



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

**U.S. FISH AND WILDLIFE SERVICE, WILDLIFE AND SPORT FISH
RESTORATION PROGRAM GRANTS**

Awarded to the State of Mississippi, Department of Marine Resources From
July 1, 2014, Through June 30, 2016




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

Memorandum

SEP 18 2017

To: Gregory Sheehan
Acting Director, U.S. Fish and Wildlife Service

From: Charles Haman 
Director, Grant Audits

Subject: Final Audit Report – U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the State of Mississippi, Department of Marine Resources From July 1, 2014, Through June 30, 2016
Report No. 2017-EXT-003

This final report presents the results of our audit of costs claimed by the State of Mississippi (State), Department of Marine Resources (Department) under grants awarded by the U.S. Fish and Wildlife Service (FWS). FWS provided the grants to the State under the Sport Fish Restoration Program (Program). The audit included claims totaling \$2,024,635 on 20 grants that were open during the State fiscal years that ended June 30, 2015, and June 30, 2016 (see Appendix 1). The audit also covered the Department's compliance with applicable laws, regulations, and FWS guidelines, including those related to collecting and using fishing license revenue and reporting program income.

We found that the Department complied, in general, with applicable grant accounting and regulatory requirements. We questioned costs totaling \$12,651 due to inadequate oversight of its financial reporting process.

We provided a draft report to FWS for its response. In this report, we summarize the Department's and FWS Region 4's responses to our recommendations, as well as our comments on their responses. We list the status of each recommendation in Appendix 3.

Please provide us with a corrective action plan based on our recommendations by December 18, 2017. The response should provide information on actions taken or planned to address the recommendations, as well as target dates and title(s) of the official(s) responsible for implementation. Formal responses can be submitted electronically. Please address your response to me and submit a signed PDF copy to WSFR_Audits@doioig.gov. If you are unable to submit your response electronically, please send your response to me at:

U.S. Department of the Interior
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The legislation creating the Office of Inspector General requires that we report to Congress semiannually on all audit reports issued, actions taken to implement our recommendations, and recommendations that have not been implemented.

If you have any questions regarding this report, please contact Program Audit Coordinator Tim Horsma at 916-978-5650, or me at 303-236-9243.

cc: Regional Director, Region 4 U.S. Fish and Wildlife Service

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Introduction

Background

The Pittman-Robertson Wildlife Restoration Act and the Dingell-Johnson Sport Fish Restoration Act (Acts)¹ established the Wildlife and Sport Fish Restoration Program (Program). Under the Program, the U.S. Fish and Wildlife Service (FWS) provides grants to States to restore, conserve, manage, and enhance their wildlife and sport fish resources. The Acts and Federal regulations contain provisions and principles on eligible costs and allow FWS to reimburse States up to 75 percent of the eligible costs incurred under the grants. The Acts also require that hunting and fishing license revenue be used only for the administration of the States' fish and game agencies. Finally, Federal regulations and FWS guidance require States to account for any income they earn using grant funds.

Objectives

We conducted this audit to determine if the State of Mississippi (State), Department of Marine Resources (Department)—

- claimed the costs incurred under the Program grants in accordance with the Acts and related regulations, FWS guidelines, and grant agreements;
- used State fishing license revenue solely for fish program activities; and
- reported and used program income in accordance with Federal regulations.

Scope

Audit work included claims totaling approximately \$2,024,635 on the 20 grants open during the State fiscal years (SFYs) that ended June 30, 2015, and June 30, 2016 (see Appendix 1). We report only on those conditions that existed during this audit period. We performed our audit at the State of Mississippi, Department of Marine Resources Headquarters, and visited one boat launch site, and one sub-recipient (see Appendix 2).

We performed this audit to supplement—not replace—the audits required by the Single Audit Act Amendments of 1996.

¹ 16 U.S.C. §§ 669 and 777, as amended, respectively.

Methodology

We conducted this 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.

Our tests and procedures included—

- examining the evidence that supports selected expenditures charged to the grants by the Department;
- reviewing transactions related to purchases, direct costs, drawdowns of reimbursements, in-kind contributions, and program income;
- interviewing Department employees to ensure that personnel costs charged to the grants were supportable;
- conducting site visits to inspect property;
- determining whether the Department used fishing license revenue solely for the administration of fish Program activities; and
- determining whether the State passed required legislation assenting to the provisions of the Acts.

We also identified the internal controls over transactions recorded in the labor- and license-fee accounting systems and tested their operation and reliability. Based on the results of initial assessments, we assigned a level of risk to these systems and selected a judgmental sample of transactions for testing. We did not project the results of the tests to the total population of recorded transactions or evaluate the economy, efficiency, or effectiveness of the Department's operations.

We relied on computer-generated data for other direct costs and personnel costs to the extent that we used these data to select Program costs for testing. Based on our test results, we either accepted the data or performed additional testing. For other direct costs, we took samples of costs and verified them against source documents such as purchase orders, invoices, receiving reports, and payment documentation. For personnel costs, we selected Department employees who charged time to Program grants and verified their hours against timesheets and other supporting data.

Prior Audit Coverage

On August 9, 2012, we issued “Audit - U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the State of Mississippi, Department of Marine Resources, from July 1, 2009 through June 30, 2011” (Report No. R-GR-FWS-0007-2012).

We followed up on all recommendations in the report and found that the U.S. Department of the Interior, Office of the Assistant Secretary for Policy,

Management and Budget, considered the recommendations resolved and implemented.

We reviewed the single audit report for SFY 2015. The report did not contain any findings that would directly affect administration of Program grants.

Results of Audit

Audit Summary

We found that the Department complied, in general, with applicable grant agreement provisions and requirements of the Acts, regulations, and FWS guidance. We determined, however, that the Department did not meet its required matching share of costs on three grants. We question costs of \$12,651 due to the Department's inadequate oversight of its financial reporting process and FWS' failure to verify the Federal participation rate for amounts claimed on the grants.

Finding and Recommendations

Questioned Costs, Excess Reimbursements—\$12,651

Under the Program, FWS may reimburse States up to 75 percent of grant expenditures, provided the States first expend their required matching share of costs. The Department is required to submit Federal Financial Reports (SF-425s) to FWS that accurately reflect the status of grant funds at the end of the grant period.

To determine whether the Department met its matching requirements needed to earn Federal reimbursement, we verified that costs claimed were supported by sufficient costs recorded in the Department's accounting system. For three grants that we examined, the Department did not consider the 75/25 percent ratio when performing drawdowns. Even though total costs were below the approved grant amount, the drawdowns were disproportionate, and reimbursements exceeded the allowable Federal participation rate. The Department did not meet its matching share on three grants, and it therefore received excess reimbursement of \$12,651 as shown in the Figure below.

Grant Number	Grant Title	Federal Claimed Costs	State Claimed Costs	Total Claimed Costs	Federal Share Allowed ²	Questioned Costs - Ineligible
F13AF00309	Grant Coordination and Administration in Coastal Mississippi	\$74,636	\$20,804	\$95,440	\$71,580	\$3,056
F13AF01329	Mississippi Artificial Reef Program	130,827	33,334	164,161	123,121	7,706
F14AF00279	Grant Coordination and Administration in Coastal Mississippi	108,320	33,588	141,908	106,431	1,889
Total						\$12,651

The Code of Federal Regulations (50 C.F.R. § 80.12) states that “Federal participation is limited to 75 percent of eligible costs incurred in the completion of approved work or the Federal share specified in the grant, whichever is less.” Regulation 43 C.F.R. § 12.60(a)(1)(2) also requires each State’s fiscal control and accounting procedures to be sufficient to permit (1) preparation of required reports, and (2) tracing, through its financial management system, funds at a level that is adequate to demonstrate compliance with grant provisions. Finally, 50 C.F.R. 80.95(d) states that overpayments made to the State shall be recovered as directed by the Regional Director.

We found this issue occurred due to the Department’s inadequate review of its financial reporting process. The Department’s grants office personnel prepare the financial status reports and submit the reports to Grants Management for review and approval. Grants office personnel incorrectly completed the financial reports without verifying the amount of allowable Federal reimbursements, and Grants Management did not identify the issue in the review process. In addition, FWS did not identify the excess reimbursements before the grants were closed. As a result, we question \$12,651 related to excess requests for reimbursement.

² The Federal share allowed is 75 percent of the total claimed costs.

Recommendations

We recommend that FWS:

1. Resolve the \$12,651 of questioned costs on three grants: F13AF00309 (\$3,056), F13AF01329 (\$7,706), and F14AF00279 (\$1,889).
2. Require the Department to establish policies and procedures to ensure that drawdowns of Program grant funds are limited to 75 percent of eligible costs incurred.
3. Develop and implement a process for verifying percentages prior to closing out the grants.

Department Response

The Department acknowledged the excess reimbursement costs claimed. The Department submitted revised Federal Financial Reports to FWS and will provide direct reimbursement of the questioned costs. The Department stated that it is working on refining its policies and procedures to ensure proper handling of drawdown funds and verification of match percentages on the grants.

FWS Response

FWS concurred with the recommendations.

OIG Comments

Based on Department and FWS responses, we consider these recommendations resolved but not implemented (see Appendix 3).

Appendix 1

**State of Mississippi, Department of Marine Resources
Grants Open During the Audit Period
July 1, 2014, Through June 30, 2016**

Grant Number	Grant Amount	Claimed Costs	Questioned Costs- Ineligible
F13AF00039	\$190,000	\$186,605	\$0
F13AF00216	133,334	116,281	0
F13AF00309	158,400	95,440	3,056
F13AF01329	190,000	164,161	7,706
F14AF00192	73,202	72,131	0
F14AF00193	260,806	260,581	0
F14AF00195	66,864	66,864	0
F14AF00279	158,400	141,908	1,889
F15AF00032	190,000	190,000	0
F15AF00054	73,033	73,033	0
F15AF00055	260,244	258,396	0
F15AF00181	80,000	78,238	0
F15AF00256	158,400	154,176	0
F16AF00027	190,000	122,808	0
F16AF00052	73,034	0	0
F16AF00053	260,244	0	0
F16AF00193	80,000	25,901	0
F16AF00254	158,400	18,112	0
F16AF00484	255,610	0	0
F16AF00682	91,300	0	0
Totals	\$3,101,271	\$2,024,635	\$12,651

Appendix 2

**State of Mississippi
Department of Marine Resources
Sites Visited**

Headquarters

Biloxi

Boat Launch

McInnis Bayou

Subrecipient

The University of Southern Mississippi

Appendix 3

**State of Mississippi
Department of Marine Resources
Status of Audit Finding and Recommendations**

Recommendations	Status	Action Required
1, 2, and 3	<p>We consider the recommendations resolved but not implemented.</p> <p>U.S. Fish and Wildlife Service (FWS) regional officials concurred with these recommendations and will work with the State of Mississippi Department of Marine Resources (Department) to implement the recommendations.</p>	<p>Complete a corrective action plan that includes information on actions taken or planned to address the recommendations, target dates and title(s) of the official(s) responsible for implementation, and verification that FWS headquarters officials reviewed and approved of the actions taken or planned by the Department.</p> <p>We will refer the recommendations not implemented at the end of 90 days (after December 18, 2017) to the Assistant Secretary for Policy, Management and Budget for tracking of implementation.</p>

