures Federal and State expenditures claimed on grants are documented in the State financial system at a sufficient level of detail that allows them to be identified as grant costs. We will consider it implemented when FWS provides documentation demonstrating that a process has been implemented by the Division to ensure Federal and State expenditures are maintained in an audited financial system.

3. Develop and provide training to West Virginia Division of Natural Resources personnel to ensure Federal regulations requiring adequate support for all claimed costs are adhered to.

   FWS Response: FWS concurred with the recommendation and stated that it would provide oversight to ensure the Division implemented the recommendation.

   Division Response: The Division concurred with this recommendation and stated it will "develop and deliver training to its personnel to ensure compliance with Federal requirements for maintaining adequate documentation to support all claimed costs. Upon completion, the Division will provide FWS with a copy of the training materials, a list of attendees and dates of training."

   OIG Comment: Based on FWS' and the Division's responses, we consider this recommendation resolved. We will consider it implemented when FWS provides documentation to support that the Division has completed the actions outlined in its corrective action plan. The target implementation date is July 1, 2027.

4. Develop a reconciliation process for reimbursed indirect, fringe benefit, and vehicle costs to ensure the West Virginia Division of Natural Resources does not receive more Federal funding than it paid on an annual basis.

   FWS Response: FWS did not concur with the recommendation and stated that to its knowledge, "there is no Federal regulation that requires a reconciliation of payouts to reimbursements on an annual basis. A supportable allocation of total costs to each grant is sufficient. In addition, for indirect costs, specifically, an annual carryforward adjustment in the NICRA addresses a correction of estimates (over or undercharges) and is unrelated to cash payments."

   Division Response: The Division did not concur with the recommendation and provided no additional explanation.

OIG Comment: Based on FWS' and the Division's responses, we consider this recommendation unresolved. The Division certified to FWS that the expenditures, disbursements, and match reported on its Federal financial reports are accurate, complete, and meet the purposes and objectives of the terms and conditions of the Federal award. These terms and conditions require that costs be allowable, allocable, reasonable, and supported. Grant regulations also require recipients to have financial management systems that enable preparation of financial reports, and that recipients establish effective internal controls over the award that provide reasonable assurance that the recipient is managing Federal funds in compliance with Federal requirements. Reconciliations are a commonly used internal control that enables grantees to ensure they are complying with the grant rules and completing certifications accompanying their Federal financial reports truthfully. Without a reconciliation, the grantee cannot know if cash drawdowns, actual disbursements, and recorded expenses match, particularly where, as here, questions have been raised about the expenses claimed. As explained above, different cost details and amounts were provided to us at different times, and the Division did not provide adequate support for its claimed expenses. We will consider this recommendation resolved when the Division develops a reconciliation or other process for indirect, fringe benefit, and vehicle costs that ensures the Division does not receive more Federal funding than it paid on an annual basis. We will consider it implemented when FWS provides documentation to demonstrate that the Division has developed a reconciliation or other process that ensures the Division's financial reports are accurate and reflect the correct numbers from its financial management system.

5. Develop policies and procedures that outline which costs should be direct costs and which costs should be indirectly charged to grants.

   FWS Response: FWS concurred with the recommendation and stated that it would provide oversight to ensure the Division implemented the recommendation.

   Division Response: The Division concurred with the recommendation and stated that it has "discontinued the coding of certain object codes directly to Federal grants and developed standard operating procedures for determining direct and indirect costs on Federal grants."

   OIG Comment: Based on FWS' and the Division's responses, we consider this recommendation implemented. We obtained and reviewed the supporting documentation and determined it is sufficient support to close the recommendation.

6. Develop and implement a leave allocation method that charges leave in a manner consistent with Federal cost principals, including ensuring charges are based on actual employee work and leave usage and allocate cost only to benefiting activities.

   FWS Response: FWS did not concur with the recommendation and stated that it considers the Division's approach to be "reasonable, well-documented, and consistent with regulation."

   Division Response: The Division did not concur with the recommendation and stated that it disagrees that its current leave allocation method is improper.

   OIG Comment: Based on FWS' and the Division's responses, we consider this recommendation unresolved. Federal regulations state that costs which benefit two or more projects must be allocated to the projects based on the proportional benefit if the proportions can be determined without undue effort or cost. We were able to use reports provided during the audit to determine and calculate the leave allocation costs isolated to the leave hours charged to WSFR grants. The calculations we performed to isolate the WSFR leave would not impose undue effort or cost to the Division. Further, FWS stated in its response that the Division's method includes leave for all Wildlife Resources Section staff who work on activities funded by multiple sources—not just WSFR grants. Thus, allocating leave on a proportional basis to WSFR grants based on actual employee work and leave usage of those activities would provide for a more accurate and reasonable representation of WSFR-related leave costs incurred by the Division. We will consider this recommendation resolved when the Division develops and implements a leave allocation method that ensures charges are allocated only to benefiting activities. We will consider it implemented when FWS provides documentation to demonstrate that the Division has developed and applied a leave allocation method allocated solely to benefiting activities based on actual employee work and leave usage.

7. Establish and implement internal controls to ensure payroll and leave costs charged to Wildlife and Sport Fish Restoration Program grants are supported by documentation, reviewed for accuracy, and aligned with allowable cost allocation practices.

   FWS Response: FWS concurred with the recommendation and stated that it would provide oversight to ensure the Division implemented the recommendation.

   Division Response: The Division concurred with the recommendation and stated that it will establish and implement internal controls, including an annual review of all database formulas, to ensure payroll and leave costs charged to Wildlife and Sport Fish Restoration Program grants are supported by documentation, reviewed for accuracy, and aligned with allowable cost allocation practices.

   OIG Comment: Based on FWS' and the Division's responses, we consider this recommendation resolved. We will consider this recommendation implemented when FWS provides documentation demonstrating that the Division has implemented internal controls for payroll and leave costs. The target implementation date is July 1, 2027.

8. Develop written policies and procedures governing payroll cost allocation, including specific instructions for charging leave, handling non-grant activities, and maintaining documentation to support all allocation decisions.

   FWS Response: FWS concurred with the recommendation and stated that it would provide oversight to ensure the Division implemented the recommendation.

   Division Response: The Division concurred with the recommendation and stated that it will develop written policies and procedures governing payroll cost allocation, including specific instructions for charging leave, handling non-grant activities, and maintaining documentation to support all allocation decisions. The Division will also create a detailed manual for the database system that will outline the database's functions, document all macros in use, clearly explain their purposes, and describe the role of documents necessary to be retained to substantiate drawdowns.

   OIG Comment: Based on FWS' and the Division's responses, we consider this recommendation resolved. We will consider this recommendation implemented when FWS provides documentation to support that the Division has completed the actions outlined in its corrective action plan. The target implementation date is July 1, 2027.

9. Resolve the potentially diverted funds of $4,485,150.

   FWS Response: FWS partially concurred with the recommendation and stated that it "does not sustain the full potentially diverted costs of $4,485,150 and agrees instead that the unsupported and ineligible funds totaled $2,146,707.86," as determined by FWS after a review of payroll expenditures. Additionally, based on a review conducted by FWS, $2,201,874.31 in eligible law enforcement personnel services were paid for with the Division's annual state budget appropriation. FWS further states that "although the Division's documentation and cost allocation practices were disorganized, the underlying financial activity shows that the State paid eligible program costs from its general revenue tax appropriation in amounts greater than the total requiring repayment."

   Division Response: The Division did not concur with the recommendation but stated that it will continue to work with the FWS to "provide additional supporting documentation related to its use of license funds for administrative purposes." The Division also stated that the expenditures in question "were allowable, at least in part, because they were tied to the administration of the fish and wildlife agency or for other purposes directly relating to conservation, protection, propagation, and distribution of wildlife."

OIG Comment: Based on FWS' and the Division's responses, we consider this recommendation unresolved. FWS performed an allocation to identify eligible and ineligible law enforcement costs and provided supporting spreadsheets that attempted to resolve a portion of the potential diversion. However, the allocation was performed across all six funds from which the law enforcement personnel costs are paid, rather than isolating costs charged to the license revenue fund. This approach appears to increase the amount of potential diversion rather than reduce it. Additionally, the allocations did not address the costs identified in the report that were recorded without program codes. Instead, FWS reviewed the personnel costs recorded with program codes across all six funds for eligibility. The Division may use the other five funds to pay these costs, as they are not subject to the license revenue usage restrictions. Furthermore, FWS stated that it "reviewed the non-personal costs charged to the license account to remove ineligible costs and then allocated the remaining costs based on staff hours worked on eligible and ineligible activities" and referenced this review as Appendix D; however we did not receive that appendix and therefore cannot verify whether allocating non-personal costs based on staff hours is appropriate or whether those costs are already recovered through the application of the approved indirect cost rate. We will consider the recommendation resolved when FWS requires the Division to add the missing project codes to the identified potentially diverted costs. We will consider it implemented when FWS provides documentation supporting the corrections.

10. Develop processes to ensure that revenue and expenditure coding is used to distinguish which costs are directly related to the conservation, protection, propagation, and distribution of wildlife within the accounting system.

    FWS Response: FWS concurred with the recommendation and stated that it would provide oversight to ensure the Division implemented the recommendation.

    Division Response: The Division concurred with the recommendation and stated that it "agrees that controls could be strengthened to ensure that all Federal and State policies and procedures are followed and that proper documentation is retained to support all expenditure claimed to Wildlife Resources license funds." Division officials will develop and implement specific policies and procedures in response to this recommendation.

    OIG Comment: Based on FWS' and the Division's responses, we consider this recommendation resolved. We will consider it implemented when FWS provides documentation demonstrating the Division has completed the actions outlined in its corrective action plan. The target implementation date is July 1, 2027.

11. Update its standard operating procedure to include an internal mechanism to ensure that all subawards with Federal funding over $30,000 are reported, as required in the Code of Federal Regulations.

    FWS Response: FWS concurred with the recommendation and provided documentation to support closure of the recommendation.

    Division Response: The Division concurred with the recommendation and provided updated standard operating procedures that require reporting subawards obligating more than $30,000 in Federal funds.

    OIG Comment: Based on FWS' and the Division's responses, we consider this recommendation implemented. We obtained and reviewed the supporting documentation and determined it is sufficient support to close the recommendation.

Appendix 1: Scope and Methodology

Scope

We audited the West Virginia Division of Natural Resources (Division'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 five grants open during the State fiscal years ending June 30, 2022, and June 30, 2023. During the audit period, there were 23 grants that claimed $16.3 million in Federal expenditures. The five grants we reviewed claimed $10.5 million in expenditures. 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 following related principles were significant to the audit objectives:

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

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

- Examining the evidence that supports selected expenditures that the Division charged to the grants.
- Reviewing transactions related to purchases, direct costs, drawdowns of reimbursements, in-kind contributions, and program income.
- Interviewing Division employees.
- Inspecting equipment and other property.
- Reviewing equipment inventory and disposal records.
- Determining whether the Division 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.

- Reviewing the fringe benefits charged during the payroll process to understand the coding for payroll deductions and to determine whether the fringe benefit codes are allowable, allocable, and reasonable.

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

We found deficiencies in internal control that we discussed in the "Results of Audit" section of our report and made recommendations to address the issues.

Based on the results of our initial assessments, we assigned a level of risk and selected a judgmental sample of 5 out of 23 grants with activity during our audit period. This included grants for fish hatchery operations, boat access administration and maintenance, hunter education, game management research and wildlife management, and investigations.

Our review of these grants included assessments on the following:

- Grant claims and corresponding drawdowns.

- Application of the negotiated indirect cost rate agreement.

- Recognition and application of program income.

- Payroll allocations.

- Management of real property and equipment.

- Validation and application of in-kind contributions.

- Classification and administration of subawards.

- Progress of agreed-upon grant objectives.

We used auditor judgment and considered risk levels relative to other audit work performed to determine the degree of testing performed in each area. Our sample selections were not generated using statistical sampling; 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 West Virginia fish and wildlife agency and that agency's management of WSFR resources and license revenue.

The Division provided computer-generated data from its official accounting system and from informal management information and reporting systems. We tested the data by sampling expenditures and verifying them against WSFR reports and source documents such as purchase orders, invoices, and payroll documentation. While we assessed the accuracy of the transactions tested, we did not assess the reliability of the accounting system as a whole.

Prior Audit Coverage

OIG Audit Reports

We reviewed our last two audits of costs the Division claimed on WSFR grants.[25] We followed up on three recommendations from the 2020 report and 15 from the 2015 report. We reviewed the Division's corrective actions and found that 17 recommendations have been implemented and one recommendation is resolved. For implemented recommendations, we verified that the State has taken the appropriate corrective actions.

State Audit Reports

We reviewed the single audit reports for State fiscal years 2022 and 2023 to identify control deficiencies or other reportable conditions that affect WSFR. In those reports, the Schedule of Expenditures of Federal Awards indicated $16 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.

[25] *U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the State of West Virginia, Division of Natural Resources, From July 1, 2016, Through June 30, 2018* (2019-CR-041), issued July 2020.

U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the State of West Virginia, Division of Natural Resources, From July 1, 2011, Through June 30, 2013 (R-GR-FWS-0013-2014), issued December 2015.

Appendix 2: Sites Visited

Headquarters	Charleston, West Virginia
Fisheries Offices	District 5 Fish Management
Fish Hatcheries	Apple Grove Palestine
Wildlife Management Areas	Beech Fork Lake Big Ugly Chief Cornstalk Frozen Camp Hilbert McClintic Tomblin

Appendix 3: Monetary Impact

We reviewed five grants that were open during the State fiscal years that ended June 30, 2022, and June 30, 2023. The five grants included expenditures of about $10.5 million and related transactions. We questioned $2.5 million in Federal share as unsupported. We also identified a potential diversion of $4.5 million in license revenue from the West Virginia Division of Natural Resources (non-Federal funds).

Monetary Impact: Questioned Costs and Funds To Be Put To Better Use

Grant No.	Grant Title	Cost Category	Unsupported Questioned Costs (Federal Share)	Funds To Be Put To Better Use
F19AF01000	Hunter Education	Payroll & Fringe	$24,132	–
		Overhead	$42,689	
		Vehicle Expenses	$51,689	
		Invoices & Adjustments	$0	
F20AF12205	Game Mgmt. Statewide Research	Payroll & Fringe	$173,743	–
		Overhead	$192,047	
		Vehicle Expense	$129,171	
		Invoices & Adjustments	$708	
F21AF00486	Fish Hatchery Operations	Payroll & Fringe	$252,195	–
		Overhead	$521,388	
		Vehicle Expenses	$352,173	
		Invoices & Adjustments	-$58	
F21AF03486	District Wildlife Mgmt. & Investigations	Payroll & Fringe	$263,598	–
		Overhead	$248,453	
		Vehicle Expenses	$188,689	
		Invoices & Adjustments	$3,485	
F22AF00598	Boat Access Admin. & Maintenance	Payroll & Fringe	$23,633	–
		Overhead	$21,276	
		Vehicle Expenses	$27,403	
Total			**$2,516,416***	

* Rounded.

Appendix 4: Responses to Draft Report

The U.S. Fish and Wildlife Service's and the West Virginia Division of Natural Resources' response to our draft report follows on page 24.

United States Department of the Interior

FISH AND WILDLIFE SERVICE
Washington D.C. 20240

In Reply Refer to:
FWS/WSFR/FASO/OIG Draft Audit Report 2024-CGD-032

MEMORANDUM

TO: Acting Assistant Regional Director, Office of Conservation Investment, Northeast Region

FROM: Acting Assistant Director, Office of Conservation Investment MATTHEW FILSINGER Digitally signed by MATTHEW FILSINGER Date: 2026.06.24 14:44:12 -04'00'

SUBJECT: Draft Corrective Action Plan for Draft Audit Report No. 2024-CGD-032, "Wildlife and Sport Fish Restoration Grants Awarded to the State of West Virginia by the U.S. Fish and Wildlife Service", issued May 21, 2026.

The Headquarters Office, Division of Financial Assistance Support and Oversight (FASO) has reviewed the draft Corrective Action Plan (CAP) for the above reference report. Based on our review of the information provided by the Northeast Region, we conclude that the proposed corrective actions adequately address and resolve each recommendation. In accordance with USFWS Service Manual Chapters, 417 FW 1, and our review, we concur with this CAP.

We will forward the CAP, along with this signed memo to both OIG and the Division of Policy, Economics, Risk Management and Analytics (PERMA).

If you have any questions concerning this matter or require further information, please contact either Shelley Dibona (shelley_dibona@ios.doi.gov), Northeast Region Grants Fiscal Officer or Ryan Oster (ryan_oster@ios.doi.gov), Acting FASO Division Manager.

Attachments

United States Department of the Interior

FISH AND WILDLIFE SERVICE

300 Westgate Center Drive
Hadley, MA 01035-9589

U.S. FISH & WILDLIFE SERVICE

DEPARTMENT OF THE INTERIOR

In Reply Refer To:
FWS/R5/OCI

Memorandum

To: Assistant Director, Office of Conservation Investment

From: Acting Assistant Regional Director, Office of Conservation Investment, Northeast Region

JASON RASKU

Digitally signed by JASON RASKU
Date: 2026.06.10 15:07:30 -04'00'

Date: June 10, 2026

Subject: Draft Corrective Action Plan (CAP) for Final Audit Report on U.S. Fish & Wildlife Service, Wildlife and Sport Fish Restoration Program Grants Awarded to the State of West Virginia, Division of Natural Resources, from June 30, 2022-June 30, 2023, Report No. 2024-CGD-032

Attached for your review and approval is the response to the draft audit report from the State of West Virginia, Division of Natural Resources and the Fish and Wildlife Service, and the draft Corrective Action Plan.

The following Corrective Action Plan (CAP) was developed jointly between the U.S. Fish and Wildlife Service, Office of Conservation Investment, Region 5 (Service), and the State of West Virginia, Division of Natural Resources (Division). All corrective actions, resolutions, and due dates were agreed to by both parties.

If you have any questions, please contact Jason Rasku, Acting Assistant Regional Director, Office of Conservation Investment, at 413-800-5201, or Shelley DiBona, Grants Management Specialist, at 413-320-7670.

Attachments:
Draft Audit Response from the State and FWS
LTHD Draft Response to Draft Audit (final is coming)
Draft Corrective Action Plan & Appendices

United States Department of the Interior
FISH AND WILDLIFE SERVICE
300 Westgate Center Drive
Hadley, MA 01035-9589

June 22, 2026

In Reply Refer To:
FWS/R5/OCI

Colleen A, Kotzmoyer, Director
Contract and Grant Audit Division
U.S. Department of the Interior
Office of Inspector General

Dear Director Kotzmoyer:

Enclosed is the West Virginia Division of Natural Resources' (Division) response to the Office of Inspector General's Draft Audit Report No. 2024-CGD-032. The U.S. Fish and Wildlife Service (FWS) has confirmed these are the Division's only comments.

The FWS partially agrees with the auditor's findings (see Corrective Action Plan) and has accepted the Division's response. We will work with Division staff to implement the corrective action plan addressing all findings.

We would like to address the overall tone of the report. We respectfully disagree with the OIG's characterization that the Division was uncooperative and kindly request that these comments be considered for removal from the final audit report. We do not believe the Division intentionally withheld information; rather, any difficulties in providing data were likely due to miscommunication and staff who were new to their positions. Please remove the box on page 4 and revise or remove the first paragraph on page 5. Any new information that came later within the audit period was due to the FWS clarifying requests from the OIG.

Sincerely,

JASON RASKU

Digitally signed by JASON RASKU
Date: 2026.06.22 14:12:23 -04'00'

Jay Rasku
Acting Assistant Regional Director
Office of Conservation Investment

Enclosure:
WV Draft Audit Report Response
Corrective Action Plan

June 20, 2026

Jason Rasku, Acting Assistant Regional Director
U.S. Fish and Wildlife Service
300 Westgate Center Drive
Hadley, MA 01035-9589

RE: Response to Draft Audit Report – Wildlife and Sport Fish Restoration Grants Awarded to the State of West Virginia (Report No. 2024-CGD-032)

Mr. Rasku:

On behalf of the West Virginia Division of Natural Resources ("WVDNR"), thank you for the opportunity to review and respond to the United States Department of the Interior, Office of Inspector General's Draft Audit Report for U.S. Fish and Wildlife Service ("USFWS") Wildlife and Sport Fish Restoration Program ("WSFR") grants awarded to the State of West Virginia during fiscal years ending June 30, 2022, and June 30, 2023. WVDNR values the Office of Inspector General's review and fully recognizes the importance of safeguarding hunting and fishing license revenue in accordance with 50 C.F.R. § 80.21. WVDNR is committed to ongoing cooperation and full compliance with all applicable Federal requirements. As requested, this response is being provided to USFWS on or before June 20, 2026.

As a preliminary matter, WVDNR wants to respectfully express its significant concern with several overwhelmingly negative statements made by the Office of Inspector General in the Draft Audit Report. We found these comments to be misleading, unwarranted, and inappropriate, as they undermine the credibility and accountability of WVDNR. Specifically, WVDNR disagrees that it failed to provide supporting documentation, ignored repeated requests for information, or hindered the audit team during the audit period. In these instances, the characterizations presented in the Draft Audit Report are not appropriate in the context of the significant administrative burden and duration associated with the nearly two-year audit.

From the outset and despite the loss of key personnel, WVDNR diligently responded to information requests and, where appropriate, provided explanations regarding data sources to assist the audit team in understanding how WSFR grant costs and license revenue were recorded and tracked. WVDNR also notes that several delays in the audit were attributable to factors outside WVDNR's control, including the audit team's pause and absence of any communication between October 27, 2025, and February 10, 2026, which resulted in extended gaps between requests and follow-up. Despite these challenges, WVDNR remained responsive, cooperative, and committed to ensuring the audit team had access to all available and relevant records.

The Draft Audit Report included four determinations/findings and eleven corresponding recommendations. The four determinations/findings included the following: 1. questioned costs totaling $3,355,221; 2. inequitable leave allocations; 3. potential diversion totaling $4,485,150; and 4. unreported subawards. WVDNR respectfully submits that it substantially disagrees with several of the determinations/findings in the Draft Audit Report, including the conclusions regarding unsupported costs (Finding 1), improper leave allocation (Finding 2), and the alleged diversion of license revenue (Finding 3). WVDNR agrees, however, with portions of the recommendations associated with these findings that relate to training, policies, clarifying cost-allocation processes, and enhancing reporting procedures. WVDNR fully agrees with the determination/findings and recommendation concerning unreported subawards (Finding 4). Across all four determinations/findings, both those with which WVDNR concurs and those it disputes, WVDNR remains committed to working collaboratively with USFWS to develop a comprehensive and mutually agreeable Corrective Action Plan that addresses the audit's recommendations, improves administrative practices where appropriate, and ensures continued compliance with all Federal WSFR requirements.

Finding 1 – Questioned Costs: $3,355,221

The first finding is related to alleged weaknesses in WVDNR's financial management practices, including reliance on an unaudited database, inadequate supporting documentation, lack of documented procedures, and inadequate internal controls, resulting in $3,355,221 of unsupported expenses. WVDNR disagrees that these expenses were unsupported and similarly disagrees with recommendations 1., 2., and 4. WVDNR agrees with recommendations 3. (relating to training of WVDNR personnel) and 5. (relating to policies and procedures). WVDNR contends that information provided can be cross walked through Oasis exports and calculations and then verified against the costs claimed. In this way, our documentation reconciles the costs claimed and the total grant reimbursements are supported. WVDNR will continue to work closely with USFWS to develop and implement an appropriate Corrective Action Plan regarding these matters.

Finding 2 – Leave Allocation

The second finding is related to improper allocation of payroll leave costs. WVDNR understands that this issue has been identified in several audits of other State WSFR programs around the country and is not unique to WVDNR. WVDNR disagrees that its leave allocation is improper and accordingly disagrees with recommendation 6. (relating to a leave allocation consistent with Federal cost principals). WVDNR agrees with recommendations 7. (relating to internal payroll controls) and 8. (relating to policies and procedures). The WVDNR allocates leave costs to Federal awards based on the proportion of hours worked on each award. This proportional benefit method aligns with Federal cost principles and is consistent with 2 CFR 200.431(b)(2), which allows fringe benefits such as leave to be allocated using a reasonable, consistently applied methodology. WVDNR will continue collaborating with USFWS to develop and implement an appropriate Corrective Action Plan that reflects these recommendations.

Finding 3 – Potential Diversion: $4,485,150

The third finding concerned the potential diversion of hunting and fishing license revenue, and the audit team was unable to verify that $4,485,150 in Law Enforcement section expenditures were tied to the administration of the fish and wildlife agency. WVDNR does not agree with this finding or with recommendation 9. (relating to resolution of the allegedly diverted funds). WVDNR does, however, pledge to continue working collaboratively with USFWS to provide additional supporting documentation related to its use of license funds for administrative purposes. WVDNR submits that these expenditures were allowable, at least in part, because they were tied to the administration of the fish and wildlife agency or for other purposes directly relating to conservation, protection, propagation, and distribution of wildlife.

In partial response to the Draft Audit Report, WVDNR worked with USFWS to prepare a time study related to Law Enforcement section coded time entries for FY 2022 and FY 2023 and determined that non-fish and wildlife activities, including State Parks support, special event support, contracted services, litter patrols, and boating, accounted for 19.91% of all time for FY 2022 and 20.66% for FY 2023. Therefore, 80.09% in FY 2022 and 79.34% in FY 2023 of the Law Enforcement section's time was dedicated exclusively to purposes directly relating to the conservation, protection, propagation and distribution of wildlife in West Virginia. Law Enforcement section personnel record and code their time based on function and program codes, including daily activity reports. These codes are reviewed and verified weekly through the Law Enforcement's chain of command and allow the WVDNR to identify the nature and location of enforcement activities when needed.

In other words, although the officers comprising the Law Enforcement section possess general statewide law enforcement authority, their primary statutory mission remains enforcing fish and wildlife and natural resource laws. Any responses to State Park-related or incidental non-wildlife matters is ancillary and represents a marginal share of total activity. The Draft Audit Report accurately states that "...the Division encompasses not only the fish and wildlife section but also administration, State parks, and law enforcement sections, each performing a wide array of functions and can include program activities unrelated to conservation." However, in reality and fact, the Law Enforcement section is much more mission-focused on fish and wildlife activities, and that focus is reflected in the time study detail. The State Parks section has its own deputized law enforcement personnel with dedicated funding from State Parks revenues and legislative appropriations, not WSFR funds or hunting and fishing license revenue. Therefore, application of the 19.91% and 20.66% allocations in FY 2022 and FY 2023, respectively, provide an equitable and supportable basis for addressing and resolving the substantial majority of the purportedly diverted license revenue.

The WVDNR agrees with recommendation 10. (relating to developing processes to distinguish eligible costs from ineligible costs). WVDNR will continue collaborating with the USFWS to develop a Corrective Action Plan that accurately reflects WVDNR's operations and incorporates an allocation of costs between eligible and ineligible activities.

Finding 4 – Unreported Subawards

The fourth and final finding concerned unreported subawards, and the WVDNR agrees with this determination/finding and recommendation 11. (relating to updating procedures to report subawards) and will work with USFWS to develop and implement an appropriate Corrective Action Plan.

In closing, WVDNR remains committed to full compliance with Federal regulations relating to the WSFR program and to maintaining transparent and well-documented processes for all fish and wildlife license revenues. Although WVDNR substantially disagrees with several of the findings and recommendations in the Draft Audit Report, it does recognize and appreciate the Office of Inspector General's role in helping to safeguard these funds. WVDNR appreciates the audit's role in improving program integrity. WVDNR looks forward to working diligently with USFWS on the issues identified in the Draft Audit Report in the coming months to reach a mutually agreeable Corrective Action Plan. If there are any comments or questions, please contact Gregory K. Beheler, Federal Aid Coordinator, Wildlife Resources Section, WVDNR, gregory.k.beheler@wv.gov, 304-352-5245.

Sincerely,

Brett W. McMillion, Director
West Virginia Division of Natural Resources

FINAL

CORRECTIVE ACTION PLAN

U.S. Division of the Interior (DOI)
Office of Inspector General's (OIG) Audit Report

U.S. Fish & Wildlife Service
Wildlife and Sport Fish Restoration Program Grants
Awarded to the
State of West Virginia
Division of Natural Resources
From June 30, 2022- June 30, 2023
Report No. 2024-CGD-032
Dated May 22, 2026

Corrective Action Plan
State of West Virginia
Division of Natural Resources
Audit Report on the U.S. Fish and Wildlife Service
Wildlife and Sport Fish Restoration Program Grants
2024-CGD-032

Auditors Findings and Recommendations:

A. Questioned Costs—$3,355,221 ($2,516,416 Federal Share) Unsupported Costs Related to Weakness in the Division's Financial Management Practices

The auditors found that due to systemic weaknesses in the Division's financial management practices, including reliance on an unaudited database, inadequate supporting documentation, lack of documented procedures, and inadequate internal controls, that $2,516,416 (Federal share) of expenditures was unsupported.

The auditors recommend that the U.S. Fish and Wildlife Service (FWS) work with the Division of Natural Resources (Division) to:

1. Resolve the $3,355,221 ($2,516,416 Federal Share) in questioned costs related to unsupported costs charged to the Wildlife and Sport Fish Restoration Program.
2. Develop and implement a process that ensures Federal and State expenditures claimed on grants are documented in the State financial system at a sufficient level of detail that allows them to be identified as grant costs.
3. Develop and provide training to Division personnel to ensure Federal regulations requiring adequate support for all claimed costs are adhered to.
4. Develop a reconciliation process for reimbursed indirect, fringe benefit, and vehicle costs to ensure the Division does not receive more in Federal funding than was paid by the Division on an annual basis.
5. Develop policies and procedures that outline which costs should be direct costs and which costs should be indirectly charged to grants.

FWS Determination A.1: The FWS respectfully disagrees with the auditor's assessment regarding Recommendation #1 $3,355,221 in unsupported costs.

Under 2 CFR 200.302(a), recipients must maintain financial systems capable of tracking expenditures and demonstrating that funds have been used in accordance with Federal requirements. The Division meets this standard by using its enterprise financial system (Oasis) to record payroll, fringe, and nonpayroll transactions by program and object code, and by using its Access system to calculate and allocate costs—such as leave, mileage, overtime, and indirect charges—calculations that cannot be done in Oasis. Importantly, **2 CFR 200 does not require all components of the financial management system to reside in a single software platform**. What is required is that the system, taken as a whole, allows Federal reviewers to trace claimed costs back to source documentation. In this case, the State's Access system imports the raw data directly from Oasis, applies documented formulas, and retains the resulting Scratch files to support each draw request. The FWS reviewed these macros, formulas, and source data linkages and amounts, and determined they produce consistent and supportable results. The FWS could trace the underlying payroll charges from Oasis to the Access database where the leave was allocated on their Scratch backup that supported their federal reimbursement, demonstrating that the methodology is both reasonable and replicable. The Scratch files received also included overtime costs, mileage, and indirect costs charged which reconciled with the individual federal reimbursements. Collectively, these reviews satisfy the requirement under **2 CFR 200.302(b)(3)** that accounting records must contain information necessary to identify Federal awards, expenditures, and supporting documentation.

The FWS acknowledges the Division did not initially provide the auditors with adequate support for specific reimbursements for F20AF12205, F21AF00486, F21AF03489 that occurred between July and October 2022. However, all Scratch documentation for this time period were provided to the OIG for these grants in March of 2026. This information was requested by the FWS in response to inquiries from the OIG seeking additional details or clarification. The FWS aimed to assist both the Division and OIG in addressing communication challenges that occurred throughout the audit. During this period, the state was not informed that field work had concluded, nor was it indicated that any support provided would be excluded from consideration in resolving unsupported costs. All documentation provided in March 2026 could be cross-walked from the Oasis exports, through the calculations preformed, and then to the federal and state costs claimed. Scratch documentation maintained reconciles with the costs claimed (federal and state), therefore total grant draws are supported.

We disagree with the auditors' claim about unsupported matching contributions. The financial management system tracks all direct costs to ensure the state does not receive more than 75% reimbursement, without needing to identify state share by individual grant. Divisional expenditures are assigned to project codes linked to specific grants. All draws were properly supported, and the OIG found no evidence of unsupported match.

Unsupported Payroll and Fringe

The FWS respectfully disagrees with the auditors' conclusion claiming unsupported payroll and Fringe Costs. Activity reports and salary information for each employee are uploaded from OASIS on a monthly basis into the Access system to allow the Division to allocate leave, overtime, and fringe to the award. "The inflated rates" are simply the salary rate for the employee plus their allocated share of leave and overtime, which admittedly would have been clearer had the amounts been presented separately rather than combined. However, the FWS has reviewed the macros, and the Scratch backup files that were provided to the OIG in March of 2026 and believe all costs were allocated appropriately and supported.

The FWS does agree with the auditors that pulling payroll data monthly to allocate leave and support grant claims can be inaccurate when pay changes occur which may inflate charges to the award. For example, if a raise is applied mid-month but salary data is recorded at month-end, payroll may exceed eligible amounts. During the audit period on F21AF00486, the OIG also identified $2,144 in unallowable costs where the Division did not pull the salary data for each month but pulled the salary data the day they ran their report for a three-month period. This report reflected the current pay only and not the historical pay during the three-month period which overinflated the salaries for two employees who received raises or became permanent employees during this time period. The FWS agrees that controls should be built into the process to prevent possible overcharging in this specific scenario, which nonetheless only resulted in, $2,144 in unallowable costs out of total of $11,046,308.82 in grant expenditures. The FWS will require the Division to implement a process where salary data is pulled for all vouchers monthly. If there is a salary increase, the Division will adjust the salary for the pay period to ensure there is no inflation of costs.

Unsupported Indirect and Vehicle Costs
The FWS disagrees that vehicle costs and indirect are unsupported. The Division imports the Kronos Activity Report from OASIS to Access. This report includes the VIN number, miles driven by employee, and federal award charged. The Access system simply calculates a cost to be charged to the grant by applying a mileage rate that has been calculated for each vehicle by VIN Number. The mileage rate includes costs associated with the purchase and fuel. The FWS reviewed both the Scratch backup files provided by the Division in March of 2026 to the OIG and can clearly see the mileage charged in OASIS, the rate applied, and the cost charged to the federal award. The FWS believes the state's methodology is both reasonable, replicable, traceable, and well supported.

Indirect costs are also calculated in Access by multiplying the indirect rate by the correct indirect base. We have reviewed the Scratch backup provided by the Division in March of 2026 to the OIG and can clearly see the salary charged, the indirect rate that is applied, and the total overhead charged by employee. The FWS believes the state's methodology is both reasonable, replicable, traceable, and well supported.

The FWS concurs with the OIG that $94,324 ($70,740 Federal Share) was charged as both a direct and indirect cost and has worked with the Division to resolve all but the $6,330 which was charged to F21AF00379. This $6,330 will be paid back on an award that closes on 12/31/2026.

Based on the Division's corrective actions to date, our review of the system, their macros, Scratch backup files, and reimbursement support, we are confident that the costs related to payroll, fringe, leave allocation, mileage, overtime and indirect costs are adequately supported and comply with 2 CFR 200. As a result, the FWS does not sustain the questioned costs and will assume the associated risk and will not require DNR to repay any unsupported costs other than previously mentioned $6,330.

Corrective Action A.1:
As stated above, the FWS does not concur with or sustain the $3,355,221 ($2,516,416 Federal Share) in questioned costs related to unsupported costs charged to the Wildlife and Sport Fish

Restoration Program. The FWS will assume the associated risk. The FWS will consider this finding resolved and implemented.

The Division has fixed the hourly rate errors and removed these questioned costs from F19AF01000, F20AF11851, F20AF12205, F21AF00486, F22AF00598, F21AF00379 and F21AF03489. The Division had sufficient overmatch on the following grants F19AF01000, F20AF12205 and F21AF00486 to support the costs claimed on the award. The F20AF11851 and F22AF00598 awards were still open, and the state was able to remove the costs associated with the vehicle usage rate and indirect costs prior to closure of the grants. For the unallowable costs associated with F21AF03489, the Division did not have sufficient match and paid back the questioned costs through an administrative offset on F24AF01431. The FWS considers all these questioned costs resolved and implemented (please see attached Appendix A for supporting documentation).

Figure 1: Unallowable Questioned Costs Related to Double Charging Grants

Grant No.	Grant Title	Vehicle Usage Cost	Overhead Cost	Total Unallowable Costs	Overmatch	Administrative Offset Required for Payback
F19AF01000	Hunter Education Program	$0	$2,940	$2,940	Overmatch of $498,031.72	
F20AF11851	White-Tailed Deer Ecology & Population Dynamics	$59	$0	$59	Closed on 7/31/2025	
F20AF12205	WV Game Management Research	$1,146	$3,994	$5,140	Overmatch $146,334.67	
F21AF00379	Enhancing Fishery Opportunities	$1,174	$5,156	$6,330	No overmatch payback	Payback to F24AF00293

					required	
F21AF00486	Fish Hatchery Operations	$11,723	$56,571	$68,294	Overmatch $490,308.82	
F21AF03489	Wildlife Management and Investigations	$2,256	$15,683	$17,939	No overmatch payback required	Payback on F24AF01431
F22AF00598	Boat Access Administration & Maintenance	$0	$7	$7	Closed on 12/31/2025	
			Total Payback Owed	**$24,269**		

The FWS will work with the Division to resolve the $6,330 in ineligible costs charged to F21AF00379 that will be paid back through an administrative offset on F24AF00293. This grant does not close until 12/31/2026, at which time the payback will be due.

The responsible individual for resolving this issue is Gregory K. Beheler, Federal Aid Coordinator, Wildlife Resources Section, WVDNR, gregory.k.beheler@wv.gov, 304-352-5245

State Submission Date for Implementation: April 30, 2027
Regional Submission Date: June 30, 2027
HQ Submission Date: July31, 2027

Resolution:
A.1 The FWS considers this corrective action resolved but not implemented. Upon receipt, review, and acceptance of documentation from the Division demonstrating that they paid back the $6,330 through an administrative offset on F24AF00293, the FWS will consider this finding resolved and implemented.

FWS Determination A.2: The FWS does not concur with Recommendation #2. Again, the FWS believes their Federal and State expenditures are adequately documented in their financial systems at a sufficient level of detail that allows them to be identified as grant costs and comply with the regulations.

FWS Determination 3: The FWS Concurs with Recommendation #3.

Corrective Action A.3:
The Division will develop and deliver training to its personnel to ensure compliance with Federal requirements for maintaining adequate documentation to support all claimed costs. Upon completion, the Division will provide FWS with a copy of the training materials, a list of attendees and dates of training.

The responsible individual for resolving this issue is Gregory K. Beheler, Federal Aid Coordinator, Wildlife Resources Section, WVDNR, gregory.k.beheler@wv.gov, 304-352-5245

State Submission Date for Implementation: July 1, 2027
Regional Submission Date: September 30, 2027
HQ Submission Date: October 31, 2027

Resolution A.3: The FWS considers this corrective action resolved but not implemented. Upon receipt, review, and acceptance of documentation from the Division demonstrating that they provided training to Division personnel on the Federal regulating requiring adequate support for all claimed costs, the FWS will consider this finding resolved and implemented.

FWS Determination A.4: The FWS respectively does not concur with Recommendation #4. To our knowledge there is no federal regulation that requires a reconciliation of payouts to reimbursements on an annual basis. A supportable allocation of total costs to each grant is sufficient. In addition, for indirect costs specifically, an annual carryforward adjustment in the NICRA addresses a correction of estimates (over- or undercharges) and is unrelated to cash payments.

FWS Determination A.5: The FWS concurs with Recommendation #5.

Corrective Action A.5:
A.5 The Division has discontinued the coding of certain object codes directly to federal grants (Appendix B) and developed standard operating procedures for determining direct and indirect costs on Federal Grants (Appendix B). The FWS considers this finding resolved and implemented.

B. Inequitable Leave Allocations

The auditors found that the Division's method for allocating leave costs to WSFR grants is not proportional to the actual level of effort devoted to WSFR activities.

The auditors recommend that the Fish and Wildlife Service work with the Division to:

6. Develop and implement a leave allocation method that charges leave in a manner consistent with Federal cost principals, including ensuring charges are based on actual employee work and leave usage and allocates cost only to benefiting activities.
7. Establish and implement internal controls to ensure payroll and leave costs charged to Wildlife and Sport Fish Restoration Program grants are supported by documentation, reviewed for accuracy, and aligned with allowable cost allocation practices.
8. Develop written policies and procedures governing payroll cost allocation, including specific instructions for charging leave, handling non-grant activities, and maintaining documentation to support all allocation decisions.

FWS Determination B.6: As stated in our response to recommendation #1, the FWS respectfully does not concur with the auditors' conclusion regarding the Division's leave allocation method.

According to 2 CFR 200.405(d), if a cost benefits two or more projects or activities, but the proportional benefit cannot be determined without undue effort, then the cost may be allocated on any reasonable documented basis. This is the case for leave costs incurred for Wildlife Resources Section staff, many of whom work on various activities funded by multiple sources (e.g., PR/DJ, SWG, ES, WNS, State programs).

- Direct labor costs are charged to individual Federal awards and other activities based on employee-reported, supervisor-approved activity.
- Leave costs are allocated to each activity based on those direct charges through the following process:
  - Using the prior year's final labor report (auditable and objective), the division isolates the full-time employees that are employed greater than 334 days in the year (to remove part time employees not entitled to leave and individuals who have left the Division retired, etc.) and sums their total work hours reported across all activities, then divides that total by the number of full-time employees to arrive at an average number of work hours per employee.
  - If the average number of work hours was 1,852, and assuming 2,080 hours per employee per year (40 hours x 52 weeks), the 228-hour difference will be attributed to leave.
  - Consider Employee A:

Full-Time Employee A		
Annual Hours	Hourly Rate	Payroll Cost
2,080	24.04	50,000

Using 1,852 hours of direct, activity-based cost at $24.04 per hour would account for $44,522 of his $50,000 annual payroll cost, leaving $5,482 (rounded) to be allocated as leave. This would be accomplished by adding $2.96 per hour to each direct charged hour.

In the current year, that is exactly what is done. However Employee A directly charges his time, an additional $2.96 will be added per hour for leave costs. Doing the same for all full-time employees across all activities results in an equitable allocation without undue effort and cost.

No regulation prohibits basing fringe benefit allocations on prior-year experience. Allocations are, by definition, reasonable estimates and not actual costs. Annual leave patterns do not vary substantially year-to-year, and this approach aligns with established practices such as basing current year PR/DJ mileage or equipment use rates on last year's actual results.

FWS considers the Division's approach to be reasonable, well-documented, and consistent with regulation. We consider the recommendation resolved and implemented.

FWS Determination B.7: The FWS concurs with the auditors' recommendation.

Corrective Action B.7:
B.7. The Division will establish and implement internal controls, including an annual review of all Access formulas, to ensure payroll and leave costs charged to Wildlife and Sport Fish Restoration Program grants are supported by documentation, reviewed for accuracy, and aligned with allowable cost allocation practices.

The responsible individual for resolving this issue is Gregory K. Beheler, Federal Aid Coordinator, Wildlife Resources Section, WVDNR, gregory.k.beheler@wv.gov, 304-352-5245.

State Submission Date for Implementation: July 1, 2027
Regional Submission Date: September 30, 2027
HQ Submission Date: October 31, 2027

Resolution B.7:
The FWS considers this corrective action resolved but not implemented. Upon receipt, review, and acceptance of documentation from the Division demonstrating that they have implemented internal controls to ensure payroll and leave costs charged to Wildlife and Sport Fish Restoration Program grants are supported by documentation, reviewed for accuracy, and aligned with allowable cost allocation practices, the FWS will consider this resolved and implemented.

FWS Determination B.8: The FWS concurs with the auditors' recommendation.

Corrective Action B.8:
(a) The Division will develop written policies and procedures governing payroll cost allocation, including specific instructions for charging leave, handling non-grant activities, and maintaining documentation to support all allocation decisions.

(b) The Division will create a detailed manual for the Access system. This manual will outline the system's functions, document all macros in use, clearly explain their purposes, and describe the role of "Scratch documents", which must be retained to substantiate each draw.

The responsible individual for resolving this issue is Gregory K. Beheler, Federal Aid Coordinator, Wildlife Resources Section, WVDNR, gregory.k.beheler@wv.gov, 304-352-5245.

State Submission Date for Implementation: July 1, 2027
Regional Submission Date: September 30, 2027
HQ Submission Date: October 31, 2027

Resolution B.8:
The FWS considers this corrective action resolved but not implemented. Upon receipt, review, and acceptance of documentation from the Division demonstrating that develop written policies and procedures governing payroll cost allocation and created a manual for the Access system, the FWS will consider this resolved and implemented.

C. Potential Diversion of License Revenue

The auditors found that approximately $4.5 million in license revenue could not be verified as being used for allowable conservation-related purposes.

The auditors recommend that FWS require the Division to:

9. Resolve the potentially diverted funds of $4,485,150.
10. Develop processes to ensure that revenue and expenditure coding is used to distinguish which costs are directly related to the conservation, protection, propagation, and distribution of wildlife within their accounting system.

FWS Determination B.9: The FWS concurs with the auditor's recommendation to resolve potentially diverted funds. Based on review of the Law Enforcement expenditures, the FWS does not sustain the full potentially diverted costs of $4,485,150 and agrees instead that the unsupported and ineligible funds totaled $2,146,707.86.

The FWS acknowledges the Division did not initially provide the auditors with adequate support for certain Law Enforcement section expenditures. Documentation on the Law Enforcements use of license funds was provided to the OIG in March of 2026. This information was requested by the FWS in response to inquiries from the OIG seeking additional details or clarification. Similar to the above, the FWS aimed to assist both the Division and OIG in working through communication challenges that occurred throughout the audit. Regrettably, the documentation submitted in March only outlined the steps taken to determine the allocation, but it lacked the supporting data required for verification.

The FWS has since worked with the Division to review payroll expenditures by function code, the FWS and Division agreed on which function codes were eligible to be charged to license revenue, which were ineligible, which should be allocated because they benefit the entire Division, and which had “#N/A” as the function code (Appendix C Lookup). We then calculated the percentage of ineligible costs charged to the license account by determining the ratio of ineligible costs to total eligible and ineligible costs for each State Fiscal Year (SFY) (Appendix

C FY22 and FY23). This ratio was applied to both the costs that should have been allocated (those benefiting all enforcement staff) and the costs with “#N/A” codes to identify the total payroll charges that were not eligible to be charged to license revenue, totaling $1,489,178.09.

In addition, the FWS and Division reviewed the non-personal costs charged to the license account to remove ineligible costs and then allocated the remaining costs based on staff hours worked on eligible and ineligible activities (Appendix D). A total of $657,529.77 in non-personnel costs were determined to be ineligible to be charged to license revenue.

The total amount of ineligible charges or potential diversion is $2,146,707.86.

Total Ineligible	
Total FY22 Ineligible Personnel License Expenditures	$ 637,473.67
Total FY22 Non-Personnel License Expenditures	$ 218,991.16
Total FY23 Ineligible License Expenditures	$ 851,704.42
Total FY23 Non-Personnel License Expenditures	$ 438,538.61
Total	**$ 2,146,707.86**

However, documentation provided by the Division showed that, during the audit period, law enforcement personnel charged license eligible function codes to accounts other than the Wildlife Resources license account (Appendix C). This included a total of $2,201,874.31 in eligible personnel services paid from the Division’s annual budget appropriation from the Governor’s Office and State Legislature (which is an appropriation of the State of West Virginia’s general tax revenue). These funds included $999,370.24 in FY 2022 and $1,202,504.07 in FY 2023. According to the Division, these personnel costs were charged to that general revenue account out of an abundance of caution and to ensure timely payment of eligible expenses.

The documentation shows that the amount of eligible, non-license-funded expenditures—$2,201,874.31—exceeded the $2,146,707.86 in unallowable charges identified through reconciliation that could have been paid with general funds (which are unrestricted). This demonstrates that the Division used sufficient State general-revenue funds to cover eligible activities in amounts greater than the unallowable costs charged to the license account.

In effect, although the Division’s documentation and cost-allocation practices were disorganized, the underlying financial activity shows that the State paid eligible program costs from its general-revenue tax appropriation in amounts greater than the total requiring repayment. This provides FWS with adequate assurance that the unallowable charges have been fully addressed and that no net diversion of license revenue occurred. The FWS considers this corrective action resolved and implemented

<u>FWS Determination C.10:</u> The FWS concurs with Recommendation #10.

<u>Corrective Action C.10:</u>
The FWS has worked with the Division to function review codes to ensure that codes charged to the license account are allowable. Moving forward, the FWS will require the Division to ensure all future expenditures are coded to a function code and that costs which benefit the Divisions Law Enforcement Section are allocated appropriately.

The Division agrees that controls could be strengthened to ensure that all Federal and State policies and procedures are followed and that proper documentation is retained to support all expenditure claimed to Wildlife Resources license funds. Division officials will develop and implement specific policies and procedures in response to this recommendation, including the following:

1. Hiring two new positions who will report to the Division's chief financial officer. A business manager and a director of accounting will be hired and will be responsible for law enforcement section. Jobs will be posted on or around July 1, 2026, and FWS will be provided with position details for review. Both positions will report internally to the Division's Chief Financial Officer.
2. Developing and implementing policies that require an allocation of expenses;
3. Annually reconcile eligible and ineligible expenses and adjust any corresponding allocated items accordingly. WV will provide documentation to the FWS to demonstrate that they have done this for FY26/FY27

The responsible individual for resolving this issue is Amy Cowie Smith, Chief Financial Officer, WVDNR, Amy CowieSmith, 304-358-6200.

State Submission Date for Implementation: July 1, 2027
Regional Submission Date: September 30, 2027
HQ Submission Date: October 31, 2027

<u>Resolution:</u>

The FWS considers this corrective action resolved but not implemented. Upon receipt, review, and acceptance of documentation from Division demonstrating that they have developed and implemented new policies and procedures, hired staff and have reconciled eligible and ineligible expenditures and adjusted their allocation for FY26/27, the FWS will consider this finding resolved and implemented.

D. Unreported Subawards

The auditors found that the Division did not always report subawards over $30,000 that were funded through WSFR grants to the reporting system, as required.

The auditors recommend that FWS require the Division to:

11. Update its standard operating procedure to include an internal mechanism to ensure that all subawards with Federal funding over $30,000 are reported, as required in the Code of Federal Regulations.

<u>Service (FWS) Determination:</u>
The FWS concurs with the auditors' findings and recommendations.

The Division has updated its standard operating procedures to require reporting subawards obligating more than $30,000 in federal funds and provided this documentation to the auditors. The FWS considers this finding resolved and implemented.

Appendix 5: Status of Recommendations

Recommendation	Status	Action Required
2024-CGD-032-01 We recommend that the U.S. Fish and Wildlife Service (FWS) require the West Virginia Division of Natural Resources (Division) to resolve the $3,355,221 ($2,516,416 Federal Share) in questioned costs related to unsupported costs charged to the Wildlife and Sport Fish Restoration Program.	**Unresolved:** FWS partially concurred with the recommendation. FWS concurred that $94,324 was charged as both a direct and indirect cost; however, it did not concur that the Division could not support the remaining $3,260,897 charged to the WSFR Program.	We will meet with FWS to further discuss resolution of this recommendation.
2024-CGD-032-02 We recommend that FWS require the Division to develop and implement a process that ensures Federal and State expenditures claimed on grants are documented in the State financial system at a sufficient level of detail that allows them to be identified as grant costs.	**Unresolved:** FWS did not concur that the Division's process could not adequately capture expenditures claimed on grants in the financial system at a sufficient level of detail.	We will meet with FWS to further discuss resolution of this recommendation.
2024-CGD-032-03 We recommend that FWS require the Division to develop and provide training to West Virginia Division of Natural Resources personnel to ensure Federal regulations requiring adequate support for all claimed costs are adhered to.	**Resolved**: FWS concurred with the recommendation and will work with staff from the Division to implement corrective actions.	We will track implementation.
2024-CGD-032-04 We recommend that FWS require the Division to develop a reconciliation process for reimbursed indirect, fringe benefit, and vehicle costs to ensure the West Virginia Division of Natural Resources does not receive more Federal funding than it paid on an annual basis.	**Unresolved:** FWS did not concur that the Division needs to develop a reconciliation process to ensure it did not receive more Federal funding than it paid.	We will meet with FWS to further discuss resolution of this recommendation.

Recommendation	Status	Action Required
2024-CGD-032-05 We recommend that FWS require the Division to develop policies and procedures that outline which costs should be direct costs and which costs should be indirectly charged to grants.	**Implemented**: FWS concurred with the recommendation. We obtained and reviewed the supporting documentation and determined it is sufficient support to consider the recommendation implemented.	No action is required.
2024-CGD-032-06 We recommend that FWS require the Division to develop and implement a leave allocation method that charges leave in a manner consistent with Federal cost principals, including ensuring charges are based on actual employee work and leave usage and allocates cost only to benefiting activities.	**Unresolved:** FWS did not concur that the Division's leave allocation method is improper.	We will meet with FWS to further discuss resolution of this recommendation.
2024-CGD-032-07 We recommend that FWS require the Division to establish and implement internal controls to ensure payroll and leave costs charged to Wildlife and Sport Fish Restoration Program grants are supported by documentation, reviewed for accuracy, and aligned with allowable cost allocation practices. **2024-CGD-032-08** We recommend that FWS require the Division to develop written policies and procedures governing payroll cost allocation, including specific instructions for charging leave, handling non-grant activities, and maintaining documentation to support all allocation decisions.	**Resolved**: FWS concurred with the recommendations and will work with staff from the Division to implement corrective actions.	We will track implementation.

Recommendation	Status	Action Required
2024-CGD-032-09 We recommend that FWS require the Division to resolve the potentially diverted funds of $4,485,150.	**Unresolved:** FWS partially concurred with the recommendation. FWS concurred that $2,146,708 contained ineligible and unsupported funds; however, FWS does not concur with the remaining potentially diverted costs of $2,338,442.	We will meet with FWS to further discuss resolution of this recommendation.
2024-CGD-032-10 We recommend that FWS require the Division to develop processes to ensure that revenue and expenditure coding is used to distinguish which costs are directly related to the conservation, protection, propagation, and distribution of wildlife within the accounting system.	**Resolved**: FWS concurred with the recommendation and will work with staff from the Division to implement corrective actions.	We will track implementation.
2024-CGD-032-11 We recommend that FWS require the Division to update its standard operating procedure to include an internal mechanism to ensure that all subawards with Federal funding over $30,000 are reported, as required in the Code of Federal Regulations.	**Implemented:** FWS concurred with the recommendation. We obtained and reviewed the updated procedure and determined it is sufficient support to consider the recommendation implemented.	No action is required.

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

REPORT FRAUD, WASTE, ABUSE, AND MISMANAGEMENT

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