



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

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

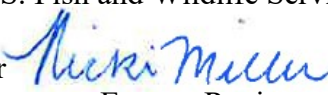


OFFICE OF
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR

DEC 20 2021

Memorandum

To: Martha Williams
Senior Advisor to the Secretary, Exercising the Delegated Authority of the
Director, U.S. Fish and Wildlife Service

From: Nicki Miller 
Regional Manager, Eastern Region

Subject: Final Audit Report – *U.S. Fish and Wildlife Service Grants Awarded to the State of South Carolina, Department of Natural Resources, From July 1, 2017, Through June 30, 2019, Under the Wildlife and Sport Fish Restoration Program*
Report No. 2020-ER-062

This final report presents the results of our audit of costs claimed by the South Carolina Department of Natural Resources (the Department) under grants awarded by the U.S. Fish and Wildlife Service (FWS) through the Wildlife and Sport Fish Restoration Program. We conducted this audit to determine whether the Department used grant funds and State hunting and fishing license revenue for allowable fish and wildlife activities and complied with applicable laws and regulations, FWS guidelines, and grant agreements. The audit period included claims totaling \$55.7 million on 69 grants that were open during the State fiscal years that ended June 30, 2018, and June 30, 2019.

We found that South Carolina 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, questioned costs related to a subaward with the University of Tennessee's National Bobwhite Conservation Initiative, totaling \$90,999 (Federal share) as ineligible, and control deficiencies in Federal financial reporting. Because of the COVID-19 pandemic, we were unable to perform site visits during this audit.

We provided a draft of this report to the FWS. The FWS concurred with our two recommendations. We consider Recommendation 1 closed because the FWS disagreed with the questioned costs and will not require the Department to repay previously awarded funds. We consider Recommendation 2 resolved and implemented. The full responses from the Department and the FWS are included in Appendix 4. In this report, we summarize the Department's and FWS Region 2's responses to our recommendations. We list the status of the recommendations in Appendix 5.

If you have any questions regarding this report, please contact me at 202-208-5745.

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Introduction

Objectives

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 assist the FWS in fulfilling its statutory responsibility to oversee State agencies' use of these grant funds.

The objectives of this audit were to determine whether the South Carolina Department of Natural Resources (Department) used grant funds and State hunting and fishing license revenue for allowable fish and wildlife activities and complied with applicable laws and regulations, FWS guidelines, and grant agreements.

See Appendix 1 for details about our scope and methodology. See Appendix 2 for sites we reviewed.

Background

The FWS provides grants to States¹ through WSFR for the conservation, restoration, and management of wildlife and sport fish resources as well as educational and recreational activities. WSFR was established by the Pittman-Robertson Wildlife Restoration Act and the Dingell-Johnson Sport Fish Restoration Act.² The Acts and related Federal regulations allow the FWS to reimburse grantees a portion of eligible costs incurred under WSFR grants—up to 75 percent for States and up to 100 percent for the Commonwealths, territories, and the District of Columbia.³ The reimbursement amount is called the Federal share. The Acts require that hunting and fishing license revenue be used only for the administration of participating fish and wildlife agencies. In addition, Federal regulations require participants to account for any income earned from grant-funded activities and to spend this income before requesting grant reimbursements.

¹ Federal regulations define the term “State” as the 50 States; the Commonwealths of Puerto Rico and the Northern Mariana Islands; the territories of Guam, the U.S. Virgin Islands, and American Samoa; and the District of Columbia (Dingell-Johnson Sport Fish Restoration Act only).

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.

³ The District of Columbia does not receive funding under the Pittman-Robertson Wildlife Restoration Act.

Results of Audit

We determined that the State generally ensured that grant funds and State hunting and fishing license revenue were used for allowable fish and wildlife activities and complied with applicable laws and regulations, FWS guidelines, and grant agreements. We noted, however, questioned costs related to a subaward with the University of Tennessee's National Bobwhite Conservation Initiative (NBCI) and late financial reporting.

We found the following:

- **Questioned Costs.** We questioned ineligible expenditures of \$90,999, the amount of funding provided during State fiscal years (SFYs) 2018 and 2019 under Grant No. F17AF01267. The Department entered into subaward agreements with the University of Tennessee's NBCI. The NBCI had inadequate accounting methodologies that allowed for improper allocation of expenditures among participating States and external partner accounts.
- **Control Deficiencies.** We found opportunities to improve controls related to the submission of Federal financial reporting. We reviewed the due dates for Federal Financial Reports (FFRs) for 69 grants that were open during the audit period. The FWS extended due dates for the submission of these reports for 22 of the 69 grants. Of the 22 extensions, 9 FFRs were submitted later than the extended due date.

See Appendix 3 for a statement of monetary impact.

Questioned Costs—\$90,999 (Federal Share)

Ineligible Payment to the National Bobwhite Conservation Initiative— Questioned Costs of \$90,999

The Department entered into a subaward agreement with the University of Tennessee's NBCI, a habitat plan for recovering bobwhite quail species to target densities set by State wildlife agencies, under Grant No. F17AF01267. In SFYs 2018 through 2019, the Department paid \$90,999 to the University of Tennessee for the NBCI subaward expenditures from this grant. The NBCI provides similar services detailed under the grant to other participating States.

The NBCI also receives funding from external partners, including nonprofit, nongovernmental organizations, and other Federal agencies, some of which provide funding to the NBCI using non-Federal funds. In a previous audit, we determined that the NBCI did not properly split or allocate expenditures among all participating States and external partners.⁴ The NBCI did not have a policy or a sound and reasonable methodology to determine and allocate assignable

⁴ U.S. Fish and Wildlife Service Grants Awarded to the Commonwealth of Pennsylvania's Game Commission, From July 1, 2016, Through June 30, 2018, Under the Wildlife and Sport Fish Restoration Program (Report No. 2019-WR-005), dated December 15, 2020.

expenditures among all participating States and external partners in proportion to the received benefits. Instead, NBCI officials described their funding as one “pot” of money from which to pay for expenses that benefited all participating States and external partners. This practice does not ensure expenditures are properly allocated to Federal grants.

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

In 2017, the NBCI implemented a new accounting methodology and procedures referred to as a “recharge center” to better allocate assignable grant expenditures. These new procedures are outside the scope of our audit. We separately evaluated, however, whether grant costs claimed using the recharge center method can reasonably allocate costs in proportion to the benefit provided. We issued a management advisory to the FWS to address the issue of costs claimed using this method.⁵

During the audit period, the NBCI did not have adequate accounting methodologies that allowed for proper allocation of expenditures among participating States and external partner accounts. Because the NBCI did not properly allocate the expenditures among all participating States and external partners in proportion to the received benefits, and because the NBCI did not distribute the costs using a reasonable methodology, the expenditures are considered unallocable to Federal awards. Therefore, these costs are ineligible to be charged to Wildlife and Sport Fish Restoration grants. We questioned \$90,999 (Federal share) that the Department paid to the University of Tennessee under Grant No. F17AF01267 as unallocable expenditures.

Recommendation
We recommend that the FWS: 1. Resolve the ineligible questioned costs related to the NBCI subaward agreement totaling \$90,999 (Federal share)

⁵ *Issues Identified With Wildlife Restoration Subawards to the University of Tennessee, National Bobwhite Conservation Initiative* (Report No. 2020-WR-019), dated July 6, 2020.

Control Deficiencies

Late Federal Financial Reporting

We reviewed the due dates for FFRs for 69 grants that were open during the audit period. The FWS extended due dates for the submission of these reports for 22 of the 69 grants. Of the 22 extensions, 9 FFRs were submitted later than the extended due date.

2 C.F.R. § 200.344(a) states that grantees are to submit the required FFR within 90 days of the end of the grant. FWS Service Manual 516 FW 1 (A) and (B) states that the Division can request, and the FWS approve, a one-time due date extension of 90 days, with justification for the extension.

When we asked why the reports were late after extensions were approved, the Department informed us of multiple reasons why the FFRs were delivered late to the FWS. One grant was submitted late due to COVID-19 while others were late due to significant understaffing of Department officials. Also, the position of grants administrator, the main certifying official for reviewing and approving FFRs before they are sent to the FWS, was vacant for several months in 2019.

Without timely submission of FFRs, the Department cannot show that grant expenditures were necessary and reasonable for project completion. As a result, the FWS is not able to rely on the reports to determine whether WSFR funds were expended appropriately and whether grant objectives were met.

Recommendation
We recommend that the FWS: 2. Work with the Department to train personnel to ensure staff members understand the importance of completing and submitting FFRs to the FWS in a timely manner

Recommendations Summary

We provided a draft of this report to the FWS for review. The FWS concurred with our two recommendations. See Appendix 4 for the full text of the FWS' and the Department's responses; Appendix 5 lists the status of each recommendation.

We recommend that the FWS:

1. Resolve the ineligible questioned costs related to the NBCI subaward agreement totaling \$90,999 (Federal share)

FWS Response

The FWS concurred with the finding and stated that it reviewed NBCI expenses and determined that the combined costs of State subawards to the NBCI were necessary and reasonable, relative to the overall benefit to WSFR, and will not require the Department to repay previously awarded funds. The FWS is creating policies and procedures, as well as a new regulation, that will allow States to pool resources using FWS-approved partnerships.

OIG Comments

Although we commend the FWS for taking steps to address our concerns, the FWS has not yet implemented corrective action, and we maintain our finding. Because the FWS does not plan to resolve the questioned costs, we consider Recommendation 1 closed. However, in our Management Advisory, *Issues Identified With Wildlife Restoration Subawards to the University of Tennessee, National Bobwhite Conservation Initiative*, we recommended that the FWS work with the NBCI to develop and implement policies and procedures that comply with Federal regulations; this recommendation will remain open until implemented.

2. Work with the Department to train personnel to ensure staff members understand the importance of completing and submitting the FFRs to the FWS in a timely manner

FWS Response

The FWS concurred with our finding. The FWS reviewed documentation from the Department showing training provided to fiscal staff on timely reporting.

OIG Comments

We reviewed the information the Department provided to fiscal staff. This included an email reiterating the importance of timely reporting and the closeout workflow process requirements from its policy. We believe providing this guidance met the intent of our recommendation. We consider Recommendation 2 resolved and implemented.

Appendix 1: Scope and Methodology

Scope

We audited the South Carolina Department of Natural Resources' (Department's) use of grants awarded by the U.S. Fish and Wildlife Service (FWS) under the Wildlife and Sport Fish Restoration Program (WSFR). The audit period included claims totaling \$55,741,774 on 69 grants that were open during the State fiscal years (SFYs) that began July 1, 2017, and July 1, 2018.

Because of the COVID-19 pandemic, we could not complete our audit on site. We gathered data remotely and communicated with Department personnel via email and telephone. We could not perform the equipment verification and review of grant projects; therefore, we relied on pictorial evidence provided by Department personnel.

Methodology

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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

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

We tested the operation and reliability of internal control over activities related to our audit objectives. Our tests and procedures included:

- Examining the evidence that supports selected expenditures the Department charges to the grants
- Reviewing transactions related to purchases, direct costs, drawdowns of reimbursements, in-kind contributions, and program income
- Interviewing Department employees

- Using photographic evidence to inspect equipment and other property
- Determining whether the Department used hunting and fishing license revenue for the administration of fish and wildlife program activities
- Determining whether the State passed required legislation assenting to the provisions of the Pittman-Robertson Wildlife Restoration Act and the Dingell-Johnson Sport Fish Restoration Act
- Evaluating State policies and procedures for assessing risk and monitoring subawards
- Using internet sources to review sites throughout the State (see Appendix 2 for a list of sites reviewed)

We found deficiencies in internal controls resulting in our findings of late submission of Federal Financial Reporting.

Based on the results of our initial assessments, we assigned a level of risk and selected a judgmental sample of transactions for testing. We used auditor 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.

This audit supplements, but does not replace, the audits required by the Single Audit Act Amendments of 1996. Single audit reports address controls over Statewide financial reporting, with emphasis on major programs. Our report focuses on the administration of the South Carolina fish and wildlife agency, and that agency's management of WSFR resources and license revenue.

South Carolina provided computer-generated data from its official accounting system and from informal management information and reporting systems. We tested the data by sampling expenditures and verifying them against WSFR reports and source documents such as purchase orders, invoices, and payroll documentation. While we assessed the accuracy of the transactions tested, we did not assess the reliability of the accounting system as a whole.

Prior Audit Coverage

OIG Audit Reports

We reviewed our last two audits of costs claimed by the Department on WSFR grants.⁶ We followed up on one recommendation from our 2011 report and found that the U.S. Department of the Interior's Office of Policy, Management and Budget considered it resolved and implemented.

⁶ U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the State of South Carolina, Department of Natural Resources, From July 1, 2013, Through June 30, 2015 (Report No. 2016-EXT-004), dated June 2016. U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the State of South Carolina, Department of Natural Resources, From July 1, 2008, Through June 30, 2010 (Report No. R-GR-FWS-0005-2011), dated June 2011.

State Audit Reports

We reviewed the single audit reports for SFYs 2018 and 2019 to identify control deficiencies or other reportable conditions that affect WSFR. In those reports, the Schedule of Expenditures of Federal Awards (SEFA) indicated \$32.8 million (combined) in Federal expenditures related to WSFR. The SFY 2018 report included the Department as a major program and noted deficiencies in both the reporting of subawards and in the reporting of expenditures related to the SEFA. The Department implemented all recommendations from the SFY 2018 report by March 1, 2019. In the SFY 2019 report, the Department was not deemed a major program for Statewide audit purposes. We also reviewed SFYs 2018 and 2019 reports from the State public auditor that found no findings directly related to WSFR.

Appendix 2: Sites Reviewed

Because of the COVID-19 pandemic, we were unable to perform site visits during this audit. We used internet sources to review Department sites.

Headquarters	Columbia
Boating Access Facilities	Green Pond Landing Event Center Heritage Landing (Hwy 184) Jackson Boat Landing Lee's Landing Odell Venters Boat Landing Samworth Wildlife Management Area Boat Ramp Rehabilitation Whipple Boat Landing
Shooting Range	Wateree Range

Appendix 3: Monetary Impact

The audit period included claims totaling \$55.7 million on 69 grants that were open during the State fiscal years that ended June 30, 2018, and June 30, 2019. We questioned \$90,999 (Federal share) as ineligible.

Monetary Impact: Questioned Costs and Funds To Be Put to Better Use

Grant No.	Grant Title	Cost Category	Questioned Costs (\$) (Federal Share)		Funds To Be Put to Better Use (\$)
			Ineligible	Unsupported	
F17AF01267	NBCI Payments	Subaward	90,999	–	–
Total			\$90,999	\$0	\$0

Source: OIG analysis of data provided by the Department.

Appendix 4: Responses to Draft Report

The U.S. Fish and Wildlife Service's response to our draft report follows on page 12. The South Carolina Department of Natural and Environment Resources' response to our draft report follows on page 13.



United States Department of the Interior

FISH AND WILDLIFE SERVICE

1875 Century Blvd
Atlanta, Georgia 30345
September 29, 2021



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

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

Re: Draft Audit Report – U.S. Fish and Wildlife Service Grants Awarded to the State of South Carolina, Department of Natural Resources, From July 1, 2017, Through June 30, 2019 Under the Wildlife and Sport Fish Restoration Program. Report No. 2020-ER-062, Issued August 26, 2021

Dear Ms. Miller:

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

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

Sincerely,

Digitally signed by
PAUL WILKES
Date: 2021.09.29
10:32:12 -04'00'

Paul A. Wilkes, Regional Manager
Wildlife and Sport Fish Restoration

Enclosure

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

Response to Draft Report

U.S. FISH AND WILDLIFE SERVICE WILDLIFE AND SPORT FISH RESTORATION PROGRAM Grants Awarded to the State of South Carolina, Department of Natural Resources, From July 1, 2017, Through June 30, 2019 Draft Report No. 2020-ER-062, Issued August 26, 2021

Auditor Recommendation 1

The auditors recommend that the FWS resolve the ineligible questioned costs related to the NBCI subaward agreement totaling \$90,999 (Federal share).

Agency Response

The Agency agrees with the finding and has been advised that the FWS will resolve this issue.

Service Response

The Service concurs with the auditor's finding.

In July of 2020, the OIG issued the U.S. Fish and Wildlife Service (Service) a Management Advisory, "Issues Identified with Wildlife Restoration Subawards to the University of Tennessee, National Bobwhite Conservation Initiative," which included the recommendation to resolve questioned costs related to subawards to NBCI. In response, the Service reviewed NBCI expenses and determined that the combined costs of State subawards to NBCI were necessary and reasonable relative to the overall benefit to the WSFR program, and so the Service will not require participant States to repay previously awarded funds. The Service is taking the lead in creating policies and procedures, as well as a new regulation that will allow States to pool their resources in partnerships through which State agencies cooperatively plan and enter into Service-approved initiatives. No further corrective actions are necessary. Therefore, we consider this recommendation resolved and implemented.

Auditor Recommendation 2

The auditors recommend that the FWS work with the Department to train personnel to ensure staff members understand the importance of completing and submitting FFRs to the FWS in a timely manner.

Agency Response

The Agency agrees with the finding and has communicated to staff the importance of completing and submitting FFRs to the FWS in a timely manner.

Service Response

The Service concurs with the auditor's finding. After reviewing documentation that South Carolina has trained fiscal staff on timely reporting, the Service considers this recommendation resolved and implemented.

Appendix 5: Status of Recommendations

Recommendation	Status	Action Required
1	Closed - FWS Disagreed	No action is required.
2	Resolved and implemented	No action is required.

Report Fraud, Waste, and Mismanagement



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