



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 Arkansas, Game and Fish Commission
From July 1, 2015, Through June 30, 2017



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U.S. DEPARTMENT OF THE INTERIOR

Memorandum

FEB 05 2019

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

From: Nicki Miller *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 Arkansas, Game and Fish
Commission, From July 1, 2015, Through June 30, 2017
Report No. 2018-ER-018

This final report presents the results of our audit of costs claimed by the State of Arkansas, Game and Fish Commission, 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 (Program). The audit included claims totaling approximately \$67 million on 57 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 Commission'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 Commission complied, in general, with applicable grant accounting and regulatory requirements. We questioned costs totaling \$102,720 (\$77,040 Federal Share), however, because the Commission overcharged the grants for costs incurred and was missing or had inadequate documentation to support the costs incurred.

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 Commission to implement the recommendations (see Appendix 3).

Please provide us with a corrective action plan based on our recommendations by May 6, 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 they earn using grant funds.

Objectives

We conducted this audit to determine if the State of Arkansas, Game and Fish Commission:

- 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 \$67 million on the 57 grants open during the State fiscal years 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 the Arkansas Game and Fish Commission Headquarters in Little Rock, AR, and visited 2 regional offices, 1 fish hatchery, 12 wildlife management areas, 2 boat access sites, 1 special use area, 1 shooting range, and 1 field office (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 Commission
- Reviewing transactions related to purchases, direct costs, drawdowns of reimbursements, in-kind contributions, and program income
- Interviewing Commission employees to ensure that personnel costs charged to the grants were supportable
- Conducting site visits to inspect equipment and other property
- Determining whether the Commission 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 Commission'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 Commission employees who charged time to Program grants and verified their hours against timesheets and other supporting data.

Prior Audit Coverage

On November 6, 2013, we issued *U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the State of Arkansas, Game and Fish Commission, from July 1, 2010, Through June 30, 2012 (Report No.: R-GR-FWS-0008-2013)*. 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 State fiscal year 2016 and the Comprehensive Annual Financial Report for 2017. None of these reports contained any findings that would directly affect the Program grants.

Results of Audit

Audit Summary

We identified the following conditions that resulted in our findings.

A. Other Direct Costs—\$102,720 (\$77,040 Federal Share)

We questioned costs because the Commission overcharged the grants for costs incurred and was missing or had inadequate documentation to support the costs incurred.

B. Inadequate Oversight of Subrecipients

The Commission did not report all subawards for inclusion on USASpending.gov, a Federal website intended to promote transparency.

C. License Certification

The Commission did not accurately account for hunting and fishing licenses, which led to inaccurate license certifications in State fiscal years 2015 and 2016.

Findings and Recommendations

We provided a draft report to the FWS and the Commission for review. The Commission agreed with the recommendations and has begun address the recommendations in a pending corrective action plan. In its response, dated December 3, 2018, the FWS concurred with the recommendations and indicated it would work with the Commission to implement our recommendations. We consider all six recommendations resolved but not implemented (see Appendix 3).

A. Questioned Costs—\$102,720 (\$77,040 Federal Share).

To be eligible for reimbursement under the Program, grant expenses must be reasonable, allowable, allocable, and supported. The Commission could not provide support for one invoice and improperly overcharged two grants for costs that exceeded contractual arrangements.

We identified one transaction for road construction that did not have documentation to support the costs. When the Commission did provide documentation, the documentation was based on State transportation department estimates and was for a distance different than what was written in the contracted agreement. Therefore, we questioned the \$100,000 (Federal share \$75,000) contract as unsupported.

In addition, we identified two instances in which the Commission overcharged the grant for costs incurred. In the first instance, a contractor billed the Commission for equipment usage rates at a higher cost than agreed to in the contract, which resulted in a \$2,620 (Federal share \$1,965) overcharge. In the second instance, a

vendor increased the invoice amount by \$100 (Federal Share \$75) because of a typographical error. As a result, we questioned \$2,040 (Federal Share). The Commission admitted it did not notice the changes in the usage rates charged and did not verify invoice amounts.

Under the Code of Federal Regulations (2 C.F.R. 200 Subpart E), costs must be allowable, reasonable, and allocable. While these costs meet this criterion, the Commission did not compare the contracted amounts with the invoiced amounts, resulting in higher costs than anticipated.

In addition, we found that the Commission's contractual agreements state that contractors must provide invoices identifying the details of billing, such as services provided and the dates of service, in order to receive payment. We noticed, however, that the Commission has paid invoices without this detail present and without requesting that contractors submit revised invoices containing the required information. We observed that the Commission has worked with some contractors for many years and that newer contract agreements may have added invoice requirements that were not included in previous agreements. As a result, the Commission recognized work as completed, but paid invoices that did not include information stipulated in the new contract.

As a result, we questioned \$102,720 (\$77,040 Federal share) as unallowable because the costs did not comply with the Commission's contractual agreements and contractors did not submit detailed invoices as required by the contract.

Recommendations

We recommend that the FWS work with the Commission to:

1. Resolve \$77,040 (Federal share) in questioned costs
2. Ensure the Commission's staff have access to and know the requirements in current contractual agreements when reviewing invoices for payment
3. Ensure the contractors provide the required data as stipulated in the Commission's contractual agreements

B. Inadequate Oversight of Subrecipients

The Commission did not adequately oversee its subrecipients, entities to which the Commission awarded Program funds to carry out projects under Program grants, by not reporting all subawards to USASpending.gov.

In accordance with Federal regulations (2 C.F.R. § 170, Appendix A, Paragraphs I.a.1 and I.a.2.i), Federal grantees must report each subaward action that obligates \$25,000 or more in Federal funds at www.frs.gov. This information is then posted on USASpending.gov.

Of the 10 subawards the Commission reported for fiscal years 2016 and 2017, 6 subawards were for amounts greater than \$25,000; the Commission, however, only reported 3 on USASpending.gov. We found that the Commission does not have policies or procedures in place to manage subawards.

Recommendation

We recommend that the FWS:

4. Coordinate with the Commission to develop and implement policies and procedures to ensure the Commission reports all subawards greater than \$25,000 on USASpending.gov

C. License Certification

The Commission did not accurately account for hunting and fishing licenses, which led to inaccurate license certifications in State fiscal years 2015 and 2016. For the certification of the 2015 hunting and fishing licenses (those sold from July 1, 2014, to June 30, 2015), the Commission double-counted certain multiyear licenses available to Arkansas residents, which resulted in the Commission overstating its hunting licenses by 10,068 and its fishing licenses by 15,630. For the 2016 hunting and fishing licenses, the Commission incorrectly included reprinted licenses and licenses sold in previous years in its final count, and we identified 119 duplicate resident hunting licenses and 35 duplicate resident fishing licenses.

According to Federal regulations (50 C.F.R. Subpart D, § 80.31(b)(3)), fish and wildlife agencies must eliminate multiple counting of the same individuals in the information that certifies the number of paid license holders. Because the Commission did not eliminate duplicate licenses and overstated its license counts, the Commission may have received more Program funds than it should have received.

Recommendations

We recommend that the FWS:

5. Work with the Commission to resolve the inaccurate license certifications and any impact on Program funds the Commission received as a result of overcounting its licenses
6. Require the Commission to establish procedures to ensure an accurate count of license certifications

Appendix I

**State of Arkansas,
Game and Fish Commission
Grants Open During the Audit Period
July 1, 2015, Through June 30, 2017**

The audit period included claims totaling approximately \$67 million on the 57 grants open during the State fiscal years that ended June 30, 2016, and June 30, 2017. We questioned \$2,720 (\$2,040 Federal share) as ineligible and \$100,000 (\$75,000 Federal share) as unsupported.

FBMS Grant Number	Grant Amount	Claimed Costs	Questioned Costs: Ineligible	Questioned Costs: Unsupported
F05AF00013	\$1,487,500	\$1,519,169	\$0	\$0
F11AF00674	1,143,894	1,123,452	0	0
F13AF01279	205,456	234,317	0	0
F14AF00175	660,000	1,000,000	0	0
F14AF00290	558,000	277,232	0	0
F14AF00541	5,211,780	4,334,561	0	0
F14AF00978	1,436,627	1,571,258	0	0
F14AF01098	29,285	30,691	0	0
F14AF01117	111,968	51,014	0	0
F14AF01309	300,000	40,429	0	0
F14AF01316	2,670,458	8,826	0	0
F14AF01317	40,000	41,998	0	0
F14AF01354	2,291,827	1,152,709	0	0
F15AF00026-L	651,333	647,000	0	0
F15AF00120	6,733,333	9,455,947	0	0
F15AF00140	66,667	66,667	0	0
F15AF00233-L	3,106,000	3,106,283	0	0
F15AF00639	150,000	209,836	0	0
F15AF00643	398,400	303,153	0	0
F15AF00664	625,000	505,251	0	0
F15AF00763	120,000	110,643	0	0
F15AF00765	300,000	301,969	0	0
F15AF00781	4,539,334	3,078,116	0	100,000
F15AF00782	3,266,666	6,708,940	100	0
F15AF00783	535,000	693,216	0	0
F15AF00784	250,000	271,079	0	0
F15AF00785	16,500	17,802	0	0
F15AF00836	2,791,307	2,829,858	0	0
F15AF00896	4,679,044	3,992,721	0	0

FBMS Grant Number	Grant Amount	Claimed Costs	Questioned Costs: Ineligible	Questioned Costs: Unsupported
F15AF00897	\$20,977,533	\$13,569,002	\$2,620	\$0
F15AF01101	100,000	71,993	0	0
F15AF01235	\$855,000	\$453,587	\$0	\$0
F15AF01304	482,550	483,276	0	0
F16AF00018	102,501	97,634	0	0
F16AF00030	695,049	203,963	0	0
F16AF00058	350,000	430,165	0	0
F16AF00249	295,000	178,725	0	0
F16AF00605	546,666	540,301	0	0
F16AF00630	358,000	647,122	0	0
F16AF00681	107,200	138,860	0	0
F16AF00718	975,000	947,249	0	0
F16AF00722	6,236,820	4,588,945	0	0
F16AF00750	250,000	321,801	0	0
F16AF00755	16,100	11,524	0	0
F16AF00756	155,000	155,065	0	0
F16AF00833	120,000	120,000	0	0
F16AF00834	300,000	249,076	0	0
F16AF00835	60,000	27,003	0	0
F16AF00836	300,000	317,984	0	0
F17AF00040	20,000	17,609	0	0
F17AF00135	4,000,000	0	0	0
F17AF00437	83,227	0	0	0
F17AF00439	1,986,633	0	0	0
F17AF00449	244,450	0	0	0
F17AF00540	25,000	0	0	0
F17AF00593	2,086,935	0	0	0
F17AF00627	94,900	0	0	0
Total	\$86,198,943	\$67,225,021	\$2,720	\$100,000

Appendix 2

State of Arkansas Game and Fish Commission Sites Visited

Headquarters

Little Rock

Regional Office

East Central Office
Fort Smith Office – Fort Chaffee

Fish Hatchery

Jim Hinkle Spring River

Wildlife Management Areas

Blue Mountain
Dave Donaldson Black River
Ed Gordon Point Remove
Frog Bayou
Galla Creek
George H. Dunklin Jr. Bayou Meto
Henry Gray Hurricane Lake
Holland Bottoms
Mike Freeze Wattensaw
Petit Jean River
Sheffield Nelson Dagmar
Stone Prairie

Boating Access

Lake Conway
Strawberry River – Simstown

Other

J. Perry Mikles Special Use Area
Dr. James E. Moore Jr. Camp Robinson Firing Range
Mayflower Field Office

Appendix 3

**State of Arkansas
Game and Fish Commission
Status of Audit Recommendations**

Recommendations	Status	Action Required
I through 6	We consider the recommendations resolved but not implemented. U.S. Fish and Wildlife Service (FWS) regional officials concurred with the findings and recommendations and will work with the Arkansas Game and Fish Commission (Commission) staff to develop and implement a corrective action plan that will resolve all findings and recommendations.	<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 Commission.</p> <p>We will refer the recommendations to the Assistant Secretary for Policy, Management and Budget for resolution and tracking implementation by May 6, 2019.</p>

Report Fraud, Waste, and Mismanagement



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