



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

U.S. Fish and Wildlife Service Grants Awarded to the State of Wisconsin, Department of Natural Resources, 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 \$159,000.



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

Memorandum

SEP 21 2020

To: Aurelia Skipwith
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 Wisconsin, Department of Natural Resources, From July 1, 2016, Through June 30, 2018*
Report No. 2019-CR-023

This final report presents the results of our audit of costs claimed by the State of Wisconsin, Department of Natural Resources (Department), under grants awarded by the U.S. Fish and Wildlife Service (FWS) through the Wildlife and Sport Fish Restoration Program (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 \$103 million on 27 grants that were open during the State fiscal years that ended June 30, 2017, and June 30, 2018.

We found that the Department generally ensured that grant funds and hunting and fishing license revenue were used for allowable fish and wildlife activities and complied with applicable laws and regulations, FWS guidelines, and grant agreements. We noted, however, issues with real property reconciliations, equipment inventory and program income estimations. We questioned \$103,235 (\$77,426 Federal share) in payroll charges and a potential diversion of (\$112,639) in license revenue.

We provided a draft of this report to the FWS. The FWS concurred with all nine recommendations, including the repeat 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. We list the status of the recommendations in Appendix 5.

Please provide us with a corrective action plan based on our recommendations by December 21, 2020. 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.

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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 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

In June 2016, we entered into an intra-agency agreement with the 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 if the State of Wisconsin, Department of Natural Resources (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

Audit work included claims totaling approximately \$103 million on the 27 grants open during the State fiscal years (SFYs) that ended June 30, 2017, and June 30, 2018 (see Appendix 1). We report only on those conditions that existed during this audit period.

We performed our audit at the Department's headquarters office in Madison, WI, and visited 3 fish hatcheries, 4 service centers, 2 satellite centers, 10 subawardee locations, 1 wildlife management area, and 2 other locations (see Appendix 2).

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

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

Methodology

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

Our tests and procedures included:

- Examining the evidence that supports selected expenditures charged to the grants by the 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 September 15, 2014 we issued the audit report, *U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the State of Wisconsin, Department of*

Natural Resources, From July 1, 2011, Through June 30, 2013 (Report No. R-GR-FWS-0006-2014).

We followed up on all three recommendations from our prior report and found that the U.S. Department of the Interior, Office of the Assistant Secretary for Policy Management and Budget (PMB) considered two recommendations as resolved and implemented and one recommendation as resolved but not yet implemented.

Additionally, we followed up on one unimplemented recommendation from our report, U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the State of Wisconsin, Department of Natural Resources, From July 1, 2007, Through June 30, 2009 (Report No. R-GR-FWS-0011-2010), issued on November 22, 2010. As discussed in the “Findings and Recommendations” section of this report, we are repeating two unimplemented recommendations, which deal with the inadequate control of real property (unreconciled real property, Report No. R-GR-FWS-0011-2010, and noncertified grant funded real property as being used for its intended purposes, Report No. R-GR-FWS-0006-2014) and we will continue tracking the unimplemented recommendations with the prior audit reports.

We reviewed single audit reports for SFYs 2017 and 2018. None of these reports contained any findings that would directly affect the Program grants.

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, however, the following conditions that resulted in our findings including questioned costs totaling \$103,235.

- A. Questioned Costs \$103,235 (\$77,426 Federal share) – Unsupported Payroll Expenditures.** We questioned \$103,235 as unsupported payroll expenditures. The Department could not reconcile its payroll costs to the State Comptroller’s general ledger cost.
- B. Potential Diversion of License Revenue – \$112,639.** The Department used license revenue funds to purchase equipment that was used within a State park or State forest campground instead of for the administration of the program.
- C. Inadequate Equipment Inventory.** The Department implemented a new Asset Management System in October 2015 but has yet to conduct a physical equipment inventory verification since that time.
- D. Lack of Documentation on Grant Applications.** The Department failed to document estimated program income on SF-424s when submitting its grant applications.
- E. Repeat Finding – Inadequate Control of Real Property Records.** The Division has not reconciled its Program-funded real property records with the FWS.

Findings and Recommendations

A. Questioned Costs \$103,235 (\$77,426 Federal share) Unsupported Payroll Expenditures

The Department’s Human Capital Management (HCM) data did not reconcile to the Department’s general ledger data, resulting in questioned costs of \$103,235 (\$77,426 Federal share). The Department implemented State Transforming Agency Resources (STAR), a new accounting system, in SFY 2016.

STAR connects more than 120 of the State’s IT software and systems into one comprehensive system. STAR’s Accounting Solution contains the general ledger data, and the HCM Solution contains all of the time and labor, benefits, and payroll data.

We identified multiple variances in the pay period data downloads received from both the HCM and the Department’s general ledger for SFYs 2017 and 2018. The Department appeared to overstate the payroll expenses by \$72,464 (\$54,348 Federal share) for SFY 2017, and \$30,771 (\$23,078 Federal share) for SFY 2018. These overstatements are outlined in Figure 1.

Figure 1: Overstatements of Payroll Expenses for SFYs 2017 and 2018

Pay Period	State Fiscal Year 2017			State Fiscal Year 2018		
	General Ledger (\$)	HCM (\$)	Variance (\$)	General Ledger (\$)	HCM (\$)	Variance (\$)
1	7,900,653	7,900,655	-2	7,863,827	7,863,826	1
2	7,997,193	7,997,390	-197	7,817,863	7,817,863	-
3	7,965,880	7,965,899	-19	8,032,843	8,032,843	-
4	7,961,521	7,959,061	2,460	8,139,850	8,139,850	-
5	7,959,171	7,958,251	920	8,035,619	8,036,289	-670
6	7,904,508	7,904,506	2	8,119,472	8,119,472	-
7	6,503,005	6,502,987	18	6,707,376	6,714,219	-6,843
8	8,061,891	8,061,891	-	8,310,562	8,310,179	383
9	8,262,246	8,262,246	-	8,179,487	8,182,972	-3,485
10	8,150,147	8,150,614	-467	8,420,570	8,420,555	15
11	9,357,079	9,354,806	2,273	8,742,345	8,742,345	-
12	8,398,268	8,362,786	35,482	9,891,670	9,891,670	-
13	8,487,171	8,487,900	-729	8,764,187	8,769,855	-5,668
14	8,384,338	8,367,343	16,995	8,652,580	8,650,486	2,094
15	8,503,162	8,501,566	1,596	8,462,001	8,464,201	-2,200
16	8,372,454	8,370,074	2,380	8,420,037	8,413,800	6,237
17	8,472,637	8,472,870	-233	8,475,941	8,455,878	20,063
18	8,347,721	8,346,353	1,368	7,099,713	7,089,871	9,842
19	8,331,662	8,329,719	1,943	8,469,273	8,469,272	1
20	6,766,161	6,759,572	6,589	8,262,324	8,262,324	-
21	8,145,240	8,147,431	-2,191	8,318,836	8,318,687	149
22	8,086,511	8,086,511	-	8,150,477	8,150,477	-
23	8,026,910	8,026,910	-	8,126,307	8,126,307	-
24	8,005,539	8,006,249	-710	7,928,366	7,928,366	-
25	8,196,370	8,194,988	1,382	7,957,192	7,957,192	-
26	8,528,401	8,524,797	3,604	8,385,234	8,374,382	10,852

Pay Period	State Fiscal Year 2017			State Fiscal Year 2018		
	General Ledger (\$)	HCM (\$)	Variance (\$)	General Ledger (\$)	HCM (\$)	Variance (\$)
Total Variance			\$72,464	\$30,771		
SFYs 2017 and 2018 Total Variance						\$103,235 (\$77,426 Federal share)

The Department told us that it brought this to the attention of the State Comptroller 3 different times, each at state fiscal year end, since the new financial system has been in place (October 2015). The State Comptroller told the Department that there were no variances in its data and that no further action was needed.

According to 2 C.F.R. § 200.430(i)(1), Federal awards for salaries and wages must be based on records that accurately reflect the work performed. In addition, 2 C.F.R. § 225, Appendix A, C (1)(j) states that costs must be adequately documented in order to be allowable under Federal awards.

Without adequate controls and reconciliations, the Department may have been reimbursed for payroll costs totaling \$103,235 (\$77,426 Federal share) that did not represent the actual number of hours employees worked on Program grants.

Recommendations
<p>We recommend that the FWS work with the Department to:</p> <ol style="list-style-type: none"> 1. Resolve the unsupported questioned costs of \$103,235 (\$77,426 Federal share) 2. Develop and implement a process that ensures payroll expenses reconcile with personnel activity reports reflecting actual time worked

Department Response

In response to recommendation 1, the Department stated that it provided a complete reconciliation of the payroll for SFY 2018 on January 7, 2020. Further, the Department stated it was waiting to proceed with the reconciliation for SFY 2017 until the OIG auditors confirmed that the SFY 2018 reconciliation was sufficient. The Department concurred with recommendation two and is working with the State Comptroller’s Office to obtain the necessary reports to complete its reconciliation.

FWS Response

The FWS concurred with our recommendations and will work with the Department on a corrective action plan.

OIG Comment

We received the Department’s reconciliation for SFY 2018 on January 7, 2020; however, the information was provided after the end of our fieldwork and therefore we did not verify the information. We will defer to the FWS to determine if the reconciliation is sufficient. Based on the Department and FWS responses, we consider the recommendations resolved but not implemented (See Appendix 5).

B. Potential Diversion of License Revenue – \$112,639

The Department potentially diverted \$112,639 in license revenue funds by using equipment partially purchased with license revenue for purposes other than the administration of the State fish and wildlife agency. Specifically, we found a copy machine, storage shed, and a tractor being used at a state forest campground and a skid-steer used at a state park, all partially paid for by license revenue funds. None of these items were being used for the administration of the State fish and wildlife agency.

The potential diversion of license revenue jeopardizes the State’s continued participation in the Program and brings into question whether fish and wildlife resources appropriately benefitted from the funds. See Figure 2 for a breakdown of the costs associated with the potential diversion.

Figure 2: Equipment Identified as Potential Diversion

Equipment	Cost (\$)
Copier	3,827
Skid-steer	33,410
Unheated storage shed	4,999
Terrain cut mower	70,403
Total	\$112,639

According to Federal regulation, 50 C.F.R. § 80.11, a State becomes ineligible under the Program if it diverts hunting and fishing license revenues for purposes other than the administration of the State fish and wildlife agency. Further, 50 C.F.R. § 80.10(c)(2) also explains that only the functions required to manage and administer the State’s fish and wildlife resources may be supported with license revenue.

The Department uses an allocation formula when purchasing equipment for the Fish, Wildlife and Parks Division and Forestry Division. This allocation formula includes the use of license revenue funds to purchase equipment items for use in the state parks and state forest areas resulting in a potential diversion issue.

Recommendations

We recommend that the FWS work with the Department to:

3. Verify that expenditures (\$112,639) paid with license revenue and fees are eligible and appropriate
4. Establish policies and procedures to ensure that license revenues are used solely for the administration of the State's fish and wildlife program activity

Department Response

The Department did not concur with these recommendations. It considered the \$112,639 in expenses partially paid with license revenue and fees to be appropriate and consistent with the cost allocation process established by the Department. In addition, the Department stated that its policies and procedures protect license revenue.

FWS Response

The FWS concurs with our recommendations and will work with the Department on a corrective action plan.

OIG Comment

As stated in our finding, we found equipment that was partially purchased with license revenue funds; however, that equipment was not being used for the administration of the State fish and wildlife agency, as required by regulation. Based on the Department's response, we consider this recommendation unresolved (see Appendix 5).

C. Inadequate Equipment Inventory

The Department did not verify personal property (equipment) after converting to the finance and procurement modules of PeopleSoft.

The asset management system, part of the procurement module, went active in October 2015. Since then, the Department has failed to develop policies and procedures that would require physical verification of all equipment—including all hunter education firearms—every 2 years. Since October 2015, the headquarters has not physically verified equipment and the Department has not required its equipment custodians to verify equipment.

We identified multiple verification issues that could have been avoided if the Department had implemented an asset verification program after converting its equipment inventory to the new system. For example, out of the 65 items tested, we found:

- Two instances where the serial number was recorded incorrectly
- Three instances where the custodian changed

- One instance where the cost of an item in the inventory was actually the total cost of multiple items purchased at the same time
- One instance where the cost of the item was overstated by \$137,786

In addition, the Department does not have a comprehensive list of hunter education firearms (live fire and nonfiring) to include locations and property custodians. A Department official told us that only the firearms verified before the conversion were part of the new inventory. Because the Department does not have a comprehensive list, we do not know how many unverified firearms the Department owns.

In addition, the Department has not conducted an asset verification since the conversion to the new asset management system in October 2015. We also found that the Department's headquarters has not conducted a physical inventory of equipment. Of the 11 employees we interviewed who stated they were equipment custodians, 10 stated that no one from headquarters or the region had conducted physical inventory of the equipment since converting to the asset management system in SFY 2016. The one remaining employee was uncertain of when the last physical inventory occurred.

According to 2 C.F.R. § 200.313(d), organizations must:

1. Maintain property records including a description of the property; a serial number or other identification number; the source of funding for the property; the Federal Aid Identification number; who holds title; the acquisition date; the cost of the property; the percentage of Federal participation in the project costs for the Federal award under which the property was acquired; and the location, use, and condition of the property
2. Conduct a physical inventory of the property and reconcile the results with the property records at least once every 2 years
3. Develop a control system to adequately safeguard against loss, damage, or theft of the property

The Department did not require a physical equipment verification after the conversion to ensure all equipment was appropriately transferred into the new system or to identify what equipment was not transferred into the new system. Only verified equipment was converted into the new system, but the Department did not follow up on the status of unverified equipment. Further, the Department did not have a program in place to require physical equipment verification of its equipment inventory items in the asset management system. Without proper physical equipment verification, equipment purchased with Program funds and license revenue are at risk of loss, theft, or mismanagement.

Recommendations

We recommend that the FWS work with the Department to:

5. Conduct a physical equipment verification, including hunter education firearms, and ensure records are complete and accurate
6. Establish policies and procedures to address equipment verification requirements to include maintaining accurate equipment records and conducting physical inventories at least every 2 years

Department Response

The Department concurred with these recommendations and is developing a process to conduct a physical inventory of all equipment records at least every 2 years.

FWS Response

The FWS concurs with our recommendations and will work with the Department on a corrective action plan.

OIG Comment

Based on the Department and FWS' responses, we consider the recommendations resolved but not implemented (see Appendix 5).

D. Lack of Documentation on Grant Applications

The Department did not always include estimated program income on the initial SF-424, Application for Federal Assistance, nor did the Department request approval to change its method of reporting program income from deductive (default method) to the additive method, as required.

For example, the Department did not include the estimated program income on the initial SF-424 for Grant No. F17AF00565. The first modification for this grant, however, showed an estimated program income amount but did not indicate that the method of reporting program income would change from the default method. Neither the FWS nor the Department indicated a change in the reporting method. However, when the Department submitted the Federal Financial Report (SF-425) at the end of the grant period, the method in reporting the program income changed from deductive to additive without documented approval from the FWS.

The FWS acknowledged the estimated program income but did not note a change in the reporting method. This was also true for Grant Nos. F17AF00568 and F16AF00822. For Grant No. F17AF00568, when the Department asked for an updated award letter to show that the additive method was requested for reporting program income, the FWS informed the Department that an updated letter was not necessary.

Federal regulation, 50 C.F.R. § 80.82 (c) (8) (i) (ii) (iii), requires that State fish and wildlife agencies include the estimated amount of program income that the project is likely to generate on

the SF-424, indicate the method of applying the program income to Federal and non-Federal outlays, and request the Regional Director’s approval for the matching method.

Further, 2 C.F.R. § 200.307 (e) (1) (2) states that program income must be deducted from total allowable costs to determine the net allowable costs and must be used for current costs unless the Federal awarding agency authorizes otherwise. Program income that the non-Federal entity did not anticipate at the time of the Federal award must be used to reduce the Federal award and non-Federal entity contributions rather than to increase the funds committed to the project. With prior approval from the Federal awarding agency, program income may be added to the Federal award.

The Department had no policies and procedures to ensure that SF-424s were submitted with proper information for estimated program income and its reporting method. In addition, the FWS did not always inform the Department when it found errors and did not require additional or corrected documents.

Without the estimated program income on the initial grant application—the SF-424—the FWS cannot accurately address and anticipate proper administration of the Program grant funds. This will be of greater importance as the FWS implements the cost sharing method of reporting its program income.

Recommendation
<p>We recommend that the FWS work with the Department to:</p> <ul style="list-style-type: none">7. Establish policies and procedures that will address:<ul style="list-style-type: none">(a) required documentation when submitting the initial SF-424(b) a proper process for changing the program income reporting methods

Department Response

The Department concurred with this recommendation. The Department implemented new procedures and modified the project/budget narrative template to include anticipated program income. If the Department identifies program income that was not anticipated or if it needs to change the program income calculation method, it will request an administrative amendment/modification through the WSFR standard process.

FWS Response

The FWS concurs with our recommendation and will work with the Department on a corrective action plan.

OIG Comment

Based on the Department and FWS’ responses, we consider the recommendations resolved but not implemented (see Appendix 5).

E. Repeat Finding – Inadequate Control of Real Property Records

In our prior report (Report No. R-GR-FWS-0011-2010), we noted that the Department had not reconciled its Program-funded, real property records with the FWS. We recommended that the FWS ensure that the Department reconciles its real property records with FWS' records. This recommendation was still open at the time of our audit. Also, in another prior report (Report No. R-GR-FWS-0006-2014) we found that the Department had not certified that its grant-funded real property is being used for its intended purposes.

According to 50 C.F.R. § 80.90(b)(2) and 50 C.F.R. § 80.90(f), respectively, 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 the grants serve the intended purpose throughout their useful life. Further, 2 C.F.R. § 200.329 states 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.

Until the Department and the FWS complete a reconciliation of real property records, neither party can fully ensure that lands acquired under the Program are being used for their intended purposes. We are therefore repeating the recommendations from our prior audit reports. The FWS should submit any documentation to the PMB to track implementation under the prior audits.

Repeat Recommendation (Tracked Under Report No. R-GR-FWS-0011-2010, Recommended No. B)

We recommend that the FWS ensure the Department reconciles its real property records with FWS' records.

Department Response

The Department reconciled its real property records with the FWS' records as of May 25, 2020.

FWS Response

The FWS has received, reviewed, and accepted the supporting documentation from the Department and considers this recommendation resolved and implemented.

OIG Comment

Based on the Policy, Management and Budget Disposition of Finding B of Report No. R-GR-FWS-0006-2014, we consider the recommendation resolved and implemented (see Appendix 5).

Repeat Recommendation (Tracked Under Report No. R-GR-FWS-0006-2014, Recommended No. B)

We recommend that the FWS require the Department to certify that grant-funded real property is being used for its intended purposes.
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Department Response

The Department certified that its grant-funded real property is being used for its intended purposes.

FWS Response

The FWS has received, reviewed, and accepted the supporting documentation from the Department and considers this recommendation resolved and implemented.

OIG Comment

Based on the Policy, Management and Budget Disposition of Finding B of Report No. R-GR-FWS-0006-2014, we consider the recommendation resolved and implemented (see Appendix 5).

Appendix 1: Grants Open During the Audit Period

**State of Wisconsin
Department of Natural Resources
Grants Open During the Audit Period
July 1, 2016, Through June 30, 2018**

Grant No.	Grant Amount (\$)	Claimed Costs (\$)
F13AF00212	871,211	\$882,564
F13AF00610/F13AF01159	11,791,880	9,122,063
F13AF01116	1,469,776	1,227,799
F14AF00464	759,011	491,804
F14AF00470	602,842	254,106
F14AF00474	548,200	580,824
F14AF01334	198,166	186,216
F14AF01368	723,851	553,169
F15AF00417	1,184,382	322,787
F15AF00420	1,470,715	897,757
F15AF00762	265,308	265,308
F15AF00828	147,539	147,539
F15AF01111	790,556	490,646
F16AF00822	19,667,727	22,067,746
F16AF00823	19,000,369	19,621,333
F16AF01147	146,739	2,746,993
F16AF01150	344,957	302,520
F17AF00160	1,343,830	0
F17AF00182	962,168	0
F17AF00565	19,765,827	19,257,114
F17AF00568	22,330,547	23,603,868
F17AF00651	147,539	-1,940
F17AF00668	344,957	0
F17AF01133	4,433,030	7,563
F18AF00085	1,333,334	0
F18AF00293	100,000	0

Grant No.	Grant Amount (\$)	Claimed Costs (\$)
F18AF00691	843,947	0
Total	\$111,588,407	\$103,027,779

Appendix 2: Sites Visited

**State of Wisconsin
Department of Natural Resources
Sites Visited**

Headquarters

Madison, WI

Fish Hatcheries

Nevin
Osceola
St. Croix Falls

Service Centers

Eau Claire
Fitchburg
Green Bay
Oshkosh

Satellite Centers

Black River Falls
Plymouth

Subawardee Locations

Barron Co. Maple Plains Shooting Range
Boulder Junction Shooting Range
City of Rhinelander - Boyce Drive Boat Landing
Florence Co. Menominee River Boat Launch and Access Road
Hudson Rod, Gun and Archery Club
Izaak Walton League of America, Indoor Range
Machickanee Forest Shooting Range Renovations
North Freedom Boat Launch
Osceola Rod and Gun Club
Rice Lake Archery Park

Wildlife Management Area

Muddy Creek

Other

Black River State Forest Castle Mound Campground
Interstate Park

Appendix 3: Monetary Impact

Monetary Impact: Questioned Costs

Finding Area	Amount (\$)
Unsupported Payroll Expenditures	103,235
Total	\$103,235

Monetary Impact: Potential Diversion of License Revenue

Finding Area	Amount (\$)
Personal Property (Equipment)	112,639
Total	\$112,639

Appendix 4: Responses to Draft Report

The U.S. Fish and Wildlife Service's response to our draft report follows on page 19. The Wisconsin Department of Natural Resources response to our draft report follows on page 20.



United States Department of the Interior



FISH AND WILDLIFE SERVICE

Wildlife and Sport Fish Restoration Programs
5600 American Boulevard West, Suite 990
Bloomington, Minnesota 55437-1458

IN REPLY REFER TO:

FWS/R3/WSFR

Memorandum

To: Central Region Manager for Audits, Inspections, and Evaluations, Office of Inspector General

From: Chief, Wildlife and Sport Fish Restoration Program

Subject: Response to the Office of Inspector General's Memorandum dated June 22, 2020 containing the
OIG's Draft Audit Report NO.: 2019-CR-023 on U.S. Fish and Wildlife Service Wildlife and
Sport Fish Restoration grants administered by the State of Wisconsin, Department of Natural
Resources

Attached is a copy of the Wisconsin Department of Natural Resources response to the draft Office of
Inspector General (OIG) audit report (see attachments).

The Service concurs with OIG report recommendations. The Wisconsin Department of Natural
Resources' response to implement the recommendations will be considered in the corrective action plan.

Attachments:
as

cc: USFWS, WO WSFR Compliance Branch (Mr. Ord Bargerstock)



July 24, 2020

Mr. James Hodgson, Chief
Wildlife and Sport Fish Restoration Programs
5600 American Boulevard West
Suite 990
Bloomington, MN 55437-1458

Dear Mr. Hodgson:

Thank you for providing the draft audit report from the Office of the Inspector General (OIG). We appreciate the feedback as well as the opportunity to respond to the report and provide additional information regarding the audit findings.

There are 9 audit recommendations, with the WI DNR responses, as follows:

1. Resolve the unsupported questioned costs of \$103,235.

WI DNR Response: WI DNR supplied the auditors with a complete reconciliation of payroll for State Fiscal Year 2018. This documentation was provided to the OIG auditors on January 7, 2020. WI DNR did not receive any feedback or response to this information regarding whether the reconciliation was sufficient or if any further action was needed. We have been awaiting a response from OIG before proceeding with the reconciliation for FY 2017. Attached are the e-mails with the payroll reconciliation sent to the OIG auditors.

2. Develop and implement a process that ensures payroll expenses reconcile with personnel activity reports reflecting actual time worked.

WI DNR Response: WI DNR concurs with this recommendation and is working with the WI State Controller's Office to obtain the necessary reports for WI DNR to complete this reconciliation for each payroll.

3. Verify that expenditures (\$112,639) paid with license revenue and fees are eligible and appropriate

WI DNR Response: WI DNR considers the expenses of \$112,639 partially paid with license revenue and fees to be appropriate and consistent with the cost allocation process established by the WI DNR. As such, WI DNR does not concur with this recommendation.

The assets in question were purchased to support wildlife, fishing, parks, forestry and law enforcement programs in the Department; therefore, the funding source for the assets is a blend of fish and wildlife licensure revenue, parks revenue, and forestry revenue that is allocated based on acreage or staff activity codes. Allocation formulas are reviewed and adjusted each year, as needed.

4. Establish policies and procedures to ensure that license revenues are used solely for the administration of the State's fish and wildlife program activity

WI DNR Response: As noted in item 3, policies and procedures within WI DNR do protect license revenue. As such, WDNR does not concur with this finding. WDNR manages a wide variety of properties to provide high quality outdoor recreation experiences and achieve natural resource management goals. WDNR-owned properties include state parks, wildlife areas, fisheries areas, forests, natural areas, flowages,

trails, recreation areas, scenic areas, and more. Visitors seek quality experiences and robust populations of fish and wildlife, regardless of the formal property type. Just as wildlife and fishery areas are open for hiking, bird watching, and other types of non-consumptive recreation, hunting and fishing opportunities exist on many DNR properties not officially designated as “wildlife areas” or “fishery areas.”

Of the ~1100 properties owned and managed by WDNR, more than 70% provide hunting access. These properties include traditional wildlife areas, but also state natural areas, state parks, fishery areas, state forests, state trails, and other property types. Fishing is allowed on nearly all WDNR properties with stream, river, or lake frontage. The OIG audit report identified two specific property types that were of concern relative to possible diversion of license revenue: state parks and state forests. More than 85% of Wisconsin State Parks provide hunting opportunities (including Interstate State Park) and more than 80% provide fishing access (WDNR Bureau of Parks and Recreation, 7/16/20). Further, 100% of Wisconsin State Forests (including Black River State Forest) are open for hunting, fishing, and trapping during state-designated seasons (WDNR Division of Forestry, 7/16/20).

Three main goals must be achieved in order to provide quality hunting/fishing experiences:

- 1) Healthy harvestable fish/wildlife populations
- 2) Public access (e.g. land)
- 3) Supporting infrastructure (e.g. roads, parking lots, trails, restrooms, property maps, etc.)

Projects that achieve these goals do support administration of DNR’s fish and wildlife programs, regardless of the type of property on which the project occurs or other activities that may also be allowed on the property.

5. Conduct a physical equipment verification, including hunter education firearms, and ensure records are complete and accurate

WI DNR Response: *WI DNR concurs with this recommendation and is developing a process to conduct a physical inventory of all equipment records at least every 2 years.*

6. Establish policies and procedures to address equipment verification requirements to include maintaining accurate equipment records and conducting physical inventories at least every 2 years

WI DNR Response: *WI DNR concurs with this recommendation and is developing a process to conduct a physical inventory of all equipment records at least every 2 years.*

7. Establish policies and procedures that will address: (a) required documentation when submitting the initial SF-424 (b) a proper process for changing the program income reporting methods

WI DNR Response: *WI DNR concurs with this recommendation. SF424 forms for grants F19AF00440 and F19AF00441 were updated in September 2019 to reflect anticipated program income (PI). For all new grant applications submitted since that time, DNR included anticipated PI for the proposed grant activities in Section 18f of the SF424. DNR also modified the project/budget narrative template to include a section that specifically identifies if PI is anticipated, the basis of the PI estimate, and the method through which PI will be incorporated into the grant budget (additive, cost-share, or deductive). This narrative is submitted with new WSFR grant applications.*

During the period-of-performance, if DNR identifies PI that was not anticipated at the time of application or identifies a need to change the PI calculation method, DNR will submit a request for administrative amendment/modification through the standard processes identified by USFWS WSFR staff. The administrative amendment/modification will serve as formal documentation of the PI addition or change.

8. We recommend that FWS ensure the Department reconciles its real property records with FWS' records.

WI DNR Response: *This audit finding was resolved and closed by FWS on 5/25/20.*

9. We recommend that the FWS require the Department to certify that grant-funded real property is being used for its intended purposes.

WI DNR Response: *This audit finding was resolved and closed by FWS on 5/25/20.*

Sincerely,

Karen Van Schoonhoven

Karen Van Schoonhoven, CPA
Finance Director, WI Department of Natural Resources

cc: Donna Zanger, WSFR R3 Fiscal Branch Chief
U.S. Fish and Wildlife Service

Appendix 5: Status of Recommendations

Recommendation	Status	Action Required
1, 2, 5, 6, 7	<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 Wisconsin Department of Natural Resources 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 December 21, 2020) to the Assistant Secretary for Policy, Management and Budget to track implementation.</p>
3,4	<p>Unresolved:</p> <p>FWS regional officials concurred with these recommendations and will work with staff from the Wisconsin Department of Natural Resources 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 December 21, 2020) to the Assistant Secretary for Policy, Management and Budget to track implementation.</p>
<p>Repeat Recommendation B (Report No. R-GR-FWS-0011-2010)</p>	<p>Resolved and implemented</p>	<p>No action is required.</p>
<p>Repeat Recommendation B (Report No. R-GR-FWS-0006-2014)</p>		

