



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

**U.S. Fish and Wildlife Service Grants
Awarded to the State of Rhode Island,
Department of Environmental Management,
Division of Fish and Wildlife, From July 1,
2016, Through June 30, 2018, 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 \$228,000.



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

DEC 28 2020

Memorandum

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

From: Michael P. Colombo 
Regional Manager, Western Region

Subject: Final Audit Report – *U.S. Fish and Wildlife Service Grants Awarded to the State of Rhode Island, Department of Environmental Management, Division of Fish and Wildlife, From July 1, 2016, Through June 30, 2018, Under the Wildlife and Sport Fish Restoration Program*
Report No. 2019-WR-007

This report presents the results of our audit of costs claimed by the Rhode Island Department of Environmental Management, Division of Fish and Wildlife (Division), 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 Division 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 \$42.9 million on 34 grants that were open during the State fiscal years that ended June 30, 2017, and June 30, 2018.

We determined that the State did not ensure 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 found deficiencies in internal controls resulting in our five findings of (1) insufficient controls over grant-specific data, (2) improper drawdown support, (3) inadequate real property management, (4) inadequate equipment inventory management, and (5) inaccurate license certifications.

We provided a draft of this report to the FWS. The FWS concurred with our 11 recommendations and will work with the Division to implement corrective actions. The full responses from the FWS and the Division are included in Appendix 3. We list the status of the recommendations in Appendix 4.

Please provide us with a 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 me at 916-978-6199.

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.

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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 (WSFR). These audits fulfill the FWS' statutory responsibility to audit State agencies' use of these grant funds.

We conducted this audit to determine whether the Rhode Island Department of Environmental Management, Division of Fish and Wildlife (Division), 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 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 and the District of Columbia and 100 percent for 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 Division did not ensure that grant funds and State hunting and fishing license revenue were used for allowable fish and wildlife activities and did not comply with applicable laws and regulations, FWS guidelines, and grant agreements.

Specifically, we found the following control deficiencies:

- **Insufficient Controls Over Grant-Specific Data.** The Division did not establish sufficient accounting system controls for grant-specific data.
- **Improper Drawdown Support.** The Division was unable to provide documentation to demonstrate that it incurred the State's required matching share of costs before it drew down the Federal share of expenditures.
- **Inadequate Real Property Management.** The Division did not perform land reconciliation or adequately address encroachments.
- **Inadequate Equipment Inventory Management.** The Division did not follow established equipment management procedures.
- **Inaccurate License Certifications.** The Division included duplicate license holders in its license certification.

Insufficient Controls Over Grant-Specific Data

The Division did not establish sufficient accounting system controls over grant-specific data. Without these controls, it could not provide support or an audit trail to demonstrate that it incurred the required Federal and State share of expenditures before it requested grant reimbursements. The Division claimed expenditures totaling \$42.9 million, of which \$31.8 million was reported as the Federal share and \$10.9 million was reported as the State's matching share of costs.

The Division used grant-specific accounts and cost centers to record and report its Federal and State shares of grant expenditures. We found, however, that 55 percent of the Federal and State shares of all grant expenditures on the 34 grants open during State fiscal years (SFYs) 2017 and 2018 either did not have a cost center or had zeros where there should be a grant-specific code for the cost center.

The Code of Federal Regulations (2 C.F.R. § 200.302(a)) requires that States' financial management systems be sufficient to (1) prepare reports required by general and program-specific terms and conditions and (2) trace funds to a level of expenditures adequate to establish

that such funds have been used according to Federal statutes, regulations, and the terms and conditions of the Federal award.

The State of Rhode Island requires all State agencies to use the Rhode Island Financial Accounting Network System (RIFANS) as its centralized financial, payroll, and procurement systems (35 R.I. General Laws § 35-6-1). RIFANS was implemented on July 1, 2006, for financial reporting, budgetary control, and vendor payment processing.

RIFANS contains a cost accounting system for payroll and procurement, and a financial accounting system for grant expenditures, including payroll. These systems both contained grant-specific data, but the information was not sufficient for a traceable audit trail or as support for Federal and State shares of expenditures as some of the data was incomplete and the two accounting systems were not integrated.

For example, payroll in the financial accounting system, along with journal entries, transfers, batch transactions, and audit fees, and payroll transactions only had account numbers, with cost centers being blank or populated with zeros rather than with grant-specific codes. As these expenditures only contained an account number, they were unreconcilable to a specific grant because many grants used the same account number. We did note that the cost accounting system within RIFANS contained the Division's grant-specific payroll, which included the grant-specific accounts and cost centers, allowing reconciliation to a specific grant, but because the two systems were not integrated, the payroll information in the cost accounting system cannot be automatically reconciled with the rest of the grant related expenditures in the financial accounting system. Therefore, the 55 percent of the Federal and State share of grant expenditures recorded in RIFANS could not be reconciled to a specific grant.

We did note that within the financial accounting system, grant expenditures related to specific purchases tended to have correct, grant-specific account numbers and cost centers, allowing reconciliations to a specific grant.

A Division official told us that the entries in the financial accounting system not tied to a specific purchase were missing cost centers because it required manual entry. We were also told that the systems are not integrated because the financial system requires updating. A Division official also said that more than 3,000 cost centers have been used for grant activity and many inactive cost centers have not been closed, which complicates the process.

Management is responsible for establishing and maintaining internal controls over financial reporting to ensure accurate and complete reporting of transactions in accordance with generally accepted accounting principles. This responsibility includes well-designed financial systems that support internal controls over financial reporting. As the expenditures in the financial accounting system could not be reconciled to a specific grant, and the cost accounting system could not interface with the financial accounting system, the Division did not meet the Federal requirements for financial management systems. As a result, we could not ascertain and ensure that WSFR resources were used solely for authorized purposes and that the Division did not receive excess reimbursement.

The use of financial and cost accounting systems for grant-specific data that cannot interface with each other is complex, weakens controls over financial reporting, and creates an administrative burden, including a high volume of manual accounting entries and the use of estimates during the drawdown and grant closure process.

The State’s 2018 single audit for the SFY ending June 30, 2018, also reported multiple findings in the area of controls over financial reporting, with which we concur. Referring to the Division’s use of separate financials system components within RIFANS, single audit Finding No. 2018-001 states, “When separate software solutions are used to accomplish multiple objectives, the responsibility of ensuring data connectivity and integration falls more to the user.” In addition, the finding noted that recording transactions in two accounting systems would be less challenging if the accounting systems were integrated.

The single audit report further noted in Finding No. 2018-014, “From an overall Statewide perspective, controls over financial reporting are ineffective to ensure that all Federal expenditures are reimbursable and Federal revenue is recognized appropriately.” In the same finding, the auditor also noted:

The State’s RIFANS accounting system does not meet the State’s needs in three important and interrelated areas—time reporting/payroll, grants management, and cost allocation—all functionalities that are integral to management of Federal programs. These functions are currently performed independent of RIFANS and generally through multiple departmental systems—most of which are duplicative and utilize old and sometimes unsupported technology.

The Division could not provide a traceable audit trail to demonstrate that it incurred the required Federal and State shares of grant expenditures because its cost and financial accounting systems within RIFANS were not integrated and contained incomplete data. As a result, we could not ascertain and ensure that WSFR resources were used solely for authorized purposes and that the Division did not receive excess reimbursement.

Recommendation
<p>We recommend that the FWS:</p> <ol style="list-style-type: none">1. Require the Division to establish and implement accounting system controls in accordance with Federal regulations that ensure that its financial management systems are sufficient to (a) prepare reports required by general and program-specific terms and conditions and (b) trace funds to a level of expenditures adequate to establish that such funds have been used according to Federal statutes, regulations, and the terms and conditions of Federal awards

Improper Drawdown Support

The Division was unable to provide adequate supporting documentation to demonstrate that it incurred the State's required matching share of costs on WSFR grants before it drew down (requested reimbursement for) the Federal share of expenditures. Specifically, the Division could not identify in its general ledger the individual expenditures that it claimed as the basis for its drawdown totals. For example, we reviewed drawdowns for Grant Nos. F17AF0192 and F16AF00935, and there was not an adequate method or audit trail to identify expenditures applied to the drawdowns in the Division's general ledger.

Federal regulation (2 C.F.R. § 200.302(a)) requires that States' and other non-Federal entities' financial management systems must be sufficient to (1) prepare reports required by general and program-specific terms and conditions and (2) trace funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award.

Federal regulation (2 C.F.R. § 200.305(b)(1)) also states that the timing and amount of advance payments must be as close as is administratively feasible to the actual disbursements by the non-Federal entity for direct program or project costs and the proportionate share of any allowable indirect costs. The non-Federal entity must make timely payment to contractors in accordance with the contract provisions.

In addition, Federal regulation (2 C.F.R. § 200.305(4)) states that the Federal awarding agency or pass-through entity must reimburse the non-Federal entity for its actual cash disbursements.

Further, the Division's *Federal Assistance Grant Coordination Policy and Procedural Manual* states that the Office of Management Services accountant and the Division's Federal assistance coordinator together will:

- Track all expenditures, revenue, program income, and match for individual active grants
- Review all copies of Federal Financial Reports (SF-425s) for accuracy

This finding is related to our finding above in that the Division used two accounting systems within RIFANS—cost and financial—that contained incomplete or erroneous data and were not integrated. The use of the two financial systems resulted in the Division being unable to provide a traceable audit trail and being unable to identify the actual expenditures that it claimed as the basis for its drawdown amounts.

Division officials told us that instead of using the actual expenditures, they use estimates that sum to the total requested drawdown amount. Officials further stated, however, that the actual expenditures are later captured with the manual drawdown reconciliation process. We found that this reconciliation process occurred sporadically over the grant term. We also found that drawdowns for grants were not done on a monthly basis and also occurred sporadically throughout the year.

By not using actual expenditures that can be matched to the drawdown requests, the Division may be inaccurately reporting grant claims and receiving excess reimbursement.

Recommendations

We recommend that the FWS:

2. Work with the Division to establish and implement policy and procedures to ensure that drawdowns are adequately supported and comply with Federal statutes, regulations, and the terms and conditions of Federal awards
3. Require the Division to submit detailed accounting system expenditure support with future annual and final grant claims

Inadequate Real Property Management

The Division was unable to demonstrate that it maintained sufficient control over WSFR grant-funded real property to ensure that it served the purpose for which acquired throughout its useful life. Specifically, the Division did not complete a reconciliation of State records to the FWS records of grant-funded lands and did not adequately address instances of encroachments on grant-funded lands.

The FWS and the Division agreed that a reconciliation had not been completed. Division officials also told us that they knew of four encroachments on grant-funded lands that they did not do enough to address:

- Simmons Mill Fort Church, Grant No. FW-13-L-1, Simmons Mill Pond Management Area, Little Compton and Tiverton, RI—The Division reported that there were two tractor trailers parked just over the line (i.e., on the Management Area).
- Deep Hole, Grant No. F-25-L-1, South Kingstown, RI—The Division reported that there was a possible lawn and walkway encroachment, but needs to do a survey to confirm and determine how to address it.
- Rockville/Sargant, Grant No. FW-4-L-6, Rockville Management Area, Hopkinton, RI—The Division reported a shed, building materials, and other debris were left on the property.
- Simons Mill Orton, Grant No. FW-13-L-1, Simmons Mill Pond Management Area, Little Compton and Tiverton, RI—The Division reported that there are old crops on the Management Area and they need to address the problem.

We also found that the Division failed to maintain its property located in Roundtop Management Area. The property was the former regional headquarters and was purchased with grant funds.

During our site visit to this property, we found that the building was falling apart and infested with rodents that were eating away the ceilings and other areas of the property. In addition, the property was full of trash, documents, and unused equipment.

Federal regulation (50 C.F.R. § 80.90(f)) requires the Division to maintain control of all assets acquired under the grant to ensure that they serve the purpose for which acquired throughout their useful life. In addition, the FWS Director reiterated land management requirements to WSFR participants in a March 29, 2007 letter. The letter requested that each State maintain a real property management system that includes a comprehensive inventory of lands to ensure that its inventory is accurate and complete.

The Division did not maintain sufficient control over its real property because it did not develop and implement sufficient policies and procedures for properly managing and monitoring real property. Division officials also stated that they are in the process of conducting the reconciliation of State and FWS grant-funded land records. Without sufficient policies and without complete reconciliation, the Division cannot ensure that its lands acquired under WSFR grants are being used for their intended purposes.

Recommendations

We recommend that the FWS:

4. Work with the Division to complete a reconciliation of its land records to the FWS' records of lands purchased with Federal awards and resolve any acreage differences identified
5. Require the Division to resolve the identified encroachments on land purchased with Federal awards
6. Require the Division to establish a monitoring process to inspect the use of lands purchased with Federal awards to ensure compliance with Federal statutes, regulations, and the terms and conditions of Federal awards
7. Require the Division to certify that real property purchased with Federal awards is being used for its intended purposes

Inadequate Equipment Inventory Management

The Division did not manage equipment inventory to control equipment purchased with grant funds and license revenues as required. Specifically, the Division's inventory was inaccurate, and it had not been reconciled to the Rhode Island Department of Administration's centralized equipment database. Based on our review of the Division's equipment inventory spreadsheets, we identified missing, mismarked, and untagged equipment at various field offices, wildlife management areas, and the Division's headquarters. We also found multiple inaccuracies such as

assets with no funding source, wrong tag numbers and descriptions, and assets located onsite but not included in the inventory record.

Federal regulation (2 C.F.R. § 200.313(b)) requires State agencies to use, manage, and dispose of equipment in accordance with State laws and procedures.

The Rhode Island Department of Administration's *Fixed Assets Control and Tracking System (FACTS) Policies and Procedures Manual* (revised June 2013, page 26) requires State agencies to conduct a physical inventory of equipment every 2 years and to inventory assets costing \$5,000 or more, as well as all vehicles; laptop computers; and lawn, landscape, and grounds maintenance equipment costing \$500 or more.

In addition, the Division's *Property Management and Inventory Procedures* (dated September 13, 2010) requires it to (1) inventory all equipment that is valued at \$500 or more and that will last more than 1 year, (2) enter each eligible item and specific identifying and funding information into the inventory (Excel) spreadsheets, (3) obtain the Department's FACTS system inventory of Division assets and reconcile it with the Division's inventory once a year, and (4) perform a physical inventory every 2 years.

In our two prior audits (2009 and 2015), we found that the Division did not always perform the required physical inventories and that equipment records were inaccurate.³ Based on a review of prior audit resolution documentation for these audits, we found that the FWS considered these findings resolved and implemented. Based on our current review, however, we believe additional controls are needed to ensure that property acquired with grant funds or license revenues is controlled, inventoried, and used for its intended purpose.

The Division did not adequately manage equipment inventory because it did not follow established equipment inventory management procedures to control equipment purchased with grant funds and license revenues. Specifically, the Division did not complete its required annual inventory and did not reconcile its inventory to the Department of Administration's inventory as required annually. We also found that the Department of Administration did not conduct the required biannual agency equipment inventory for 2017.⁴

According to officials, the Division did not follow equipment management policy requiring it to reconcile its equipment inventory database to the Department of Administration's FACTS database because it has no formal process for reconciliation. These officials also told us that the comparison to the FACTS system is cumbersome and they have limited staff. Finally, the Division had not performed a physical inventory since 2015 and so did not have an updated inventory to reconcile to the most recent FACTS database.

Without accurate records and asset management practices, the Division cannot ensure accountability and control of equipment purchased with WSFR funds and license revenues.

³ Report No. R-GR-FWS-0009-2014, issued March 10, 2015; and Report No. R-GR-FWS-0013-2008, issued July 22, 2009.

⁴ According to a Department of Administration official its *Fixed Assets and Control and Tracking System (FACTS) Policy and Procedure Manual*, which was revised in June 2018, requires that State agency (equipment) physical inventories shall be conducted every 4 years.

Recommendations

We recommend that the FWS:

8. Require the Division to perform the required physical equipment inventories and reconcile its equipment inventory annually to the State's official equipment management system
9. Require the Division to update and implement equipment management policy and procedures to ensure that equipment purchased with Federal awards or license revenues is used for its acquired purposes through its useful life

Inaccurate License Certifications

The Division offers daily and annual hunting and fishing licenses and combination licenses (both hunting and fishing) to residents and nonresidents. Some individuals purchase more than one type of hunting or fishing license in the same year or buy multiple licenses of the same type. All States provide a certified count of unique paid hunting and fishing license holders to the FWS each year. In the certification, States must remove duplicate licenses. The FWS uses the license certifications and the Wildlife and Sport Fish Restoration Acts' apportionment formulas to determine the amount of WSFR funds to be apportioned to each State. The Division included duplicate license holders in its annual license certifications to the FWS.

Based on our review of the Division's two most recent license certifications years (2015 and 2016), and the support provided, we determined that the certifications the Division submitted to the FWS did not eliminate license holders who purchased more than one license (duplicate license holders). A Division official agreed that duplicate licenses that occurred in both the freshwater and saltwater fishing licenses were not eliminated.

Federal regulations (50 C.F.R. §§ 80.31(a) and (b)) require that each State provide information about the unique number of people holding paid hunting and/or fishing licenses in the State in the preceding year to the FWS. Regulations (50 C.F.R. § 80.31(c)) prohibit an individual who holds more than one license to hunt or fish from being counted more than once as a hunting or fishing license holder. Regulations (50 C.F.R. § 80.31(b)(3)) also provide that the Division is responsible for eliminating multiple counts of the same individuals when certifying the number of paid license holders.

In a prior audit (Report No. R-GR-FWS-0013-2008) issued July 22, 2009, we found that the Division's license certification included free licenses and that the Division did not have a system in place to identify and eliminate duplicate license holders. To address this issue, on March 22, 2010, the Division submitted revised license certifications and procedures developed to ensure compliance with license certification requirements. The FWS accepted the revised certifications and procedures and considered the recommendations resolved and implemented.

Division procedures, developed to address a prior audit license certification issue, were to ensure the elimination of duplicate license holders from annual license certification counts submitted to the FWS.

The Division did not follow established policies and procedures to identify and remove duplicate license holders. A Division official also stated that the licensing system was divided between a paper system and an electronic system, and the paper system was very cumbersome and was impossible to reconcile with the electronic system given the task and the availability of staff time to perform such a task. We noted that although the Division switched to an electronic system in 2017 and no longer needed to reconcile between the electronic system and paper systems, the electronic system did not have internal controls or procedures that eliminated the inclusion of duplicate licenses in its certifications. The Division’s management also confirmed that they do not have a system in place to identify and eliminate free or duplicates licenses.

Rhode Island is considered a “minimum State,” meaning it receives set percentages of annual WSFR apportionments.⁵ Therefore, the overstatement may not result in the Division receiving excess WSFR funds, but the FWS requested we report this issue to ensure accurate certifications for the apportionment of resources to all WSFR participants.

Recommendations
<p>We recommend that the FWS:</p> <ol style="list-style-type: none">10. Require the Division to develop policies and implement procedures that ensure its license certifications do not include duplicate license holders11. Require the Division to submit supporting documentation with future license certifications that demonstrate compliance with State and Federal requirements.

⁵ The State of Rhode Island receives half of 1 percent of Wildlife Restoration funds and 1 percent of Sport Fish Restoration funds annually.

Recommendations Summary

We provided a draft of this report to the FWS for review. The FWS concurred with all 11 recommendations and will work with the Division to implement corrective actions (see Appendix 3 for the full text of the FWS' and the Division's responses). Based on the responses to our draft report, we consider Recommendation 2 resolved and implemented and Recommendations 1 and 3 – 11 resolved but not implemented (see Appendix 4 for the status of each recommendation). The Division updated its drawdown policy on July 1, 2020, which meets the intent of and resolves Recommendation 2.

We recommend that the FWS:

1. Require the Division to establish and implement accounting system controls in accordance with Federal regulations that ensure that its financial management systems are sufficient to (a) prepare reports required by general and program-specific terms and conditions and (b) trace funds to a level of expenditures adequate to establish that such funds have been used according to Federal statutes, regulations, and the terms and conditions of Federal awards
2. Work with the Division to establish and implement policy and procedures to ensure that drawdowns are adequately supported and comply with Federal statutes, regulations, and the terms and conditions of Federal awards
3. Require the Division to submit detailed accounting system expenditure support with future annual and final grant claims
4. Work with the Division to complete a reconciliation of its grant funded land records to the FWS' records of lands purchased with Federal awards and resolve any acreage differences identified
5. Require the Division to resolve the identified encroachments on land purchased with Federal awards
6. Require the Division to establish a monitoring process to inspect the use lands purchased with Federal awards to ensure compliance with Federal statutes, regulations, and the terms and conditions of Federal awards
7. Require the Division to certify that real property purchased with Federal awards is being used for its intended purposes
8. Require the Division to perform the required physical equipment inventories and reconcile its equipment inventory annually to the State's official equipment management system

9. Require the Division to update and implement equipment management policy and procedures to ensure that equipment purchased with Federal awards or license revenues is used for its acquired purposes through its useful life
10. Require the Division to (a) develop policies and implement procedures that ensure its license certifications do not include duplicate license holders and (b) submit supporting documentation with future license certifications that demonstrate compliance with State and Federal requirements
11. Require the Division to submit supporting documentation with future license certifications that demonstrate compliance with State and Federal requirements

Appendix 1: Scope and Methodology

Scope

We audited the Rhode Island Department of Environmental Management's Division of Fish and Wildlife (Division'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 \$42.9 million on 34 grants that were open during the State fiscal years (SFYs) that ended June 30, 2017, and June 30, 2018.

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 obtained an understanding of internal controls. We determined that the State's control activities were significant to the audit objectives. We tested the operation and reliability of internal controls 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 Division
- Reviewing transactions related to purchases, direct costs, drawdowns of reimbursements, in-kind contributions, and program income
- Interviewing Division employees
- Inspecting equipment and other property
- Determining whether the Division 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)

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 judgment 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. We found deficiencies in internal controls resulting in our five findings of (1) insufficient controls over grant-specific data, (2) improper drawdown support, (3) inadequate real property management, (4) inadequate equipment inventory management, and (5) inaccurate license certifications.

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 Rhode Island's fish and wildlife agency, and that agency's management of WSFR resources and license revenue.

Rhode Island 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. Our testing was limited to the data sampled. Therefore, 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 Division on WSFR grants.⁶ We followed up on the 10 recommendations from these reports and found that the U.S. Department of the Interior's Office of Policy, Management and Budget considered all 10 recommendations as resolved and implemented.

State Audit Reports

We reviewed the Rhode Island 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 \$15.5 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. Both reports noted a significant deficiency in grant accounting for other programs, and we considered this as a risk indicator when we prepared our audit procedures and tests. See our current findings, "Insufficient Controls Over Grant-Specific Data" and "Improper Drawdown Support," for specifics.

⁶ *U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the State of Rhode Island, Department of Environmental Management, Division of Fish and Wildlife, From July 1, 2005, Through June 30, 2007* (Report No. R-GR-FWS-0013-2008), dated July 27, 2009.

U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the State of Rhode Island, Department of Environmental Management, From July 1, 2011, Through June 30, 2013 (Report No. R-GR-FWS-0009-2014), dated March 10, 2015.

Appendix 2: Sites Visited

Headquarters	Providence
Field Offices	Great Swamp Field Headquarters Round Top Field Headquarters
Fisheries Offices	Fish and Wildlife Education Center Marine
Fish Hatcheries	Carolina Lafayette Perryville
Boating Access Facilities	Carolina Trout Pond Charleston Beach Way Great Swamp Management Area
Wildlife Management Areas	Arcadia Big River Black Hut Buck Hill Burlingame Carolina Durfee Hill Eight Rod Farm George Washington Great Swamp Patience Island Prudence Island Rockville Round Top Simmons Mill Pond

Appendix 3: Responses to Draft Report

The responses to our draft report from the U.S. Fish and Wildlife Service and the Rhode Island Department of Environmental Management, Division of Fish and Wildlife, follow on page 17.



United States Department of the Interior

FISH AND WILDLIFE SERVICE

300 Westgate Center Drive
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September 14, 2020

In Reply Refer To:
FWS/WSFR – North Atlantic - Appalachian Region

Michael P. Colombo, Regional Manager, Western Region
U.S. Department of the Interior
Office of Inspector General

Dear Mr. Colombo:

Attached is the State of Rhode Island, Department of Environmental Management, Division of Fish and Wildlife's (Division), response to the Office of Inspector General's Draft Audit Report No. 2019-WR-007. In addition, to the Division's response they have provided additional supporting documentation including a copy of RIDEM Drawdown Policy in response to recommendation #2 in the draft audit report and a query document from the Rhode Island Interactive, the company that runs their licensing system in response to recommendation #10. The query document outlines the methods used to query the data in the system to produce the numbers provided in the most recent license certification. The Service has confirmed with the Division these are the only comments that they have on this Draft Report.

The Service concurs with the auditors recommendations and has reviewed and accepted the Division's response.

The Service will work closely with the Division staff in developing and implementing a corrective action plan that will resolve all of the findings and recommendations.

Sincerely

Colleen E. Sculley
Chief, Division of Wildlife
and Sport Fish Restoration





Rhode Island Department of Environmental Management

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September 10, 2020

Shelley DiBona
Grants Fiscal Officer, Division of Wildlife & Sport Fish Restoration
U.S. Fish & Wildlife Service
300 Westgate Center Drive
Hadley, MA 01035

Dear Ms. DiBona:

Thank you very much for providing Rhode Island with the Draft Audit Report for the audit of U.S. Fish and Wildlife Service Grants awarded to the State of Rhode Island, Division of Fish and Wildlife. We greatly appreciate the information provided and the opportunity to comment on the report. While overall we concur with the findings of the Office of Inspector General, there are a few comments we would like to have on record. There were five findings in the report.

The first finding was regarding insufficient controls over grant-specific data. We agree that the accounting systems are cumbersome and requires significant manual accounting. The Office of Management Services (OMS) is implementing new policies and has created standard tools to identify both the federal and matching expenses tied to any single drawdown. All new grant awards will have a unique line sequence thereby eliminating the ambiguity of expenses that post without a cost center and reducing manual accounting. The Department of Environmental Management (DEM) is required to use statewide financial, payroll and procurement systems and DEM does not have control over the development and integration of a new system. We will work with the regional office to assure that the tools we develop adequately address any concerns.

The second finding addressed improper drawdown support. It is the policy within OMS that no federal funds are drawn prior to reconciliation and all reconciliations are to be completed no less than monthly. The audit covered a period of time prior to the implementation of these policies and OMS has since addressed these controls.

The third finding regarding inadequate real property management is accurate, however as the report states, we are currently in the process of reconciling the land records. Additionally, we are in the process of developing a plan to address encroachments and establish a lands monitoring program. Clarification is requested as to what will be required for the certification that real property purchased under these awards is being used for its intended purpose.

The fourth finding was for inadequate equipment inventory management, with which we concur. To address this issue, that has been an audit finding in the past we will be incorporating inventory management into the real property monitoring plan and will address all of these together.

Finally, the fifth finding was regarding license certification. We agree that, for the time period that was under consideration duplicate licenses were not eliminated for the reasons given in the report. At the time we had a paper license system and were unable to determine which individuals had both a freshwater and saltwater license, and these were counted twice. We have always

eliminated free licenses, so that part is not accurate. Currently, we have determined that our new online licensing system is capable of being queried to determine licensed individuals, which will eliminate the duplication of one person having more than one fishing license. This was the case when the auditors were present, but not for the time period of the audit.

The Department appreciates the time and consideration that the Office of Inspector General has provided during the audit and the efforts of the WSFR Regional Office assisting with this process. We look forward to working with the USFWS WSFR Regional Office to develop acceptable solutions to these issues that benefit both the Service and Rhode Island so that we can continue the good conservation work that is the foundation of what we do.

Sincerely,

A handwritten signature in blue ink that reads "Catherine A. Sparks". The signature is written in a cursive style with a large initial "C" and a long, sweeping underline.

Catherine A. Sparks
Assistant Director for Natural Resources

Appendix 4: Status of Recommendations

Recommendation	Status	Action Required
2	Resolved and implemented	No action is required.
1, 3 – 11	<p>Resolved but not implemented:</p> <p>U.S. Fish and Wildlife Service (FWS) regional officials concurred with these recommendations and will work with staff from the Rhode Island Department of Environmental Management, Division of Fish and Wildlife to develop and implement a corrective action plan.</p>	<p>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>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>
