



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

**U.S. Fish and Wildlife Service Grants
Awarded to the Commonwealth of Kentucky,
Department of Fish and Wildlife Resources,
From July 1, 2017, Through June 30, 2019,
Under the Wildlife and Sport Fish Restoration
Program**

In recognition of Secretarial Order No. 3380, we are providing estimated costs associated with certain work products. Applying a formula involving prior salary and benefit expenses, we estimate the cost of preparing this report to be \$164,000.



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

Memorandum

NOV 06 2020

To: Aurelia Skipwith
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 Grants Awarded to the Commonwealth of Kentucky, Department of Fish and Wildlife Resources, From July 1, 2017, Through June 30, 2019, Under the Wildlife and Sport Fish Restoration Program*
Report No. 2019-ER-046

This report presents the results of our audit of costs claimed by the Kentucky Department of Fish and Wildlife Resources (Department) under grants awarded by the U.S. Fish and Wildlife Service (FWS) through the Wildlife and Sport Fish Restoration Program. We conducted this audit to determine whether the 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. The audit period included claims totaling \$70.6 million on 51 grants that were open during the State fiscal years that ended June 30, 2018, and June 30, 2019.

We found that the Department generally ensured that grant funds and hunting and fishing license revenue were used for allowable fish and wildlife activities and complied with applicable laws and regulations, FWS guidelines, and grant agreements. We noted, however, issues with ineligible subrecipient charges. We questioned costs totaling \$116,620 (\$87,465 Federal share) as ineligible. We also determined that the Department did not comply with Federal regulations when managing its subawards and did not accurately report program income.

We provided a draft of this report to the FWS. The FWS concurred with all 11 recommendations and will work with the Department to implement corrective actions. The full responses from the Department and the FWS are included in Appendix 5. We list the status of the recommendations in Appendix 6.

Please provide us with a corrective action plan based on our recommendations by February 4, 2021. The plan should provide information on actions taken or planned to address each recommendation, as well as target dates and titles of the officials responsible for implementation. Please send your response 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.

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Introduction

Objective

In June 2016, 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. These audits fulfill the FWS' statutory responsibility to audit State agencies' use of these grant funds.

We conducted this audit to determine whether the Kentucky Department of Fish and Wildlife Resources (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

The FWS provides grants to States¹ through its Wildlife and Sport Fish Restoration Program (WSFR) for the conservation, restoration, and management of wildlife and sport fish resources. In addition, WSFR supports activities related to hunting and sport fishing, such as hunter education programs and boating access projects.

WSFR was established by the Pittman-Robertson Wildlife Restoration Act and the Dingell-Johnson Sport Fish Restoration Act.² The Acts and related Federal regulations allow the 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 District of Columbia, Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, and the Northern Mariana Islands. The reimbursement amount is called the Federal share. The Acts require that hunting and fishing license revenue be used only for the administration of State fish and wildlife agencies. In addition, Federal regulations require States to account for any income earned from grant-funded activities and to spend this income before requesting grant reimbursements.

¹ The Wildlife and Sport Fish Restoration Program defines the term “State” to include the District of Columbia, the Commonwealth of Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands.

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.

Results of Audit

We determined that the Department generally ensured that grant funds and State fishing license revenue were used for allowable fish and wildlife activities and complied with applicable laws and regulations, FWS guidelines, and grant agreements. We noted, however, issues with ineligible subrecipient charges, subaward mismanagement, and inaccurate program income reporting.

We found the following:

- **Questioned Costs.** We questioned \$116,620 (\$87,465 Federal share) as ineligible because the University of Tennessee was not able to support equitable cost allocation among entities participating in the National Bobwhite Conservation Initiative (NBCI).
- **Control Deficiencies.** The Department did not comply with Federal regulations when managing its subawards. Further, the Department did not accurately report program income.

See Appendix 3 for a statement of monetary impact.

Questioned Costs—\$87,465 (Federal Share)

Ineligible Subrecipient Charges—Questioned Costs of \$87,465

During State fiscal year 2018, the FWS awarded \$200,000 to the Department under Grant No. F18AF00044. The Department then entered into a subaward agreement with the University of Tennessee NBCI to complete a rangewide habitat plan for recovering bobwhite quail species. The NBCI provided similar services detailed under the grant to other participating States. The NBCI also received funding from external partners, including nonprofit nongovernmental organizations, and other Federal agencies, some of which provided funding to the NBCI using non-Federal funds.

In a separate review, we determined that the NBCI did not properly split or allocate expenditures among all participating States and external partners. The NBCI did not have a policy or a sound and reasonable methodology to determine and allocate assignable expenditures among all participating States and external partners in proportion to the received benefits. Instead, NBCI officials described the funding as one “pot” of money from which to pay for expenses that benefited all participating States and external partners. This practice does not ensure expenditures are properly allocated to Federal grants.

In 2018, the NBCI implemented a new accounting methodology and procedures referred to as a recharge center to better allocate assignable grant expenditures. These new procedures are outside the scope of our audit; however, we separately evaluated whether grant costs claimed using this new methodology can reasonably allocate costs in proportion to the benefit provided.

We issued a management advisory to the FWS to address the issue of costs claimed using the recharge center method.³

The Code of Federal Regulations (2 C.F.R. § 200.403) states that costs must be allocable to the Federal award in order to be allowable. Under 2 C.F.R. § 200.405, a cost is allocable to a particular award if the goods and services involved are chargeable or assignable to that Federal award in accordance with the relative benefits received. Costs are also allocable if, when such costs benefit both the Federal award and other work of the non-Federal entity, they are distributed in proportions that may be approximated using reasonable methods. In addition, 2 C.F.R. § 200.405(d) states that if a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit.

The NBCI did not have adequate accounting methodologies that allowed for proper allocation of expenditures among participating States and external partner accounts. Because the NBCI did not (1) properly allocate the expenditures among all participating States and external partners in proportion to the received benefits, and (2) distribute the costs using a reasonable methodology, we consider the expenditures unallocable to Federal awards. Therefore, these costs are ineligible to be charged to WSFR grants.

We question \$116,620 (\$87,465 Federal share) that the Department paid to the University of Tennessee under Grant No. F18AF00044 as unallocable expenditures.

Recommendation
<p>We recommend that the FWS work with the Department to:</p> <ol style="list-style-type: none">1. Resolve the ineligible questioned costs related to the NBCI subaward agreement totaling \$87,465 (Federal share)

Control Deficiencies

Subaward Management Did Not Meet Federal Regulations

We found that the Department did not always conduct risk assessments and did not develop any monitoring plans for its subrecipients. Additionally, the Department's subaward agreements did not contain all the required elements. Beginning in December 2014, Federal regulations require the pass-through entity (the Department) to evaluate the subrecipient's risk of noncompliance and to monitor the activities of the subrecipient, as necessary, in compliance with Federal statutes. Additionally, Federal regulations require pass-through entities to ensure that each subaward agreement is clearly identified to the subrecipient as a subaward and that the subaward agreement includes 18 specific elements.

³ *Issues Identified With Wildlife Restoration Subawards to the University of Tennessee, National Bobwhite Conservation Initiative* (Report No. 2020-WR-019), dated July 2020.

In response to the 2014 changes, the Department developed and implemented policies and procedures to identify subrecipients in April 2019. The Department also developed and implemented policies and procedures to conduct risk assessments but did not address developing monitoring plans. We reviewed all four subawards the Department identified since implementing those policies and procedures. The Department awarded three subawards to the University of Tennessee and one subaward to the University of Kentucky totaling \$296,302.

The Department Did Not Conduct Risk Assessments or Develop Monitoring Plans

We found that the Department did not conduct risk assessments for three of its four subrecipients and did not develop monitoring plans for any of its subrecipients. In October 2019, the Department conducted one risk assessment for the University of Tennessee NBCI but did not develop a monitoring plan.

Because it lacked adequate risk assessments and monitoring plans, the Department was not in compliance with 2 C.F.R. § 200.331(b) and (d) and did not ensure that subrecipients are complying with Federal regulations. Consequently, the Federal award is at risk of misuse and the Department may be at risk of losing WSFR funds.

Subawards Lacked Required Elements

The Department's subaward agreements did not contain 14 of the 18 elements required by 2 C.F.R. § 200.331. See Appendix 4 for a detailed listing of the required subaward elements. As a result, the Department's practices for preparing subaward agreements were not in compliance with the Federal regulations. This occurred because the Department did not classify the agreements as subawards before issuing the awards, and thus did not identify the 18 required legal elements in its agreements. For example, the Department's subaward agreements did not indicate that the Department was a pass-through entity for a Federal award. Consequently, the Department could potentially be in noncompliance with the terms and conditions of the Federal award.

Recommendations

We recommend that the FWS work with the Department to:

2. Develop and implement policies and procedures to conduct and evaluate risk assessments for its identified subrecipients to ensure the subrecipients' compliance with Federal regulations
3. Develop and implement policies and procedures to develop monitoring plans for its identified subrecipients to ensure the subrecipients' compliance with Federal regulations
4. Develop and implement policies and procedures to ensure subaward agreements comply with Federal regulations
5. Ensure Department personnel receive training on how to execute subaward agreements

Inaccurate Program Income Reporting

We found that the Department did not report program income from canteen sales and crop leases when it was earned. In addition, the Department did not report revenue generated from crop leases and timber sales on one of its wildlife management areas as program income.

Federal regulations (2 C.F.R. § 200.80) define program income as income earned by a supported activity or as a result of the Federal award during the period of performance and require the Department to report that program income when earned and credit the income to the correct grant between the effective start date of the award and the end date of the award. In addition, 50 C.F.R. § 80.124 allows the Department to use unexpended program income under a subsequent grant for any activity eligible for funding in the grant program that generated the income.

Untimely Reporting of Program Income from Canteen Sales

The Department did not report or use program income collected from the sale of merchandise at its three camp canteens during the grant period in which it was earned on three hunter education grants.

The Department's fiscal staff did not transfer the program income generated at its three camp canteens during the summer (early June to mid-August) from the local bank account to the Department's State account at the end of camp season. As a result, the Department reported and used the program income on the next open hunter education grant; thus, reporting and using the program income outside of the grant period. Three grants were affected by this inaccurate reporting process (see Figure 1).

Figure 1: Grants Affected by Inaccurate Program Income Reporting

Grant No. Earned	End Date	Deposit Amount (\$)	Transfer Date	Grant No. Applied
F16AF01049	Sept. 30, 2017	3,438 and 1,573	June 2018	F17AF01032
F17AF01032	Sept. 30, 2018	52,575	Oct. 2018	F18AF01073
F18AF01073	Sept. 30, 2019	53,258	Jan. 2020*	

*The Department initially incorrectly left off the program income on the Federal financial form for the grant but properly reported it on a revised Federal financial form based on our audit.

The Department has 90 days to close the grant and file the Federal financial report; instead, the Department reported the program income on the next open grants. The Department is required to expend any program income prior to drawing down funds on the grants.

Although the Department has policies and procedures in place to set up the cash registers for the start of camp season, it does not have any policies and procedures to close out and deposit the revenue generated for the duration of camp. The Department lacked written policies and procedures for transferring revenue monthly after it reconciled the local bank statements with the weekly deposits the camp directors made. In addition, Department personnel did not have proper oversight or accountability to ensure that the revenue had been transferred. As a result, the Department’s practice of transferring and reporting program income outside the period of performance is not in compliance with Federal regulations.

Untimely Reporting of Crop Lease Program Income

The Department did not report program income generated from crop leases on the grants in which the income was earned. The Department has crop leases that run from April to December that generate program income on its wildlife management areas. The grants to which they apply run from October to September. We determined that although the lease ends outside the grant period, the revenue generated is earned during the grant period and therefore should and could be reported on the Federal financial reports for those grants that end in September, even if the final crop lease payments do not come in until December.

The Department has 90 days after the end of the grant period to close out any revenues or expenditures related to that grant. The Department may report the income as earned and also identify any funds received after September 30 as unexpended program income that can be used on the subsequent grant. Thus, it should report the income as earned on the grant ending in September. The Department may also request an additional 90 days from the FWS to submit the Federal financial reports if it needs more time.

Personnel stated the Department is on the cash basis of accounting and therefore cannot report income earned on the grant until it receives the cash in hand. Department personnel told us they believed that because the performance period had ended, the income received afterward should be attributed to the next grant. The Department did not consider that although the income was

received after the grant had ended, the program income was earned during the performance period and therefore it belonged under the previous grant.

As a result, the Department was not in compliance with Federal regulations because it did not report program income earned during the performance period of the grant. The current alignment of the performance period of the grants with the crop leases allows the Department to report program income on the grant in which it was earned, but does not provide enough time for the Department to spend that program income on the same grant. In this situation, the Department should carry over the program income onto the next grant and report it as unexpended program income on the closing grant, which the FWS has noted as a best practice for the States. The Department must also spend the unexpended program income before any drawdowns can take place on the open grant.

Unreported Program Income

We determined that the Department did not report program income generated on the Taylorsville Wildlife Management Area as required by 50 C.F.R. § 80.121. We identified approximately \$32,178 in unreported program income from crop leases and timber sales on two Statewide Wildlife Management grants (Grant Nos. F17AF01173 and F18AF00981) that were open during our audit period. The Department leases this property from the Army Corps of Engineers and manages the property with WSFR and State funds.

The Department did not report this program income on the grants on which it was earned, and thus was not in compliance with 2 C.F.R. § 200.80. Further, the Department did not use the unreported program income on the grant on which it was earned.

The Department has since changed this practice and does not manage the property with WSFR funds. The Department has developed templates for the Taylorsville staff to use when working on the property to ensure they do not charge the WSFR grant for activities on the Taylorsville Wildlife Management Area, which should resolve the unreported program income on future grants.

Recommendations

We recommend that the FWS work with the Department to:

6. Establish policies and procedures to ensure timely transfer, use, and reporting of program income at its camp canteens
7. Properly account for the program income generated and earned during the grant period ending in September of each year
8. Report any unexpended program income earned as a result of the crop production leases on the grant ending in September of each year
9. Acknowledge expenditure of the unexpended program income on the new grant starting in October of each year
10. Ensure that all Department staff involved in estimating, reporting, and collecting program income receive current training on program income reporting and use
11. Report and spend the \$32,178 of unreported program income in accordance with grant terms

Recommendations Summary

We provided a draft of this report to the FWS. The Department agreed with all recommendations with the exception of Recommendation 1, noting that the FWS provided advice and approval for the subaward agreement. The FWS concurred with all 11 of our recommendations and will work with the Department to implement corrective actions. We consider all 11 recommendations resolved but not implemented. See Appendix 5 for the full text of the Department's and FWS' responses; Appendix 6 lists the status of each recommendation.

We recommend that the FWS work with the Department to:

1. Resolve the ineligible questioned costs related to the NBCI subaward agreement totaling \$87,465 (Federal share)
2. Develop and implement policies and procedures to conduct and evaluate risk assessments for its identified subrecipients to ensure the subrecipients' compliance with Federal regulations
3. Develop and implement policies and procedures to develop monitoring plans for its identified subrecipients to ensure the subrecipients' compliance with Federal regulations
4. Develop and implement policies and procedures to ensure subaward agreements comply with Federal regulations
5. Ensure Department personnel receive training on how to execute subaward agreements
6. Establish policies and procedures to ensure the timely transfer, use, and reporting of program income at its camp canteens
7. Properly account for the program income generated and earned during the grant period ending in September of each year
8. Report any unexpended program income earned as a result of the crop production leases on the grant ending in September of each year
9. Acknowledge expenditure of the unexpended program income on the new grant starting in October of each year
10. Ensure that all Department staff involved in estimating, reporting, and collecting program income receive current training on program income reporting and use
11. Report and spend the \$32,178 of unreported program income in accordance with grant terms

Appendix 1: Scope and Methodology

Scope

We audited the Kentucky Department of Fish and Wildlife Resources' (Department's) use of grants awarded by the U.S. Fish and Wildlife Service (FWS) under the Wildlife and Sport Fish Restoration Program (WSFR). The audit period included claims totaling \$70.6 million on 51 grants that were open during the State fiscal years (SFYs) that ended June 30, 2018, and June 30, 2019.

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 objective. We determined that the Department's control activities and the following related principles were significant to the audit objectives:

- Management should design control activities to achieve objectives and respond to risks.
- Management should design the entity's information system and related control activities to achieve objectives and respond to risks.
- Management should implement control activities through policies.

We tested the operation and reliability of internal control over activities related to our audit objective. 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
- Inspecting equipment and other property

- Determining whether the Department used fishing license revenue for the administration of fish and wildlife program activities
- Determining whether the Commonwealth passed required legislation assenting to the provisions of the Pittman-Robertson Wildlife Restoration Act and the Dingell-Johnson Sport Fish Restoration Act
- Evaluating Commonwealth policies and procedures for assessing risk and monitoring subawards
- Visiting sites throughout the Commonwealth (see Appendix 2 for a list of sites visited)

We found deficiencies in internal control resulting in our three findings of ineligible subrecipient charges, subaward mismanagement, and inaccurate program income reporting.

Based on the results of our initial assessments, we assigned a level of risk and selected a judgmental sample of transactions for testing. We used auditor judgement 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 Kentucky 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 claimed by the Department on WSFR grants.⁴ We followed up on one recommendation from these reports and found that the U.S. Department of the Interior's Office of Policy, Management and Budget considered the recommendation as resolved and implemented.

⁴ *U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the Commonwealth of Kentucky, Department of Fish and Wildlife Resources, From July 1, 2007, Through June 30, 2009* (Report No. R-GR-FWS-0012-2010), dated November 2010.

U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the Commonwealth of Kentucky, Department of Fish and Wildlife Resources, From July 1, 2012, Through June 30, 2014 (Report No. 2015-EXT-004), dated August 2015.

State Audit Reports

We reviewed the single audit reports for SFYs 2017 and 2018 to identify control deficiencies or other reportable conditions that affect WSFR. In those reports, the Schedule of Expenditures of Federal Awards indicated \$26 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. Neither of these reports contained any findings that would directly affect the WSFR grants.

We also reviewed the report of the Kentucky State Auditor's Examination of Certain Operations and Financial Activity of the Department. The report had 11 findings directly impacting the Department; however, the Department responded to the auditor's report by providing a plan of action to address all the findings. Based on our review of the auditor's report, we determined the Department had issues with internal control and we considered this as a risk indicator when we prepared our audit procedures and tests.

Appendix 2: Sites Visited

Headquarters	Frankfort
Fisheries Offices	Northeastern District
Fish Hatcheries	Peter W. Pfeiffer Minor Clark
Boating Access Facilities	Cave Run Lake Bullock Pen Lake
Wildlife Management Areas	West Kentucky Dr. James R. Rich Veteran's Memorial Clay
Hunter Education Facilities	Kleber Shooting Range
Other	Camp Currie Otter Creek Outdoor Recreation Area

Appendix 3: Monetary Impact

The audit period included claims totaling \$70.6 million on 51 grants that were open during the State fiscal years that ended June 30, 2018, and June 30, 2019. We questioned \$116,620 (\$87,465 Federal share) as ineligible. These questioned costs arose due to unallocable costs.

Monetary Impact: Questioned Costs

Grant No.	Grant Title	Cost Category	Questioned Costs (\$)
			Ineligible (Federal Share)
F18AF00044	National Bobwhite Conservation Initiative	Subawards	87,465
Total			\$87,465

Appendix 4: Subaward Elements

Required Subaward Elements	Included (Y/N)
Subrecipient name	Y
Subrecipient unique entity identifier	N
Federal Award Identification Number	N
Federal award date of award to the recipient by the Federal agency	N
Subaward period of performance start and end date	Y
Amount of Federal funds obligated by this action by the PTE to the subrecipient	N
Total amount of Federal funds obligated to the subrecipient by the PTE	N
Total amount of the Federal award committed to the subrecipient by the PTE	N
Federal award project description, as required to be responsive to the FFATA	Y
Name of Federal awarding agency, PTE, and contact information for awarding official of the PTE	N
CFDA number and name	N
Identification of whether the award is R&D	N
Indirect cost rate for the Federal award	N
All requirements the PTE imposes on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations and the terms and conditions of the Federal award	N
Any additional requirements that the PTE imposes on the subrecipient for the PTE to meet its own responsibility to the Federal awarding agency	N
The approved federally recognized indirect cost rate	N
A requirement that the subrecipient permit the PTE and auditors to have access to the subrecipient's records and financial statements as necessary	Y

Abbreviations: CFDA = Catalog of Federal Domestic Assistance, FFATA = Federal Funding Accountability and Transparency Act, PTE = pass-through entity, R&D = research and development

Appendix 5: Response to Draft Report

The combined Kentucky Department of Fish and Wildlife Resources and U.S. Fish and Wildlife Service response to our draft report follows on page 17.



United States Department of the Interior



FISH AND WILDLIFE SERVICE

1875 Century Blvd
Atlanta, Georgia
30345
September 17, 2020

IN REPLY REFER TO:
FWS/R2/R4/WSFR

Nicki Miller, Regional Manager, Eastern Region
U.S. Department of the Interior
Office of Inspector General
381 Elden Street, Suite 3000
Herndon, VA 20170

Re: Draft Audit Report – U.S. Fish and Wildlife Service Grants Awarded to the State of Kentucky, Department of Fish and Wildlife Resources, From July 1, 2017, Through June 30, 2019 Under the Wildlife and Sport Fish Restoration Program. Report No. 2019-ER-046, Issued August 3, 2020

Dear Ms. Miller:

The enclosed response to the draft audit report referenced above was developed by the State of Kentucky Department of Fish and Wildlife Resources in cooperation with the U.S. Fish and Wildlife Service South Atlantic - Gulf and Mississippi Basin Unified Regions Wildlife and Sport Fish Restoration Program.

If you have any questions or need additional information, please contact Alex Coley at (404) 679-7242.

Sincerely,

**MARILYN
LAWAL**

Digitally signed by
MARILYN LAWAL
Date: 2020.09.17
13:32:41 -04'00'

Marilyn H. Lawal-Carter, Acting Manager
Wildlife and Sport Fish Restoration

Enclosure

Cc: Ord Bargerstock, Shuwen Cheung
Division of Financial Assistance Support and Oversight

Response to Draft Report

**U.S. FISH AND WILDLIFE SERVICE
WILDLIFE AND SPORT FISH RESTORATION PROGRAM
Grants Awarded to the Commonwealth of Kentucky, Department of Fish and Wildlife
Resources
From July 1, 2017, Through June 30, 2019
Report No. 2019-ER-046, Issued August 3, 2020**

Auditor Recommendation 1

The auditors recommend that the FWS work with the Department to resolve the ineligible questioned costs related to the NBCI subaward agreement totaling \$87,465 (Federal share).

Agency Response

The Agency does not agree with the finding. The Agency was advised by FWS on how to enter into this agreement and the Agency has approval from FWS for this agreement.

Service Response

The Service concurs with the auditor's finding.

Auditor Recommendation 2

The auditors recommend that the FWS work with the Department to develop and implement policies and procedures to conduct and evaluate risk assessments for its identified subrecipients to ensure the subrecipients' compliance with Federal regulations.

Agency Response

The Agency agrees with the finding and will address the recommendation in a pending Corrective Action Plan.

Service Response

The Service concurs with the auditor's finding.

Auditor Recommendation 3

The auditors recommend that the FWS work with the Department to develop and implement policies and procedures to develop monitoring plans for its identified subrecipients to ensure the subrecipients' compliance with Federal regulations.

Agency Response

The Agency agrees with the finding and will address the recommendation in a pending Corrective Action Plan.

Service Response

The Service concurs with the auditor's finding.

Auditor Recommendation 4

The auditors recommend that the FWS work with the Department to develop and implement policies and procedures to ensure subaward agreements comply with Federal regulations.

Agency Response

The Agency agrees with the finding and will address the recommendation in a pending Corrective Action Plan.

Service Response

The Service concurs with the auditor's finding.

Auditor Recommendation 5

The auditors recommend that the FWS work with the Department to ensure Department personnel receive training on how to execute subaward agreements.

Agency Response

The Agency agrees with the finding and will address the recommendation in a pending Corrective Action Plan.

Service Response

The Service concurs with the auditor's finding.

Auditor Recommendation 6

The auditors recommend that the FWS work with the Department to establish policies and procedures to ensure timely transfer, use, and reporting of program income at its camp canteens.

Agency Response

The Agency agrees with the finding and will address the recommendation in a pending Corrective Action Plan.

Service Response

The Service concurs with the auditor's finding.

Auditor Recommendation 7

The auditors recommend that the FWS work with the Department to properly account for the program income generated and earned during the grant period ending in September of each year.

Agency Response

The Agency agrees with the finding and will address the recommendation in a pending Corrective Action Plan.

Service Response

The Service concurs with the auditor's finding.

Auditor Recommendation 8

The auditors recommend that the FWS work with the Department to report any unexpended program income earned as a result of the crop production leases on the grant ending in September of each year.

Agency Response

The Agency agrees with the finding and will address the recommendation in a pending Corrective Action Plan.

Service Response

The Service concurs with the auditor's finding.

Auditor Recommendation 9

The auditors recommend that the FWS work with the Department to acknowledge expenditure of the unexpended program income on the new grant starting in October of each year.

Agency Response

The Agency agrees with the finding and will address the recommendation in a pending Corrective Action Plan.

Service Response

The Service concurs with the auditor's finding.

Auditor Recommendation 10

The auditors recommend that the FWS work with the Department to ensure that all Department staff involved in estimating, reporting, and collecting program income receive current training on program income reporting and use.

Agency Response

The Agency agrees with the finding and will address the recommendation in a pending Corrective Action Plan.

Service Response

The Service concurs with the auditor's finding.

Auditor Recommendation 11

The auditors recommend that the FWS work with the Department to report and spend the \$32,178 of unreported program income in accordance with grant terms.

Agency Response

The Agency agrees with the finding and will address the recommendation in a pending Corrective Action Plan.

Service Response

The Service concurs with the auditor's finding.

Appendix 6: Status of Recommendations

Recommendation	Status	Action Required
1 – 11	Resolved but not implemented: U.S. Fish and Wildlife Service (FWS) regional officials concurred with these recommendations and will work with staff from the Kentucky Department of Fish and Wildlife Resources to develop and implement a corrective action plan.	Complete a corrective action plan that includes information on actions taken or planned to address the recommendations, target dates and titles of the officials responsible for implementation, and verification that FWS headquarters officials reviewed and approved the actions the Department has taken or planned. We will refer the recommendations not implemented at the end of 90 days (after February 4, 2021) to the Assistant Secretary for Policy, Management and Budget to track implementation.
