



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

U.S. Fish and Wildlife Service Grants Awarded to the State of New Mexico, Department of Game and Fish, From July 1, 2016, Through June 30, 2018, Under the Wildlife and Sport Fish Restoration Program

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

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 \$118,000.



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

Memorandum

DEC 28 2020

To: Aurelia Skipwith
Director, U.S. Fish and Wildlife Service

From: Amy Billings *Amy R Billings*
Regional Manager, Central Region

Subject: Final Audit Report – *U.S. Fish and Wildlife Service Grants Awarded to the State of New Mexico, Department of Game and Fish, From July 1, 2016, Through June 30, 2018, Under the Wildlife and Sport Fish Restoration Program*
Report No. 2019-CR-045

This report presents the results of our audit of costs claimed by the New Mexico Department of Game and Fish (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 \$94 million on 85 grants that were open during the State fiscal years that ended June 30, 2017, and June 30, 2018.

We found that the State generally ensured that grant funds and State 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 unsupported other direct costs, ineligible out-of-period costs, and many other areas. We questioned costs totaling \$51,715 (\$38,786 Federal share) as ineligible and \$388,018 (\$291,014 Federal share) as unsupported. We question excess reimbursement in the amount of \$32,788 as ineligible due to unreported program income. We also determined the Department failed to follow regulations to eliminate free and duplicate license holders, resulting in inaccurate license certification data. In addition, the Department did not have policies for subawards and it failed to follow regulations for the acquisition of real property.

We provided a draft of this report to the FWS. The FWS concurred with all 21 recommendations and will work with the Department to implement corrective actions. The full responses from the Department and the FWS are included in Appendix 4. In this report, we summarize the Department's and FWS Region 7's responses to our recommendations, as well as our comments on their responses. We also modified our report as appropriate based on their responses. We list the status of the recommendations in Appendix 5.

Please provide us with the corrective action plan based on our recommendations by March 29, 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.

If you have any questions regarding this report, please contact me at 303-236-9243.

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.

Contents

Introduction.....	1
Objective.....	1
Background.....	1
Results of Audit	2
Questioned Costs—\$362,588 (Federal Share).....	2
Control Deficiencies	9
Recommendations Summary	14
Appendix 1: Scope and Methodology.....	23
Appendix 2: Sites Visited	26
Appendix 3: Monetary Impact	27
Appendix 4: Response to Draft Report.....	29
Appendix 5: Status of Recommendations.....	34

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 New Mexico Department of Game and Fish (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 U.S. Fish and Wildlife Service (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. 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 up to 100 percent for and 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 State generally ensured that grant funds and State 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 unsupported other direct costs, ineligible out-of-period costs, and many other areas.

We found the following:

- **Questioned Costs.** We questioned \$51,715 (\$38,786 Federal share) as ineligible and \$388,018 (\$291,014 Federal share) as unsupported. We also questioned \$32,788 of excessive drawdown as ineligible (see Figure 1). These questioned costs arose due to unsupported other direct costs, out-of-period costs, inadequate equipment management, unreported program income, and unsupported payroll charges.
- **Control Deficiencies.** We found opportunities to improve internal controls in license certifications and to follow policies on subawards and real property.

Figure 1: Summary of Ineligible and Unsupported Costs

Issue	Ineligible Costs (\$)	Unsupported Costs (\$)	Total (\$)
Other direct costs	–	169,966	169,966
Out-of-period costs	38,786	–	38,786
Equipment management	–	120,585	120,585
Unreported program income	32,788	–	32,788
Payroll charges	–	463	463
Totals	\$71,574	\$291,014	\$362,588

See Appendix 3 for a statement of monetary impact.

Questioned Costs—\$362,588 (Federal Share)

Unsupported Other Direct Costs—Questioned Costs of \$169,966

During our review of other direct costs, we identified two invoices with unsupported documentation. To be eligible for reimbursement under WSFR, grant expenses must be reasonable, allowable, allocable, and adequately supported. The Department was unable to provide support in the amount of \$226,621 (\$169,966 Federal share) for expenditures to a university. The first invoice covered a 6-month period for expenditures, disbursements, and cash receipts in the amount of \$30,236. The second invoice was for salary and wages, fringe benefits, travel, supplies, services, and F&A costs in the amount of \$196,385. The Department could not provide specific timesheets, travel vouchers, or receipts for supplies or services rendered to support the expenses claimed.

According to 2 C.F.R. § 200.403(a), costs must be necessary and reasonable in order to be allowable for the award. In addition, 2 C.F.R. § 200.403(g) requires that costs be adequately supported to be allowable. The *New Mexico Manual of Model Accounting Practices* requires supporting invoices and documentation for all expenses for goods and services. Therefore, Department personnel are not following Federal and State policies and procedures requiring personnel to obtain proper documentation to support costs claimed. As a result of the unsupported costs, we are questioning \$226,621 (\$169,966 Federal share). Without adequate documentation, the FWS cannot determine if costs are reasonable and necessary to achieve the intended purpose.

Recommendations
<p>We recommend that the FWS:</p> <ol style="list-style-type: none"> 1. Resolve the unsupported other direct costs of \$169,966 (Federal share) 2. Require the Department to follow Federal and State policies and procedures that require personnel to obtain proper documentation to support all claimed costs

Ineligible Out-of-Period Costs—Questioned Costs of \$38,786

On 5 of the 35 WSFR grants we reviewed, the Department charged labor, services, and supplies that were incurred outside the grant’s period of performance totaling \$51,715 (\$38,786 Federal share) (see Figure 2).

Figure 2: Questioned Costs Related to Out-of-Period Costs

Grant	Grant Title	Ineligible Costs (\$) (Federal Share)
F12AF00739	Fisheries Monitoring	338
F16AF00126	Bird Conservation	22,169
F16AF00178	Hatchery O&M	10,648
F16AF00191	Fisheries Administration	1,569
F16AF00192	Warmwater Hatchery Evaluation	4,062
Total		\$38,786

According to Federal regulations:

- A non-Federal entity may only charge allowable costs incurred during the period of performance to the Federal award (2 C.F.R. § 200.309)

- A non-Federal entity must liquidate all obligations incurred under the Federal award no later than 90 days after the end date of the period of performance (2 C.F.R. § 200.343(b))
- In order to be allowable, costs must be necessary, reasonable, and adequately documented (2 C.F.R. § 200.403(a)(g))
- Transactions for goods and services must be completed during the period of performance (31 U.S.C. § 1501(a)(1)(B))

The Department did not follow established policies and procedures to ensure that costs charged to WSFR grants were allowable and within the period of performance. As a result, the Department incorrectly charged \$51,715 (\$38,786 Federal share) for expenditures incurred outside of the WSFR grant period of performance.

Observation Regarding Out-of-Period Costs

In response to our draft report, the Department said that the questioned costs were “received after grant closed,” “not charged to grant,” or “used as no-federal match.” These statements were written on Invoice Nos. 0596 and 96230 and included in the support provided with the Department’s response to our draft report. If an expenditure is charged to a grant in error, then a journal voucher needs to be processed in a timely manner to remove the expenditure from the grant. In addition, the financial management system must provide for accurate, current, and complete disclosure of the financial results of each Federal award.

Recommendations
<p>We recommend that the FWS:</p> <ol style="list-style-type: none"> 3. Resolve the questioned costs related to out-of-period costs totaling \$38,786 (Federal share) 4. Require the Department to implement policies and procedures to ensure that costs charged to WSFR grants are allowable for the performance of the grant and are incurred during the period of performance

Unsupported Equipment Management—Questioned Costs of \$120,585

Based on our review, the Department did not maintain accurate and complete equipment inventory records. We selected a sample of 82 property items identified in Department’s inventory data. We found issues with all 82 items in our sample selection. Specifically, we found:

- One item with an incorrect asset tag number
- One item with an incorrect location

- Two asset tags were listed three times (see example in Figure 3)
- Two instances in which staff told us that equipment was located at a different site, but we found the equipment on the auction list
- Eleven items missing asset tags (we found the asset tags in the manager’s office)
- Nine missing items—employees stated these items went to auction; however, the items were not on the auction list
- The acquisition date was missing for all 82 property items

Figure 3: Questioned Costs Related to Equipment Management

Item Description	Funding Source	Property Tag No.	Unsupported Costs (\$ (Federal Share))
SST vault toilet	FW-26-DL-1	000505	94,406
SST vault toilet	F-55-0-6	000505	13,859
SST vault toilet	F-55-D-6	000505	12,320
2010 International cab & chassis 4400	F-66-M-8 2	004918	-
2010 International cab & chassis 4400	None	004918	-
2010 International cab & chassis 4400	F-66-M-14	004918	-
Total			\$120,585

Note: Costs not questioned on items with Property Tag No. 004918

Federal regulations require that each State follow its own policies and procedures for the use, management, and control of its equipment. Specifically, 50 C.F.R. § 80.90(f) states that State fish and wildlife agencies are responsible for assets acquired under program grants to ensure that they serve the intended purpose throughout their useful life. According to 2 C.F.R. § 200.313(D)(1), property records must include a description of the property, identification number, the source of funding (including the Federal Award Identification Number), acquisition date, cost of the property, and the location. Further, 50 C.F.R. § 80.10 requires that all revenue from hunting and fishing licenses be used only for administration of the State fish and wildlife agency.

We reviewed the State’s property inventory data to test compliance with Federal and State requirements and to ensure that controls exist over items purchased with WSFR funds or license revenue. State policy requires agencies to mark or tag each capital asset. It also requires agencies to perform a physical inventory of capital assets to ensure they are adequately safeguarded and accurately reported.

Department personnel did not follow State policies and procedures that require inventory safeguarding and reporting. As a result, the Department is at risk of losing control over equipment, and the FWS cannot ensure that equipment purchased with WSFR funds and license revenue were used for the intended purpose.

Recommendations
<p>We recommend that the FWS:</p> <ol style="list-style-type: none"> 5. Resolve the questioned costs related to equipment management totaling \$120,585 (Federal share) 6. Require the Department to follow Federal and State asset management policies and procedures for reporting and safeguarding of equipment 7. Ensure all assets are marked or tagged 8. Ensure that the Department's official inventory records are updated and accurately reflect the current location of the asset

Ineligible Drawdowns Due to Unreported Program Income—Questioned Costs of \$32,788

We found that during State fiscal years (SFYs) 2017 and 2018, the Department failed to report a total of \$32,788 (all Federal) in program income for revenue generated from land rental/tower leases and fish food sold to the public from vending machines.

The FWS approved the Department's use of the deductive method to account for revenue earned under its fish hatchery and wildlife management area (WMA) operation and maintenance (O&M) grants (see Figure 4). The Department collected revenue from the hatchery vending machines and from crops, hay sales, and land rental/tower leases at the WMA. As a result of the unreported program income, we question \$32,788 in excessive drawdown as ineligible.

Figure 4: Questioned Costs Related to Unreported Program Income

Grant No.	Grant Title	Type of Program Income	Ineligible Costs (\$)
F16AF00960	WMA O&M	Land rental/tower leases	10,802
F16AF00960	WMA O&M	Land rental/tower leases	10,487
F16AF00960	WMA O&M	Land rental/tower leases	3,415
F18AF00171	Hatchery O&M	Fish food	4,037*
F17AF00173	Hatchery O&M	Fish food	3,184*
F18AF00171	Hatchery O&M	Fish food	863
Total			\$32,788

*Amounts donated for scholarships.

Federal regulations (50 C.F.R. § 80.120) define program income as gross income a grantee receives that is directly generated by a grant-supported activity or earned as a result of the grant agreement during the grant period. In accordance with 50 C.F.R. § 80.123(b)(1)(i) and (ii), the agency must deduct the program income from total allowable costs to determine the net allowable costs. Program income must be used for current costs unless the Federal agency authorizes otherwise. Additionally, 2 C.F.R. § 200.305(b)(5) states that grantees must disburse program income before requesting additional cash payments.

A Department official stated it did not have written policies or procedures for the management of program income. When the Department receives a program income deposit slip, the current process includes preparing a journal voucher entry to apply program income to the appropriate grant. During SFYs 2017 and 2018, Department staff did not report tower lease deposits totaling \$24,704 and underreported fish food vending machine income of \$863 because it did not receive deposit slips.

Further, in SFYs 2017 and 2018, the Department did not report \$7,221 in program income from a fish food vending machine purchased with grant funds because it donated the program income to two university scholarship funds. The Department policy for State hatchery fish food vending machines requires managers to give a portion of the funds to two designated university scholarships. State employees confirmed that a portion of the revenue from the fish food vending machines was donated to two university scholarship funds each year.

Written policies and procedures for identifying and reporting program income will help the Department and the FWS ensure appropriate reporting and accounting of program income. Because the Department did not deduct program income from the total costs it claimed under Grant Nos. F16AF00178, F17AF00173, F18AF00171, and F16AF00960, it received excess reimbursements from the FWS.

Recommendations
<p>We recommend that the FWS:</p> <ul style="list-style-type: none">9. Resolve the questioned costs in unreported program income of \$32,78810. Require the Department to develop written policies and procedures for the management, control, and reporting of program income

Unsupported Payroll Charges—Questioned Costs of \$463

The Department uses the Statewide Human Resources Accounting and Financial Management Reporting System (SHARE) and the Federal Aid Cost Tracking System (FACTS) for timekeeping. We sampled 30 timesheets, with labor costs totaling \$52,807, and found 6 of the FACTS timesheets did not reconcile to the time entries in SHARE. This resulted in a 20 percent error rate totaling \$617 (\$463 Federal share) of questioned payroll charges. Specifically, we found:

- One employee recorded 5.5 extra hours worked in SHARE but recorded 8.5 extra hours worked in FACTS
- Five employees recorded regular hours in SHARE that did not reconcile to FACTS
- Six employees recorded fewer total hours in SHARE than in FACTS

SHARE is a centralized human resources system for time reporting, payroll, and job data. FACTS is a secondary time entry system that allows employees to enter the grant number and note their activities so the State can determine the eligibility of hours charged to each grant. The Department imports information from FACTS into SHARE in the form of a journal entry for use in the reimbursement process. As such, the hours listed in FACTS should mirror the time entries in SHARE.

According to Federal regulations:

- In order to be allowable, costs must be necessary and reasonable for the performance of and allocable to the Federal award (2 C.F.R. § 200.403(a)).
- The reasonableness of a given cost depends on whether it is deemed ordinary and necessary for the operation of the non-Federal entity or the performance of the Federal award (2 C.F.R. § 200.404(a)).
- A cost is allocable to a Federal award if the goods or services can be charged to the award in accordance with the relative benefits received (2 C.F.R. § 200.405(a)).
- Federal awards for salaries and wages must be based on records that accurately reflect the work performed (2 C.F.R. § 200.430(i)(1)). These records must support the distribution of the employee's salary among specific activities if the employee works on multiple awards (2 C.F.R. § 200.430 (i)(1)(vii)).

While employees record their time in FACTS, supervisors approve time in SHARE. Neither the FACTS training manual nor the SHARE Time Approval Policy require approving officials to reconcile time entries in FACTS to the SHARE system prior to approving employee timesheets.

The Department needs policies and procedures to ensure that payroll data in SHARE reconciles with the payroll data in FACTS. Without these policies and procedures, grants could be charged more than allowable for payroll expenses.

Recommendations

We recommend that the FWS:

11. Resolve the questioned costs related to payroll charges totaling \$463 (Federal share)
12. Require the Department to implement policies and procedures to ensure that the payroll data in SHARE reconciles with the payroll data in FACTS each pay period

Control Deficiencies

The Department Overstated Paid License Holders

The Department did not remove all duplicate licenses, free licenses, and unreliable license data from its count, overstating its paid license holders. The Department overstated its 2016 and 2017 paid license holders count by 21,470 and 23,665, respectively (see Figure 5).

Figure 5: Overstated Paid License Holders

Type	Potential Duplicates	Free Licenses	Unreliable License Data	Total Overstated
2016 Total	92	17,902	3,476	21,470
Hunting	12	0	119	131
Fishing	80	17,902	3,357	21,339
2017 Total	116	19,878	3,671	23,665
Hunting	7	0	156	163
Fishing	109	19,878	3,515	23,502

Note: License years end on March 31.

According to 50 C.F.R. § 80.30, States are required to certify annually the number of paid hunting and fishing license holders because the FWS uses this data to apportion funds for the WSFR programs among the States. In addition, 50 C.F.R. § 80.31(a)(2) and (b)(3) require State fish and wildlife agencies to certify the number of people who have paid licenses to fish and requires them to eliminate duplicates.

The Department overstated the amount of license holders because it did not know that it needed to remove all free licenses during the certification process. The Department's standard operating procedure for license certification did not require duplicate and free license holders be eliminated. Department officials told us that they manually removed some duplicate license

holders by cross referencing names with dates of birth and the last four digits of a social security number. However, we identified an additional 208 duplicates.

A Department official stated the automated licensing system assigns a unique identifier to each purchaser of a license, which is used to determine when a licensee has purchased more than one hunting or fishing license. However, the system does not have controls in place to prevent someone from entering a month or address in the name field or all zeros for the last four digits of the social security number. This is a data reliability issue and the Department cannot ensure that all duplicate licenses were removed. We found 3,476 licenses with unreliable data for 2016, and 3,671 licenses for 2017.

By not eliminating free and duplicate fishing and hunting licenses, the Department reported a higher number of license certifications that may have resulted in a larger apportionment of WSFR funds.

Recommendations
<p>We recommend that the FWS:</p> <ol style="list-style-type: none">13. Require the Department to resolve the inaccurate license certifications and effects on apportionment, if any14. Require the Department to include directions to remove free and duplicate licenses in its current standard operating procedures and to finalize the policy and procedures15. Require the Department to put controls in place in the licensing system to prevent invalid information from being entered into the fields or to continue to exclude the unreliable data in their certifications

The Department Did Not Properly Identify a University as a Subrecipient

The Department did not correctly identify an agreement with the New Mexico State University as a subaward. We found that the agreement was for an annual contribution the Department paid under Grant No. F16AF00992.

State fish and wildlife agencies determine whether an agreement categorizes the recipient of the funds as a subrecipient or a contractor (2 C.F.R. § 200.330). According to 2 C.F.R. § 200.330(a), a subaward is “for the purpose of carrying out a portion of a Federal award and creates a Federal Assistance relationship with the subrecipient.” Every subaward agreement must contain 13 specific items, including the date of the original Federal award, a description of the Federal award project, the subrecipient’s approved indirect cost rate, and other information (2 C.F.R. § 200.331(a)).

As the pass-through entity, the Department evaluates the risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward to determine the appropriate subrecipient monitoring (2 C.F.R. § 200.331 (b)). This evaluation may consider factors such as (1) the subrecipient's prior experience with the same or similar subawards, (2) the results of previous audits of the subrecipient, (3) whether the subrecipient has new personnel or systems, and (4) the extent and results of the Federal awarding agency's monitoring of the subrecipient.

Regarding subaward reporting requirements, 2 C.F.R. § 170, Appendix A, Paragraphs I.a.1 and I.a.2.i state that Federal grantees must report each subaward action that obligates \$25,000 or more in Federal funds at www.fsr.gov. This information is then posted on www.USASpending.gov.

Finally, concerning support for payroll costs, 2 C.F.R. § 200.430(h)(8)(i)(1), states that charges for salaries and wages must be based on records (i.e., timesheets) that accurately reflect the work performed. It also states that an internal control system should provide "reasonable assurance that charges are accurate, allowable, and properly allocated."

The Department reported that it did not have any subawards during the audit period of July 1, 2016, to June 30, 2018. During our review of other direct costs, however, we identified an invoice covering a 6-month period for an annual contribution to a university and an invoice for salaries and wages, fringe benefits, travel, supplies, services, and F&A costs. The Department was unable to provide supporting documentation for these expenditures.

These types of expenses are explicit for carrying out a portion of a Federal award and create a subrecipient relationship. We determined that the agreement should have been classified as a subrecipient and the Department should have followed regulations pertaining to subrecipient agreements. The Department stated in a memorandum to the university that the annual contributions will be for continuing unit operations and will provide it with "resources to continue management-driven research, technical assistance, and the advancement of understanding of fish and wildlife resources in the state of New Mexico." In addition, the memorandum stated that it was a cost reimbursable award.

The Department did not have a formal policy to determine whether an agreement is a contract or a subaward. As a result, the Department entered into a contract agreement with the New Mexico State University, which should have been identified as a subaward. The Department told us that a subrecipient versus contractor determination checklist was approved last year, and the Department started using the checklist on July 1, 2019 (SFY 2020).

Further, the Department did not have policies and procedures to ensure that subrecipients charging labor costs maintained adequate timesheets and reported subawards for posting on www.USASpending.gov.

Because the Department did not determine whether an agreement was a subrecipient or a contractor relationship, we cannot ensure that Federal funds were used in accordance with regulations, and it puts Federal funds at risk of misuse. In addition, the Department did not comply with regulatory requirements for subaward administration under 2 C.F.R § 200.331, specifically, monitoring subrecipients and including all federally required elements into the agreements.

Recommendations

We recommend that the FWS:

16. Require the Department to develop and implement formal policies and procedures to determine whether Federal funds pass-through as subawards or contracts
17. Require the Department to ensure that all federally required elements are included in the Department's subaward agreements
18. Require the Department to train new departmental subaward managers on oversight techniques and applicable Federal requirements
19. Require the Department to evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purpose of determining the appropriate subrecipient monitoring
20. Require the Department to educate subrecipients on their responsibilities under Federal awards

The Department Did Not Follow Grant Award Conditions for the Acquisition of Real Property

The Department did not follow the terms and conditions outlined in Grant No. F17AF00162, "Retherford Tract Addition Acquisition." The Department acquired property for \$122,450 using Federal grant funds without providing the proper appraisal documentation and without receiving a final written approval from the FWS, as outlined in Condition 7 of the grant award letter. In addition, the Department did not include a required statement on the deed that "the grantee will include a covenant in the recording instrument acquired in whole or in part with Federal assistance funds to assure nondiscrimination during the useful life of the project," as outlined by Condition 14 of the grant award.

The Department is responsible for complying with all requirements of the Federal award (2 C.F.R. § 200.300(b)). In addition, 2 C.F.R. § 200.303(b) stipulates that the Department must comply with the terms and conditions of the Federal award. Further, 2 C.F.R. § 200.316 defines the property trust relationship between the Federal awarding agency and the non-Federal entity. Specifically, the non-Federal entity must indicate that real property was acquired or improved with a Federal award and that use and disposition conditions apply to the property.

The Department did not follow the requirements as outlined in the State policy or the grant award letter. The Department closed the sale on the property prior to receiving final written approval from the FWS for the land acquisition and did not include required language as outlined in Condition 14. These issues occurred because the individual responsible for real property acquisitions was a new State employee and was not aware of the Federal requirements. We issued a Notice of Potential Finding and Recommendation to the Department on this issue.

The Department agreed with the finding and worked with the FWS to rectify the issue and provided a copy of the amended deed. Based on the Department's and FWS' responses, we consider the recommendation to amend the deed, to include a covenant statement as outlined in Condition 14 of the grant award, as resolved and implemented.

The FWS worked with the Department to rectify the issue outlined in Condition 7 and the FWS retroactively provided approval of the appraisal documentation. The deed to the acquired property does not include a covenant in the recording instrument as outlined in Condition 14, still violating Federal grant award conditions.

Recommendation
<p>We recommend that the FWS:</p> <ul style="list-style-type: none">21. Work with the Department to amend the deed to include a covenant statement as outlined in Condition 14 of the grant award

Recommendations Summary

We recommend that the FWS:

1. Resolve the unsupported other direct costs of \$169,966 (Federal share)

Department Response

The Department did not concur with the finding and recommendation. The costs in this category related to two invoices without backup documentation. The Department believed the documentation submitted in March 2020 should have resolved the finding.

FWS Response

The FWS concurred with our finding and recommendation. It will work with the Department to develop a corrective action plan.

OIG Comment

Based on the FWS' response, we consider the recommendation resolved but not implemented. We reviewed the support provided by the Department in March 2020, and the additional support provided with the response. The RA-SPA-EEC Effort Reports and the Grant Agreement letters that identified yearly obligated costs did not resolve the finding. Federal and State policies require supporting invoices and documentation for all expenses for goods and services. Copies of certified timesheets and invoices for each expenditure are needed to resolve the finding.

2. Require the Department to follow Federal and State policies and procedures that require personnel to obtain proper documentation to support all claimed costs

Department Response

The Department concurred with the finding and recommendation. The Department will strengthen policies and procedures to ensure expenditures charged to grant programs are eligible and allowable. The revised procedures will include requirements for proper backup documentation. The Department said it intends to implement these policies and procedures by January 1, 2021.

FWS Response

The FWS concurred with our finding and recommendation. It will work with the Department to develop a corrective action plan.

OIG Comment

Based on the Department's and the FWS' responses, we consider the recommendation resolved but not implemented.

3. Resolve the questioned costs related to out-of-period costs totaling \$38,786 (Federal share)

Department Response

The Department did not concur with the finding and recommendation. The Department stated that it submitted all documentation to prove that these expenditures, in the amount of \$162,739, were incurred during the period of performance (previously submitted to us in February 2020). For Grant Nos. F12AF00739 (\$338) and F16AF00126 (partial amount of \$14,588.32), the Department said grant numbers were inadvertently entered on the purchase orders. According to the Department, the expenses were not charged against the grant or used as non-Federal match for the grant, and as such, the costs were covered solely by the Department.

FWS Response

The FWS concurred with our finding and recommendation. It will work with the Department to develop a corrective action plan.

OIG Comment

Based on the FWS' response, we consider the recommendation resolved but not implemented. We reviewed the invoices and payroll support provided and determined it is sufficient to resolve the questioned costs on Grant No. F16AF00797 in the amount of \$172,778 (\$129,584 Federal share). However, the support did not resolve the remaining questioned costs of \$38,786 (Federal share). These expenditures were charged to the grant in error and a journal voucher needs to be processed to correct the amount reported in the financial system for the grant.

4. Require the Department to implement policies and procedures to ensure that costs charged to WSFR grants are allowable for the performance of the grant and are incurred during the period of performance

Department Response

The Department did not concur with the finding and recommendation. However, in the response to the draft report, the Department stated it will review and update its auditing policies and procedures to ensure specific directions for period of performance are included. This update will be completed by January 1, 2021.

FWS Response

The FWS concurred with our finding and recommendation. It will work with the Department to develop a corrective action plan.

OIG Comment

Based on the Department's and the FWS' responses, we consider the recommendation resolved but not implemented.

5. Resolve the questioned costs related to equipment management totaling \$120,585 (Federal share)

Department Response

The Department concurred with the finding and recommendation. The purchase was for 24 vault toilets that were installed at various wildlife and fishing areas throughout the State in 1993. The toilets have reached the end of their useful life and should have been removed from the inventory. In the future, the Department said it will ensure better tracking through updated software.

FWS Response

The FWS concurred with our finding and recommendation. It will work with the Department to develop a corrective action plan.

OIG Comment

Based on the Department's and the FWS' responses, we consider the recommendation resolved but not implemented.

6. Require the Department to follow Federal and State asset management policies and procedures for reporting and safeguarding of equipment

Department Response

The Department concurred with the finding and recommendation. The Department will continue to review and make necessary revisions to policies and procedures for the capital asset process and will ensure that staff is knowledgeable and trained on this process.

FWS Response

The FWS concurred with our finding and recommendation. It will work with the Department to develop a corrective action plan.

OIG Comment

Based on the Department's and the FWS' responses, we consider the recommendation resolved but not implemented.

7. Ensure all assets are marked or tagged

Department Response

The Department concurred with the finding and recommendation. The Department has taken actions to address the inventory issues we identified and intends to correct shortcomings in the tracking of capital assets.

FWS Response

The FWS concurred with our finding and recommendation. It will work with the Department to develop a corrective action plan.

OIG Comment

Based on the Department's and the FWS' responses, we consider the recommendation resolved but not implemented.

8. Ensure that the Department's official inventory records are updated and accurately reflect the current location of the asset

Department Response

The Department concurred with the finding and recommendation and agreed that additional work is necessary in these areas. The Department is performing data recovery within the asset software. The system needs to be replaced with a new inventory software system. According to the Department, these efforts will allow it to ensure assets are appropriately safeguarded and properly recorded in its financial records.

FWS Response

The FWS concurred with our finding and recommendation. It will work with the Department to develop a corrective action plan.

OIG Comment

Based on the Department's and the FWS' responses, we consider the recommendation resolved but not implemented.

9. Resolve the questioned costs in unreported program income of \$32,788

Department Response

The Department concurred with the finding and recommendation. The Department is implementing procedures and accounting controls within each division and in the Administrative Services Division (ASD) to properly record program income and ensure that it has been properly recognized on the SF-425 report. Because of the new processes implemented, the Department is confident that program income will no longer be unreported as in previous fiscal years.

The Department resolved \$24,591 of the questioned costs by not taking the total eligible reimbursement drawdown in January 2020. The remaining \$8,197 will be resolved when the next draw occurs, per discussions with the FWS.

FWS Response

The FWS concurred with our finding and recommendation. It will work with the Department to develop a corrective action plan.

OIG Comment

Based on the Department's and the FWS' responses, we consider the recommendation resolved but not implemented.

10. Require the Department to develop written policies and procedures for the management, control, and reporting of program income

Department Response

The Department concurred with the finding and recommendation. The Federal Aid Coordinator created written policies and procedures for implementation of controls within each division and in ASD. This document outlines the steps needed to accept and

deposit program income and ensure that it has been properly recognized on the SF-425 report. The draft policies and procedures are currently being reviewed. Once finalized, the document will be distributed to all divisions.

FWS Response

The FWS concurred with our finding and recommendation. It will work with the Department to develop a corrective action plan.

OIG Comment

Based on the Department's and the FWS' responses, we consider the recommendation resolved but not implemented.

11. Resolve the questioned costs related to payroll charges totaling \$463 (Federal share)

Department Response

The Department did not concur with the finding and recommendation. The Department believed that the documentation they provided in March 2020 validated the payroll charges in question, with the exception of one entry, totaling \$139.73 in Federal funding. According to the Department, the documentation provided explained the difference in reporting based on compensation time earned between the two payroll systems (SHARE and FACTS).

FWS Response

The FWS concurred with our finding and recommendation. It will work with the Department to develop a corrective action plan.

OIG Comment

Based on the FWS' responses, we consider the recommendation resolved but not implemented. We reviewed the documentation attached to the draft report response and it is the same information we reviewed in March 2020. The supporting documentation provided did not resolve the finding. According to Department staff, compensation time earned should not be recorded in FACTS until it is taken. Also, the number of regular hours recorded in SHARE did not match the number of regular hours in FACTS.

12. Require the Department to implement policies and procedures to ensure that the payroll data in SHARE reconciles with the payroll data in FACTS each pay period

Department Response

The Department did not concur with the finding and recommendation. However, in its response to the draft report, the Department stated it will remind supervisors responsible for verifying and approving time to ensure that entries in SHARE and in FACTS are reconciled. The reconciliation is mandatory and it will now be reinforced that supervisors must compare the time entries in both systems to ensure that they reconcile prior to approving an employee's time. Notifications will be sent out with the payroll reminders on a biweekly basis.

FWS Response

The FWS concurred with our finding and recommendation. It will work with the Department to develop a corrective action plan.

OIG Comment

Based on the FWS' response, we consider the recommendation resolved but not implemented.

13. Require the Department to resolve the inaccurate license certifications and effects on apportionment, if any

Department Response

The Department concurred with the finding and recommendation. The inaccurate license certifications will be amended, utilizing new queries and reports, to achieve a true calculation. In addition, the Department emailed the FWS and requested guidance related to this recommendation. The Federal Aid Coordinator will provide the FWS headquarters and the regional offices with the new license certificate report by December 31, 2020, to correct the identified issue.

FWS Response

The FWS concurred with our finding and recommendation. It will work with the Department to develop a corrective action plan.

OIG Comment

Based on the Department's and the FWS' responses, we consider the recommendation resolved but not implemented.

14. Require the Department to include directions to remove free and duplicate licenses in its current standard operating procedures and to finalize the policy and procedures

Department Response

The Department concurred with the finding and recommendation. The Federal Aid Coordinator revised the manual to outline the removal of free and duplicate licenses. The revised manual added two additional queries to be used in the calculation of hunters and fishermen by creating two new reports outlining the individual account holder receiving free fishing and/or hunting licenses (70+ and Military Active Veterans). The Information Technology Division also added two more customer identification numbers to Phases 1 and 2, providing additional data to cross reference duplicates. Veterans and seniors who purchase a license will be included in the license certification numbers.

FWS Response

The FWS concurred with our finding and recommendation. It will work with the Department to develop a corrective action plan.

OIG Comment

Based on the Department's and the FWS' responses, we consider the recommendation resolved but not implemented.

15. Require the Department to put controls in place in the licensing system to prevent invalid information from being entered into the fields or to continue to exclude the unreliable data in their certifications

Department Response

The Department concurred with the finding and recommendation. The Department is working with the licensing section to place additional controls in the licensing system to exclude invalid and unreliable data.

FWS Response

The FWS concurred with our finding and recommendation. It will work with the Department to develop a corrective action plan.

OIG Comment

Based on the Department's and the FWS' responses, we consider the recommendation resolved but not implemented.

16. Require the Department to develop and implement formal policies and procedures to determine whether Federal funds pass-through as subawards or contracts

Department Response

The Department concurred with the finding and recommendation. The Department established policies and procedures and is currently working to formalize them. The target date for implementation is June 30, 2021.

FWS Response

The FWS concurred with our finding and recommendation. It will work with the Department to develop a corrective action plan.

OIG Comment

Based on the Department's and the FWS' responses, we consider the recommendation resolved but not implemented.

17. Require the Department to ensure that all federally required elements are included in the Department's subaward agreements

Department Response

The Department concurred with the finding and recommendation. Due to the uncertainty in this process, the Department will request formal training from the FWS. The Department intends to develop and implement formal policies and procedures for subawards by June 30, 2021.

FWS Response

The FWS concurred with our finding and recommendation. It will work with the Department to develop a corrective action plan.

OIG Comment

Based on the Department's and the FWS' responses, we consider the recommendation resolved but not implemented.

18. Require the Department to train new departmental subaward managers on oversight techniques and applicable Federal requirements

Department Response

The Department concurred with the finding and recommendation. The Department will also request formal training from the FWS on contracts and subawards, as there continues to be confusion about this process. The Department agreed that subrecipients may not have been correctly identified during the audit period. The Department implemented procedures and developed training to properly identify subrecipients. The Department intends to develop and implement formal subaward policies and procedures by June 30, 2021.

FWS Response

The FWS concurred with our finding and recommendation. It will work with the Department to develop a corrective action plan.

OIG Comment

Based on the Department's and the FWS' responses, we consider the recommendation resolved but not implemented.

19. Require the Department to evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purpose of determining the appropriate subrecipient monitoring

Department Response

The Department concurred with the finding and recommendation. Due to the uncertainty in this process, the Department will request formal training from the FWS. The Department intends to develop and implement formal subaward policies and procedures by June 30, 2021.

FWS Response

The FWS concurred with our finding and recommendation. It will work with the Department to develop a corrective action plan.

OIG Comment

Based on the Department's and the FWS' responses, we consider the recommendation resolved but not implemented.

20. Require the Department to educate subrecipients on their responsibilities under Federal awards

Department Response

The Department concurred with the finding and recommendation. Due to the uncertainty in this process, the Department will request formal training from the FWS. The Department intends to develop and implement subaward formal policies and procedures by June 30, 2021.

FWS Response

The FWS concurred with our finding and recommendation. It will work with the Department to develop a corrective action plan.

OIG Comment

Based on the Department's and the FWS' responses, we consider the recommendation resolved but not implemented.

21. Work with the Department to amend the deed to include a covenant statement as outlined in Condition 14 of the grant award

Department Response

The Department concurred with the finding and recommendation. The Department amended the deed to attach the covenant and add the deed restriction.

FWS Response

The FWS concurred with our finding and recommendation. It will work with the Department to develop a corrective action plan.

OIG Comment

Based on the Department's and the FWS' responses, we consider the recommendation resolved and implemented.

Appendix 1: Scope and Methodology

Scope

We audited the New Mexico Department of Game and Fish's (Department's) use of grants awarded by the U.S. Fish and Wildlife Service (FWS) under the Wildlife and Sport Fish Restoration Program (WSFR). The audit period included claims totaling \$94 million on 85 grants that were open during the State fiscal years (SFYs) that ended June 30, 2017, and June 30, 2018.

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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

We assessed whether internal control was significant to the audit objective. We determined that the Department's control activities and the following 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
- Inspecting equipment and other property
- Determining whether the Department used hunting and fishing license revenue for the administration of fish and wildlife program activities

- Determining whether the State passed required legislation assenting to the provisions of the Pittman-Robertson Wildlife Restoration Act and the Dingell-Johnson Sport Fish Restoration Act
- Evaluating State policies and procedures for assessing risk and monitoring subawards
- Visiting sites throughout the State (see Appendix 2 for a list of sites visited)

We found deficiencies in internal control resulting in our eight findings of unsupported other direct costs, out-of-period costs, equipment management, unreported program income, payroll charges, license certification, subawards, and real property.

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 New Mexico fish and wildlife agency, and that agency's management of WSFR resources and license revenue.

New Mexico 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.³ We followed up on nine recommendations from these reports and found that all recommendations were considered implemented and closed at the final report.

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 \$45.8 million (combined) in Federal expenditures related to WSFR,

³ U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the State of New Mexico, Department of Game and Fish, From July 1, 2011, Through June 30, 2013 (R-GR-FWS-0012-2014), dated September 2015. U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the State of New Mexico, Department of Game and Fish, From July 1, 2005, Through June 30, 2007 (R-GR-FWS-0011-2008), dated March 2009.

and did include findings directly related to WSFR, which was not deemed a major program for Statewide audit purposes. The single audit report for SFY 2018 noted a significant deficiency in internal control over compliance, and we considered this as a risk indicator when we prepared our audit procedures and tests.

Appendix 2: Sites Visited

Headquarters	Santa Fe
Area Office	Raton
Fish Hatcheries	Lisboa Springs Red River Rock Lake
Dams	Clayton Lake Eagle Nest
Wildlife Management Areas	Colin Neblett McAllister Lake Tucumcari Lake
Shooting Range	S.M. Bush

Appendix 3: Monetary Impact

The audit period included claims totaling \$94 million on 85 grants that were open during the State fiscal years that ended June 30, 2017, and June 30, 2018. We questioned \$51,715 (\$38,786 Federal share) as ineligible and \$388,018 (\$291,014 Federal share) as unsupported. We also questioned \$32,788 in excessive drawdown as ineligible due to unreported program income from the New Mexico Department of Game and Fish.

Monetary Impact: Questioned Costs

Grant No.	Grant Title	Cost Category	Questioned Costs (\$) (Federal Share)	
			Ineligible	Unsupported
F16AF00992	Big Game Survey	Other Direct Costs	–	169,966
F12AF00739	Fisheries Monitoring	Out-of-Period Costs	338	–
F16AF00126	Bird Conservation	Out-of-Period Costs	22,169	–
F16AF00178	Hatchery O&M	Out-of-Period Costs	10,648	–
F16AF00191	Fisheries Administration	Out-of-Period Costs	1,569	–
F16AF00192	Warmwater Hatchery Evaluation	Out-of-Period Costs	4,062	–
FW-26-DL-1	PR/DJ	Equipment Management	–	94,406
F-55-O-6	Boating Access	Equipment Management	–	13,859
F-55-D-06	Boating Access	Equipment Management	–	12,320
F16AF00960	WMA O&M	Unreported Program Income	10,802*	–
F16AF00960	WMA O&M	Unreported Program Income	10,487*	–
F16AF00960	WMA O&M	Unreported Program Income	3,415*	–
F18AF00171	Hatchery O&M	Unreported Program Income	4,037*	–
F17AF00173	Hatchery O&M	Unreported Program Income	3,184*	–

Grant No.	Grant Title	Cost Category	Questioned Costs (\$) (Federal Share)	
			Ineligible	Unsupported
F18AF00171	Hatchery O&M	Unreported Program Income	863*	–
F18AF00171	Hatchery O&M	Payroll	–	54
F16AF00960	WMA O&M	Payroll	–	233
F18AF00131	Fisheries Management	Payroll	–	144
F17AF00680	Ecosystem Analysis	Payroll	–	32
Total			\$71,574	\$291,014

*The unreported program income resulted in an excessive drawdown (all Federal).

Wildlife management area (WMA)
 Operations & maintenance (O&M)
 Pittman-Robertson and Dingell-Johnson (PR/DJ)

Appendix 4: Response to Draft Report

The U.S. Fish and Wildlife Service's response to our draft report follows on page 30. The New Mexico Department of Game and Fish's response to our draft report follows on page 31.



United States Department of the Interior

FISH AND WILDLIFE SERVICE

P.O. Box 1306

Albuquerque, New Mexico 87103

September 9, 2020



In Reply Refer To:
FWS/R2/RD-WSFR

Memorandum

To: Amy Billings
Regional Manager, Central Region

From: Cliff Schleusner 
Regional Manager, Wildlife and Sport Fish Restoration Program

Subject: Draft Audit Report Comments - U.S. Fish and Wildlife Service, Wildlife and Sport Fish Restoration Program Grants Awarded to the State of New Mexico, New Mexico Department of Game and Fish, from July 1, 2016, through June 30, 2018 Report No. 2019-CR-045

Attached are the State of New Mexico, New Mexico Department of Game and Fish's (Department) comments and additional supporting documentation for the Office of Inspector General's Draft Audit Report No. 2019-CR-045. The Service concurs with the auditor's draft findings and recommendations and has reviewed the Department's response.

We will work closely with the Department's staff in developing and implementing a corrective action plan that will resolve all of the finding and recommendations.

If additional information is required, please contact Cheryl Rodriguez, Grants Fiscal Officer, at 505-248-7464.

Attachments



DIRECTOR AND SECRETARY
TO THE COMMISSION
Michael B. Sloane

**STATE OF NEW MEXICO
DEPARTMENT OF GAME & FISH**

One Wildlife Way, Santa Fe, NM 87507
Post Office Box 25112, Santa Fe, NM 87504
Tel: (505) 476-8000 | Fax: (505) 476-8123
For information call: (888) 248-6866

www.wildlife.state.nm.us

STATE GAME COMMISSION
SHARON SALAZAR HICKEY
Chair
Santa Fe
ROBERTA SALAZAR-HENRY
Vice-Chair
Las Cruces
JIMMY RAY BATES, SR.
Albuquerque
GAIL CRAMER
Mayhill
TIRZIO J. LOPEZ
Cebolla
DAVID SOULES
Las Cruces
JEREMY VESBACH
Placitas

September 4, 2020

Mr. Cliff Schleusner
Regional Manager
Wildlife and Sport Fish Restoration
Southwest Region
Box 1306
Albuquerque, NM 87103

Dear Mr. Schleusner:

The purpose of this letter is to address the Draft Audit Report from the Office of the Inspector General (OIG) on the “U.S. Fish and Wildlife Service Grants Awarded to the State of New Mexico, Department of Game and Fish, from July 1, 2016 through June 30, 2018, Under the Wildlife and Sport Fish Restoration Program (Audit No. 2019-CR-045).” Included in the letter is the response from New Mexico Department of Game and Fish to the eight specific findings and recommendations from the Draft Audit Report from OIG.

The New Mexico Department of Game and Fish does not support the implementation of a Corrective Action Plan (CAP) because all findings have been addressed and are currently in the process of correction. Therefore, the Department does not believe that further action is needed.

Below are the following responses to findings included in the Draft Audit Report from the Office of the Inspector General:

Unsupported Other Costs

The costs in this category related to two invoices without backup documentation. The documentation in question was submitted during the course of the audit (March 2020) and should have resolved this issue. The Department is in the process of reviewing and strengthening the procedures to ensure that all backup documentation is received. This revision will be implemented by January 1, 2021.

Ineligible Out-of-Period Costs

In response to ineligible out-of-period costs, the Department submitted all documentation prove that these expenditures were, in fact, incurred during the period of performance. This documentation was submitted during the course of the audit (February 2020). The majority of these questioned expenses were paid in January 2017 utilizing grants that ended in December 2016. Invoices were not received until after the end of the grant period but the goods/services were obtained during the grant period. The Department will review, and update as necessary, the auditing policies and procedures no later than January 1, 2021.

Unsupported Equipment Management

The Department is currently recovering all data within the asset software system following a crash. The Department is also in the process of investigating the purchase of a new software system for additional reliability and accountability. The questioned costs related to equipment management are for items purchased in 1993 that have reached the end of their useful life and should no longer be on the inventory. In addition, the Department will ensure that staff is trained on the equipment management system and that the policies and procedures are followed.

Unreported Program Income

In response to unreported program income on the SF-425 report, the Department is implementing procedures and accounting controls within each division and in ASD to properly record program income and ensure that it has been properly recognized on the SF-425 report. Because of the new processes implemented, the Department is confident that program income will no longer be unreported as in previous fiscal years. A policies and procedures manual has been drafted and is currently under review. The majority of the overdrawn amount was corrected with our January 2020 draw. The remainder will be paid back with the July draw. In addition, the Department will no longer donate proceeds from the fish food vending machines to scholarship funds. The Department believes that the omission of the program income information was a clerical error and not an error of commission.

Specifically, for all revenue received that is program income, each deposit of that revenue is reviewed and verified by the Federal Grant Auditor and approved by the Federal Aid Coordinator, and if necessary the Chief Financial Officer to ensure accountability of program income. If it is determined that the deposit qualifies as program income, it is deducted from the grant expenditures prior to requests for reimbursement and reported as program income on the proper forms (SF-425). This includes income recorded for fish food sales, hay harvesting at wildlife management areas and other grant-supported activities.

Unsupported Payroll Charges

The Department submitted backup documentation validating the payroll charges in question in March 2020. This documentation explained the difference in reporting based on comp time earned between the two payroll systems (SHARE and FACTS). It will now be reinforced that supervisors must compare the time entries in both systems to ensure that they reconcile prior to approval of an employee's time. Notifications will be sent out with the payroll reminders on a bi-weekly basis.

Overstated Paid License Holders

In reference to the overstated paid license holders, the Department has rerun all data from the questioned years. The new reports will be submitted by December 31, 2020. The procedure manual has been updated to clarify instruction regarding the free licenses to ensure that they are no longer included. New reports have been created and generated by the Information Technology Division to identify free licenses. The division is now working with the Licensing Section to place additional controls in the licensing system to exclude invalid and unreliable data.

Improper Identification of Subrecipients

The Department has established policies and procedures and is currently working on formalizing these. The target date for implementation is June 30, 2021. All project managers will be trained in this area. The Department will also be requesting formal training in regards to contracts/subawards as there continues to be confusion regarding this process.

Not Following Award Conditions for Acquisition of Real Property

In reference to acquisition of real property, the Department has amended the deed, attaching the covenant and adding the deed restriction. All documents were submitted to OIG in February 2020. This recommendation has been resolved and implemented.

The New Mexico Game and Fish Department appreciates the support and work of the U.S. Fish and Wildlife Service and looks forward to working together in the future to support conservation and wildlife. If you have any additional questions or concerns, please do not hesitate to contact me at [REDACTED] Thank you.

Respectfully,
**Michael B.
Sloane**
Michael B. Sloane
Director

Digitally signed by
Michael B. Sloane
Date: 2020.09.02 13:25:55
-06'00'

Appendix 5: Status of Recommendations

Recommendation	Status	Action Required
21	Resolved and implemented	No action is required.
1 - 20	<p data-bbox="574 632 800 688">Resolved but not implemented:</p> <p data-bbox="574 726 971 1010">U.S. Fish and Wildlife Service (FWS) regional officials concurred with these recommendations and will work with staff from the New Mexico Department of Game and Fish to develop and implement a corrective action plan.</p>	<p data-bbox="1008 501 1414 852">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 State has taken or planned.</p> <p data-bbox="1008 890 1414 1136">We will refer the recommendations not implemented at the end of 90 days (after March 29, 2021) to the Assistant Secretary for Policy, Management and Budget to track implementation.</p>
