



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 Tennessee, Wildlife Resources Agency
From July 1, 2015, Through June 30, 2017



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

Memorandum

DEC 11 2018

To: Margaret Everson
Principal Deputy Director, Exercising the Authority of
the Director U.S. Fish and Wildlife Service

From: Nicki Miller 
Regional Manager, Eastern Region

Subject: Final Audit Report – U.S. Fish and Wildlife Service Wildlife and Sport Fish
Restoration Program Grants Awarded to the State of Tennessee, Wildlife
Resources Agency, From July 1, 2015, Through June 30, 2017
Report No. 2018-ER-002

This report presents the results of our audit of costs claimed by the State of Tennessee, Wildlife Resources Agency, under grants awarded by the U.S. Fish and Wildlife Service (FWS). The FWS provided the grants to the State under the Wildlife and Sport Fish Restoration Program. The audit included claims totaling approximately \$95.4 million on 35 grants that were open during the State fiscal years that ended June 30, 2016, and June 30, 2017 (see Appendix 1). The audit also covered the Agency's compliance with applicable laws, regulations, and FWS guidelines, including those related to the collection and use of hunting and fishing license revenues and the reporting of program income.

We found that the Agency complied, in general, with applicable grant accounting and regulatory requirements. We found, however, that the Agency inaccurately reported program income, did not maintain oversight responsibilities over subawards, and did not submit required financial and performance reports timely.

We provided a draft report to the FWS for its response to our recommendations. The FWS concurred with our recommendations and will work with the Agency to implement the recommendations (see Appendix 3).

Please provide us with a corrective action plan based on our recommendations by March 11, 2019. The plan 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 aie_reports@doioig.gov.

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 me at 202-208-5745, or you can email aie_reports@doioig.gov.

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Introduction

Background

The Pittman-Robertson Wildlife Restoration Act and the Dingell-Johnson Sport Fish Restoration Act¹ established the Wildlife and Sport Fish Restoration 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 the 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 revenues 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 earned using grant funds.

Objectives

We conducted this audit to determine if the State of Tennessee, Wildlife Resources Agency:

- Claimed the costs incurred under the Program grants in accordance with the Acts and related regulations, FWS guidelines, and grant agreements
- Used State hunting and fishing license revenues solely for fish and wildlife program activities
- Reported and used program income in accordance with Federal regulations

Scope

Audit work included claims totaling approximately \$95.4 million on the 35 grants open during the State fiscal years (SFYs) that ended June 30, 2016, and June 30, 2017 (see Appendix 1). We report only on those conditions that existed during this audit period. We performed our audit at Agency headquarters in Nashville, TN, and visited 2 regional offices, 11 wildlife management areas, 3 fish hatcheries, 4 shooting ranges, 1 boat access site, Tennessee Wildlife Federation, and Tennessee Wildlife Resources Foundation (see Appendix 2).

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

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 Agency
- Reviewing transactions related to purchases, direct costs, drawdowns of reimbursements, in-kind contributions, and program income
- Interviewing Agency employees to ensure that personnel costs charged to the grants were supportable
- Conducting site visits to inspect equipment and other property
- Determining whether the Agency used hunting and fishing license revenues solely for the administration of fish and wildlife program activities
- 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 Agency'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 Agency employees who charged time to Program grants and verified their hours against timesheets and other supporting data.

Prior Audit Coverage

On May 17, 2013, we issued “U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the State of Tennessee Wildlife Resources Agency, from July 1, 2010, Through June 30, 2012 (R-GR-FWS-0002-2013).” 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 single audit reports for SFYs 2016 and 2017. Neither of these reports contained any findings that would directly affect the Program grants.

Results of Audit

Audit Summary

We found that the Agency complied, in general, with applicable grant agreement provisions and requirements of the Acts, regulations, and FWS guidance. We identified, however, the following conditions that resulted in our findings.

A. Inaccurately Reported Program Income

The Agency did not report the accurate amount of program income on its final financial report. In addition, the Agency did not track program income through the grant period and spend that income before requesting drawdowns of additional funds.

B. Insufficient Oversight of Subawards

The Agency incorrectly made advance payments, did not disclose subaward final performance reports, and did not report subaward activity as required on the Federal website.

C. Late Financial and Performance Reports

The Agency submitted several reports late and did not request extensions as required.

Findings and Recommendations

A. Inaccurately Reported Program Income

The Agency did not deduct program income from its allowable grant totals throughout the grant period nor did it accurately report program income at the end of the grant period, resulting in potentially overdrawing grant funds. Under the Program, States may earn revenue, or program income, from grant-supported activities. According to Federal regulations, States must calculate the income throughout the grant period and must use the income against current expenses before drawing down grant funds. In addition, the program income reported on the final Federal Financial Report must be actual revenue, not budgeted numbers.

Program Income Not Calculated and Deducted From Grant Expenditures During Drawdown Process

The Agency was awarded comprehensive annual grants in SFYs 2016 (F15AF00483) and 2017 (F16AF00737). These grants required the Agency to deduct program income from expenditures made before requesting drawdowns from the FWS. We determined that the Agency did not include program income in any calculations before submitting the final Federal Financial Reports at the end of each grant, resulting in the Agency potentially overdrawing grant funds.

The Code of Federal Regulations (2 C.F.R. § 200.307 (e)(1)) states that entities using the deductive method must deduct program income from the total allowable costs to determine the net allowable costs. Program income must be used for current costs before requesting additional grant funds unless the Federal awarding agency authorizes otherwise.

Agency personnel preparing the Federal Financial Reports were not aware that this deduction should be performed before every drawdown. Personnel explained they interpreted “current costs” to mean the current grant, not costs incurred at each drawdown.

Budgeted Amount Used in Final Federal Financial Report

We also determined that although the Agency reported program income of \$350,000 in SFY 2017 on the final Federal Financial Report, the Agency based this number on a budgeted amount and not the actual amount of program income. The actual amount of program income earned in SFY 2017 was \$1,690,710. The Federal Financial Reports require the Federal share of program income earned to be reported as actual amounts, not budgeted amounts.

We learned that Agency personnel preparing the Federal Financial Reports were new to the position and did not know that they needed to include detailed information from revenue reports to properly account for program income. The Agency’s financial system cannot produce a report that identifies program income, so to gather information for financial reporting purposes, Agency personnel must know about the program income for each grant and obtain or request information as needed from the revenue department to report actual amounts.

By using a budgeted amount of program income to prepare the final Federal Financial Report, the Agency cannot ensure that it used program income solely to offset grant expenses and according to the purpose of the grant, or that it spent program income before requesting drawdowns. In addition, the Agency cannot ensure that the program income reported is complete or correct because there is no review for accuracy before the information is used to fill out the Federal Financial Report.

Because the Agency used a smaller budgeted amount instead of actual income for the final report in SFY 2017, we questioned \$1,340,710 in unreported income and requested that the Agency revise its SFY 2017 final Federal Financial Report. Before we issued our draft report, the Agency revised its Federal Financial Report to reflect actual amounts of program income earned in SFY 2017, resolving the unreported income.

Recommendations

We recommend that the FWS direct the Agency to:

1. Train personnel in using and reporting actual program income.
2. Develop an Agency report that compiles all program income earned on each grant to be used for financial reporting purposes.
3. Develop and implement procedures to verify the accuracy of actual program income amounts.
4. Spend actual program income earned before requesting additional funds from the FWS throughout the duration of the grant.

Agency Response

The Agency concurred with recommendations 1 through 4. To address recommendation 1, the Agency noted that the chief of Federal aid, who prepared the Federal Financial Reports, was new to the position and did not know that they needed to include detailed information from revenue reports to properly account for program income. After we presented this finding, this person was trained and went through both the basic and advanced grants management courses, and now knows how to properly account for program income.

In addition, the Agency plans to develop a report to be used for financial reporting purposes that compiles all program income earned on each grant, and to develop and implement procedures to verify the accuracy of program income reported. The chief of Federal aid will then use the report to expend program income before requesting additional funds from the FWS.

FWS Response

The FWS concurred with recommendations 1 through 4 and will work with the Agency to develop processes and procedures for gathering and validating program income information for inclusion in the Federal Financial Reports.

OIG Comments

Based on the Agency's and the FWS' responses, we consider recommendation 1 resolved and implemented, and recommendations 2, 3, and 4 resolved but not implemented.

B. Insufficient Oversight of Subawards

The Agency awarded a portion of its grant funds to other entities to perform various projects required by the grants. We found that the agency did not always comply with funding, reporting, or awarding requirements when administering these subaward agreements.

Advance Payments

The Agency entered into subaward agreements with two entities for a total of four subawards using State Grant Contracts. Each of those contracts states, “The Grantee shall be reimbursed for actual, reasonable, and necessary costs based upon the Grant Budget, not to exceed the Maximum Liability . . . the Grantee shall submit invoices prior to any reimbursement of allowable costs.”

We reviewed the four contracts and found that the Agency paid the full amount of three of those contracts before the recipient had completed any work. When advance payments are made to subawards, the State requires a “Rule Exception Request,” but none of the contract files contained this request. Even though the contract states that payments made to the subrecipient are reimbursable, the Agency did not comply with the intent of its own contract, which could result in subrecipients believing that the contract terms are flexible.

Undisclosed Performance Reports

The four contracts issued by the Agency specified that the recipient of the award should provide a written performance product that “shall appear on the Grantor State Agency’s website or as an attachment to the Grant Contract.” We found that the subrecipients provided written reports to the Agency, but these reports were not published on the Agency website or attached to the contract file. Despite these requirements, which would help promote public transparency, Agency personnel appeared confused about the need to publish the reports on the Agency’s website or attach the reports to the contract file.

Unreported Subawards

The Agency did not report subawards of \$25,000 or more to www.fsr.gov, as required by 2 C.F.R. § 170, Appendix A, Paragraphs I.a.1 and I.a.2.i. Information entered on this website automatically posts to USASpending.gov, a website dedicated to promoting transparency in Federal spending. We found that the Agency awarded two contracts, each totaling \$195,000, that it should have reported but did not.

Former Agency personnel told us they had trouble loading data into the www.fsr.gov website and current personnel did not know about the requirement to report subawards totaling \$25,000 or more. Failing to report these subawards does not comply with Federal law and diminishes the Program’s transparency.

Determining Whether Federal Funding is Passed-Through Via Procurement Contract or Grant Subaward

During our audit, we found that the Agency classified one of its Wildlife and Sport Fish Restoration agreements as a contract, but we determined it should have been classified as a subaward. We reviewed three agreements to determine the State’s process for distinguishing contracts from grant subawards: two that the State had classified as subawards and one that the State had classified as a contract. When we reviewed the contract, we determined that the Agency was operating as a pass-through entity and used the contract to transfer funds to a third party to build and operate a shooting range.

The Agency should use contracts to request services from a company that provides like services to other entities; we found that this was not the case in this instance, because the third party did not exist until this project was proposed. Federal statute (16 U.S.C. § 669g para (b)) establishes the “construction, operation, and maintenance of public target ranges” as a public purpose. This was also the purpose of the State’s agreement with the third party. Under the provisions of 2 C.F.R. 200.330(a) and 2 C.F.R. 200.92, the use of Federal funds in this case constitute a subaward of financial assistance and not a procurement contract.

Based on our audits of other States and discussions we had with Agency and FWS staff, we believe the FWS should provide additional guidance regarding when to classify agreements as subawards or contracts. As such, we determined it would be inappropriate to issue a finding specific to the Agency at this time and did not issue a formal recommendation in this report. We will address the issue with the FWS in a separate report.

Recommendations

We recommend that the FWS require the Agency to:

5. Adhere to the subaward contract as written or modify it, if necessary.
6. Train Agency subaward managers on oversight techniques, responsibilities, and applicable Federal requirements.

Agency Response

The Agency concurred with both recommendations. It said it will adhere to the contracts as written and no longer permit advance payments. The Agency will also train subaward managers on oversight techniques, responsibilities, and applicable Federal requirements.

FWS Response

The FWS concurred with recommendations 5 and 6 and will work with the Agency to ensure subaward managers receive the appropriate training.

OIG Comments

Based on the Agency’s and the FWS’ responses, we consider recommendation 5 resolved and implemented, and recommendation 6 resolved but not implemented.

C. Late Federal Reports

Grantees are required to file a Federal Financial Report and a Performance Report with the FWS within 90 days after the end of the grant period. With FWS approval, the reporting period for both financial and performance reporting can be extended an additional 90 days.

Late Financial Reports

We found that 20 of the 35 Program grants open during the audit period had financial reports due to the FWS. Of those 20 grants, we identified 12 whose financial reports were submitted late, averaging 19 days past due (see Figure 1). We found that the Agency had not submitted any extension requests to the FWS for submitting these reports.

Grant Number	Due Date	Date Submitted	Days Late
FI2AF00660	9/28/16	10/26/16	28
FI3AF00352	9/28/17	11/17/17	50
FI4AF00377	9/28/16	11/7/16	40
FI5AF00227	9/28/17	10/3/17	5
FI5AF00757	9/28/17	10/3/17	5
FI5AF00758	9/28/17	10/2/17	4
FI5AF01203	11/29/17	12/28/17	29
FI5AF01218	9/28/16	10/13/16	15
FI6AF00041	10/29/17	11/27/17	29
FI6AF00299	9/28/16	10/7/16	9
FI6AF00426	9/28/17	10/2/17	4
FI6AF01245	9/28/17	10/3/17	5

Figure 1: Late Financial Reports

Late Performance Reports

In our review of a sample of nine judgmentally selected grants,² we found that seven grants, or 78 percent, submitted late final performance reports (see Figure 2). In addition to the final performance report, individual grants may

² Figure 2 lists eight grants because we found no late reports submitted under the ninth grant we tested.

require an interim performance report be filed periodically. For the nine grants in our sample, we found that six interim reports were submitted an average of 84 days late.

Grant Number	Final or Interim (F/I)	Due Date	Date Submitted	Days Late	Extension Requested?
FI2AF00660	I	9/28/2013	11/25/2013	58	No
	I	9/28/2014	2/10/2015	135	No
	F	9/28/2016	10/26/2016	28	No
FI4AF00377	I	6/29/2015	10/7/2015	100	No
	I	6/29/2016	10/27/2016	120	No
	F	9/28/2016	12/16/2016	79	No
FI5AF00757	I	9/28/2016	11/10/2016	43	No
FI5AF00758	I	9/28/2016	11/15/2016	48	No
	F	9/28/2017	10/2/2017	4	No
FI5AF01218	F	9/28/2016	11/10/2016	43	No
FI6AF00299	F	9/28/2016	10/7/2016	9	No
FI6AF00426	F	9/28/2017	10/2/2017	4	No
FI6AF01245	F	9/28/2017	10/3/2017	5	No

Figure 2: Late Interim and Final Performance Reports

Federal regulations (2 C.F.R. § 200.343 (a)) require grantees to submit final financial and performance reports no later than 90 calendar days after the end of the reporting period; the FWS can approve extensions of reporting due dates when requested by the grantee. In addition, 2 C.F.R. § 200.328 (b)(1) requires the non-Federal entity to submit performance reports at the interval required by the Federal awarding agency or pass-through entity to best inform improvements in program outcomes and productivity.

The Agency’s current Federal aid coordinator stated that since the retirement of his predecessor, he has relied on the FWS to inform him of impending deadlines. He admitted the Agency had missed various extension opportunities and is working to develop a system to better track deadlines, grant monitoring, and finalization.

By submitting late reports, the Agency did not comply with grant agreement terms and has limited the FWS’ ability to monitor the grants and the status of current projects and could impact future funding.

Recommendations

We recommend that the FWS direct the Agency to:

7. Timely submit Federal Financial and Performance Reports.
8. Request reporting extensions as necessary.

Agency Response

The Agency concurred with recommendations 7 and 8. The chief of Federal aid, who prepares the Federal Financial and Performance Reports, was new to the position and did not know the reporting due dates. He now knows about all reporting and filing requirements and is using the Milestone Plan Reports from the FWS' Tracking and Reporting Accomplishments for the Conservation of Species (TRACS) system to ensure all Federal Financial and Performance Reports are submitted on time. The chief of Federal aid has also been advised to submit an extension request if due dates cannot be met.

FWS Response

The FWS concurred with both recommendations and has worked with the Agency to develop a plan for tracking due dates.

OIG Comments

Based on the Agency's and the FWS' responses, we consider recommendations 7 and 8 resolved and implemented.

Appendix I

State of Tennessee
Wildlife Resources Agency
Grants Open During the Audit Period
July 1, 2015, Through June 30, 2017

FBMS Grant Number	Grant Amount	Claimed Costs
FI2AF00660	\$375,000	\$334,156
FI3AF00352	425,000	266,460
FI4AF00377	730,000	384,671
FI4AF00883	556,000	556,000
FI4AF00884	1,639,067	1,007,447
FI5AF00028	266,667	828
FI5AF00227	200,000	200,000
FI5AF00483	27,362,737	35,493,425
FI5AF00757	208,000	190,500
FI5AF00758	733,334	733,334
FI5AF00995	408,000	408,000
FI5AF01047	66,668	66,561
FI5AF01102	346,667	346,667
FI5AF01106	2,150,000	2,107,300
FI5AF01203	120,000	120,000
FI5AF01218	26,347	26,347
FI6AF00041	4,740,000	4,728,590
FI6AF00139	2,990,000	0
FI6AF00140	40,000	0
FI6AF00201	160,000	3,000
FI6AF00250	200,819	32,411
FI6AF00299	13,334	13,334
FI6AF00349	\$180,000	\$167,062
FI6AF00426	42,300	42,300

FBMS Grant Number	Grant Amount	Claimed Costs
FI6AF00511	\$40,000	\$5,679
FI6AF00736	1,357,767	195,804
FI6AF00737	30,000,816	42,031,319
FI6AF00739	4,642,000	4,070,500
FI6AF00895	116,000	111,405
FI6AF01122	100,000	100,000
FI6AF01245	640,000	628,720
FI7AF00074	1,066,667	1,013,333
FI7AF00134	2,625,000	0
FI7AF00209	40,000	13,333
FI7AF00487	8,000	0
Total	\$84,616,188	\$95,398,486

Appendix 2

**State of Tennessee
Wildlife Resources Agency
Sites Visited**

Headquarters

Nashville

Regional Office

Region 1-Jackson

Region 2-Nashville

Wildlife Management Areas

A.E.D.C. and Woods Reservoir Refuge

Cheatham

C.M. Gooch

Haynes Bottom

Laurel Hill

Natchez Trace

Obion River

Reelfoot

Tigrett

White Oak

Yanahli

Fish Hatchery

Humboldt

Normandy

Springfield

Shooting Ranges

Carroll County Shooting Sports Park

Haley-Jaqueth Range

Montgomery County Shooting Complex

Stone's River Hunter Education Center

Boating Access

White's Landing

Subawards

Tennessee Wildlife Federation

Tennessee Wildlife Resources Foundation

Appendix 3

State of Tennessee
Wildlife Resources Agency
Status of Audit Recommendations

Recommendations	Status	Action Required
1, 5, 7, and 8	We consider the recommendations resolved and implemented.	No further action is required.
2, 3, 4, and 6	<p>We consider the recommendations resolved but not implemented.</p> <p>U.S. Fish and Wildlife Service (FWS) regional officials concurred with the findings and recommendations and will work with the Tennessee Wildlife Resources Agency to develop and implement a corrective action plan that will resolve all findings and recommendations.</p>	<p>Please 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 Agency.</p> <p>We will refer the recommendations to the Assistant Secretary for Policy, Management and Budget for resolution and tracking of implementation by March 11, 2019.</p>

