



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

**U.S. FISH AND WILDLIFE SERVICE WILDLIFE AND SPORT FISH
RESTORATION PROGRAM**

Grants Awarded to the State of South Dakota, Department of Game,
Fish and Parks, From July 1, 2015, Through June 30, 2017



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U.S. DEPARTMENT OF THE INTERIOR

Memorandum

MAR 29 2019

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

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

Subject: Final Audit Report – U.S. Fish and Wildlife Service Wildlife and Sport Fish
Restoration Program Grants Awarded to the State of South Dakota, Department of
Game, Fish and Parks, From July 1, 2015, Through June 30, 2017
Report No. 2018-CR-001

This final report presents the results of our audit of costs claimed by the State of South Dakota, Department of Game, Fish and Parks (Department), under grants awarded by the U.S. Fish and Wildlife Service (FWS). The FWS provided the grants to the State under the Wildlife and Sport Fish Restoration Program. The audit included claims totaling approximately \$52 million on 62 grants that were open during the State fiscal years that ended June 30, 2016, and June 30, 2017 (see Appendix 1). The audit also covered the Department's compliance with applicable laws, regulations, and FWS guidelines, including those related to the collection and use of hunting and fishing license revenues and the reporting of program income.

We found that the Department complied, in general, with applicable grant accounting and regulatory requirements. The South Dakota single audit report for the fiscal year that ended June 30, 2016, however, reported a noncompliance finding for license revenue being used for purposes other than administering the State fish and wildlife agency. We therefore identified a potential diversion of license revenue from an inequitable allocation of the State's radio communications costs to the Department. In addition, we found that the Department had insufficient oversight of subawards. We also observed that the Department had not completed the prior audit recommendation for its land inventory reconciliation.

We provided a draft of the report to the FWS. In this report we summarize the Department's and FWS Region 6's responses to our recommendations, as well as our comments on their responses. We list the status of the recommendations in Appendix 3.

Please provide us with a corrective action plan based on our recommendations by June 27, 2019. The plan should provide information on actions taken or planned to address the recommendations, as well as target dates and titles of the officials responsible for implementation. Please address your response to me and submit a signed PDF copy to aie_reports@doioig.gov.

The legislation creating the Office of Inspector General requires that we report to Congress semiannually on all audit reports issued, actions taken to implement our recommendations, and recommendations that have not been implemented.

If you have any questions regarding this report, please contact Beth Schubert, Regional Supervisor, or me at 303-236-9243 or you can email aie_reports@doioig.gov.

cc: Regional Director, Region 6, U.S. Fish and Wildlife Service

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Introduction

Background

The Pittman-Robertson Wildlife Restoration Act and the Dingell-Johnson Sport Fish Restoration Act¹ established the Wildlife and Sport Fish Restoration Program. Under the Program, the U.S. Fish and Wildlife Service (FWS) provides grants to States to restore, conserve, manage, and enhance their wildlife and sport fish resources. The Acts and Federal regulations contain provisions and principles on eligible costs and allow the FWS to reimburse States up to 75 percent of the eligible costs incurred under the grants. The Acts also require that hunting and fishing license revenues be used only for the administration of the States' fish and game agencies. Finally, Federal regulations and FWS guidance require States to account for any income they earn using grant funds.

Objectives

We conducted this audit to determine if the State of South Dakota, Department of Game, Fish and Parks (Department):

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

Scope

We focused our audit work on claims totaling approximately \$52 million on the 62 grants open during the State fiscal years (SFYs) that ended June 30, 2016, and June 30, 2017 (see Appendix 1). We report only on those conditions that existed during this audit period. We performed our audit at the Department's headquarters in Pierre, SD, and visited 3 wildlife division offices, 3 fish hatcheries, 1 boating access area, 9 game production areas, and 11 other locations; which included the West and East Outdoor Campus sites, 8 shooting ranges at or near our primary visit site, and 1 university (see Appendix 2).

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

Methodology

We conducted this audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions, based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions, based on our audit objectives.

¹ 16 U.S.C. §§ 669 and 777, as amended respectively.

Our tests and procedures included:

- Examining the evidence that supports selected expenditures charged to the grants by the Department
- Reviewing transactions related to purchases, direct costs, drawdowns of reimbursements, in-kind contributions, and program income
- Interviewing Department employees to ensure that personnel costs charged to the grants were supportable
- Conducting site visits to inspect equipment and other property
- Determining whether the Department used hunting and fishing license revenues solely for the administration of fish and wildlife program activities
- Determining whether the State passed required legislation assenting to the provisions of the Acts

We also identified the internal controls over transactions recorded in the labor and license-fee accounting systems and tested their operation and reliability. Based on the results of initial assessments, we assigned a level of risk to these systems and selected a judgmental sample of transactions for testing. We did not project the results of the tests to the total population of recorded transactions or evaluate the economy, efficiency, or effectiveness of the Department's operations.

We relied on computer-generated data for other direct costs and personnel costs to the extent that we used these data to select Program costs for testing. Based on our test results, we either accepted the data or performed additional testing. For other direct costs, we took samples of costs and verified them against source documents, such as purchase orders, invoices, receiving reports, and payment documentation. For personnel costs, we selected Department employees who charged time to Program grants and verified their hours against timesheets and other supporting data.

Prior Audit Coverage

On June 4, 2013, we issued *U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the State of South Dakota, Department of Game, Fish, and Parks From July 1, 2010, Through June 30, 2012* (R-GR-FWS-0003-2013).

We followed up on the three recommendations made in this report and found that the U.S. Department of the Interior, Office of the Assistant Secretary for Policy, Management and Budget, considered two recommendations resolved and implemented and one recommendation resolved but not implemented. We will continue to track the progress under that recommendation regarding unreconciled real property.

We reviewed the South Dakota single audit reports for SFYs 2016 and 2017 and found that the Department's Program grants were considered major programs and assessed a low risk. The SFY 2016 report, however, reported a noncompliance finding (Finding No. 2016-012) for license revenue being used for purposes other than for the administration of the State fish and wildlife agency. The SFY 2017 report repeated this finding and identified it as Finding No. 2017-010.

Results of Audit

Audit Summary

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

A. Potential Diversion of License Revenue

The State of South Dakota potentially diverted license revenue by requiring an annual transfer of the Department's license revenues to the State's general fund for radio communication operations. The amount required to be transferred through the State's annual general appropriation act, however, was not in proportion to the Department's usage of the radio communication operations and was calculated based on budgeted amounts rather than actual amounts.

B. Insufficient Oversight of Subawards

We noted several problems with the Department's management of subawards funded by Program grants. Specifically, the Department did not (1) report all amendments to subawards with a total over the \$25,000 threshold for posting on USAspending.gov, (2) assess the risk of providing Program grant funds to two nonprofit entities before their subawards expired, and (3) require each subaward agreement to contain all the specific items in accordance with the regulations.

We also make one observation regarding the Department's reconciliation of Program-funded, real property records.

Findings and Recommendations

A. Potential Diversion of License Revenue

The State of South Dakota potentially diverted license revenue from the Department. The South Dakota single audit report for the fiscal year that ended June 30, 2016, reported a noncompliance finding (Finding No. 2016-012) for license revenue used for purposes other than administering the State fish and wildlife agency. The State of South Dakota's annual general appropriations act requires a transfer from the Department to the State's general fund for radio communication operations. The amount required to be transferred, however, was not in proportion to the Department's usage of the radio communication operations and was calculated based on budgeted amounts rather than actual amounts.

The 2016 single audit report stated that the Department transferred \$234,058 too much to the general fund because the allocation method used was based on budgeted costs rather than usage. The single audit report also identified an additional \$16,267 in potential diversion due to not factoring the overbudgeted amount into the SFY 2017 required transfer. Therefore, \$250,325 of

hunting and fishing license revenue was potentially not being used for the administration of the State fish and wildlife agency, as required by Federal regulation.²

This finding was also repeated in the South Dakota single audit report for the fiscal year that ended June 30, 2017, as Finding No. 2017-010. No dollar impact was identified.

Federal regulations³ dictate that a State becomes ineligible to receive program benefits if it diverts license revenue to purposes other than the program's administration. Therefore, if unresolved, this potential diversion of license revenue could jeopardize the State's eligibility to participate in the Wildlife and Sport Fish Restoration Program.

Recommendation

We recommend that the FWS:

- I. Work with the Department to resolve the potential diversion.

Department Response

The Department concurred with the finding and recommendation and worked with other State agencies to revise the method of allocating the State's radio costs. As a result, the Department's portion of the shared costs will be reduced by approximately \$280,000 annually and based on two usage criteria. In addition, a repayment to the Department for \$285,656 in overcharged State radio costs is scheduled for the spring of 2019. The Department will work with the FWS to resolve the potential diversion.

FWS Response

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

OIG Comments

Based on the Department's and the FWS' responses, we consider Recommendation 1 resolved but not implemented (see Appendix 3).

B. Insufficient Oversight of Subawards

We noted several problems with the Department's management of subawards funded by Program grants. We tested 6 of the 20 subawards open during our audit period, illustrated in Figure 1, and found:

- The Department did report subawards totaling \$25,000 or more on FSRS.gov for posting to USAspending.gov, but it failed to post awards that had amendments that increased funding.

² 50 C.F.R. §§ 80.10(c)(1) and (2).

³ 50 C.F.R. §§ 80.11(c)(1) and (2).

- The Department did not perform risk assessments on two of its subrecipients.
- None of the six subawards contained all the necessary elements in the subaward agreements.

Grant No.	Subrecipient Name	Subaward Purpose	Subaward Amount
F15AF00422	Missouri River Archers	Gun Club / Shooting Range	\$12,000
F15AF00422	Aberdeen Gun Club	Gun Club / Shooting Range	29,500
F15AF00422	Izaak Walton League Sunshine Chapter	Gun Club / Shooting Range	67,000
F16AF00533	Izaak Walton League Sioux Falls Chapter (SFC)	Gun Club / Shooting Range	39,450
F16AF00439	South Dakota State University	Wildlife Research Services	407,302
F16AF00520	South Dakota State University	Statewide Fisheries Research	519,084
Total			\$1,074,336

Figure 1. Subaward agreements in the audit sample.

Unreported Subawards

While the Department reported the initial subawards of \$25,000 or more for posting on USAspending.gov, a Federal website promoting transparency, it failed to report all amendments to subawards that increased funding to subawards with a total over the \$25,000 threshold. Specifically, the Department did not post the amendments that increased the funding on the subawards to West Virginia University and South Dakota State University (Grant Nos. F16AF00436 and F15AF00387). This occurred because the Department official responsible for reporting subawards did not report subawards that had amendments increasing the subaward amount funded to a total above the \$25,000 threshold.

Federal regulations⁴ require Federal grantees to report each subaward action that obligates \$25,000 or more in Federal funds at FSRS.gov, which is then posted on USAspending.gov. Not reporting the awards greater than \$25,000 reduces public transparency concerning how Federal money was spent.

Risk Assessments Not Conducted

The Department did not assess the risk of providing Program grant funds to two nonprofit entities before their subawards expired. The subrecipients included (1) the Missouri River Archers, which received a \$12,000 subaward to enhance its existing archery range by purchasing archery targets and (2) the Aberdeen Gun Club, which received a \$22,125 subaward to enhance its existing trap and skeet range by adding overhead light, trenching new electrical and disposal

⁴ 2 C.F.R. § 170, Appendix A, Paragraphs I.a.1 and I.a.2.i.

lines, replacing three shooting walkways, and purchasing two trap machines. Department management did not require risk assessments on these subawards, having set a \$25,000 minimum for completing risk assessments, and was unable to provide us with any guidance that led to this decision.

Federal regulations⁵ require the Department to “evaluate each subrecipient’s risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring.” 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 new or substantially changed systems, and (4) the extent and results of the Federal awarding agency’s monitoring of the subrecipient.

Not conducting risk assessments and monitoring of subrecipients puts Federal funds at unnecessary risk for misuse.

Subawards Lacked Required Elements

All six of the subaward agreements we reviewed were missing elements required by Federal regulations. Specifically, the subrecipient’s unique entity identifier and Federal award identification number were missing.

At the time of our audit, the Department did not have policies and procedures that ensured all the required elements were included.

Though at the time of our audit the Department did not have policies and procedures that ensured all the required elements were included, Federal regulations⁶ require every subaward agreement to contain 13 specific items that include the subrecipient’s unique entity identifier, the Federal Award Identification Number (FAIN), date of the original Federal award, a description of the Federal award project, and the subrecipient’s approved indirect cost rate.

The Department risks misunderstandings with its subrecipients by not including all federally required elements in each subaward, such as the subrecipient’s entity identifier and the FAIN. Including these elements should alert subrecipients that Federal funds are involved and of the need to abide by Federal regulations.

After we raised these subaward issues, we learned that, effective June 2018, the South Dakota Board of Internal Control adopted new forms to address subaward concerns—subrecipient determination, pre-award risk assessment, and monitoring guidance forms. It also adopted the Uniform Subrecipient Template, which includes all 13 of the required elements listed in 2 C.F.R. § 200.331(a). These changes were incorporated in the Federal Drawdown Policy and Procedure (ID# ADM-2017-01).

⁵ 2 C.F.R. § 200.331(b).

⁶ 2 C.F.R. § 200.331(a).

Recommendations

We recommend that the FWS:

2. Require the Department to develop policies and procedures to:
 - a. report subawards for posting on USAspending.gov
 - b. require risk assessments on all subawardees
 - c. ensure that all federally-required elements are included in the Department's subaward agreements
3. Require the Department to train new Departmental subaward managers on oversight techniques and applicable Federal requirement

Department Response

The Department concurred with the finding. To address Recommendation 2, the Department updated its policies and procedures for reporting subawards, risk assessments, determinations, and monitoring, as adopted by the South Dakota Board of Internal Control. The Department considers this corrective action plan to be complete. The Department did not comment on Recommendation 3.

FWS Response

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

OIG Comments

Based on the FWS' response, we consider Recommendations 2 and 3 resolved but not implemented (see Appendix 3).

Observation Regarding Real Property Records

In our prior report (R-GR-FWS-0003-2013), we noted that the Department had not reconciled its Program-funded, real property records with those of the FWS. We recommended that the FWS work with the Department to reconcile their respective records pertaining to lands purchased with Program funds. This recommendation was still open at the time of our audit, and we repeated it in our draft report. While the Department provided its real property inventory information to the FWS in 2013, that information is now more the 5 years old.

According to Federal regulations,⁷ a State fish and wildlife agency, as a grantee, is responsible for maintaining records and control of all assets acquired under the grant to ensure that they serve the purpose for which they were acquired throughout their useful life. Federal regulations⁸ state that if the Federal interest in real property extends 15 years or longer, the Department must report the status of the property to the FWS at least every 5 years.

⁷ 50 C.F.R. § 80.90(b)(2) and 50 C.F.R. § 80.90(f), respectively,

⁸ 2 C.F.R. § 200.329.

Until a reconciliation of real property records between the Department and the FWS can be completed, neither party can fully ensure that lands acquired under the Program are being used for their intended purposes.

Department Response

The Department did not agree that the issue of unreconciled records should be a finding in the current audit, since this is an open finding from our prior audit conducted in 2013.

FWS Response

The FWS acknowledged the open recommendation from our prior audit. In 2013, the Department provided a spreadsheet report prepared from data retained in its real property records. The FWS will continue to analyze this information in relation to its records for approved land acquisition grants. Due to limited resources and personnel, however, these steps will likely require an extended period of time. The FWS considers this reconciliation and resolution effort an open finding originally noted in the 2013 audit and not a new or additional finding in the current audit.

OIG Comments

Both the Department and the FWS agree that the reconciliation is not complete. Federal regulations require the Department to report the status of the property to the FWS at least every 5 years. The information that was provided by the Department in 2013 is now more than 5 years old. Therefore, we feel it necessary to disclose the matter in our report. In response to the FWS and the Department's concern, we characterize the matter as an observation and not a finding. The recommendation from the prior audit remains open, and we will continue to track the progress under that recommendation.

Appendix I

**State of South Dakota
Department of Game, Fish and Parks
Grants Open During the Audit Period
July 1, 2015, Through June 30, 2017**

Grant No.	Grant Amount	Claimed Costs
FI4AF00440	\$177,500	\$174,343
FI4AF01030	200,000	50,030
FI5AF00070	1,074,630	1,074,630
FI5AF00081	4,618,667	4,618,667
FI5AF00082	1,405,000	933,333
FI5AF00143	376,714	376,714
FI5AF00168	220,819	120,414
FI5AF00169	1,227,999	1,052,237
FI5AF00203	2,780,340	2,520,044
FI5AF00209	949,506	482,719
FI5AF00214	1,317,981	1,307,381
FI5AF00248	300,000	287,699
FI5AF00377	314,136	313,370
FI5AF00387	937,262	937,261
FI5AF00422	440,360	331,793
FI5AF00455	2,163,200	1,783,171
FI5AF00492	1,065,764	656,566
FI5AF00505	2,392,000	2,389,860
FI5AF00522	117,800	94,134
FI5AF00523	694,950	555,076
FI5AF00736	260,000	7,137
FI5AF00761	333,137	332,248
FI5AF01042	0	0
FI6AF00005	1,407,473	1,220,988
FI6AF00006	4,093,334	3,998,742

Grant No.	Grant Amount	Claimed Costs
FI6AF00007	\$1,086,666	\$1,086,667
FI6AF00020	1,000,000	1,000,000
FI6AF00024	722,133	712,087
FI6AF00026	1,235,067	1,223,142
FI6AF00061	140,000	125,096
FI6AF00082	254,437	238,382
FI6AF00083	916,168	734,390
FI6AF00112	120,000	112,398
FI6AF00113	689,333	680,802
FI6AF00230	823,487	479,842
FI6AF00251	2,610,024	2,465,578
FI6AF00282	1,400,029	1,400,029
FI6AF00439	743,741	653,415
FI6AF00444	393,457	393,457
FI6AF00519	2,124,333	2,124,333
FI6AF00520	755,061	636,325
FI6AF00525	2,463,200	2,089,797
FI6AF00533	514,861	337,455
FI6AF00542	117,800	98,177
FI6AF00547	486,667	486,667
FI6AF00954	200,000	15,753
FI6AF01139	2,266,667	2,266,666
FI6AF01140	892,667	889,904
FI7AF00012	225,000	0
FI7AF00014	743,667	741,307
FI7AF00046	1,251,775	609,247
FI7AF00047	2,983,333	1,647,629
FI7AF00053	933,333	408,183
FI7AF00083	1,474,333	1,470,172
FI7AF00171	1,239,488	179,897

Grant No.	Grant Amount	Claimed Costs
F17AF00172	\$365,857	\$20,297
F17AF00213	1,431,315	721,923
F17AF00227	551,160	69,293
F17AF00239	187,067	186,815
F17AF00240	2,625,360	54,099
F17AF00378	359,514	0
F17AF00536	629,460	0
-	\$65,825,031	\$51,977,783

Appendix 2

**State of South Dakota
Department of Game, Fish and Parks
Sites Visited**

Headquarters

Pierre, SD

Wildlife Division Offices

Rapid City, SD

Sioux Falls, SD

Watertown, SD

Fish Hatcheries

Cleghorn Springs

McNenny

Blue Dog

Boating Access

Bolton Game Production Area

Game Production Areas

New Underwood Lake

Curlew Lake

Beilage

Stofferahn

Weisensee

Grass Lake

Scott Lake

Wetlands America Trust Addition to Swan Lake Game Production Area

Franzen Addition to Hedman Game Production Area

Other

Outdoor Campus – West

Outdoor Campus – East

Fall River Gun Range

Spearfish Archery Range

Spearfish Farm and Field Station

Mitchell (Trap Club) Gun Club

Izaak Walton League Sunshine Chapter

Izaak Walton League Sioux Falls Chapter

Garretson Sportman's Club

Farm Island Recreation Area

South Dakota State University

Appendix 3

State of South Dakota
Department of Game, Fish and Parks
Status of Audit Recommendations

Recommendations	Status	Action Required
<p>1, 2, and 3</p>	<p>We consider the recommendations resolved but not implemented.</p> <p>U.S. Fish and Wildlife Service (FWS) regional officials concurred with the recommendations and will work with the South Dakota Department of Game, Fish and Parks to develop and implement a corrective action plan for these recommendations.</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 of the actions taken or planned by the Department.</p> <p>We will refer the recommendations to the Assistant Secretary for Policy, Management and Budget for tracking of implementation after July 3, 2019.</p>

