



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



Audit

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

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



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INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

SEP 29 2026

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 Rhode Island by the U.S. Fish and Wildlife Service*
Report No. 2024-CGD-039

This report presents the results of our audit of costs claimed by the Rhode Island Department of Environmental Management (Department) 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 with 10 recommendations and did not concur with one recommendation. FWS will work with the Department to implement corrective actions. The full responses from FWS and the Department are included in Appendix 6. In this report, we summarize the FWS and Department responses to our recommendations, as well as our comments on their responses. We list the status of the recommendations in Appendix 7.

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 Rhode Island Department of Environmental Management (Department) used grant funds and State hunting and fishing license revenue for allowable fish and wildlife activities and complied with applicable laws and regulations, FWS guidelines, and grant agreements.

See Appendix 1 for details about our scope and methodology. See Appendix 2 for sites we visited.

Background

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

Rhode Island has a long, documented history of control deficiencies related to Federal grants management and cost allocations. Federal regulations require a non-Federal entity that expends \$750,000 or more in Federal awards during the entity's fiscal year to have a single audit conducted annually, which includes an audit of both the entity's financial statements and compliance with Federal award requirements.⁴ Auditors conducting single audits are required to use a risk-based approach to determine which State programs are considered major programs and are therefore subject to the single audit. While WSFR has not been considered a major program in Rhode Island in recent years, the single audits performed by its Office of Auditor General for more than a decade have included a material weakness finding related to shortcomings in the implementation of its official Statewide accounting system, as it pertains to grant management and cost allocation. These audit findings, coupled with our own prior work specific to WSFR, are noted below.

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.

⁴ 2 C.F.R. § 200.501(a). This threshold was changed to \$1,000,000 in 2024.

Rhode Island Auditor General Reported Control Deficiencies Over Federal Revenue and Expenditure Reporting

Since State fiscal year (SFY) 2013, the Rhode Island Auditor General has reported that a material weakness exists related to the State's controls over Federal program financial activity. Specifically, the Auditor General reported that:

The State's accounting system does not meet the State's needs in three important and interrelated areas relating to the reporting of federal revenue and expenditures – time reporting/payroll, grants management, and cost allocation – all functionalities that are integral to the management of federal programs. These functions are currently performed independent of [the accounting system] and generally through multiple departmental systems - most of which are duplicative and utilize old and sometimes unsupported technology.

While the State's Department of Administration has taken several corrective actions over the years, the issue still exists. State auditors said in its SFY 2023 and 2024 reports that updated procedures designed to ensure that Federal expenditures reported in the State accounting system align with those reported on Federal reports were deemed ineffective and discontinued. State auditors identified the following internal control deficiencies in the SFY 2024 report:

- Controls are not effective to ensure that Federal expenditures are only recognized when sufficient grant authority exists.
- Controls to ensure that Federal expenditures are reported with allocation processes approved by the Federal Government are lacking.
- The reconciliation process to ensure the amounts reported in Federal reports align with the State accounting system are inefficient or lacking completely.

The 2024 report also included an update to the recommendation for the State's Department of Administration to address the internal control deficiencies identified in the SFY 2023 report. The 2024 report states that the Department of Administration agreed that controls within the State accounting system were ineffective for reporting on Federal financial activity but that it would not implement a monitoring process that would highlight variances between the State accounting system and make the necessary adjustments to Federal reports or address the internal control deficiencies at that time. That is because the accounting system at that time, the Rhode Island Financial Accounting Network System, was sunsetting on June 30, 2025, and the focus shifted to integrating the Enterprise Resource Planning system to address the internal control deficiencies.⁵

Prior U.S. Department of the Interior Office of Inspector General Audit Finding

In our prior audit of costs claimed by the Department on WSFR grants, we found that the Department did not establish sufficient accounting system controls over grant-specific data.⁶ Without these controls, it could not provide support or an audit trail to demonstrate that it incurred the required Federal and State share expenditures for Federal reimbursement. Federal regulations (2 C.F.R. § 200.302(a)) require that States' financial management systems be sufficient to (1) prepare reports required by general and program-specific terms and conditions and (2) trace funds to a level of expenditures adequate to establish that such funds have been used according to Federal statutes, regulations, and the terms and conditions of the Federal award. The previous audit noted that the Rhode Island State single audits identified multiple findings regarding controls over financial reporting. In addition, the Department did not meet the Federal requirements for financial management systems. The Department could not provide a traceable audit trail to demonstrate that it incurred

⁵ As of July 28, 2026, the SFY 2024 single audit report is the most recent Rhode Island single audit.

⁶ U.S. Fish and Wildlife Service Grants Awarded to the State of Rhode Island, Department of Environmental Management, Division of Fish and Wildlife, From July 1, 2016, Through June 30, 2018, Under the Wildlife and Sport Fish Restoration Program (Report No. 2019-WR-007), issued December 2020.

the required Federal and State shares of grant expenditures. As a result, our prior audit could not ensure that WSFR resources were used solely for authorized purposes and that the Department did not receive excess reimbursement.

Results of Audit

We determined that the Department did not ensure 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. We identified significant weaknesses in the Department's ability to identify, allocate, and support grant-specific costs including the Federal and State match. We also noted improvement is needed regarding the Department's subaward management.

Inadequate Financial Management System and Unallocable Costs

Federal regulations require that the State's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of Federal awards, must be sufficient to permit the preparation of reports required by the award. The State's financial management systems must also be able to trace award funds to a level of expenditures adequate to establish that funds have been used in accordance with the Federal statutes, regulations, and the terms and conditions of the Federal award.⁷ This includes providing 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.⁸

Federal regulations also state that costs must be allocable to a Federal award to be allowable.⁹ A cost is allocable to a Federal award if the cost is assignable to that Federal award in accordance with the relative benefits received.¹⁰ Allocable costs are those that are incurred specifically for the Federal award, those that benefited the award and other work and can be distributed proportionally by reasonable methods, is necessary to the overall operation of the recipient, and is assigned in part to the award. Federal regulations state that "[a] cost allocable to a particular Federal award may not be charged to other Federal awards (for example, to overcome fund deficiencies or to avoid restrictions imposed by Federal statutes, regulations, or the terms and conditions of the Federal awards)."¹¹

Additionally, Federal regulations require States to use matching or non-Federal funds to cover at least 25 percent of grant project costs. States may use cash or in-kind contributions to meet the matching share of costs, but the value of these contributions must be supported by adequate documentation. Federal regulations also require that match costs be allowable, verifiable in the recipient's records, and necessary and reasonable for achieving the objectives of the Federal award.¹² As such, match is grant-specific, and an expense cannot be counted as match for multiple awards.

Further—after the decade-long repeat finding related to Federal grants management issued by the Rhode Island Auditor General—in April 2022, the Rhode Island Department of Administration issued a policy regarding the adoption of its grants management system. The policy recommended a best practice to establish

⁷ 2 C.F.R. § 200.302(a).

⁸ 2 C.F.R. § 200.302(b)(3).

⁹ 2 C.F.R. § 200.403(a).

¹⁰ 2 C.F.R. 200.405(a).

¹¹ 2 C.F.R. 200.405(c).

¹² 2 C.F.R. 200.306(b).

a distinct line sequence¹³ in the Rhode Island Financial Accounting Network System Chart of Accounts for each Federal award.

We found that the Department could not provide adequate documentation that it charged only allocable, allowable, and supported expenses to WSFR awards. Specifically, its financial management systems did not meet Federal requirements, rendering the Department unable to provide a traceable audit trail to show that the required Federal and State share of expenditures were incurred for the Federal reimbursement that it received for the particular award. The expenses posted in the State's accounting system include line sequence numbers that associate an expense with one or more Federal awards. However, the Department has a practice of charging costs on one line sequence number and then later transferring those costs to another line sequence to support other Federal awards, including non-WSFR awards and awards from Federal agencies other than the Department of the Interior. For instance, the Department charged payroll expenses for work conducted on a particular Federal award and when the Federal award's period of performance ended and the Department realized it overspent, it would transfer the amount overspent in payroll expenses to other line sequences to support the expenditures on other Federal awards. This practice undermines the allocability principle that the line sequence was designed to achieve to support tying costs to specific Federal awards within its financial management system.

During our audit, we reviewed line sequences the Department indicated were associated with the five WSFR grants that we sampled. We identified allocability issues with the Department's use of line sequences to support the costs associated with the five WSFR grants that we sampled. Specifically, we identified that the Department:

- Charged costs initially to other Federal awards, such as non-Department of the Interior Federal awards, and later transferred those costs to support the Federal request for reimbursement for the WSFR grants in our sample. For example, in November 2023, the Department identified over \$6,200 in overages related to payroll expenses from U.S. Department of Commerce Award No. NA22NMF474308, whose line sequence was 3700269. Email correspondence we obtained shows that Department officials decided to transfer these costs from the Department of Commerce award to support the Federal and State match portion of WSFR Grant No. F20AF00145, whose line sequence was 3700108.
- Charged costs to a line sequence that was shared between two WSFR grants that had overlapping periods of performance. For example, according to information found in the Department's accounting system, WSFR Grant Nos. F20AF00241 and F14AF00358 shared the same line sequence (3700105) for over three years during both grants' periods of performance. This practice significantly impacted the ability to obtain reasonable assurance whether expenses such as payroll, supplies, and contract services charged to this line sequence were allocable to WSFR Grant No. F20AF00241 or WSFR Grant No. F14AF00358. Not only did these two grants share the same line sequence, but they also shared the same cost center codes. According to Department officials, cost center codes can be used in the State accounting system to provide an added level of detail to help with traceability for a particular Federal award. We identified transactions where Grant No. F14AF00358 used cost center codes designated for Grant No. F20AF00241 to support Grant No. F14AF00358's Federal expenses. However, the Department stated that the use of cost centers is inconsistent and not a mandatory field within the State's accounting system. This rendered us unable to determine which grant actually incurred these costs.
- Charged costs to line sequences associated with our WSFR grants and later transferred those costs to support non-WSFR grants. For example, the Department charged \$125,000 for one employee's payroll expenses on line sequence 3700108, which was associated with WSFR Grant No. F20AF00145. The payroll expenses were ultimately recouped by the Department as part of the Federal reimbursement. However, after the grant's period of performance ended and the Department was preparing its final Federal financial report, the Department realized that it had overspent on that grant and transferred the

¹³ Per the April 2022 Rhode Island Department of Administration Grant Management System Conversion policy, a line sequence is a seven-digit identification number within the State's accounting system that may be associated with one or more Federal awards.

employee's payroll expenses in the accounting system off the line sequence associated with WSFR Grant No. F20AF00145 and onto line sequence 3700216 to support the expenses associated with another FWS program grant, State Wildlife Grant (SWG) No. F20AF11597.¹⁴

Because the Department continues to charge costs to a line sequence number associated with multiple Federal awards, we were unable to obtain reasonable assurance that expenses charged to the line sequences associated with our sampled WSFR grants were allocable to our sample grants (see Figure 1). This allocability issue appears systemic throughout the Department's practices for Federal grants, and as such, we question the entire Federal share of expenditures reported on the Federal financial reports (FFRs) for the five WSFR grants¹⁵ we sampled: \$23,018,279 (see Appendix 3).¹⁶

¹⁴ Established in 2000, State wildlife grants provide money to states to support proactive wildlife conservation such as research, surveys, and species and habitat management. Projects supported by these grants focus on wildlife species of greatest conservation need identified in State Wildlife Action Plans. These grants are not affiliated with WSFR.

¹⁵ Grant No. F22AF00600 and F22AF0866 remain open as of August 2026. In these instances, we used the Federal share of expenditures as listed on the Department's most recently submitted Federal financial reports. Additionally, Grant No. F20AF00241's period of performance ended March 2026; however, the Department has not submitted the final Federal financial report as of August 2026. In this instance, we used the Federal share of expenditures as listed on the Department's most recently submitted Federal financial report.

¹⁶ We believe the Department incurred some eligible expenses associated with these grants. However, based on financial management practices, we could not ensure that WSFR resources were allocable to the applicable Federal awards and used solely for authorized purposes and that the Department met its State match requirements or that excess Federal reimbursement was not received.

Figure 1: Sampled Grants Line Sequence Associated with Other Federal Awards

Sample Grants	Associated Line Sequence	Other Federal Awards	Federal Program
F16AF00935	3700118	F22AF03324 F17AF00920	WSFR* SWG†
F20AF00145	3700108	F14AF00182‡ F14AF00359 F17AF01008 F19AF01118 F20AF11597 F23AF03020 F25AF00835 NA20NMF4740198 FNA20NMF4410001 NA22NMF474308 NA20NMF4070072	WSFR WSFR SWG SWG SWG SWG WSFR ACA§ RFMC** †† IFA‡‡
F20AF00241	3700105	F14AF00358§§	WSFR
F22AF00600	3700251/3700111	F17AF00141 F17AF00920 F18AF01112 F20AF00241	WSFR SWG WSFR WSFR
F22AF00866	3700267/3700107	F17AF00192 F23AF00519	WSFR WSFR

* WSFR Assistance Listing (AL) numbers 15.605 and 15.611. An AL number is a unique identifier assigned for identifying Federal assistance programs. The AL was formerly named Catalog of Federal Domestic Assistance.

† SWG, AL number 15.634.

‡ Grants F20AF00145 and F14AF00182 were both assigned line sequence number 3700108. They shared this line sequence number for three months when their periods of performance overlapped.

§ The Atlantic Coastal Fisheries Cooperative Management Act (ACA). The funding relates to the Department of Commerce Federal assistance program, AL number 11.474.

** The Regional Fisheries Management Council (RFMC). The funding relates to the Department of Commerce Federal assistance program, AL number 11.441.

†† During our review we asked the Department for clarification on what type of the Federal awards were associated. The Department did not respond.

‡‡ The Interjurisdictional Fisheries Act of 1986 (IFA). The funding relates to the Department of Commerce Federal assistance program AL 11.407.

§§ Grants F20AF00241 and F14AF00358 were both assigned line sequence number 3700105. They shared this line sequence number for over three years when their periods of performance overlapped.

Additionally, we found that the Department's master tracker spreadsheets (MTS') were ineffective for tracing funds and expenditures to an adequate level of detail to ensure funds received were used in accordance with Federal statutes, regulations, and the terms and conditions of Federal awards, as well as ensuring the State met the required match to warrant reimbursement of Federal funds. Given the State's well-documented limitations with its accounting system that have existed since SFY 2013 (as noted in the Background section of

this report), in February 2021, the Department completed its transition¹⁷ to using an MTS to track expenses for each WSFR grant. Along with tracing funds and expenditures to an adequate level of detail to ensure accordance with requirements, the MTS is also used to assist with forecasting expenditures and determining funds available per the award budget. The Federal expenses listed in the MTS are derived from expenses posted in the State's accounting system using line sequence numbers and cost centers codes associated with each grant. Because the State's accounting system is the official record for Federal financial assistance, posted expenditures should reconcile with the MTS. Ultimately, the Department uses the information in the MTS to develop FFRs for each Federal award.

The systemic issues with line sequence numbers being associated with multiple Federal awards, as discussed above, directly impact the effectiveness of the MTS. In the examples below, we illustrate multiple ways that the WSFR grants we sampled were affected by consistently moving charges from one Federal award to another, causing us to question the reliability of all allocations. Specifically, we identified the following issues that demonstrate the ineffectiveness of the MTS:

- Payroll transfer variances for WSFR Grant No. F20AF00145. A significant amount of payroll expenses for Grant No. F20AF00145 were transferred off the grant's MTS after its period of performance ended. Additionally, the amount transferred per the MTS did not reconcile with the amount recorded in the accounting system, and payroll reports indicate the costs were related to Grant No. F20AF00145. Specifically, according to the grant's MTS, in April 2025, the Department moved more than \$632,000 in payroll costs off the grant because the Department overspent on the Federal award. According to the State's accounting system records, the Department's Federal Aid Program Coordinator and accountants moved more than \$250,000 in payroll expenses off of this grant's line sequence and charged those expenses to other Federal awards (see Appendix 4). Because this adjustment was made during the closeout period, the Department had already used these payroll expenses to support the request for Federal reimbursement under Grant No. F20AF00145, calling into question whether sufficient grant-related expenditures existed at the time reimbursement was requested. More concerning, the transfers that the accountant and Federal Aid Program Coordinator made during the closeout period did not reconcile with the payroll reports that were provided. For example, approximately \$19,000 in payroll expenses that were moved related to an employee whose work was only associated with the WSFR grant we sampled. Those expenses were transferred to an FWS SWG, despite the employee never charging their work to the SWG. This transfer was recorded in the State's accounting system in March 2025, after the SWG's period of performance ended in August 2024. From the emails that were provided to support similar transfers, the Department acknowledged that the transfer occurred because of overages in Federal spending; however, Federal regulations prohibit charging costs to a grant to overcome funding deficiencies. To our knowledge, the Department has not notified awarding agencies of the payroll costs that were initially charged to WSFR Grant No. F20AF00145 and later transferred to support costs associated with the non-WSFR Federal awards.
- Indirect cost estimates on MTS used to develop final FFR costs for WSFR Grant No. F20AF00145. The Department tracked indirect costs in the grant's MTS and in the State accounting system for Grant No. F20AF00145. We found that the costs in the MTS, State accounting records, and final FFR amount did not reconcile. The State accounting system recorded more indirect costs charged to the grant than was supported in the MTS, which the Department indicated should be the same. For example, the MTS associated with Grant No. F20AF00145 estimated that \$758,757 could be charged in indirect costs over the life of the grant. This number was used to support the grant's final FFR submitted in April 2025. However, by April 2025, the Department had posted more than \$919,000 in indirect costs within its accounting system for the grant. In May 2025, one month after the FFR was submitted, the Department identified that it exceeded the award amount and made a \$134,000 adjustment in its accounting system to remove indirect costs specifically tied to the WSFR grant. Even after the

¹⁷ According to Department officials, MTS implementation began with new grants at the end of 2019, but all grants were not transitioned until February 2021.

\$134,000 adjustment, the FFR and the State accounting system show a discrepancy of over \$26,000 in indirect costs charged for this grant (see Appendix 5).

- Unverifiable cost category on MTS for multiple WSFR grants. During our review of the MTS for Grant Nos. F16AF00935 and F20AF00241, the Department listed \$2,368,545 and \$332,560, respectively, as “Previous Period” costs. The Department said that its rationale for including these costs was that they were covered and evaluated during our last audit. However, during the last audit, we found that the Department did not establish sufficient accounting system controls over grant-specific data. Nothing within the previous audit indicated these costs were allocable or supported for these grants. As indicated in the previous audit report, without appropriate controls over its financial management system and cost allocability, we cannot ensure that these costs support these WSFR grants. No additional documentation or information was provided to support that these costs were properly allocated. Rather, as explained in this report, the information provided during this audit indicates that there are systemic allocation issues because of the Department’s inadequate financial management system.

Furthermore, based in part on the allocability issues identified above, we also have concerns with the accuracy and supportability of the Department’s use of third-party in-kind contributions¹⁸ to meet its State match requirements. For our five sampled grants, the Department used in-kind contributions to support a portion of its State match. One form of in-kind contribution used by the Department was third party in-kind. According to FWS guidance,¹⁹ third-party in-kind contributions allow a State to enter into an agreement with a third party, such as a contractor or non-profit, to provide services to the State at a discount. This discount, as agreed upon with the third party, can be used by the State to support its State match.

During our audit, the Department’s Chief Financial Officer stated that the State accounting system is unable to capture and report in-kind contributions used to support the Department’s match on WSFR grants. Because the State accounting system was unable to record in-kind contributions, the Department relied on each grant’s MTS to do that. When we attempted to verify the valuation and validity of third-party in-kind contributions, the Department could not present us with adequate documentation that provided reasonable assurance that each in-kind contribution is used only once as match for a Federal grant. For example, third-party invoices from one vendor, totaling \$399,109, were provided by the Department to support third-party in-kind contributions used toward State match on WSFR Grant No. F20AF00241. However, because this grant shared the same line sequence as WSFR Grant No. F14AF00358 for more than three years and the invoice includes no unique identifier tying it to Grant No. F20AF00241, we are unable to ensure that the \$126,000 claimed as third-party in-kind contributions was eligible to be used as State match on this grant.

Prior to September 2024, the Department did not have any policies and procedures related to in-kind contributions used to support the State’s match. In September 2024, the Department issued a policy relevant only to volunteer in-kind contributions claimed by the Department; it was not applicable to third-party waived services. While the Department claims that almost 84 percent of its WSFR grants have some form of in-kind match, it has not developed and implemented policies to ensure that all forms of in-kind contributions used to meet its match requirement comply with Federal regulations.

Contributing Factors

These issues occurred because the Department lacked adequate controls to ensure Federal expenditures and State match were properly allocated and tracked in accordance with Federal regulations and grant terms and conditions. We identified that the Department did not have any formal policies related to allocability, including what line sequence number and cost center codes should be assigned to specific WSFR grants. Prior to April 2022, line sequence numbers corresponded to a WSFR assistance listing number that represented one

¹⁸ In-kind contributions are non-cash contributions made by parties other than the States.

¹⁹ WSFR HQ: Branches of Policy, Information Management, and Audit Issued Guidance on “Contracts for personnel services that offer to provide States matching funds-Wildlife Restoration,” dated January 28, 2016.

or more Federal programs with multiple awards. This historical practice affected not only grants reviewed during our prior audit,²⁰ but also several grants reviewed during our current audit. In April 2022, the Department of Administration issued a policy regarding the adoption of a Statewide grants management system. The policy recommended a best practice in which agencies establish a distinct line sequence number in the accounting system for each Federal award to “enhance internal controls.” Because this best practice was only recommended and not required, it contributed to the issues we identified in this audit.

Despite the April 2022 policy, we noted that the Department continues to use existing line sequences to support costs for multiple grants, therefore perpetuating the need to transfer costs between line sequences. Department officials pointed to award approval timing as a reason why expenditures on multiple grants may still share a line sequence. For instance, according to Department officials, a new line sequence cannot be established until the grant has been awarded. They noted that it is not uncommon for FWS to approve awards after the period of performance has begun and as such, expenses have already occurred on the award. Absent a truly distinct line sequence to charge expenses to, the Department stated that it uses an existing line sequence number for a different grant to absorb costs and later transfers any known expenditures to the new grant’s unique line sequence number once it is established. The Department does not have a written policy or procedure pertaining to transferring charges from one Federal grant to another. It was unable to provide adequate documentation supporting the allocability of costs transferred from one line sequence to another and other evidence (such as emails requesting that funds be transferred between line sequences) indicated multiple transfers were being made because of funding availability considerations, not because the transferred expenses were actually related to the award they were transferred onto or incurred within the period of performance. For example, the Department moved at least \$131,000 for expenses incurred as far back as June 2022 onto Grant No. F25AF00835, whose period of performance did not begin until January 2025.

Further complicating this issue, our previous audit found that 55 percent of the Federal and State shares of all grant expenditures on the 34 grants open during SFYs 2017 and 2018 either did not have a cost center or had zeros where there should be a grant-specific code for the cost center. In its September 2020 response to our previous report, the Department stated that all new grants will have a unique line sequence, thereby eliminating the ambiguity of expenses posted without a cost center code and reducing the need for manual accounting. In June 2024, the Department and FWS requested closing two recommendations from our 2020 audit, stating that several procedures were established to “trace all grants expenditures and ensure that funds were used according to Federal Statutes, regulations and terms and conditions of the awards.” Specifically, the new procedures included reconciling expenses, assigning unique line sequence to all Federal expenditures, assigning cost center codes for expenditures associated with a specific Federal grant, and using an MTS. Despite this, as identified above, the Department has not instituted line sequences that are distinct to each grant and as such, an additional identifier that is unique to each award, such as a cost center, remains necessary to allocate costs to a specific grant. During this audit, we noted that using cost centers in the accounting system remains inconsistent. As previously mentioned, cost centers are an added level of detail used in the State’s accounting system and are helpful in allowing traceability. However, when attempting to reconcile grant expenditures on our five grants, Department officials told us that using cost centers was optional and not a mandatory field in its State accounting system. We identified instances when both Federal- and State match-related transactions included expenses with no applicable cost center, meaning there was no way to know the allocability of these expenses. In the Other Matters section below, we identified how the Department’s long grant periods of performance impact the ability to establish audit trails.

The Department has been unable to provide an adequate allocable methodology or documentation to support the amounts reported on FFRs. This is, in part, because the Department does not have an adequate policy and procedure to reconcile Federal expenditures or match for Federal awards. The Department provided a September 2020 grant reconciliation policy that stated that Federal awards shall reconcile expenditures no less than once a month. Under the policy, the reconciliation includes running grant-specific statements from various

²⁰ U.S. Fish and Wildlife Service Grants Awarded to the State of Rhode Island, Department of Environmental Management, Division of Fish and Wildlife, From July 1, 2016, Through June 30, 2018, Under the Wildlife and Sport Fish Restoration Program (Report No. 2019-WR-007), issued December 2020.

systems, reviewing expenses against the budget for appropriateness, calculating indirect costs, and ensuring that those costs are posted correctly and timely. The Department had previously stated that the information within the MTS was supported by the State's accounting system. As such, both the MTS and the State's accounting system should match. The Department said that the State accounting system and the expenses listed on the MTS are "not a one-for-one" and as part of its financial management system, the Department maintains reconciliation spreadsheets that explain the differences between the State accounting system and the MTS.

While we reviewed monthly reconciliations associated with our five WSFR grants, we noted that the Department's reconciliation process to ensure that the amounts reported on Federal reports align with the State accounting system is ineffective. For example, the Department's MTS for Grant No. F20AF00145 removed over \$990,000 in costs during the closeout period because it exceeded the allowable award budget. Removing \$990,000 during the grant closeout period illustrates a breakdown in the Department's review of expenses against the budget for appropriateness. It also reflects a breakdown in the process for ensuring that allocable costs are posted correctly and timely. Additionally, the monthly reconciliation did not explain the differences between costs listed in the MTS and what is recorded in the State's accounting system. The Department's reconciliation process also failed to catch discrepancies in reporting the amount of indirect costs on the final FFR for Grant No. F20AF00145 to ensure the amounts aligned with the State's accounting system. Similar issues that we have identified in this audit and the prior audit regarding issues with the State's accounting system have also been highlighted in Rhode Island's single audit reports as a longstanding problem.

Impacts

The Department certifies to FWS that the expenditures, disbursements, and match reported on its FFRs are accurate and complete, as well as meet the purposes and objectives of the terms and conditions of the Federal award. Each grant is awarded to support specific activities and programs. It is critical that grantees follow regulatory requirements and charge a grant only for expenses related to the grant and provide supporting documentation demonstrating that costs are allocable and allowable. The Department must establish, document, and maintain effective internal controls over the Federal awards that it receives to provide reasonable assurance that it is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, including ensuring only appropriate, allowable costs are charged to Federal awards.

The Department's system to charge payroll during a grant includes multiple checks and balances. During the period of performance, Department employees charge their work to a specific Federal award, and their supervisor certifies that the employee worked on that Federal award. The Department accountants then reconcile those expenses monthly to ensure those expenses are supportable to the Federal award. Making large, after-the-fact transfers during grant closeout periods where grants have been overcharged undermine the controls in place during the period of performance to ensure that only allocable expenses were charged to the original grant and the grant to which these expenses were transferred. Without an effective internal control system, there is an increased risk that expenses being charged to a Federal award are not related to that Federal award. Additionally, because the financial data from the financial management systems used to support the open WSFR grants during our audit period was integrated into the Enterprise Resource Planning system, the Department may continue to misreport financial results.

As noted, because of the systemic issues identified in this audit as well as previous audits conducted by us and the Rhode Island Auditor General, we question the Federal share of expenditures reported on the FFRs for the five WSFR grants we sampled totaling \$23,018,279.

Recommendations

We recommend that FWS require the Department to:

1. Resolve the \$23,018,279 in question costs associated with unallocable expenses being charged to Grant Nos. F16AF00935, F20AF00145, F20AF00241, F22AF00600, and F22AF00866.
2. Identify unallocable expenses being charged to Wildlife and Sport Fish Restoration Program awards we did not review and develop a written plan to address any unallocable expenses identified.
3. Develop and implement written policies to ensure only allocable expenses are charged to Wildlife and Sport Fish Restoration Program grants, such as policies related to what line sequence numbers and cost centers are assigned to each grant.
4. Develop and implement a process that requires all future Wildlife and Sport Fish Restoration Program grants have a unique line sequence established prior to incurring expenses.
5. Implement policies and procedures pertaining to the transfer of expenses from one Federal award to another to ensure compliance with Federal regulations, including 2 C.F.R. § 200.405.
6. Notify applicable awarding agencies of the payroll costs that were initially charged to Wildlife and Sport Fish Restoration Program Grant No. F20AF00145 and transferred to support costs associated with non-Wildlife and Sport Fish Restoration Program Federal awards.
7. Develop and implement adequate reconciliation policies to ensure that the financial reports the Rhode Island Department of Environmental Management submitted are accurately reflected in the State's accounting system for the Federal awards that it receives.
8. Develop and implement policies related to all in-kind contributions, including third-party waived services, used to support Wildlife and Sport Fish Restoration Program grants to ensure they are in compliance with Federal regulations.

Inadequate Subawards Management

Unreported Subawards

Federal regulations require pass-through entities, such as the Department, to report each subaward action that obligates \$30,000 or more in Federal funds to the Federal Spending Accountability and Transparency Act Subaward Reporting System (sam.gov/fsrs) by the end of the month following issuance of the award.²¹ This information is then integrated into USAspending.gov.

We found that the Department did not publicly report subawards funded through WSFR grants during the audit period, as required. For the nine subawards open during SFYs 2023 and 2024, we identified seven subawards valued at more than \$30,000 in Federal funds during SFYs 2023 and 2024. The Department failed to report any of these seven subawards, which totaled \$3,688,285.64 (see Figure 2).

²¹ During the audit scope, SFYs 2023 and 2024, 2 C.F.R. § 170, Appendix A(a) required subawards that equal or exceed \$30,000 in Federal funds 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.

**Figure 2: Unreported Subawards
Over \$30,000 in Federal funds**

Grant No.	Amount
F23AF01589	\$176,127.00
F24AF00634	\$292,931.64
F17AF01143	\$1,162,835.00
F23AF00251	\$380,000.00
F23AF03333	\$150,000.00
F24AF00634	\$1,426,392.00
F22AF00285	\$100,000.00
Total	\$3,688,285.64

Source: OIG analysis of
USAspending.gov data.

We reviewed the State's subaward policy and noted that the policy does not mention the Code of Federal Regulation requirement to post subawards that equal or exceed \$30,000 in Federal funds to SAM.gov. Additionally, Department personnel responsible for subaward management stated that the transition to its current grant management system did not provide the appropriate level of tracking functionality to assure compliance.

Timely reporting of subawards that equal or exceed \$30,000 provides transparency to the public on how Federal money is spent. In this case, however, \$3,688,285.64 in Federal funds went unreported.

Recommendation

We recommend that FWS require the Department to:

9. Develop and implement an internal mechanism to ensure that all subawards with Federal funding over \$30,000 are reported, as required by Federal regulations.

Insufficient Risk Assessments and Monitoring of Subrecipients

Federal regulations require that pass-through entities, such as the Department, evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subawards to determine the appropriate subrecipient monitoring.²² This evaluation may consider factors such as (1) the subrecipient's prior experience with the same or similar subawards, (2) the results of the previous audits of the subrecipient, (3) whether the subrecipient has new personnel or new or substantially changed systems, and (4) the extent and results of the Federal awarding agency's monitoring of the subrecipient. Subrecipient monitoring is necessary to ensure that the subaward is used for authorized purposes and performance goals are achieved.²³

²² 2 C.F.R. Section 200.332 (b).

²³ 2 C.F.R. Section 200.332 (d).

We found that the Department did not sufficiently assess the risks associated with its WSFR subrecipients during the audit scope. We reviewed all eight subrecipients that had subawards open during our audit scope, which had a total value of \$3.72 million, and determined that the Department was unable to provide sufficient documentation to support that any risk assessments had been conducted.

This occurred because the system used by the State to track, manage, and monitor subrecipient activity had improperly defaulted subrecipient risk levels to low for all subrecipients evaluated during the audit scope. The Department reported this internal control weakness to us and immediately began drafting an internal policy to require the appropriate Department officials to complete subrecipient risk assessments rather than rely on the Statewide system. This policy was implemented in April 2026, prior to our draft report issuance.

Department officials also reassessed the eight subrecipients previously mentioned and reaffirmed the low-risk ratings. We applaud the action taken by the Department to reassess the subrecipients; however, we noted potential areas for continued improvement in subaward management based on the reassessments. For instance, the reassessment performed for one subrecipient noted the entity had received a control deficiency in its most recent single audit related to contractor suspension and debarment practices. While the reassessment acknowledged that the deficiency existed, there was no rationale provided by the Department to explain why the subrecipient was considered low risk despite the single audit finding.

Additionally, because the Department relied on the Statewide system to complete its subrecipient risk assessments—and, at the time our review occurred, had not yet implemented a formal policy or procedure outlining how the risk assessments were to be conducted and supported—training in this area would be beneficial for any Department official intending to perform risk assessments in the future.

Risk assessment requirements for subawards are in place to ensure proper accountability and compliance with program requirements and achievement of performance goals. Failure to conduct risk assessments and appropriate monitoring for subrecipients can increase the risk for fraud and misuse of Federal funds.

Recommendations
We recommend that FWS require the Department to: 10. Re-evaluate the risk assessments of the eight subrecipients that had subawards open during State fiscal year 2023 and 2024 that were classified as low risk to ensure proper classification in accordance with the Rhode Island Department of Environmental Management’s implemented policy. 11. Provide training to all personnel responsible for the administration of subawards regarding subaward public reporting and subrecipient risk assessment requirements to ensure compliance with the Federal regulation and State policy.

Other Matters

Long Grant Periods of Performance Impact Ability to Establish Audit Trails

The grants within our audit sample had periods of performance from four to six calendar years. During our grants’ periods of performance, they had multiple inadequate methodologies, including inconsistent cost allocation methods, shared line sequences across Federal awards, and retroactive reallocations that reduced allocability and auditability. Specifically, the grants we selected to review were impacted by several different methodologies that included costs incurred prior to the implementation of the MTS, costs incurred during the implementation of the MTS, and costs incurred during the implementation of the Department of Administration’s April 2022 policy.

None of the methodologies could provide sufficient documentation on allocability to provide reasonable assurance that costs charged to Federal awards were allocable to each Federal award. Throughout the grants' periods of performance, the Rhode Island Auditor General reported on material weaknesses that exist related to the State's controls over Federal program financial activity. In addition, concerns with the Department repeatedly transferring overages from one Federal award to other WSFR, non-WSFR, or non-Department of the Interior Federal award demonstrates a continued systematic breakdown of a sufficient financial management system.

In light of our and the State auditor's continued findings, FWS, in consultation with the Department, should consider reducing the period of performance for its WSFR grants to assist with establishing a sufficient allocation methodology to support its expenses for all the WSFR grants that it receives. This would enable more grants to fall under a single methodology that could be documented, thereby simplifying what is required to ensure proper grant accounting controls are in place moving forward.

Recommendations Summary

We provided a draft of this report to FWS and the Department for review. FWS concurred with 10 recommendations and did not concur with one recommendation. We consider Recommendations 1, 2, 4-6, and 8-10 resolved; Recommendation 11 implemented; and Recommendations 3 and 7 unresolved. We determined that Recommendations 1, 3, 4, and 7 as significant and will be reported as such in our semiannual report to Congress in accordance with the Inspector General Act.²⁴

Based on FWS' and the Department's responses, we would like to emphasize that our first finding and subsequent recommendations focus on the Department's financial management system that was used during our audit scope, as well as the lack of internal controls to properly allocate expenditures to the grants we sampled. We acknowledge that some of the expenditures are likely supported with receipts. The Department intends to procure an independent auditor, as outlined in its response. To determine whether the expenses are allowable, the independent auditor must be able to identify not only sufficient support but also determine whether the expenses are allocable in accordance with Federal regulations.

Additionally, we acknowledge the Department's request that we delay the issuance of this report until May 2027. However, given the significance of these recommendations and the Federal funding that the Department receives, we determined that FWS needs to take immediate action to implement the recommendations outlined in this report.

Typically, FWS and the State agency develop a consolidated corrective action plan prior to responding to our reports. Because we did not receive a consolidated corrective action plan, we have done our best to summarize the FWS and Department responses to our recommendations, as well as provide comments on their responses. See Appendix 6 for the full text of the FWS and Department responses; Appendix 7 lists the status of each recommendation.

We recommend that FWS require the Department to:

1. Resolve the \$23,018,279 in question costs associated with unallocable expenses being charged to Grant Nos. F16AF00935, F20AF00145, F20AF00241, F22AF00600, and F22AF00866.

FWS Response: FWS concurred with the recommendation and stated that it will:

Require the Department to resolve questioned costs and ensure repayment of any unresolved amounts related to grants F16AF00935, F20AF00145, F20AF00241, F22AF00600, and F22AF00866. The FWS will require that the Department engage an independent auditor or accounting firm to thoroughly review and document all grant expenditures for the awards listed above confirming that costs have been properly allocated, are eligible and that matching contributions—including third-party in-kind contributions—are properly documented and used only once for federal awards. The FWS will require the Department to submit a scope of work for the audit for our review and approval prior to entering into a contract for services. Once the review is complete and the auditor/accountant is satisfied, the Department will provide all necessary supporting documentation to the FWS to resolve the costs questioned. Unallowable costs charged to these awards will be removed, revised SF425 forms will be submitted, and the Department will coordinate with FWS to repay questioned costs—either by check

²⁴ The Inspector General Act of 1978, 5 U.S.C. § 405(b), requires inspectors general to prepare semiannual reports summarizing OIG activities during the immediately preceding six-month periods ending March 31 and September 30. It also states that these semiannual reports shall include an identification of each "significant recommendation" described in previous semiannual reports on which corrective action has not been completed.

or administrative offset—if they fall outside the period of performance or lack adequate support.

Department Response: The Department did not concur with the recommendation and stated that it would “procure an independent audit team to review the grants questioned” in our report.

OIG Comment: Based on FWS’ response, we consider this recommendation resolved. We will consider it implemented when FWS provides all necessary supporting documentation that the Department has completed the independent audit review confirming that costs have been properly allocated, costs are eligible, and that matching contributions—including third-party in-kind contributions—are properly documented and used only once for Federal awards.

2. Identify unallocable expenses being charged to Wildlife and Sport Fish Restoration Program awards we did not review and develop a written plan to address any unallocable expenses identified.

FWS Response: FWS concurred with the recommendation and stated that it would require the Department to identify unallocable expenses charged to other WSFR awards and develop a written plan to address said expenses. FWS further stated that the Department will be required to repay any identified unallowable costs through either check or administrative offset.

Department Response: The Department did not explicitly concur or non-concur with the recommendation but asked that the recommendation be eliminated if the independent auditor the Department is procuring determines that the costs associated with our five sampled grants (F16AF00935, F20AF00145, F20AF00241, F22AF00600, and F22AF00866) are supported.

OIG Comment: Based on FWS’ response, we consider this recommendation resolved. We will consider this recommendation implemented when FWS provides a copy of the written plan to address any identified unallocable expenses charged to WSFR grants we did not review.

3. Develop and implement written policies to ensure only allocable expenses are charged to Wildlife and Sport Fish Restoration Program grants, such as policies related to what line sequence numbers and cost centers are assigned to each grant.

FWS Response: FWS concurred with the recommendation and stated that it will require the Department to develop and implement written policies to ensure only allocable expenses are charged to WSFR grants. FWS also stated that it received and approved two Department policies: the *Business Process Policy for Federal Grant Management* and the *Draft Expense Adjustment Policy*.

Department Response: The Department did not concur with the recommendation and stated that reallocated costs were not requested or received for Federal reimbursement. The Department noted that Rhode Island implemented a new system on July 1, 2025, that provides grant-level traceability. The Department also stated that while the implementation of the new system resolves the finding for awards initiated and received after July 1, 2025, the Department will maintain tracking processes previously agreed upon with FWS for expenses occurring prior to the implementation of the new system. Further, the Department stated that it does not rely upon line sequence alone to determine allocability but relies on a manual review after expenditures are posted to the line sequence to determine allocability.

OIG Comment: Based on FWS’ and the Department’s response, we consider this recommendation unresolved. We reviewed the Department’s *Business Process Policy for Federal Grant Management* and *Draft Expense Adjustment Policy* and determined that these policies do not meet the intent of the recommendation. Specifically, neither policy includes details on how expenses will be allocated prior to recording the expense. We determined that the Department’s financial management system is inadequate and outlined multiple allocation issues for Federal financial assistance. The financial management system that was in effect prior to the State’s new system is inadequate and the tracking that was established is ineffective. The Department’s practice of posting expenditures to line sequences

and then reviewing for allocability represents an inadequate financial management system, as it illustrates a post first then review methodology, rather than a review first then post methodology. Without written policies related to what line sequence numbers and cost centers are assigned to each grant, the independent auditor being procured in response to Recommendation 1 will be unable to determine whether the costs have been properly allocated to the appropriate WSFR grant.

4. Develop and implement a process that requires all future Wildlife and Sport Fish Restoration Program grants have a unique line sequence established prior to incurring expenses.

FWS Response: FWS concurred with the recommendation and stated that it will require the Department to develop and implement a process that requires all future WSFR grants to have a unique line sequence established prior to incurring expenses.

Department Response: The Department did not explicitly concur or non-concur with the recommendation but stated that it has “implemented an internal policy for the creation of new line sequences, however, the auditors continue to support their assertion that [the Department] is not following this policy through grants that were in effect prior the implementation of policy.”

OIG Comment: Based on FWS’ response, we consider this recommendation resolved. We will consider it implemented when FWS provides documentation demonstrating that the Department developed and implemented a process that requires all future WSFR grants to have a unique line sequence established prior to incurring expenses.

5. Implement policies and procedures pertaining to the transfer of expenses from one Federal award to another to ensure compliance with Federal regulations, including 2 C.F.R. § 200.405.

FWS Response: FWS concurred with the recommendation and stated that it will require the Department to implement policies and procedures pertaining to the transfer of expenses from one Federal award to another to ensure compliance with Federal regulations, including 2 C.F.R. § 200.405. FWS also stated that it received, reviewed, and accepted a draft version of the Department’s *Expense Adjustment Policy*.

Department Response: The Department did not explicitly concur with the recommendation but agreed to “develop a policy that requires more specific justification and program attestation of allocability to the specific grant for any expenses that are journaled to any grant.” The Department further stated that if “sufficient justification is not available, the costs will be absorbed in the general fund. This policy will be effective for any grant open on or after April 1, 2026.”

OIG Comment: Based on FWS’ response, we consider this recommendation resolved. However, we reviewed the draft policy provided to FWS and determined that while it outlines the necessary supporting documentation, procedures, and approvals for documenting expense adjustments, it does not have specific details of how the Department will initially allocate expenses within its accounting system for the Federal awards it receives. For example, the draft policy states that “all expense adjustments must be . . . properly aligned with the correct grant, project, program, or cost center.” For this policy to be effective, the Department needs to first develop and implement written policies related to how expenses are initially allocated to WSFR grants, as outlined in Recommendations 3 and 4.

We will consider this recommendation implemented when FWS provides evidence that the Department’s policy has been implemented along with sufficient details illustrating how expenses are initially allocated within its financial management system.

6. Notify applicable awarding agencies of the payroll costs that were initially charged to Wildlife and Sport Fish Restoration Program Grant No. F20AF00145 and transferred to support costs associated with non-Wildlife and Sport Fish Restoration Program Federal awards.

FWS Response: FWS concurred with the recommendation and stated that it will require the Department to notify applicable awarding agencies of the payroll costs that were initially charged to WSFR Grant No. F20AF00145 and transferred to support costs associated with non-WSFR Federal awards.

Department Response: The Department did not explicitly concur or non-concur with the recommendation nor did it provide a clear response regarding notifying applicable awarding agencies of the payroll costs that were initially charged to WSFR Grant No. F20AF00145 and transferred to support costs associated with non-WSFR Federal awards.

OIG Comment: Based on FWS' response, we consider this recommendation resolved. We will consider it implemented when FWS provides documentation to support that the Department notified the applicable awarding agencies of the payroll costs that were initially charged to WSFR Grant No. F20AF00145 and transferred to support costs associated with non-WSFR Federal awards.

7. Develop and implement adequate reconciliation policies to ensure that the financial reports the Rhode Island Department of Environmental Management submitted are accurately reflected in the State's accounting system for the Federal awards that it receives.

FWS Response: FWS concurred with this recommendation and stated that it has received, reviewed, and accepted the Department's *Business Process Policy for Federal Grant Management*.

Department Response: The Department did not explicitly concur or non-concur with the recommendation nor did it provide a clear response regarding developing and implementing reconciliation policies that would ensure that the financial reports it submitted are accurately reflected in the State's accounting system for the Federal awards that it receives. However, the Department noted that it reviewed indirect costs drawn and charged to Grant No. F20AF00145 and determined that the State accounting system will be adjusted to match the final amount of indirect cost charges that were submitted on the F20AF00145 FFR.

OIG Comment: Based on FWS' response, we consider this recommendation unresolved. We reviewed Rhode Island's Department of Administration policy provided by FWS titled *Business Process Policy for Federal Grant Management* and found that it does not meet the intent of our recommendation to ensure that financial reports that the Department submits are accurately reflected in the State's accounting system for the Federal awards that it receives. Specifically, the policy states that "State Agencies are not required to reconcile federal award transactions for federal financial assistance with performance period end dates on or before April 30, 2025." Our understanding from reviewing the policy is that it would not require reconciliation for Federal award transactions associated with Grant Nos. F16AF00935 and F20AF00145, whose periods of performance ended before April 30, 2025. As we outlined and the Department confirmed, the information within the FFR for Grant No. F20AF00145 did not reconcile with the State's accounting system and required the Department to make the necessary adjustment within its State accounting system. We note that 28 of the 49 WSFR grants (57 percent) that fell within the scope of our review included a period of performance that ended before April 30, 2025. Without adequate reconciliation policies, the FFRs the Department submitted to FWS for WSFR grants that were open during SFY 2023 and 2024 could be inaccurate and not supported within the State's accounting system.

We will consider this recommendation resolved when FWS requires the Department to establish reconciliation policies to ensure that the financial reports submitted are accurately reflected in the State's accounting system for the Federal awards that it receives. We will consider this recommendation implemented when FWS provides documentation to demonstrate that the Department has established and applied reconciliation policies to ensure that the financial reports submitted are accurately reflected in the State's accounting system for the Federal awards that it receives.

8. Develop and implement policies related to all in-kind contributions, including third-party waived services, used to support Wildlife and Sport Fish Restoration Program grants to ensure they are in compliance with Federal regulations.

FWS Response: FWS concurred with this recommendation and stated that it will require the Department to develop and implement policies related to all in-kind contributions, including third-party waived services, used to support WSFR grants to ensure they comply with Federal regulations. FWS also stated that the policies must include what constitutes adequate support for in-kind contributions including third-party waived services.

Department Response: The Department did not explicitly concur with this recommendation but agreed to amend its in-kind policy to require “monthly attestation from the program that includes source documentation for in-kind contributions with grant level detail.”

OIG Comment: Based on FWS’ response, we consider this recommendation resolved. We will consider this recommendation implemented when FWS provides documentation demonstrating that the Department has developed and implemented policies related to all in-kind contributions used to support WSFR grants to ensure they are in compliance with Federal regulations.

9. Develop and implement an internal mechanism to ensure that all subawards with Federal funding over \$30,000 are reported, as required by Federal regulations.

FWS Response: FWS concurred with this recommendation and stated that it will require the Department to develop and implement an internal mechanism to ensure that all subawards with Federal funding over \$30,000 are reported, as required by Federal regulations.

Department Response: The Department did not explicitly concur or non-concur with the recommendation but stated that before May 2025, “the divisions were responsible for subaward management.” The Department further stated that in May 2025, its Contract Administrator reviewed internal compliance and because of inconsistent reporting, became responsible for public reporting. As a result, the Department began complying with Federal reporting requirements.

OIG Comment: Based on FWS’ response, we consider this recommendation resolved. We will consider this recommendation implemented when FWS provides evidence that the Department has established an internal mechanism to ensure that all subawards with Federal funding over \$30,000 are reported, as required.

10. Re-evaluate the risk assessments of the eight subrecipients that had subawards open during State fiscal year 2023 and 2024 that were classified as low risk to ensure proper classification in accordance with the Rhode Island Department of Environmental Management’s implemented policy.

FWS Response: FWS did not concur with this recommendation and stated that the Department’s risk assessments were developed “prior to the implementation of the Departments policy.” As such, FWS will not require the Department to evaluate risk retroactivity. However, the FWS “will require the Department to re-evaluate risk if any new funds are obligated to these subawards.”

Department Response: The Department did not explicitly concur with the recommendation but stated that it has reviewed the risk assessments and determined that the material weaknesses found on the single audits for two subrecipients would not have coincided with the timing of when the risk assessments were initially conducted. The Department also stated that it reviewed the recent audits and noted that the findings occurred after any risk assessments, which are performed before entering into an agreement with the entity. The Department said that for one of the single audit findings, it would not change the risk level that was initially determined.

OIG Comment: Based on FWS’ and the Department’s response, we consider this recommendation resolved. While FWS did not concur with this recommendation, we determined that evaluating risk for

any new funds awarded to these subrecipients meets the intent of our recommendation. In addition, we note that the Department has performed additional analysis of the subrecipients that included a single audit finding, also meeting the intent of our recommendation. We will consider the recommendation implemented when FWS provides documentation demonstrating the additional analysis conducted by the Department, as outlined in its response.

11. Provide training to all personnel responsible for the administration of subawards regarding subaward public reporting and subrecipient risk assessment requirements to ensure compliance with the Federal regulation and State policy.

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

Department Response: The Department did not explicitly concur with the recommendation but stated that it provided training to staff in April 2026. The Department further stated the training is routinely available for new staff and is offered every quarter.

OIG Comment: Based on FWS' response, we consider this recommendation implemented. We obtained and reviewed the supporting documentation and determined that it is sufficient to support closing the recommendation.

Appendix 1: Scope and Methodology

Scope

We audited the Rhode Island Department of Environmental Management's (Department's) use of grants awarded by the U.S. Fish and Wildlife Service (FWS) under the Wildlife and Sport Fish Restoration Program (WSFR). We reviewed 5 of the 49 grants that were open during State fiscal years (SFYs) ending June 30, 2023, and June 30, 2024. We also reviewed license revenue related transactions during the same period. The audit included expenditures of \$23 million and related transactions. In addition, we reviewed historical records for the condition and management 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 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 results.

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

- Examining the evidence that supports selected expenditures that the Department charged to the grants.
- Reviewing transactions related to purchases, direct costs, drawdowns of reimbursements, in-kind contributions, and program income.
- Interviewing Department employees.
- Inspecting equipment and other property.
- Reviewing equipment inventory and disposal records.
- Determining whether the Department used hunting and fishing license revenue for the administration of fish and wildlife program activities.
- Determining whether the State passed required legislation assenting to the provisions of the Pittman-Robertson Wildlife Restoration Act and the Dingell-Johnson Sport Fish Restoration Act.
- Evaluating State policies and procedures for assessing risk and monitoring subawards.

- 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 49 grants with activity during our audit period. This included grants for hatchery operations, fish and wildlife coordination, wildlife resource management, assessment of finfish stock, and wildlife 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, and therefore we did not project the results of our tests to the total population of transactions.

This audit supplements, but does not replace, the audits required by the Single Audit Act Amendments of 1996. Single audit reports address controls over Statewide financial reporting, with emphasis on major programs. Our report focuses on the administration of the Rhode Island fish and wildlife agency, and that agency’s management of WSFR resources and license revenue.

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

Prior Audit Coverage

OIG Audit Reports

We reviewed our last two audits of costs the Department claimed on WSFR grants.²⁵ We followed up on three recommendations from the 2015 report and 11 from the 2020 report. We reviewed the Department's corrective actions and found 13 recommendations have been implemented and one recommendation is resolved.

State Audit Reports

As noted in the Background section of this report, we reviewed the State's single audit reports for SFYs 2013 through 2024 to identify control deficiencies or other reportable conditions that affect WSFR. In the two most recent reports, SFY 2023 and 2024, the Schedule of Expenditures of Federal Awards indicated \$21.8 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. However, these reports noted systemic control deficiencies over Federal revenue and expenditure reporting across Rhode Island agencies, and we considered this as a risk indicator when we prepared our audit procedures and tests.

²⁵ U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the State of Rhode Island, Department of Environmental Management, From July 1, 2011, Through June 30, 2013 (R-GR-FWS-0009-2014), issued March 2015.

U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the State of Rhode Island, Department of Environmental Management, Division of Fish and Wildlife, From July 1, 2016, Through June 30, 2018 (2019-WR-007), issued December 2020.

Appendix 2: Sites Visited

Division of Marine Fisheries Headquarters	Jamestown
Fish Hatcheries	Arcadia Warmwater Trout Lafayette Trout
Boating Access Facilities	Main Street
Wildlife Management Areas	Arcadia Silver Springs Adamsville
Shooting Range	Great Swamp

Appendix 3: Monetary Impact

We reviewed five grants that were open or had financial activity during the State fiscal years that ended June 30, 2023, and June 30, 2024. We questioned \$23,018,279 in Federal share of expenditures reported on the Federal financial reports for the five WSFR grants we sampled as unallowable as the costs were not allocable.

Monetary Impact: Questioned Costs

Grant No.	Grant Title	Period of Performance	Unallowable
F16AF00935	Wildlife Resource Management	07/01/2016 to 06/30/2022	\$3,602,149*
F20AF00145	Assessment of Recreational Important Finfish Stocks	01/01/2020 to 12/31/2024	\$7,164,171
F20AF00241†	Wildlife Investigations	04/01/2020 to 03/31/2026	\$4,585,565*
F22AF00600‡	Fish and Wildlife Coordination	01/01/2022 to 12/31/2026	\$3,346,716*
F22AF00866§	Fish Hatchery Operations	02/01/2022 to 01/31/2027	\$4,319,678*
Total			\$23,018,279*

* Rounded.

† Although Grant No. F20AF00241's period of performance ended on March 31, 2026, the Rhode Island Department of Environmental Management has not yet submitted its final Federal financial report. The \$4,585,565 was identified in the last annual Federal financial report that was submitted in August 2025.

‡ In April 2026, the Rhode Island Department of Environmental Management reported \$3,346,716 in Federal share of expenditures on its annual Federal financial report for Grant No. F22AF00600.

§ In July 2026, the Rhode Island Department of Environmental Management reported \$4,319,678 in Federal share of expenditures on its annual Federal financial report for Grant No. F22AF00866.

Appendix 4: Payroll Costs for Grant No. F20AF00145

The table below summarizes the Rhode Island Department of Environmental Management's adjustments within the State accounting system for \$252,914 in payroll costs originally allocated to Grant No. F20AF00145 that were later transferred to other Federal awards that were not related to the Wildlife and Sport Fish Restoration Program or the U.S. Department of the Interior (DOI).

Grant Onto Which Payroll Costs Were Transferred	Federal Program	Funding Agency	Unsupported Federal Costs
F17AF01008*	SWG	DOI	\$18,906 [†]
F19AF01118	SWG	DOI	\$13,000
F20AF11597	SWG	DOI	\$125,000
F23AF03020	SWG	DOI	\$70,000
FNA20NMF4410001	— [‡]	DOC [‡]	\$17,941 [†]
— [‡]	— [‡]	DOC [‡]	\$8,067 [†]
Total			\$252,914[†]

* The transfer of \$18,906 onto payroll costs of Grant No. F17AF01008 was made in March 2025, more than seven months after the period of performance ended on August 31, 2024.

[†] Rounded.

[‡]The Rhode Island Department of Environmental Management did not respond to our questions in May 2026 regarding the applicable Federal award or awarding type for the \$17,941 and \$8,067 payroll cost. We found that these expenses was moved to a Department of Commerce (DOC) award within the State's accounting system.

Note: SWG is State Wildlife Grant.

Appendix 5: Indirect Costs for Grant No. F20AF00145

The table below summarizes the indirect costs for Grant No. F20AF00145 that was recorded on the final Federal financial report (FFR), the master tracker spreadsheet (MTS), and in the State's accounting system. After all these transfers, the State's accounting system still included \$26,195 more in Federal indirect expenses than what was submitted on the grant's FFR.

Expense Period	Indirect Charged Recorded on MTS	State Accounting System	FFR*
01/01/2020-06/30/2021	\$272,894	\$272,894	\$235,956
07/01/2021-06/30/2022	\$134,645	\$134,645	\$183,759
07/01/2022-06/30/2023	\$180,963	\$180,963	\$173,016
07/01/2023-06/30/2024	\$263,907	\$263,907	\$327,135
07/01/2024-12/31/2024	\$67,457	\$67,457	(\$161,109)
Closeout Period	—	(\$134,914) [†]	—
Total	\$919,866[‡]	\$784,952	\$758,757
Difference between State Accounting System and FFR		\$26,195	

*We reviewed the final FFR for Grant No. for F20AF00145 that was submitted on April 30, 2025. We identified that the Rhode Island Department of Environmental Management reported the indirect costs from its formula to estimate the total indirect cost for the Federal award. This Federal expense is not reflected in the State's accounting system or within the MTS that the Rhode Island Department of Environmental Management claimed as indirect charges.

[†]Adjustment made on May 14, 2025, two weeks after the final FFR was submitted.

[‡]The Rhode Island Department of Environmental Management failed to update its MTS to capture actual costs. The spreadsheet is intended to act as its comprehensive record to trace funds to a level of expenditures adequate to establish that such funds have been used according to Federal statutes, regulations, and the terms and conditions of Federal awards and ensuring the State meets the required match to warrant reimbursement of Federal funds. As such, it should be updated to reflect what is in the State's accounting system servicing as the system of record for Federal financial assistance.

Appendix 6: Responses to Draft Report

The U.S. Fish and Wildlife Service's response to our draft report follows on page 30. The Rhode Island Department of Environmental Management's response to our draft report follows on page 35.



United States Department of the Interior

FISH AND WILDLIFE SERVICE
Washington, D.C. 20240



In Reply Refer To:
FWS/OCI/FASO/OIG Draft Audit Report 2024-CGD-039

Memorandum

To: Acting Assistant Region Director, Office of Conservation Investment, Northeast Region

From: Acting Assistant Director, Office of Conservation Investment **MATTHEW FILSINGER** Digitally signed by MATTHEW FILSINGER Date: 2026.09.16 12:32:24 -04'00'

Subject: FWS Response to Draft Audit Report No. 2024-CGD-039, "Wildlife and Sport Fish Restoration Grants Awarded to the State of Rhode Island by the U.S. Fish and Wildlife Service.

The Headquarters Office, Division of Financial Assistance Support and Oversight (FASO) has reviewed the response and next steps forward for the above referenced report. Based on our review of the information provided by the Northeast Region, we concur with response and will continue to work collaboratively with the state to establish a target implementation date for resolution and implementation of all identified recommendations. In accordance with USFWS Service Manual Chapters, 417 FW 1, and our review, we concur with this timeline for moving forward.

We will forward our response, 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



In Reply Refer To:
FWS/R5/OCI

Memorandum

To: Assistant Director, Office of Conservation Investment, HQ

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

Date: September 14, 2026

Subject: Response to Draft Audit Report on U.S. Fish & Wildlife Service, Wildlife and Sport Fish Restoration Program Grants Awarded to the State of Rhode Island, Department of Environmental Management, from July 1, 2022- June 30, 2024, Report No. 2024-CGD-039

JASON
RASKU

Digitally signed by JASON
RASKU
Date: 2026.09.14
15:51:36 -04'00'

Attached for your review and approval is our response to the State of Rhode Island, Department of Environmental Management's (Department) draft audit report. Currently, the Department does not agree with the findings in the draft report. To ensure our reply meets the Office of Inspector General's (OIG) standards, the U.S. Fish and Wildlife Service, Office of Conservation Investment, Region 5, collaborated with OIG to develop this response, as we were unable to work jointly with the Department on a corrective action plan. Additionally, you will find the Department's response attached.

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

Attachments:
U.S. Fish and Wildlife Service Response to Report No. 2024-CGD-039
RI Draft Audit Report Response



United States Department of the Interior

FISH AND WILDLIFE SERVICE

300 Westgate Center Drive
Hadley, MA 01035-9589



September 15, 2026

In Reply Refer To:
FWS/Region 5/WSFR

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

Dear Director Kotzmoyer:

Enclosed is the State of Rhode Island Department of Environmental Management (Department), response to the Office of Inspector General's Draft Audit Report No. 2024-CGD-039. The Service has confirmed with the State these are the only comments they have on this Draft Report.

The Service agrees with all but one of the auditor's findings, as outlined in our attached detailed response. We plan to collaborate with the state to establish a target implementation date of one year from the final audit report's issuance. Additionally, we will coordinate with Department staff to further refine implementation dates, identify responsible officials, and develop mitigating measures for any dates extending beyond a year. Before implementation, the FWS will consult with OIG regarding these mitigating measures.

The Service has reviewed and submitted the State's response. Please see attached plan

Sincerely,

JASON RASKU

Digitally signed by JASON
RASKU
Date: 2026.09.16 09:36:29
-04'00'

Jason Rasku
Acting Assistant Regional Director, Wildlife
and Sport Fish Restoration Program

Enclosure:
U.S. Fish and Wildlife Service Response to Report No. 2024-CGD-039
RI Draft Audit Report Response & Appendix

U.S. Fish and Wildlife Service Response to Report No. 2024-CGD-039

Recommendation #1: FWS concurs with this recommendation. The FWS will require the Department to resolve questioned costs and ensure repayment of any unresolved amounts related to grants F16AF00935, F20AF00145, F20AF00241, F22AF00600, and F22AF00866. The FWS will require that the Department engage an independent auditor or accounting firm to thoroughly review and document all grant expenditures for the awards listed above confirming that costs have been properly allocated, are eligible and that matching contributions—including third-party in-kind contributions—are properly documented and used only once for federal awards. The FWS will require the Department to submit a scope of work for the audit for our review and approval prior to entering into a contract for services. Once the review is complete and the auditor/accountant is satisfied, the Department will provide all necessary supporting documentation to the FWS to resolve the costs questioned. Unallowable costs charged to these awards will be removed, revised SF425 forms will be submitted, and the Department will coordinate with FWS to repay questioned costs—either by check or administrative offset—if they fall outside the period of performance or lack adequate support.

Recommendation #2: FWS concurs with this recommendation. The FWS will require the Department to identify unallocable expenses being charged to Wildlife and Sport Fish Restoration Program awards the auditors did not review and develop a written plan to address any unallocable expenses identified. Unallowable costs charged to these awards will be removed, revised SF425 forms will be submitted, and the Department will coordinate with FWS to repay questioned costs—either by check or administrative offset—if they fall outside the period of performance or lack adequate support.

Recommendation #3: FWS concurs with this recommendation. The FWS will require the Department to develop and implement written policies to ensure only allocable expenses are charged to Wildlife and Sport Fish Restoration Program grants. The FWS has reviewed and approved the Department's Business Process Policy for Federal Grants Management (Attachment 1) and Draft Expense Adjustment policy (Attachment 2). When the Department provides evidence that both of these policies have been implemented the FWS will consider this finding resolved and implemented.

Recommendation #4: FWS concurs with this recommendation. The FWS will require the Department to develop and implement a process that requires all future Wildlife and Sport Fish Restoration Program grants have a unique line sequence established prior to incurring expenses.

Recommendation #5: FWS concurs with this recommendation. The FWS will require the Department to implement policies and procedures pertaining to the transfer of expenses from one Federal award to another to ensure compliance with Federal regulations, including 2 C.F.R. § 200.405. The FWS has received, reviewed and accepted the Departments Draft Expense

Adjustment Policy (Attachment 2). When the Department provides evidence that this policy has been implemented the FWS will consider this finding resolved and implemented.

Recommendation #6: FWS concurs with this recommendation. The FWS will require the Department to notify applicable awarding agencies of the payroll costs that were initially charged to Wildlife and Sport Fish Restoration Program Grant No. F20AF00145 and transferred to support costs associated with non-Wildlife and Sport Fish Restoration Program Federal awards.

Recommendation #7: FWS concurs with this recommendation. The FWS has received, reviewed and accepted the Departments Business Policy for Grants Management (Attachment 1), the FWS considers this corrective action resolved, but not yet implemented. When the Department provides evidence that this policy has been fully implemented, the FWS will consider this recommendation fully implemented.

Recommendation #8: FWS concurs with this recommendation. The FWS will require the Department to develop and implement policies related to all in-kind contributions, including third-party waived services, used to support Wildlife and Sport Fish Restoration Program grants to ensure they are in compliance with Federal regulations. The policies must include what constitutes adequate support for in-kind contributions including third-party waived services.

Recommendation #9: FWS concurs with this recommendation. The FWS will require the Department to develop and implement an internal mechanism to ensure that all subawards with Federal funding $\geq$ \$30,000 are reported, as required by Federal regulations.

Recommendation #10: FWS does not concur with this recommendation. The Departments risk assessments that were developed were prior to the implementation of the Departments policy on risk assessments. The FWS will not require them to retroactively re-evaluate risk retroactively. The FWS will require the Department to re-evaluate risk if any new funds are obligated to these subawards.

Recommendation #11: FWS concurs with this recommendation. The FWS will require the Department to provide training to all personnel responsible for the administration of subawards regarding subaward public reporting and subrecipient risk assessment requirements to ensure compliance with the Federal regulation and State policy. The FWS has received, reviewed and accepted a copy of the Departments DEM Internal Contract Review Process training (Attachment 3) and a list of attendees (Attachment 4). The FWS considers this corrective action resolved and implemented.



RHODE ISLAND
DEPARTMENT OF ENVIRONMENTAL MANAGEMENT
OFFICE OF THE DIRECTOR
235 Promenade Street, Room 425
Providence, Rhode Island 02908

Jason Rasku
Acting Assistant Regional Director, Office of Conservation Investment
U.S. Fish and Wildlife Service, Northeast Region
300 Westgate Center Drive, Hadley, MA 01035
Jason_rasku@fws.gov

Dear Mr. Rasku:

The Department of Environmental Management (hereinafter “RIDEM” and/or “the Department”) is providing detailed comments on the Draft Audit Report from the Office of Inspector General (OIG) for the U.S. Department of the Interior (DOI) for the Wildlife and Sport Fish Restoration Grants (WSFR) awarded to the State of Rhode Island by the U.S. Fish and Wildlife (FWS) service dated August 7, 2026. The Department has always taken the opportunity during federal audits to use the experience as a way to improve our grant accounting systems, where we can, and have appreciated the cooperation and support of the service in this regard.

There were some findings where there is agreement and steps are being taken to make improvements. The State of Rhode Island has a new accounting system, which will address many of the shortfalls of our prior system. However, RIDEM stands by its previous grant accounting system and are disputing the questioning of \$23 million in grant expenditures for numerous reasons explained below. Additionally, RIDEM requests that the draft and final audit reports and our comments provided herein be withheld from public release until RIDEM is able to have an independent auditor evaluate the five (5) grants mentioned in the report. As previously indicated, RIDEM intends to hire an independent auditor and has already initiated the process to procure the same.

BACKGROUND AND HISTORY

RIDEM received an engagement letter from the OIG on August 26, 2024, with an initial request for documentation which was provided on September 27, 2024.

The DOI OIG team was led by [REDACTED], including [REDACTED] and was overseen by Colleen Kotzmoyer. This team met no less than seven times before the initial Audit Entrance Conference meeting on April 15, 2025. These meetings entailed detailed walk through of all financial systems involved in accounting for the (WSFR) grants. The individual walkthroughs included the general ledger and financial systems, payroll, drawdowns, program income, license certification and licensing system, equipment and real property, and subawards and contracting. During these meetings, RIDEM staff explained in detail how each of these topics were managed using the state financial systems at that time, which were

fragmented and were managed manually using methodology approved by the FWS during RIDEM's last audit.

On April 15, 2025, the audit entrance meeting was held where the upcoming “field work” was explained. Then, on April 23, 2025, RIDEM was notified that “due to recent changes in DOI OIG resource and priorities,” the DOI was changing the lead auditor, [REDACTED] and adding one other team member. The new audit team was comprised of [REDACTED], [REDACTED], [REDACTED] and Colleen Kotzmoyer, although after September 2025 there was no correspondence with [REDACTED] or [REDACTED]. The team appeared only to be [REDACTED] and Ms. Kotzmoyer.

In the Fall of 2025, the audit was delayed due to the federal government shutdown, with a gap of contact between September 26, 2025, and January 22, 2026. When the audit commenced early in 2026, the DOI Audit team submitted extensive documentation requests with turnarounds that were challenging and when the RIDEM requested reasonable extensions due to staff schedules, these requests were denied or shortened. The timeline for DOI to complete the audit was not extended to accommodate the federal shutdown.

It is also important to note that on July 1, 2025, RIFANS was decommissioned and a statewide ERP went live. The periods included in this audit were prior to the implementation of the State’s ERP system, Workday Finance and the replacement of the RIFANS system. One of the goals of the implementation was to resolve control issues reported in prior single audits. The Corrective Action Plan for RIDEM in response to this audit is partially through the implementation of the State’s ERP system which went live on July 1, 2025.

PREVIOUS AUDITS

In December of 2020, FWS and State of Rhode Island, Department of Environmental Management, Division of Fish and Wildlife established a Corrective Action Plan (CAP) to provide support and an audit trail of grant specific costs. The process developed in conjunction with FWS is the same process RIDEM used during the period of the scope of this audit.

As part of the CAP, in collaboration with FWS the process developed by RIDEM to supplement the limitation of RIFANS regarding traceability RIDEM would review the Master Tracking Sheet (MTS), Cost Accounting Detail, Reconciliation Spreadsheet (which would include notes justifying the actual drawdown taken), as well as perform human review of expenditures that occurred prior to submitting drawdown requests. All drawdown files include traceability to the detailed costs associated with each draw. This process was previously determined sufficient by FWS and RIDEM continued to implement said process in accordance with said Corrective Action Plan.

The MTS provides a high-level summary of categories of expenditures that are derived from the RIFANS accounting system. During reconciliation, the grant accountant reviews the expenses posted to an associated line sequence within a specific period for allocability and creates a reconciliation spreadsheet. In cases where expenses posted to the line sequence are not allocable, or do not have sufficient match, the reconciliation spreadsheet will note that, and the drawdown and indirect cost calculations will be adjusted accordingly. Drawdown support includes reconciled expenditures, documented in kind, and documented

match. This forms the grant file, which is maintained in shared folders. Grant files were provided for the auditors for review.

CURRENT AUDIT

RIDEM provided extensive files of supporting documentation, including drawdown specific expenditure detail and source documentation. RIDEM met with the second audit team to provide a full walkthrough of the system, which was collaboratively developed between RIDEM and FWS, as well as numerous subsequent meetings to provide clarifications regarding system processes. RIDEM believes that there may have been information that the second audit team did not receive when the OIG team transitioned. The draft audit also does not reference anywhere that the additional controls in place prior to drawing funds. RIDEM believes this omission indicates a potential misunderstanding of the controls RIDEM has in place.

As mentioned previously, during the development of the previous CAP, RIDEM and FWS collaboratively developed and vetted the temporary systems and procedures that RIDEM would use to provide traceability until full implementation of the statewide ERP system. Per the CAP, RIDEM has been managing these awards in compliance with the agreed process. The statewide ERP system went live on July 1, 2025, and resolved the deficiencies of the RIFANS system. As RIDEM works towards full implementation, all new awards will be fully managed within the ERP system. For in flight awards, RIDEM will manage through a dual system where the added controls of the ERP will enhance the manual accounting.

Additionally, as part of this grant file, there is supporting documentation for each drawdown that identifies each reconciled expense and verifies that the expenses are allocable prior to including the expense in the drawdown. Below please find the drawdowns completed and submitted during the audit period, included is an Appendix with the files detailing each expense drawn during the period of this audit.

With the transition between the two audit teams, it is unclear whether the current team accessed this information from the initial files provided, but the Appendix included provides clear traceability of each expense drawn against the federal awards during this period audited. Detailed below is a summary of the dates, amount drawn, and confirmation that the documentation supports the amount drawn.

The chart below is illustrative only for the drawdowns submitted during the period of audit. We recognize that the scope of this audit includes grants that were continuations from prior periods and are happy to expand this documentation to cover those drawdowns if requested. Drawdown backup files include a note on the PDF that describes any difference in the calculations from the MTS and the final amount drawn. See appendix backup file for F20AF00145 for \$206,405.01 from 11/9/2023 for an example of the description.

Excluding these drawdown controls in the review of the audit materials offers an incomplete view of RIDEM's system and misrepresents the controls of the Department.

FAIN	Line Sequence	DD-Date	D D-Amount	Results
F20AF00241	3700105	4/12/2023	\$468,757.03	Drawdown backup docs match ASAP
F20AF00241	3700105	5/22/2023	\$151,011.34	Drawdown backup docs match ASAP
F20AF00241	3700105	6/27/2024	\$1,081,982.15	Drawdown backup docs match ASAP
F22AF00866	3700267	9/19/2023	\$346,538.28	Drawdown backup docs match ASAP
F22AF00866	3700267	5/21/2024	\$1,026,428.69	Drawdown backup docs match ASAP
F22AF00866	3700267	6/27/2024	\$730,365.10	Drawdown backup docs match ASAP
F22AF00600	3700251	6/28/2024	\$1,503,367.25	Drawdown backup docs match ASAP
F22AF00600	3700251	9/19/2023	\$373,736.73	Drawdown backup docs match ASAP
F20AF00145	3700108	4/14/2023	\$992,625.99	Drawdown backup docs match ASAP
F20AF00145	3700108	4/21/2023	\$160,040.84	Drawdown backup docs match ASAP
F20AF00145	3700108	11/9/2023	\$206,405.01	Drawdown backup docs match ASAP
F20AF00145	3700108	6/27/2024	\$502,649.71	Drawdown backup docs match ASAP
F20AF00145	3700108	6/27/2024	\$1,023,639.16	Drawdown backup docs match ASAP
F16AF00935	3700118	12/27/2022	\$1,233,604.38	Drawdown backup docs match ASAP

The auditors stated multiple times that their preference was for a single accounting system to be able to trace the entirety of the expense requirements. Due to the funding complexities, RIDEM was required to establish manual accounting systems to supplement the RIFANS accounting system until an ERP system could be procured and implemented. While the State of Rhode Island's ERP system went live on July 1, 2025, prior to that period traceability was maintained through multiple specialized systems, including manual accounting and file folders. The manual accounting and specialized systems were developed to provide the traceability required by 2 C.F.R. 200.

As mentioned previously, RIDEM performed several walkthroughs with the initial audit team to review its documentation and record systems. The second audit team met with RIDEM and received a comprehensive walkthrough of the grant system that included documentation of each system component and how each component was utilized as part of the manual system. While the auditors indicated that they understood those systems, subsequent questions by the second audit team indicated that their understanding was incomplete. While RIDEM responded to the questions posed by the second audit team and provided additional detail and supporting documentation regarding the same, it appears the additional information provided by RIDEM to the audit team, which included the reconciliation spreadsheets and drawdown documentation, were disregarded and/or not referenced. We believe their review was incomplete.

The auditors noted that RIDEM failed to establish unique line sequences for two awards initiated in 2014 and 2020. The awards cited were issued prior to the implementation of the best practice. If the best practice was applied to these awards, RIDEM would have been required to transfer multiple years of transactions to new line sequences for accounting periods that were effectively closed. While the best practice was to create new line sequences for novel awards; it was determined not to be a sound practice to implement the same for longstanding continuing awards. For expenses previously reconciled and audited, adjustments were not made.

The State disagrees with the auditors' statement that it did not create new line sequences for each new agreement. The evidence relied upon by the auditors is for awards that were received several years prior to the best practice policy going into effect. Policies are not retroactive.

In other instances, the auditors cited RIDEM for the practice of establishing (novel) line sequences and executing journal entries to reallocate expenses to awards with the appropriate performance periods. The manual review, reconciliation, and reallocation was appropriate, and the expenses were allocable to the grants where they were ultimately drawn. Again, this assessment disregards the manual review, drawdown controls and used to support and supplement RIFANS, which is the process collaboratively created and agreed upon by FWS and RIDEM and documented in the CAP. RIDEM disagrees with the auditors' assertions that manual accounting, appropriate reallocation and reconciliation are not acceptable practices.

Within the systems audited, project codes are used to illustrate the type of work or activity performed by an individual, and allocability to a grant is determined by not only the type of work or activity performed, but the dates the work was performed. While the auditors indicate that it's unclear that project code work is allocable, the payroll dates and times are available within the accounting systems. The manual accounting and review are an additional control that occurs prior to drawing funds. Project codes in RIFANS were not the sole determining factor of allocability, and not all expenditures were required to have a project code. As explained, all expenditures required manual review and reconciliation prior to submitting for drawdown.

When costs are reconciled, there may be costs that are identified as not allocable to the federal award or line sequence, this can be for many reasons such as work is not eligible, period of performance mismatch or funds aren't available. The State of Rhode Island Office of Accounts and Control requires complete digital or physical supporting documentation attached to the entry detailing calculations and including invoices or substantiating documentation. The auditors identified expenses that included backup but noted the backup did not provide a clear justification that supports the intent of the journal. RIDEM agrees that the supporting documentation is not sufficient as is. The program will provide adequate supporting documentation for the appropriate grant files, or the costs will be absorbed by general revenue. As these expenses were reallocated, they were not included or associated with any funds drawn against the awards included in this audit. The justification burden lies within the drawdown file of the grant that holds the expenses.

As part of the proposed corrective action plan, RIDEM will be establishing a clear policy and procedure that details acceptable supporting documentation and will include formal programmatic approval and justification. Journals will not be entered into the accounting system or approved without these certifications.

As noted in the audit report, the line sequence associated with F20AF00145 had expenditures in excess of the available federal funds for F20AF00145. Because it is not possible to draw funds in excess than what is available from a federal award, those costs were reallocated to the line sequence and are not associated with F20AF00145. RIDEM covered costs associated with the award and drawn against the award in question. The RIFANS accounting system did not provide RIDEM with a control to prevent costs from charging the grants in question; therefore, the system relies on manual review to reallocate expenses to the correct line sequences. The State disagrees that this manual reallocation calls into question all expenses

drawn against this award. This is why our grant reconciliation does not rely solely on the data from RIFANs and includes this manual review. The auditor did not question any costs drawn against the award. Their finding relies on the conclusion that manual accounting is not in accordance with 2 CFR 200, the state disagrees. Manual accounting is still an accepted practice and was required in order for RIDEM to comply with the previous CAP developed cooperatively with the FWS.

STATEMENT ON INDIRECT COST:

Upon review, the FFR indicates the final amount of indirect costs drawn and charged to F20AF00145 is \$758,756.67. The state accounting system will be adjusted to match the final reconciled charges. Since these costs were not included in the final or submitted for drawdown, RIDEM asserts that no charges were drawn from the federal award in excess of what was allowable. RIDEM disagrees with the auditor's statement on indirect costs.

IN-KIND CONTRIBUTIONS:

In kind contributions are documented and maintained within the grant files. This documentation includes source documents and invoices and is reviewed manually prior to drawdown. As mentioned previously, RIDEM's accounting system includes multiple specialized systems including manual reconciliations and review. While the documentation is maintained in the grant file and uploaded after manual review, RIDEM intends to implement a policy that requires detailed review and certification by the program as part of the corrective action plan. The program will provide an attestation for the invoices and confirm that the expenses are not duplicated across multiple federal awards. To the best of our knowledge, the auditors did not find an instance where in kind was duplicated, only that there is potential for said occurrence. The Department continues to explore the capabilities of the State's ERP system and whether options to integrate in-kind in future system enhancements are available

To clarify the statement attributed to the Chief Financial Officer, the line sequence is not the sole identifier of grant expenses within the accounting system, it is one piece of the whole system. RIDEM maintained multiple specialized systems as well as a manual accounting and detailed reconciliation reviews in order to provide traceability to the award level prior to submitting drawdown requests

IMPACTS:

In the audit report, the line sequence is often used as synonymous with the grant, RIDEM notes that this is a misrepresentation of the accounting system. Until expenditures posting to line sequences are reviewed in accordance with the grant for allocability (was the work performed associated with the grant award, was it within the performance period, and is there funding available) it is not drawn. This is why RIDEM does not rely upon line sequence alone to determine allocability. This is also why drawdown documentation includes the MTS, grant reconciliation spreadsheet and other detailed documentation required for specific grants. It is maintained through multiple specialized systems and manual accounting.

When RIDEM questioned why the supporting documentation was not reviewed by the auditors, it appears that they understood the supporting documentation to be a reiteration of RIFANS with some notes attached, which is inaccurate. The exclusion of reviewing a key component of the system developed in

conjunction with FWS is only one of many instances where this audit team disregarded documentation provided by RIDEM which supports compliance with the previously agreed upon process between FWS and RIDEM. While the auditors note that the process does not align with the state RIFANS accounting system, the audit team excluded the entirety of the previously agreed to and approved system of accounting by FWS. The State disagrees with any conclusions the auditors arrived at that appears to disregard key components of the accounting and reconciliation system.

RECOMMENDATIONS:

1. As stated previously, the auditor's conclusion that the entirety of the federal awards is in question requires the audit team to discount review of multiple specialized systems, including manual accounting and the volumes of source data we provided. As stated, the audit team disregarded the grant reconciliation spreadsheets and excluded drawdown support expenditure data. An auditors' preferred tracking method of review does not automatically equate to a lack of traceability in the current system. RIDEM disagrees that there was not sufficient documentation provided during the course of this audit. RIDEM will procure an independent audit team to review the grants questioned by the audit team
 - a. As noted, the RIFANS accounting system was unable to prevent non grant related expenditures from posting to line sequences. Because of this, the MTS, reconciliation spreadsheets, grant file, and drawdown support were all used to substantiate allocable costs. This process followed the collaboratively developed process established between FWS and the Department and is consistent with the previously referenced 2020 CAP.
 - b. The auditors also stated that transactions missing project codes were ineligible. RIDEM disagrees with this finding, as RIDEM has never made the representation that all costs require projects codes. Rather, project codes were additional details to substantiate the tasks or type of work performed.
2. If the independent auditor determines that the costs questioned in the five tested grants were supported, we request that this requirement be eliminated.
3. The only specific costs which appear to be questioned were those included in journal entries removing the costs from line sequence that are not posted against grants or included in final costs submitted. The costs were reallocated and not drawn. RIDEM asserts that the costs that were drawn were appropriate. RIDEM disagrees with this finding.
4. The State of Rhode Island implemented an ERP system on July 1, 2025, that provides grant level traceability. While implementation of the ERP resolves the finding for awards initiated and received after July 1, 2025, RIDEM will maintain tracking as agreed in the CAP for expenses occurring prior to the implementation of ERP. This is resolved.
5. With the implementation of the ERP, there are policies and procedures that maintain grant level detail. As noted, RIDEM has implemented an internal policy for the creation of new line

sequences, however, the auditors continue to support their assertion that RIDEM is not following this policy through grants that were in effect prior the implementation of policy. Policies do not apply retroactively. RIDEM disagrees with any assertion from the auditors that rely on effectuating a policy retroactively.

6. RIDEM will develop a policy that requires more specific justification and program attestation of allocability to the specific grant for any expenses that are journaled to any grant.
7. Documentation specific to journal entries will be included in grant files in accordance with the updated policy for journal entries including an attestation from the program. If sufficient justification is not available, the costs will be absorbed in the general fund. This policy will be effective for any grant open on or after April 1, 2026. While justification and backup have always been required, the policy will be strengthened to define required documentation.
8. The State of Rhode Island has implemented an ERP system and will continue to provide traceability of all federal grant expenditures in accordance with 2 C.F.R. § 200.405.
9. RIDEM will require a monthly attestation from the program that includes source documentation for in-kind contribution with grant level detail. The existing in-kind contribution policy will be revised to include this new process and implementation of the same.
10. The State of Rhode Island, Department of Administration, Accounts and Control Grants Management Office policy for Federal Funding Accountability and Transparency Act (FFATA) documentation and reporting was in effect as of October 12, 2023. (Included as an addendum). When the policy became effective, the divisions were responsible for subaward management. In May of 2025, the RIDEM Contract Administrator reviewed internal compliance and because of inconsistent reporting, assumed the responsibility, bringing RIDEM into compliance with the statewide and federal reporting requirements. This is resolved.

RIDEM reviewed the risk assessments and determined that the material weaknesses found on the single audits would not have coincided with the timing of the risk assessments and would not have been applicable to the contracts reviewed during this audit. We request that this remark be removed, as the information was not available at the time of review and therefore would not be pertinent or appropriate.

Upon review of the “recent audits” the auditor referred to, the findings occurred after any risk assessments would normally be reviewed for RIDEM contracts. Standard procedure is for risk assessments to be performed prior to entering into a contract with an entity. The contract with the Town of South Kingstown was initially executed on January 10, 2023, and an amendment was executed July 1, 2023. The finding in the Town’s single audit was not published until January 2024, after the risk assessment would have been performed for either the initial contract or the amendment. Therefore, the risk assessment would not have included the findings from the single audit, as that finding occurred subsequent contract and amendment thereto.

Similarly, the timing relating to the findings of the Single Audit for the City of Providence and the timing of risk assessment did not coincide. The contract with the City of Providence was executed May 18, 2023, and the single audit with the finding was not available until December 2023.

Additionally, the finding for the City of Providence was for the school department's lack of policies and procedures, which in no way impacted the boating access project that was carried out through the subaward and therefore would not change the risk level determined.

11. Contract training, including subrecipient risk assessments, was provided to staff on April 22, 2026, and is routinely available for new staff one on one with the contract administrator. Additionally, this training is offered every quarter as a refresher course.

OTHER MATTERS:

RIDEM agrees that many of these grants are lengthy. However, since 2014 RIDEM has improved its grant tracking system and implemented policies to continuously improve grant management, these time periods and grant extensions were approved by FWS. RIDEM's Office of Management Services (OMS) is in concurrence that lengthy awards are not a best practice and will note that this is one of the few funding sources that approves awards of this length. In instances where there are major construction projects, or multi-year research projects, this practice may need to continue. RIDEM will continue to work cooperatively and collaboratively with FWS to shorten grants periods whenever possible and practicable.

Corrective Actions already implemented and in process:

INDEPENDENT AUDIT:

As part of its correction actions, RIDEM will engage independent auditors as we believe there may be errors in calculations and/or misinterpretation of facts. RIDEM's goal in engaging with independent auditors is to receive objective information to allow it to come to an agreement about controls, processes, and disallowed costs.

The contract with the independent auditors will be procured and managed through the State of Rhode Island, Office of Internal Audits.

IMPLEMENTATION OF STATE OF RHODE ISLAND ERP:

The State's ERP system, Workday Finance, went live July 1, 2025, following a multi-year implementation, replacing RIFANS as the state's system of record for finance.

Workday Finance is integrated with the State's grant management system, Euna Grants. Together, the two systems provide internal controls that address prior Single Audit findings. New grant awards are entered in Euna Grants and validated against the federal award letter — including award amount, FAIN, and ALN — prior to approval and integration with Workday Finance. In Workday Finance, agency staff confirm grant information and establish an award budget, each subject to workflow approval by the managing state agency. Upon approval, Workday generates a unique grant worktag, which serves as the key identifier for all spending on the grant and is linked to an appropriation. Since December 8, 2025, a system validation has required a grant worktag on all expenditures against fund source 02 (federal).

Subawards are initiated in Euna Grants and passed to Workday Finance to establish a supplier contract. Payment requests require dual approval: first in Euna Grants, following review of supporting documentation, and again in Workday Finance, which issues payment. Each system maintains a defined workflow with detailed approval requirements prior to disbursement.

Drawdowns are managed within Workday Finance. A report identifies eligible expenditures not yet drawn; agency staff use this to document the drawdown in Workday, submit the request through the federal payment management system, and record receipt of funds with the state treasury. The drawdown process includes multiple approval steps.

Sincerely,

Emily Cahoon

Digitally signed by Emily
Cahoon
Date: 2026.09.08 17:16:54
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Emily Cahoon
Chief Financial Officer
Rhode Island Department of Environmental Management

Appendix 7: Status of Recommendations

Recommendation	Status	Action Required
2024-CGD-039-01 We recommend that the U.S. Fish and Wildlife Service (FWS) require the Rhode Island Department of Environmental Management (Department) to resolve the \$23,018,279 in question costs associated with unallocable expenses being charged to Grant Nos. F16AF00935, F20AF00145, F20AF00241, F22AF00600, and F22AF00866.	Resolved: FWS concurred with the recommendations and will require the Department to implement corrective actions.	We will track implementation.
2024-CGD-039-02 We recommend that FWS require the Department to identify unallocable expenses being charged to Wildlife and Sport Fish Restoration Program awards we did not review and develop a written plan to address any unallocable expenses identified.		
2024-CGD-039-03 We recommend that FWS require the Department to develop and implement written policies to ensure only allocable expenses are charged to Wildlife and Sport Fish Restoration Program grants, such as policies related to what line sequence numbers and cost centers are assigned to each grant.	Unresolved: FWS concurred with the recommendation but provided Department documentation that we determined did not meet the intent of the recommendation.	We will meet with FWS to further discuss resolution of this recommendation.

Recommendation	Status	Action Required
2024-CGD-039-04 We recommend that FWS require the Department to develop and implement a process that requires all future Wildlife and Sport Fish Restoration Program grants have a unique line sequence established prior to incurring expenses.		
2024-CGD-039-05 We recommend that FWS require the Department to implement policies and procedures pertaining to the transfer of expenses from one Federal award to another to ensure compliance with Federal regulations, including 2 C.F.R. § 200.405.	Resolved: FWS concurred with the recommendations and will require the Department to implement corrective actions.	We will track implementation.
2024-CGD-039-06 We recommend that FWS require the Department to notify applicable awarding agencies of the payroll costs that were initially charged to Wildlife and Sport Fish Restoration Program Grant No. F20AF00145 and transferred to support costs associated with non-Wildlife and Sport Fish Restoration Program Federal awards.		
2024-CGD-039-07 We recommend that FWS require the Department to develop and implement adequate reconciliation policies to ensure that the financial reports the Rhode Island Department of Environmental Management submitted are accurately reflected in the State's accounting system for the Federal awards that it receives.	Unresolved: FWS concurred with this recommendation but provided Department documentation that we determined did not meet the intent of the recommendation.	We will meet with FWS to further discuss resolution of this recommendation.

Recommendation	Status	Action Required
2024-CGD-039-08 We recommend that FWS require the Department to develop and implement policies related to all in-kind contributions, including third-party waived services, used to support Wildlife and Sport Fish Restoration Program grants to ensure they are in compliance with Federal regulations.	Resolved: FWS concurred with the recommendations and will require the Department to implement corrective actions.	We will track implementation.
2024-CGD-039-09 We recommend that FWS require the Department to develop and implement an internal mechanism to ensure that all subawards with Federal funding over \$30,000 are reported, as required by Federal regulations.		
2024-CGD-039-10 We recommend that FWS require the Department to re-evaluate the risk assessments of the eight subrecipients that had subawards open during State fiscal year 2023 and 2024 that were classified as low risk to ensure proper classification in accordance with the Rhode Island Department of Environmental Management's implemented policy.	Resolved: FWS did not concur with the recommendation to re-evaluate the risk retroactively but will require the Department re-evaluate risk if any new funds are obligated to these subawards.	We will track implementation.
2024-CGD-039-11 We recommend that FWS require the Department to provide training to all personnel responsible for the administration of subawards regarding subaward public reporting and subrecipient risk assessment requirements to ensure compliance with the Federal regulation and State policy.	Implemented: FWS concurred with the recommendation. We obtained and reviewed the supporting documentation and determined that it is sufficient to consider the recommendation implemented.	No action is required.



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