



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

**U.S. Fish and Wildlife Service Grants
Awarded to the State of Connecticut,
Department of Energy and Environmental
Protection, From July 1, 2019, Through
June 30, 2021, Under the Wildlife and Sport
Fish Restoration Program**



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

DEC 14 2023

Memorandum

To: Martha Williams
Director, U.S. Fish and Wildlife Service

From: Amy R. Billings *Amy R Billings*
Director, Central Region Audit Division

Subject: Final Audit Report – *U.S. Fish and Wildlife Service Grants Awarded to the State of Connecticut, Department of Energy and Environmental Protection, From July 1, 2019, Through June 30, 2021, Under the Wildlife and Sport Fish Restoration Program*
Report No. 2022–CR–038

This report presents the results of our audit of costs claimed by the Connecticut Department of Energy and Environmental Protection (Department) under grants awarded by the U.S. Fish and Wildlife Service (FWS) through the Wildlife and Sport Fish Restoration Program.

We provided a draft of this report to the FWS. The FWS concurred with 20 recommendations and will work with the Department to implement corrective actions. The FWS did not concur with two recommendations. The full responses from the Department and the FWS are included in Appendix 4. In this report, we summarize the Department's and the FWS' responses to our recommendations, as well as our comments on their responses. We list the status of the recommendations in Appendix 6.

Please provide us with a corrective action plan based on our recommendations by March 14, 2024. 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. It should also clearly indicate the dollar value of questioned costs that you plan to either allow or disallow. If a recommendation has already been implemented, provide documentation confirming that the action is complete. For any target implementation dates that are more than 1 year from the issuance of this report, the Department should establish mitigating measures until the corresponding recommendations are fully implemented and provide those measures in the response.¹ Please send your response to aie_reports@doioig.gov.

We will notify Congress about our findings, and we will report semiannually, as required by law, on actions you have taken to implement the recommendations and on recommendations that have not been implemented. We will also post a public version of this report on our website.

If you have any questions, please contact me at aie_reports@doioig.gov.

¹ The Good Accounting Obligation in Government Act, Pub. L. No. 115–414, 132 Stat. 5430 (2019), requires that all recommendations that are not implemented and have been open more than 1 year be reported in the annual budget justification submitted to Congress.

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Introduction

Objectives

In March 2021, 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 Connecticut Department of Energy and Environmental Protection (Department) used grant funds and State hunting and fishing license revenue for allowable fish and wildlife activities and complied with applicable laws and regulations, FWS guidelines, and grant agreements.

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

Background

The 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 Department did not ensure that grant funds and State hunting and fishing license revenue were used for allowable fish and wildlife activities and did not comply with applicable laws and regulations, FWS guidelines, and grant agreements. Specifically, we noted the Department had unsupported other direct costs and in-kind contributions, unallowable central service costs, an unallowable indirect cost base, and control deficiency issues.

We found the following:

- Questioned Costs.** We questioned \$91,139 (\$68,355 Federal share) as unallowable and \$367,400 (\$275,550 Federal share) as unsupported (see Figure 1). These questioned costs arose due to unsupported other direct costs, unsupported in-kind contributions, and unallowable indirect costs resulting from unallowable central service costs and an unallowable indirect cost base.
- Control Deficiencies.** We found opportunities to improve controls in financial management, subawards, program income, and property records.

Figure 1: Summary of Unallowable and Unsupported Costs (Federal Share)

Issue	Unallowable Costs (\$)	Unsupported Costs (\$)	Total (\$)
Other direct costs	-	171,199	171,199
In-kind contributions	-	104,351	104,351
Central service costs	61,878	-	61,878
Indirect cost base	6,477	-	6,477
Totals	\$68,355	\$275,550	\$343,905

See Appendix 3 for a statement of monetary impact.

Furthermore, during our audit, we noted that Connecticut may be using WSFR funds towards State liabilities associated with its Connecticut and State Employee Retirement System. We have identified this issue in other States and issued a management advisory to the FWS on the topic; therefore, we discuss it in the “Other Matters” section of this report.

Questioned Costs—\$458,539 (\$343,905 Federal Share)

Unsupported Other Direct Costs—Questioned Costs of \$228,265 (\$171,199 Federal Share)

According to 2 C.F.R. § 200.403(a), in order for costs to be allowable they must be necessary and reasonable for the performance of the award. In addition, 2 C.F.R. § 200.403(g) requires that for all

costs to be allowable they must be adequately supported. According to the State of Connecticut Office of the State Comptroller *State Accounting Manual*, “an acceptable invoice should include, but is not limited to, invoice date, invoice number, [purchase order] number if applicable, line items, service description including date of service, pricing, etc.”⁴

We found the Department did not provide adequate support to justify \$171,199 (Federal share) in other direct costs charged to three grants (see Figure 2). Between July 1, 2019, and June 30, 2021, the Department charged \$4.5 million in other direct costs to program grants. We selected a sample of 19 transactions, totaling \$2.3 million, and reviewed each applicable transaction for evidence of managerial and payment approval, segregation of duties, and accurate computations. In addition, we verified the charges are related to the purpose of the grant and eligible. During our review, we noted supporting documentation was missing for 4 of the 19 transactions reviewed. Specifically, the Department did not include timesheets for payroll costs and travel receipts for expenses such as airline fares and hotel accommodations, which are needed to support contractor invoices.

Figure 2: Federal Share of Questioned Costs Related to Unsupported Other Direct Costs Paid With Federal Funds

FBMS Grant No.	Grant Title	Expenditure	Questioned Costs Unsupported (\$)
F19AF00142	Wildlife Investigations	Payroll, travel, and contracts	53,835.77
F19AF00142	Wildlife Investigations	Payroll and indirect costs	37,225.10
F20AF00125	Wildlife Investigations	Project technician and administration	30,944.50
F21AF00894	Wildlife Investigations	Payroll, travel, and contracts	49,193.51
Total			\$171,198.88

This occurred because Department personnel were not consistently following Department policy or Federal regulations that require personnel to obtain proper documentation to support costs claimed. In response to the finding, the Department stated that it thought it had obtained sufficient support for the expenditures because the costs were associated with work performed by contractors. However, we noted the charges the contractors billed included only lump sum figures for categories such as “Salary” and “Travel” with no additional documentation to support those line-item expenditures.

As a result, we are questioning \$171,199 (Federal share). Without adequate supporting documentation we could not determine if the costs are reasonable and necessary for the awards to which they were charged.

⁴ “Expenditures,” Section 3.1(3), “Acceptable Invoices.”

Recommendations

We recommend that the FWS require the Department to:

1. Resolve the Federal share of questioned costs related to unsupported other direct costs totaling \$171,199.
2. Develop and provide training to Department personnel to ensure Federal regulations requiring adequate support for all claimed costs are adhered to.

Unsupported In-Kind Contributions—Questioned Costs of \$139,135 (\$104,351 Federal Share)

WSFR requires States to use matching or non-Federal funds to cover at least 25 percent of grant project costs. States may use cash or in-kind contributions to meet the matching share of costs, but the value of these contributions must be supported. Additionally, 2 C.F.R. § 200.434(d) states that donated services should be supported by the same methods used to support regular personnel costs. Further, 2 C.F.R § 200.403(g) requires that costs be adequately documented to be allowable under Federal awards.

We found that, for six program grants, the Department did not provide sufficient documentation to support 663 hours of volunteer time valued at \$34,784 (see Figure 3). We found 34 of the 46 volunteer timesheets sampled had issues, including:

- No evidence of volunteer approval to certify the hours charged.
- No evidence of supervisory or agency approval to certify the hours charged.
- Duplicate timesheet entries for volunteers.
- Timesheet entries that were not itemized by day.
- In-kind volunteer hours that were not supported by timesheets in all instances.
- Math errors in the total hours reported on volunteer timesheets.
- Timesheets that did not contain a place for volunteer signatures to certify the hours worked.

Figure 3: Questioned Hours Related to Aquatic Education

FBMS Grant No.	Questioned Hours	Approved Volunteer Hourly Rate (\$)	Questioned Costs		Total Questioned Costs (\$)
			State Share (\$)	Federal Share (\$)	
F20AF00119	62.5	41.64	2,602.50	7,807.50	10,410.00
F18AF01051	12	56.06	672.72	2,018.16	2,690.88
F16AF00146	101.5	61.21	6,212.82	18,638.45	24,851.26
F19AF00139	85	46.38	3,942.30	11,826.90	15,769.20
F20AF00129	226.5	56.23	12,736.10	38,208.29	50,944.38
F20AF00129	87	47.37	4,121.19	12,363.57	16,484.76
F21AF00894	88.63	50.73	4,496.20	13,488.60	17,984.80
Totals	663.13		\$34,783.82	\$104,351.46	\$139,135.28

These issues occurred because of weaknesses within the Department’s internal control processes over volunteer timekeeping. Specifically, the Department does not have a Departmentwide policy regarding the documentation of volunteer time to ensure compliance with Federal regulations. We noted that in its *Instructor Policy and Procedures Manual*, the Department’s Aquatic Education Division has written procedures for recording volunteer time; however, the instructions do not specify that volunteer time be itemized daily.

The Department did not demonstrate it satisfied its required 25-percent match due to unsupported in-kind volunteer time and may have received excessive Federal reimbursements. The State received \$104,351 in Federal reimbursement based on the claimed unsupported match of \$34,784. We therefore question \$104,351 (Federal share) as unallowable costs.

Recommendations

We recommend that the FWS require the Department to:

3. Resolve the Federal share of questioned costs related to the Federal reimbursement for the unsupported in-kind match totaling \$104,351.
4. Develop and implement Departmentwide policies and procedures for volunteer timesheets to include necessary volunteer and supervisor signatures, daily hour entries, duplicate timesheet entry removal, appropriate timesheet reviews, and correct time totals.
5. Develop and provide training to Department personnel with responsibility for reviewing in-kind documentation to ensure Federal regulations and Department policies and procedures are followed.

Unallowable Central Service Costs—Questioned Costs of \$82,503 (\$61,878 Federal Share)

Federal regulations at 50 C.F.R. § 80.53 state that administrative costs in the form of overhead or indirect costs for State central services outside of the State fish and wildlife agency are eligible for WSFR funding and must follow an approved Statewide Costs Allocation Plan. These expenses must not exceed 3 percent of the funds apportioned annually to the State under the Acts.⁵

We found that the Department did not adjust its indirect cost rate to exclude from the pool the central service costs that were more than the allowable 3 percent of the apportionments under the Acts for State fiscal years (SFYs) 2020 and 2021. States calculate the amount of central service costs that should be excluded from the indirect cost pool in Schedule G of the incurred cost proposal. This schedule determines the portion of the central service costs that is allocable to WSFR grants by calculating a ratio of the WSFR base to the total Department base. If this amount exceeds 3 percent of the Acts' apportionments, the Department must exclude the excess of allocable central service costs over the 3 percent from the indirect cost pool.

For SFY 2020, the allocable portion of the central service costs exceeded 3 percent of the apportionments by \$598,423. Similarly, for SFY 2021, the allocable portion of the central service costs exceeded 3 percent of the apportionments for the year by \$616,922. The Department should have excluded these unallowable costs from the indirect cost pool to calculate the indirect cost rate as required by 50 C.F.R. § 80.53. Including these costs resulted in an overstated rate claimed for both years. In addition, the methodology for calculating the indirect cost rate has not changed from prior years; therefore, the indirect cost rates for other years could also be overstated.

The Department did not complete the Schedule G for either year as part of its incurred cost proposal. We contacted the Department to determine why it did not apply the 3-percent apportionment cap and the responses it provided indicate that personnel responsible for compiling data to prepare the incurred cost proposal did not fully understand the process or the requirements. One official stated that he did not believe there should be any adjustment for the 3-percent apportionment cap in the rate setting process but instead within the Federal draws. The Office of the State Comptroller stated that the 3-percent apportionment limitation was not within the scope of its calculations and that it should be applied at the Department level. An employee who worked on preparing the incurred cost proposal could not explain the Department's adjustment to the U.S. Department of the Interior rate and was not aware of the 3-percent cap on the apportionment.

We question 1.5 percent of the indirect cost rate claimed in SFY 2020 and 1.63 percent of the indirect cost rate claimed in SFY 2021—which represent the portion of the rates that exceed the allowable 3 percent of the apportionment threshold. For the 25 grants open during the period of audit and that had submitted final Federal Financial Reports with indirect costs, we calculated the questioned costs related to the questioned rate at \$41,991 for SFY 2020 and \$40,512 for

⁵ 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.

SFY 2021 (see Figure 4). However, this amount is not all inclusive because not all the grants open during the period of audit had final, approved, Federal Financial Reports. Therefore, the questioned rate should also be applied to the claimed base for those awards with indirect costs claimed during the period of audit that are not listed in Figure 4.

Figure 4: Questioned Costs for Grants With Final Federal Financial Reports

FBMS Grant No.	SFY 2020		SFY 2021	
	Base (\$)	Questioned (\$)	Base (\$)	Questioned (\$)
F19AF00138	123,347.86	1,850.22	-	-
F19AF00140	116,426.15	1,746.39	-	-
F19AF00142	389,444.88	5,841.67	-	-
F19AF00143	110,949.08	1,664.24	-	-
F19AF00144	303,207.45	4,548.11	-	-
F19AF00229	119,462.29	1,791.93	-	-
F19AF00242	356,584.51	5,348.77	-	-
F19AF00328	40,782.96	611.74	-	-
F19AF00329	154,808.44	2,322.13	-	-
F19AF00954	65,208.17	978.12	-	-
F20AF00125	343,469.14	5,152.04	82,753.52	1,348.88
F20AF00126	85,844.46	1,287.67	84,087.02	1,370.62
F20AF00127	209,381.43	3,140.72	221,961.59	3,617.97
F20AF00128	75,928.01	1,138.92	52,643.52	858.09
F20AF00130	52,761.76	791.43	73,322.94	1,195.16
F20AF00229	107,842.79	1,617.64	254,083.89	4,141.57
F20AF00230	43,058.66	645.88	132,222.55	2,155.23
F20AF00235	74,466.42	1,117.00	310,751.35	5,065.25
F20AF00236	26,450.86	396.76	74,942.86	1,221.57
F20AF10569	-	-	236,947.18	3,862.24
F21AF00515	-	-	71,538.80	1,166.08
F21AF00608	-	-	78,707.44	1,282.93
F21AF00853	-	-	344,013.84	5,607.43
F21AF00859	-	-	84,376.18	1,375.33
F21AF00894	-	-	383,052.19	6,243.75
Totals	\$2,799,425	\$41,991	\$2,485,405	\$40,512

Recommendations

We recommend that the FWS require the Department to:

6. Resolve the Federal share of questioned costs related to unallowable central service costs totaling \$61,878.
7. Apply the questioned rate of 1.5 percent for SFY 2020 and 1.63 percent for SFY 2021 to other grants not listed in our report that had incurred costs claimed during those State fiscal years (grants for which a final SF-425 had not been submitted as of the period of audit) and resolve the questioned costs resulting from the application of the questioned rate.
8. Train personnel on incurred cost proposal preparation so employees can identify unallowable costs that should not be claimed.
9. Ensure that the 3-percent limitation calculation on the Statewide Cost Allocation Plan in relation to the Department's apportionment is computed and included in all subsequent indirect cost proposals.

Unallowable Indirect Cost Base—Questioned Costs of \$8,636 (\$6,477 Federal Share)

Federal regulations at 2 C.F.R. § 200.405(a)(1) state that a cost is allocable to a particular Federal award if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received. The standard is met, among other criteria, if the cost is incurred specifically for the Federal award.

Federal regulations also state that “the allocation of indirect costs may require the accumulation of such costs into separate cost groupings which then are allocated individually to benefitted functions by means of a base which best measures the relative degree of benefit. The indirect costs allocated to each function are then distributed to individual Federal awards and other activities included in that function by means of an indirect cost rate(s).”⁶ Regulations further state that the distribution base used in computing the indirect cost rate for each function may be total direct costs, direct salaries and wages, or another base that results in an equitable distribution.⁷ The State of Connecticut uses direct salaries and wages as the base for the allocation of indirect costs.

⁶ 2 C.F.R. part 200, app. VII(C)(1)(b).

⁷ *Id.* at (3)(e).

We selected 10 Federal awards to verify that the base to which the indirect costs rates were applied was composed of direct costs associated with the Federal award examined. For Grant No. F21AF00853 the base reported in the SFY 2021 Federal Financial Report exceeded the direct salaries and wages (base) recorded in the State accounting system for this award; therefore, a portion of the base claimed in SFY 2021 was unsupported. The salaries and wages in the State accounting system for SFY 2022 exceeded the base reported in the Federal Financial Report for SFY 2022, reversing the SFY 2021 deficit in the costs to support the claimed base for the entire period of the award. However, the indirect cost rate changed from 34.3 percent in SFY 2021 to 27.98 percent in SFY 2022; had the Department included the costs in SFY 2022 instead of SFY 2021, the indirect costs would have been calculated at a rate that was 6.32 percent lower, meaning the shifting of costs had an impact of \$8,636 claimed in excess.

We determined that the Department claimed \$8,636 in unallowable costs in Grant No. F21AF00853 because it reported \$136,648 of costs in the base for SFY 2021 that were not incurred during that period. The Department's process of manually adjusting the costs increases the chance of errors as reflected in the shifting of costs in Grant No. F21AF00853 described above. We address the internal control deficiencies below in the "Inadequate Financial Management" section.

A Department employee explained that it is the Department's practice to compile all grant costs using the grant period date regardless of what project ID was used, which the Department employee said ensures only costs that occurred within the grant period are charged to the grant. However, in addition to including costs for the period of performance of the award, the costs must also be incurred specifically for the Federal award.

When the Department does not properly identify costs to the Federal awards that benefited from the costs, the Federal awarding agency is unable to verify that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award. When the costs in the indirect cost base are not reported under the period the costs were incurred, incorrect indirect cost rates are applied to the costs, which might result in inappropriate use of Federal funds.

Although the Department used the dates to adjust the costs, its procedure does not allow for specific identification of a grant in the accounting system, which is noncompliant with the requirements of 2 C.F.R. § 200.302. Further, this process is manual and increases the potential for errors such as the one described for Grant No. F21AF00853.

Recommendations

We recommend that the FWS require the Department to:

10. Resolve the Federal share of questioned costs related to unallowable indirect cost base totaling \$6,477.
11. Revise the SF-425 for Grant No. F21AF00853 to ensure that only costs identified to the project are reported in the indirect cost base.
12. Implement internal controls to verify that costs included in the indirect cost base are assigned to the period in which the costs are incurred.

Control Deficiencies

Inadequate Financial Management

Federal regulations at 2 C.F.R. § 200.302(a) require the State's financial management system to be sufficient to permit the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award. Additionally, 2 C.F.R. § 200.302(b)(1) requires the financial management system of each grant recipient to provide for identification, in its accounts, of all Federal awards received and expended and the Federal programs under which they were received.

Further, in accordance with 2 C.F.R. § 200.403(h), to be allowable, costs must be adequately documented. Records of charges to Federal awards for salaries and wages must also be supported by a system of internal control that provides reasonable assurance that the charges are accurate, allowable, properly allocated, and incorporated into the State's official records.⁸

We found deficiencies in the accounting system and related internal controls for accumulating, reconciling, and reporting of costs on Federal Aid grants. Specifically, the Department's cost accounting system does not use the grant number to assign costs to a specific grant. According to Department staff, it is the Department's practice to set up project IDs⁹ for wildlife and fisheries grants sequentially to properly capture expenses within the correct grant and reporting period. Additionally, Department staff said the Department captures all the costs associated with a type of grant within the accounting system using the project ID and a "Special Identification Code," referred to as the SID number, to differentiate WSFR grant programs by award. Department staff also told us that even with all other funding information correct and accounted for according to the *State Accounting Manual*, charges are sometimes applied to incorrect project IDs.

⁸ 2 C.F.R. § 200.430(i).

⁹ The Department has used the project ID field as an additional identifier to differentiate WSFR grant programs by award.

The SID number groups all grants for the same purpose but does not consider the period of performance of the grant. When running reports for any grant, the report will capture all expenses in the award period charged to any project in the project ID series.¹⁰ This allows grants management to capture all expenses that were mistakenly coded to an incorrect project ID. Therefore, the Department must make manual adjustments to reallocate costs to the correct grant to prepare reconciliations, perform drawdowns, and complete Federal Financial Reports. When performing these adjustments, the Department used the dates of the transactions but did not maintain adequate records to substantiate each adjustment. These manual adjustments increase the likelihood of reporting errors, such as the error we identified in Grant No. F21AF00853 (one of the 10 grants tested for indirect cost base described above) that resulted in overcharging \$6,477 (Federal share).

These issues occurred because the Department did not close project IDs at the end of the period of performance, which allowed employees to continue charging to project IDs after the period of performance expired.

When the Department does not properly identify costs associated with Federal awards, the awarding agency is unable to verify that such funds are used for the intended purpose; in the proper period; and in accordance with the Federal statutes, regulations, and the terms and conditions of the award. In addition, without sufficient internal controls for its accounting process and systems, the Department cannot provide assurance that all grant claims for expenditures are accurate, allowable, or properly allocated. Further, we were unable to determine whether costs claimed on Federal Financial Reports were also claimed on other Federal grants. The continued use of this process prevents the Department from complying with Federal grant regulations.

Recommendations

We recommend that the FWS require the Department to:

13. Develop and implement a process that ensures expenditures claimed on grants are documented in the State financial system at a sufficient level that allows them to be easily traced to a specific grant without requiring manual adjustments.
14. Develop and implement controls in the payroll system and accounting system to prevent project ID miscoding.
15. Develop and implement monitoring procedures so only eligible costs are charged to grants.

¹⁰ The project series is the project ID for each award program in sequential order (W-49, for example, has project IDs of DEPA00002056010, DEPA00002056011, DEPA00002056012, etc.).

Inaccurate Subaward Determination

Federal regulations state that a passthrough entity—in this case, the Department—“must make case-by-case determinations whether each agreement it makes for the disbursement of Federal program funds casts the party receiving the funds in the role of a subrecipient or contractor.”¹¹ A subrecipient is defined as an entity that receives a subaward from a passthrough entity to carry out part of a Federal award.¹² This is classified as a Federal assistance relationship with the subrecipient.¹³ Additionally, 2 C.F.R. § 200.331(a) and (b)¹⁴ state that a subaward carries out a portion of a Federal award and creates a Federal assistance relationship with the subrecipient, while a contract obtains goods and services for the non-Federal entity’s own use and creates a procurement relationship with the contractor.

Unlike contracts, subawards need to be reported. Federal regulations at 2 C.F.R. § 170, Appendix A(I)(a), state that, unless exempted, a non-Federal entity must report each subaward action that equals \$30,000 or more in Federal funds for a subaward to an entity.¹⁵ Furthermore, 2 C.F.R. § 170, Appendix A(I)(a)(2)(i), states that a non-Federal entity must report each obligating action described in the previous reference of this award term to the Federal Funding Accountability and Transparency Act Subaward Reporting System (<https://www.fsr.gov>). This information is then posted to <https://USAspending.gov>, a Federal website intended to promote transparency.

We found that the Department did not correctly identify agreements as subawards. The Department reported that it did not have any open subawards during the audit period of July 1, 2019, through June 30, 2021. However, during our review of agreements that the Department identified as contracts, we identified four agreements with two entities that should have been classified as subawards. These agreements were for the purpose of carrying out part of a Federal award, which creates a Federal assistance relationship (see Figure 5) These should be subject to the monitoring requirements outlined in 2 C.F.R. § 200.332, as well as the reporting requirements outlined in the Federal Funding Accountability and Transparency Act.

Figure 5: Contract Agreements Carrying Out Part of a Federal Award by State Grant Number

State Grant No.	Title
W-49-R	Wildlife Investigations
W-49-R	Wildlife Investigations
W-63-O	Wildlife Outreach
W-57-S	Conservation Education-Firearms Safety

¹¹ 2 C.F.R. § 200.331, “Subrecipient and contractor determinations,” updated as of August 2020; previously 2 C.F.R. § 200.330.

¹² 2 C.F.R. § 200.1, “Definitions,” updated as of August 2020; previously 2 C.F.R. § 200.93.

¹³ 2 C.F.R. § 200.331(a), “Subrecipients,” updated as of August 2020; previously 2 C.F.R. § 200.330(a).

¹⁴ Updated as of August 2020; previously 2 C.F.R. § 200.330(b).

¹⁵ Previously Appendix A(I)(a)(1); the 2020 update increased the threshold from \$25,000 to \$30,000.

During our audit period, the Department did not have a formal, written policy to determine whether an agreement is a contract or a subaward. According to a Department official, as of December 2022, the Department had finalized the subrecipient or contractor determination checklist, the risk assessment, and the monitoring plan for subawards.

Not classifying the agreement appropriately as a contract or a subaward prevents the Department from appropriately applying the subaward's rules and regulations. Further, in our 2019 management advisory issued to the FWS¹⁶ we outlined the lack of transparency regarding the use of Federal funds and implications to contractor processes and controls as some of the key impacts of misclassifying subawards.

Recommendations

We recommend that the FWS require the Department to:

16. Implement and train officials involved in subaward management on oversight techniques applicable to Federal requirements and the Department's newly established policies and procedures on subawards.
17. Review all open contracts to determine if any contracts should have been subawards. If so, amend the agreements, include all required elements, conduct risk assessments, develop monitoring plans, and report on USAspending.gov.
18. Train subrecipients on their responsibilities under Federal awards.

Inaccurate Reporting of Program Income

Federal regulations at 50 C.F.R. § 80.120(a) state, "Program income is gross income received by the grantee or subgrantee and earned only as a result of the grant during the grant period." Non-Federal entities may choose between three methods¹⁷ for applying program income, and the FWS must approve this method in each award.¹⁸ Program income guidance is also provided in 2 C.F.R. § 200.307(e)(1), which states:

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. Also, the Department must reduce the Federal award rather than increase the funds committed to the project.

¹⁶ *Issues Identified with State Practices in Subaward Administration for Wildlife and Sport Fish Restoration Program Grants* (Report No. 2018-CR-064), issued September 2019.

¹⁷ These include deductive, additive, and cost sharing (also known as matching).

¹⁸ 50 C.F.R. § 80.123(a).

This method is called the deductive method.¹⁹ Although the Federal awarding agency may authorize the use of the additive method, program income in excess of any amounts specified must also be deducted from expenditures.

We found that the Department did not accurately report program income in its financial system. Specifically, the Department reported \$39,793 in program income associated with Grants Nos. F19AF00954 and F20AF10569 on its SF-425s (see Figure 6). However, the Department’s financial system showed only \$1,806 in program income for Grant No. F19AF00954 and no program income for Grant No. F20AF10569. Therefore, we determined the amounts reported on the SF-425s did not match the amounts recorded in the financial system.

Figure 6: Summary of Reported and Unreported Program Income

FBMS Grant No.	State Grant No.	SF-425 (\$)	Financial System (\$)
F19AF00954	F-70-D-23	27,605	1,806
F20AF10569	F-70-D-24	12,188	-
Total		\$39,793	\$1,806

Department staff informed us that the program income was coded to the incorrect revenue source in the financial system and that the amount on the SF-425 was correct. After we notified them of the error, they processed a journal entry to correct the accounting records.

If the Department fails to report all program income, it may be reimbursed more than it should be for grant-related expenses. In response to our finding, the Department agreed the program income should be posted against the grant that generated the program income and made an adjusting journal entry to apply the program income to the correct grant. In addition, the Department noted that it did not misspend these funds and will continue to ensure program income is recorded, tracked, and spent in accordance with all Federal award constraints.

Recommendation

We recommend that the FWS require the Department to:

- 19. Develop policies and procedures to better identify and evaluate potential sources of program income on grants.

¹⁹ Using the deductive method, a Federal or other awarding agency would deduct the program income from the total allowable project costs to determine the net allowable costs. This method reduces the Federal award contributions rather than increasing the funds committed to the project. Conversely, the additive method adds program income to the Federal award.

Inaccurate Property Records

According to 2 C.F.R. § 200.313(b), a State must use, manage, and dispose of equipment it acquires under a Federal award in accordance with State laws and procedures. In addition, Connecticut's *Property Control Manual* requires that a detailed inventory of all property owned by the State and in the custody of each agency be transmitted to the Comptroller on an annual basis.

We found that the Department does not maintain accurate and complete inventory records and has not performed physical inventories since January 2017. Similar issues were identified in prior audits and despite the Department's implementation of corrective actions, these record management issues and lack of timely physical inventories continue to exist.

During our current review, we tested 29 equipment items and identified the 3 issues below:

- An item valued at \$4,055 on the inventory could not be physically located.
- An item valued at \$3,267 had been disposed of in June 2021 but had not been removed from the inventory listing.
- An item (asset #73802) purchased on April 29, 2022, was not listed in the inventory report dated September 2022. The purchase amount for this item is unknown.

The Department did not follow the established property management procedures that require physical inventories and reconciliation to the property records. According to one Department official, the Department conducted the last full inventory January 2017 and could not maintain accurate property records because it was short staffed. The official also noted that, despite the *Property Control Manual* requirement for assets to be assigned to a custodian, the Department was instead assigning assets to a location, which made locating assets more difficult.

Periodic physical inventories and reconciliations to property records are necessary to maintain adequate control of assets acquired with Federal funds. When these inventories are not conducted and records are not timely updated, the Department cannot ensure that assets are used for authorized purposes and disposed of according to State regulations.

Recommendations

We recommend that the FWS require the Department to:

20. Train all personnel responsible for conducting physical inventories on the frequencies required by the State regulations (e.g., annual, biennial, etc.).
21. Assign assets to custodians rather than locations as required by the *Property Control Manual*.
22. Conduct a physical inventory immediately and document the results.

Other Matters

Unfunded Pension Liability

For a cost to be considered allowable, it must meet various conditions set forth in the Federal regulations and in the award letter from the FWS to the State grant recipient. Unfunded pension liability costs may be allowable if certain criteria are met.²⁰ These conditions include several factors related to reasonableness, timing, and the nature of the costs.²¹ According to 2 C.F.R. § 200.404, “A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.” One of the factors in making this determination is whether a cost is “generally recognized as ordinary and necessary for the operation of the non-Federal entity or the proper and efficient performance of the Federal award.”²²

The terms set in the grants’ Notice of Award letters state, “Only allowable costs resulting from obligations incurred during the performance period may be charged to this award.” Because the liabilities accrued before the awards were made, these liabilities may constitute out-of-period costs as anticipated by the award letters.²³

Furthermore, fringe benefits²⁴ may be charged directly or indirectly “in accordance with the non-Federal entity’s accounting practices.”²⁵ According to 2 C.F.R. § 200.413, “Direct costs are those costs that can be identified specifically with a particular final cost objective, such as a Federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy.” Indirect costs are costs for a common or joint purpose within the State and that benefit all programs or projects and are usually charged to the Federal awards by the use of an indirect cost rate. We also considered WSFR’s authorizing legislation, which limits State central services²⁶ to 3 percent of the annual apportionment to that State each year.²⁷

²⁰ 2 C.F.R. § 200.431(g)(6)(ii).

²¹ 2 C.F.R. § 200.403.

²² 2 C.F.R. § 200.404(a).

²³ 2 C.F.R. § 200.403(h).

²⁴ According to 2 C.F.R. § 200.431(a), “Fringe benefits are allowances and services provided by employers to their employees as compensation in addition to regular salaries and wages. Fringe benefits include, but are not limited to, the costs of leave (vacation, family-related, sick or military), employee insurance, pensions, and unemployment benefit plans.”

²⁵ 2 C.F.R. § 200.431(c).

²⁶ According to 2 C.F.R. § 200.1, central service costs are the costs of services provided by a State on a centralized basis to its departments and agencies.

²⁷ 50 C.F.R. § 80.53.

During SFYs 2020 and 2021, the Department charged \$1,958,369 to WSFR grants to pay down the State Employee Retirement System (SERS) unfunded pension liabilities²⁸ in addition to charging employer normal costs²⁹ for the retirement of State employees. The Department also classified \$612,785 of unfunded pension liability costs as matching funds.³⁰ The unfunded pension liability costs paid with WSFR grant funds, and matching on WSFR grants, represent 14 and 15 percent of the funds apportioned to the State for SFYs 2020 and 2021 (see Figure 7).

Figure 7: Summary of Federal Funds and Match Used to Pay Unfunded Pension Liabilities

SFY	Unfunded Pension Liability			State Apportionment WR/SFR (\$)	Unfunded Costs Apportionments (%)
	Federal (\$)	Match (\$)	Total (\$)		
2020		273,252	1,162,377	8,235,632	14
2021	1,069,245	339,533	1,408,778	9,241,179	15
Total	\$1,958,369	\$612,785	\$2,571,154		

Abbreviation: WR/SFR = Wildlife Restoration/Sport Fish Restoration.

The unfunded pension liability costs classified as match (\$612,785) resulted in \$1,838,355 in Federal reimbursements that the State would have not received if the unfunded pension liability costs were not allowable.

The Statewide Cost Allocation Plan retirement fringe rate includes normal costs, unfunded liability, retiree health insurance costs, other post-employment benefits, and administration costs. The State applied a SERS fixed rate to each employee’s regular pay and compensated absences. For instance, the employer SERS retirement rate for regular employees based on the fringe benefit recovery rates determined by the Office of the State Comptroller was 59.99 percent for SFY 2020 and 64.14 percent for SFY 2021. These rates included 31.06 percent for SFY 2020 and 39.58 percent for SFY 2021 attributable to the unfunded pension liability costs (see Figure 8).

²⁸ In this report, the term “unfunded liabilities” refers to liabilities that are not covered by assets. A pension fund has unfunded liabilities when its projected debts exceed its current capital, projected income, and investment returns. In this case, an unfunded liability is the difference between the total projected amount due to current and future retirees and the amount of money the fund will have available to make those payments.

²⁹ According to Actuarial Standards of Practice No. 4 § 2.17, “normal cost” is the “portion of the actuarial present value of projected benefits (and expenses, if applicable) that is allocated to a period, typically twelve months under the actuarial cost method. Under certain actuarial cost methods, the normal cost is dependent upon the actuarial value of assets.”

³⁰ Match refers to the non-Federal portion of project costs. On WSFR grants, the State must generally contribute 25 percent of the project costs to receive 75 percent in Federal funds. The State would not receive Federal funds unless the matching requirement is met.

Figure 8: Fringe Pension Rate Applied to Direct Salaries on WSFR Grants

Description	SFY 2020 (%)	SFY 2021 (%)
SERS retirement fringe rate applied	59.99	64.14
Normal costs	28.93	24.56
Unfunded pension liability	31.06	39.58

Based on information published in the Connecticut *Comprehensive Annual Financial Report*, the State underfunded the plan and had a lower-than-expected rate of return on the plan resulting in the unfunded liability. The deficit from prior years is now allocated to current salaries of all State employees using a rate calculated by the Office of the State Comptroller. The Office of the State Comptroller calculates two sets of rates, one for regular employees and one for hazardous duties; however, the State provided no evidence to demonstrate that the costs charged to WSFR grants are allocable and representative of the salaries earned by employees working on the WSFR program.

The efficiency and effectiveness of Federal grants are potentially reduced when a State directly charges a Federal grant to pay down unfunded liabilities. If States use a greater proportion of WSFR grant funding to pay down unfunded liabilities, less funding would be available to accomplish the grant’s agreed-upon objectives. We have identified similar issues in other States that received WSFR funds. As a result, our office issued a management advisory to the FWS on unfunded liabilities for WSFR grants in July 2023.³¹

³¹ *Unfunded Liabilities for Wildlife and Sport Fish Restoration Program Grants* (Report No. 2020-ER-058-A), issued July 2023.

Recommendations Summary

We provided a draft of this report to the FWS for review. The FWS concurred with 20 recommendations and did not concur with 2 recommendations. The Department also provided comments on the report but did not explicitly use concurrence language for some of the recommendations. Below we summarize the FWS' and the Department's responses to our recommendations, as well as our comments on their responses. We consider Recommendations 1 through 3, 5, and 8 through 22 resolved; Recommendation 4 implemented; and Recommendations 6 and 7 unresolved. See Appendix 4 for the full text of the FWS' and the Department's responses. Appendix 5 includes an exhibit the Department provided. Appendix 6 lists the status of each recommendation.

We recommend that the FWS require the Department to:

1. Resolve the Federal share of questioned costs related to unsupported other direct costs totaling \$171,199.

FWS Response: The FWS concurred with the recommendation.

Department Response: The Department's response did not conclusively indicate concurrence or nonconcurrence with the recommendation. The Department stated, "These questioned costs were identified because BNR [Bureau of Natural Resources] did not correctly identify Wildlife Management Institute (WMI) and University of Connecticut (UCONN) as subrecipients on several grants. All the work conducted by WMI and UCONN related to these grants were completed to our satisfaction and reported in the Performance Reports approved by WSFR staff." The Department asserted that it verified all costs associated with the services these entities provided were reasonable and necessary to carry out the approved project objectives. It further stated, "BNR staff have now been trained to use the Subrecipient/Vendor Determination Checklist and follow the appropriate protocol."

OIG Comment: We consider Recommendation 1 resolved based on the FWS response. We questioned these costs because the Department could not provide support for the invoices; without support, we were unable to test the allowability of the costs. Specifically, the Department did not include timesheets for payroll costs and travel receipts for expenses such as airline fares and hotel accommodations, which are required to support contractor invoices. We will consider this recommendation implemented when the FWS provides supporting documentation for the contractor's invoices or identifies how it resolved the questioned costs.

2. Develop and provide training to Department personnel to ensure Federal regulations requiring adequate support for all claimed costs are adhered to.

FWS Response: The FWS concurred with the recommendation.

Department Response: The Department’s response did not conclusively indicate concurrence or nonconcurrence with the recommendation. The Department stated:

Training for this is already in effect and will continue to be provided to staff so that all claimed costs have adequate and clear support outlined. Staff are onboarded by days spent reviewing both the current versions of CFR and State Accounting Manual. In addition, [Department] staff are instructed to refer to Federal programmatic contacts as listed in the Federal award document to aide in compliance. The State Accounting Manual and current CFR are constantly referred to in order to ensure compliance. Additional steps will be added to continually improve the quality of documentation in the future.

OIG Comment: We consider Recommendation 2 resolved based on the FWS response. We will consider this recommendation implemented when the FWS provides documentation to support that Department personnel have been provided training to ensure the Department adheres to Federal regulations requiring adequate support for all claimed costs.

3. Resolve the Federal share of questioned costs related to the Federal reimbursement for the unsupported in-kind match totaling \$104,351.

FWS Response: The FWS concurred with the recommendation.

Department Response: The Department’s response did not conclusively indicate concurrence or nonconcurrence with the recommendation. The Department stated that it will use overmatch on other grants to offset some of these questioned costs and that it will resolve the remaining in-kind match questioned costs in the current grant year, which ends December 31, 2023.

OIG Comment: We consider Recommendation 3 resolved based on the responses and documentation the FWS and the Department provided. We acknowledge that the Department is authorized to offset in-kind match and we verified that the grants identified in the Department’s response could be used to offset the questioned costs associated with the grants noted in the finding. Our recommendation was based on the in-kind match associated with a sample of grants. We did not review the entire universe of grants, and as such, would not have been able to identify in-kind match costs that could be offset with a grant outside those we sampled. We will consider this recommendation implemented when the FWS provides a final SF-425 for Grant Nos. F22AF00589 and F23AF00748 for us to verify overmatch.

4. Develop and implement Departmentwide policies and procedures for volunteer timesheets to include necessary volunteer and supervisor signatures, daily hour entries, duplicate timesheet entry removal, appropriate timesheet reviews, and correct time totals.

FWS Response: The FWS concurred with the recommendation.

Department Response: The Department concurred with the recommendation and stated that it has modified all forms to document volunteer time to satisfy all the requirements pertaining to 2 C.F.R. § 200.403(g). It further stated, “The revised volunteer forms for both aquatic education and hunter education have been approved by WSFR and are being implemented by program staff to be used on all grant programs that use volunteer in-kind services.”

OIG Comment: We consider Recommendation 4 implemented based on the responses and documentation the FWS and the Department provided.

5. Develop and provide training to Department personnel with responsibility for reviewing in-kind documentation to ensure Federal regulations and Department policies and procedures are followed.

FWS Response: The FWS concurred with the recommendation.

Department Response: The Department concurred with the recommendation and stated WSFR staff conducted a site visit and provided guidance to Department staff regarding volunteer in-kind documentation. It further stated, “All revised volunteer forms were reviewed and approved by WSFR” and have been implemented “for all programs using volunteer in-kind services.”

OIG Comment: We consider Recommendation 5 resolved based on the FWS response. We will consider this recommendation implemented when the FWS provides documentation to support that Department personnel with responsibility to review in-kind documentation have been provided training on in-kind Federal regulations and Department policies and procedures.

6. Resolve the Federal share of questioned costs related to unallowable central service costs totaling \$61,878.

FWS Response: The FWS did not concur with the recommendation and stated:

The [FWS] agrees that the Departments approved indirect rate did not consider the 3% limitation on central service costs. However, the Departments adjusted indirect rate removed all costs associated with the Statewide Central Service Costs. This resulted in an adjusted indirect cost rate of 34.30% for FY2021, 5.48% lower than the approved rate of 39.78%. In FY2020 the adjusted indirect cost rate was 33.42%, which was 4.75% lower than the approved rate of 38.17%. . . . The [FWS] has determined that the Department did not exceed the 3% limitation and the Federal share of questioned costs related to unallowable central service costs as stated in recommendation 6 and 7 are resolved.

Department Response: The Department did not concur with the recommendation and stated:

The basis of these questioned costs relating to unallowable central service costs is that the 3% SWCAP [Statewide Costs Allocation Plan] limitation on Central Service Costs was not met. While [the Department] did not prepare a Schedule G with its adjusted Indirect Cost Rate for PR/ DJ [Pittman-Robertson Wildlife Restoration Act and Dingell-Johnson Sport Fish Restoration Act] grants, the SWCAP was simply removed from calculation, essentially lowering [the Department's] Indirect Cost Rate from what it could be . . . In future Indirect Cost Rate proposals, [the Department] will prepare and present a Schedule G, as recommended by OIG audit staff.

OIG Comment: We consider Recommendation 6 unresolved based on the FWS and Department responses. It is true that in the calculation of the current adjustment, the Department deducts 100 percent of the central service costs. However, the roll-forward adjustment that it adds to the pool is caused entirely by central service costs. For SFY 2021, the Department said that the actual costs were \$16 million but added back the \$6 million of central service costs (see Appendix 5 for additional details the Department provided as Exhibit D). The Department then compared the actual recovered costs with its estimate of actual costs to determine the roll-forward adjustment. There would have been no roll-forward adjustment had the Department not added the central service costs. We will consider this recommendation resolved when the FWS provides documentation to support that the Department did not add the roll-forward adjustment to the pool and has established controls to correct this deficiency in the future. We will consider this recommendation implemented when the Department resolves the questioned costs related to unallowable central service costs.

7. Apply the questioned rate of 1.5 percent for SFY 2020 and 1.63 percent for SFY 2021 to other grants not listed in our report that had incurred costs claimed during those State fiscal years (grants for which a final SF-425 had not been submitted as of the period of audit) and resolve the questioned costs resulting from the application of the questioned rate.

FWS Response: The FWS did not concur with the recommendation. As previously mentioned, the FWS stated the Department's adjusted "indirect rate removed all costs associated with the Statewide Central Service Costs," thus resulting in the FY 2020 and FY 2021 indirect cost rates being lower than the approved rates. Therefore, the FWS stated it "determined that the Department did not exceed the 3% limitation."

Department Response: The Department did not concur with the recommendation and stated:

In our preparation of the adjusted Indirect Cost Rate for PR/ DJ grants . . . the SWCAP has been removed, alleviating any concerns with reaching or going over the 3% limitation. In calculating the adjusted rate which gets applied to DJ/ PR grants, [the Department] removes the SWCAP to prevent any unallowable charges to be included in the calculation. Verbiage has been

added to the instructions manual to ensure staff completion of the Federally recommended Schedule G to show the 3% limitation has been met without any questions in future audit proceedings.

OIG Comment: We consider Recommendation 7 unresolved due to the same issues discussed in our comment on Recommendation 6. We questioned 1.5 percent of the indirect cost rate claimed in SFY 2020 and 1.63 percent of the indirect cost rate claimed in SFY 2021—which represent the portion of the rates that exceed the allowable 3 percent of the apportionment threshold. For the 25 grants open during the period of audit that had submitted final Federal Financial Reports with indirect costs, we calculated the questioned costs related to the questioned rate at \$41,991 for SFY 2020 and \$40,512 for SFY 2021. However, this amount is not all inclusive because not all the grants open during the period of audit had final, approved, Federal Financial Reports. Therefore, the questioned rate should also be applied to the claimed base for those awards with indirect costs claimed. We will consider this recommendation resolved when the FWS provides documentation showing that the correct rate has been applied to the other grants. We will consider this implemented when the Department resolves the questioned costs resulting from the application of the questioned rate and has established controls to correct this deficiency in the future.

8. Train personnel on incurred cost proposal preparation so employees can identify unallowable costs that should not be claimed.

FWS Response: The FWS concurred with the recommendation.³²

Department Response: The Department's response did not conclusively indicate concurrence or nonconcurrence with the recommendation. The Department stated:

Training for this is already in effect and will continue to be provided to staff so that all claimed costs have adequate and clear support outlined. Current training includes reviewing of the EPA [U.S. Environmental Protection Agency] Trainee Guidance on creation of Indirect Cost Rate proposals as well as reviewing the instructions put together by [Department] staff over the years. Additional steps will be added as needed to continually improve the quality of documentation in the future.

OIG Comment: We consider Recommendation 8 resolved based on the FWS response. However, the proposed actions the Department described do not meet the intent of the recommendation. While we recognize that training on incurred cost proposal preparation may already be in effect, the intent of our recommendation was to ensure that employees can identify unallowable costs. The steps the Department identified do not explicitly include additional guidance in this area. We will consider this recommendation implemented when the FWS provides documentation to support that Department personnel have been provided

³² We contacted the FWS to determine whether it concurred or did not concur with Recommendations 8 and 9 because, in the FWS response, it stated that it disagreed with "recommendations related to Unallowable Central Services Costs." The FWS confirmed concurrence with both recommendations.

training on incurred cost proposal preparation, to include identifying unallowable costs that should not be claimed.

9. Ensure that the 3-percent limitation calculation on the Statewide Cost Allocation Plan in relation to the Department's apportionment is computed and included in all subsequent indirect cost proposals.

FWS Response: The FWS concurred with the recommendation.

Department Response: The Department concurred with the recommendation and stated it "will ensure that the 3% limitation calculation is included in all subsequent indirect cost proposals." The Department further asserted that "[w]hile the current method of preparing the . . . adjusted Indirect Cost rate already accounts for this . . . verbiage has been added to the instructions manual to ensure staff completion."

OIG Comment: We consider Recommendation 9 resolved based on the FWS and Department responses. We will consider this recommendation implemented when the FWS provides documentation to support that the Department added the stated verbiage to the instruction manual.

10. Resolve the Federal share of questioned costs related to unallowable indirect cost base totaling \$6,477.

FWS Response: The FWS concurred with the recommendation.

Department Response: The Department did not concur with the recommendation and stated:

The basis of this recommendation is that the incorrect Indirect Cost Rate was applied to a manual correction of salaries. As with all manual corrections pertaining to payroll involving Indirect Costs, the approved rate for the FY in which the funds were being revised to was applied for correctness. While [the Department] does agree with the need to minimize manual corrections (express[ed] in other recommendation responses), [the Department] does believe that the \$6,477 worth of questioned costs are allowable and correct.

OIG Comment: We consider Recommendation 10 resolved based on the FWS response. We will consider this recommendation implemented when the FWS provides support that the Department has adjusted the indirect costs claimed by applying the indirect cost rate applicable to the payroll costs based on the date the costs were incurred.

11. Revise the SF-425 for Grant No. F21AF00853 to ensure that only costs identified to the project are reported in the indirect cost base.

FWS Response: The FWS concurred with the recommendation.

Department Response: The Department concurred with the recommendation and stated that it was “originally under the impression that a previously-accepted and closed out SF-425 could not be edited and re-submitted. We have since been advised otherwise and will do so.”

OIG Comment: We consider Recommendation 11 resolved based on the FWS and Department responses. We will consider this recommendation implemented when the FWS provides the corrected SF-425.

12. Implement internal controls to verify that costs included in the indirect cost base are assigned to the period in which the costs are incurred.

FWS Response: The FWS concurred with the recommendation.

Department Response: The Department’s response did not conclusively indicate concurrence or nonconcurrence with the recommendation. The Department stated, “There are currently processes and procedures in place that ensures this.” Specifically, it stated that it “utilizes a project ID field in the State financial system . . . that goes above and beyond requirements put forth in the State Accounting Manual. [The Department] is continually working to minimize the need for manual adjustments via closing out of old project codes, de-activating old payroll timesheet codes, and other steps which will all aid in this goal.”

OIG Comment: We consider Recommendation 12 resolved based on the FWS response. However, the proposed action the Department described does not meet the intent of our recommendation. While we agree that the Department currently has processes and procedures in place, we contend that the processes are not working as intended because we identified out-of-period costs included in the indirect cost base. We will consider this recommendation implemented when the FWS provides documentation that the Department has implemented a process and procedures to address the internal control weakness described in our report.

13. Develop and implement a process that ensures expenditures claimed on grants are documented in the State financial system at a sufficient level that allows them to be easily traced to a specific grant without requiring manual adjustments.

FWS Response: The FWS concurred with the recommendation.

Department Response: The Department’s response did not conclusively indicate concurrence or nonconcurrence with the recommendation. Similar to the Department’s response to Recommendation 12, it stated that “there are currently processes and procedures in place that ensures this. [The Department] utilizes a project ID field in the State financial system . . . [The Department] is continually working to minimize the need for manual adjustments . . . With sufficient staffing levels, manual adjustments will be less likely be needed.”

OIG Comment: We consider Recommendation 13 resolved based on the FWS response. We will consider this recommendation implemented when the FWS provides the Department's processes and procedures that ensure expenditures claimed on grants are documented in the State financial system at a sufficient level.

14. Develop and implement controls in the payroll system and accounting system to prevent project ID miscoding.

FWS Response: The FWS concurred with the recommendation.

Department Response: The Department did not concur with the recommendation and stated:

The accounting/Payroll system has adequate controls in place to prevent project ID miscoding. Start and end dates are entered into the system to prevent early and/ or late coding to project IDs when they are established, and the timesheet codes are inactivated upon completion of Federal awards. The timesheet allows for coding on a daily level, which allows employees to begin/ end coding to Federal grants on the exact start and end dates of Federal awards. A comprehensive file containing all active timesheet codes is available for employees and timesheet reviewers to view at will. An email, dated 9/1/2023, . . . was sent to remind employees of their responsibilities and to assist in minimizing the need for manual corrections. Periodic reviews of individual timesheets throughout the year will also be conducted by administrative staff.

OIG Comment: We consider Recommendation 14 resolved based on the FWS response. However, the Department's current controls do not prevent project ID miscoding, as evidenced by our finding. We will consider this recommendation implemented when the FWS provides documentation to support that the Department has conducted timesheet reviews and developed controls to ensure continued implementation.

15. Develop and implement monitoring procedures so only eligible costs are charged to grants.

FWS Response: The FWS concurred with the recommendation.

Department Response: The Department's response did not conclusively indicate concurrence or nonconcurrence with the recommendation. The Department stated:

As with the response to Recommendation #13, there are currently processes and procedures in place that ensures this. [The Department] utilizes a project ID field in the State financial system . . . that goes above and beyond requirements put forth in the State Accounting Manual. [The Department] is continually working to minimize the need for manual adjustments via closing out of old project codes, de-activating old payroll timesheet codes, and other steps which will all aid in this goal.

OIG Comment: We consider Recommendation 15 resolved based on the FWS response. However, the Department’s current processes and procedures do not ensure that eligible costs are charged to grants, as evidenced by our finding. We will consider this recommendation implemented when the FWS provides documentation that the Department has developed and implemented monitoring procedures to ensure only eligible costs are charged to grants.

16. Implement and train officials involved in subaward management on oversight techniques applicable to Federal requirements and the Department’s newly established policies and procedures on subawards.

FWS Response: The FWS concurred with the recommendation.

Department Response: The Department’s response did not conclusively indicate concurrence or nonconcurrence with the recommendation. The Department stated it “has implemented the use of the subrecipient/contractor determination checklist, the risk assessment template, and the monitoring plan for subawards.” It provided a May 2022 memorandum in which Department officials were “instructed to use the Subrecipient/Vendor Determination Checklist and follow the appropriate protocol for conducting the risk assessment and complying with subrecipient monitoring.”

OIG Comment: We consider Recommendation 16 resolved based on the FWS response. The Department response indicated that it has implemented the use of the subrecipient/contractor determination checklist, risk assessment template, and monitoring plans; however, the intent of our recommendation was not only to implement the checklist, risk assessment template, and monitoring plans, but also to ensure Department officials involved in subaward management are trained on these oversight techniques. We will consider this recommendation implemented when the FWS provides documentation to support that Department officials involved in subaward management attended training on oversight techniques applicable to Federal requirements and the Department’s newly established policies and procedures on subawards.

17. Review all open contracts to determine if any contracts should have been subawards. If so, amend the agreements, include all required elements, conduct risk assessments, develop monitoring plans, and report on USAspending.gov.

FWS Response: The FWS concurred with the recommendation.

Department Response: The Department concurred with the recommendation and stated it will review all open contracts using the subrecipient/contractor determination checklist “to identify subrecipients and adjust agreements accordingly.”

OIG Comment: We consider Recommendation 17 resolved based on the FWS and Department responses. We will consider this recommendation implemented when the FWS provides documentation to support that the Department reviewed all open contracts and verified it made accurate determinations.

18. Train subrecipients on their responsibilities under Federal awards.

FWS Response: The FWS concurred with the recommendation.

Department Response: The Department concurred with the recommendation and stated it “will continuously work with subrecipients on their responsibilities for reporting. This will be done on a continual basis as vendors/ contractors are deemed subrecipients and will be done via communication with the subrecipient and [Department] program and financial contacts.”

OIG Comment: We consider Recommendation 18 resolved based on the FWS and Department responses. We will consider this recommendation implemented when the FWS provides documentation to support that current Department subrecipients received training.

19. Develop policies and procedures to better identify and evaluate potential sources of program income on grants.

FWS Response: The FWS concurred with the recommendation.

Department Response: The Department concurred with the recommendation and stated:

[The Department] will continuously review and improve the policies and procedures in place to able to identify and evaluate all potential sources of grant program income. This will be accomplished by the implementation of annual training sessions, provided by [the Department] Grants Management Supervisor(s), to staff. These sessions will be a combination of reviewing open awards for possible sources of program income as well as a review of 2 CFR 200 Subpart D, section 307 on program income requirements.

OIG Comment: We consider Recommendation 19 resolved based on the FWS and Department responses. We commend the Department for implementing annual training sessions. However, our recommendation was focused on developing both policies and procedures to better identify and evaluate potential sources of program income on grants; therefore, the training alone will not meet the intent of our recommendation. We will consider this recommendation implemented when the FWS provides documentation to support that the Department has developed both policies and procedures to identify and evaluate potential sources of program income on grants.

20. Train all personnel responsible for conducting physical inventories on the frequencies required by the State regulations (e.g., annual, biennial, etc.).

FWS Response: The FWS concurred with the recommendation.

Department Response: The Department concurred with the recommendation and stated it “recently hired four new staff to our Asset team and ha[s] been working to train them on all

regulations and requirements of State Asset Management. This includes all physical inventory requirements.”

OIG Comment: We consider Recommendation 20 resolved based on the FWS and Department responses. We will consider this recommendation implemented when the FWS provides documentation to support that all personnel responsible for conducting physical inventories have been trained on the frequencies required by State regulations.

21. Assign assets to custodians rather than locations as required by the *Property Control Manual*.

FWS Response: The FWS concurred with the recommendation.

Department Response: The Department did not concur with this recommendation and stated that while it has taken steps to assign custodians to “personal/moveable” assets—which includes assets such as laptops, vehicles, and firearms—the vast majority of its assets are located in fixed locations at State parks. The Department stated, “These locations experience a high degree of staff movement and turnover.” As a result, the Department said it does not “believe that assigning these assets to an individual custodian would be a tenable situation” for its staff or allow the Department to keep an accurate account of each item.

OIG Comment: We consider Recommendation 21 resolved based on the FWS response. We will consider this recommendation implemented when the FWS provides an updated copy of the asset inventory list with the custodians listed. In response to the Department’s concerns about assigning assets to a custodian versus a location, we suggest the Department work with the State of Connecticut Office of the State Comptroller to obtain approval to assign assets to a location and, if obtained, provide us a copy of the approval.

22. Conduct a physical inventory immediately and document the results.

FWS Response: The FWS concurred with the recommendation.

Department Response: The Department concurred with the recommendation and stated it has “recently hired a new Asset team and [is] currently in the process of training them in all areas of asset management. Once fully trained they will be equipped to develop an efficient and accurate methodology for conducting annual physical inventories.” The Department stated it expects the first inventory to occur in calendar year 2024 and that it will document its results.

OIG Comment: We consider Recommendation 22 resolved based on the FWS and Department responses. We will consider this recommendation implemented when the FWS provides documentation to support that the Department conducted a physical inventory.

Appendix 1: Scope and Methodology

Scope

We audited the Connecticut Department of Energy and Environmental Protection's (Department's) use of grants awarded by the U.S. Fish and Wildlife Service (FWS) under the Wildlife and Sport Fish Restoration Program (WSFR). We reviewed 41 grants that were open during the State fiscal years (SFYs) that ended June 30, 2020, and June 30, 2021. We also reviewed license revenue during the same period. The audit included expenditures of \$15.9 million and related transactions. In addition, we reviewed historical records for the acquisition, condition, management, and disposal of real property and equipment purchased with either license revenue or WSFR grant funds.

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 objectives. We determined that the State'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 objective. Our tests and procedures included:

- Examining the evidence that supports selected expenditures charged to the grants by the Department.
- Reviewing transactions related to purchases, direct costs, drawdowns of reimbursements, in-kind contributions, and program income.
- Interviewing Department employees.
- Inspecting equipment and other property.

- Determining whether the Department used hunting and fishing license revenue for the administration of fish and wildlife program activities.
- Determining whether the State passed required legislation assenting to the provisions of the Pittman-Robertson Wildlife Restoration Act and the Dingell-Johnson Sport Fish Restoration Act.
- Evaluating State policies and procedures for assessing risk and monitoring subawards.
- Visiting sites throughout the State (see Appendix 2 for a list of sites visited).

We found deficiencies in internal control resulting in our eight findings of unsupported other direct costs, unallowable central service costs, unsupported in-kind contributions, unallowable indirect cost base, inadequate financial management, inaccurate subaward determination, inaccurate reporting of program income, and inaccurate property records.

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 Connecticut Department of Energy and Environmental Protection, and that agency's management of WSFR resources and license revenue.

The Department 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.³³ We followed up on four recommendations from these reports and considered all four

³³ *U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the State of Connecticut, Department of Energy and Environmental Protection, Bureau of Natural Resources, From July 1, 2014, Through June 30, 2016* (Report No. 2017-EXT-005), issued September 2017.

U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the State of Connecticut, Department of Energy and Environmental Protection, Bureau of Natural Resources, From July 1, 2009, Through June 30, 2011 (Report No R-GR-FWS-0009-2012), issued October 2012.

recommendations implemented. For implemented recommendations, we verified the State had taken the appropriate corrective actions to resolve these recommendations. However, according to State policy, the Department is required to keep an inventory account of all property owned by the State annually or before October 1. Department staff informed us that no inventories have been performed in the last few years. The most recent inventory date reflected in the inventory list is January 27, 2017. Therefore, it failed to complete the property inventory since then. As such, we issued new recommendations to the Department to remediate this deficiency.

State Audit Reports

We reviewed the single audit reports for SFYs 2020 and 2021 to identify control deficiencies or other reportable conditions that affect WSFR. In those reports, the Schedule of Expenditures of Federal Awards indicated \$15.9 million (combined) in Federal expenditures related to WSFR, but did not include any findings directly related to WSFR, which was not deemed a major program for Statewide audit purposes.

We also reviewed a report from the Auditor of Public Accounts³⁴ for the SFYs ending June 30, 2018; June 30, 2019; and June 30, 2020, that disclosed 24 findings and recommendations, of which 12 have been repeated from the previous audit. Specifically, some of the issues identified included:

- Inadequate segregation of duties for payroll, personnel, and timesheets approvals.
- Overtime and compensatory time pre-approval and documentation issues.
- Segregation of duties between its database administrators and user roles.
- Deficiencies in inventory reporting and internal controls.
- Lack of internal controls over purchasing card use.
- Failure to file reports required by State statutes.

³⁴ State of Connecticut Auditor's Report Department of Energy and Environmental Protection Council on Environmental Quality Office of Consumer Counsel Connecticut Siting Council Fiscal Years Ended June 30, 2018, 2019 and 2020.

Appendix 2: Sites Visited

Headquarters	Connecticut Department of Energy and Environmental Protection Headquarters
Field Offices	Eastern District Headquarters Marine Headquarters Western District Headquarters
Fish Hatcheries	Burlington Trout Kensington State Quinebaug Valley Trout
Boating Access Facilities	Hammonasset Beach Boat Launch Rogers Lake Boat Launch
Wildlife Management Areas	Franklin Swamp John E. Flaherty Field Trial Sessions Woods
Aquatic Education Facilities	CARE Center
Shooting Range	Glastonbury Public Shooting Range

Appendix 3: Monetary Impact

We reviewed 41 grants that were open during the State fiscal years that ended June 30, 2020, and June 30, 2021. The audit included expenditures of \$15.9 million and related transactions. We questioned \$91,139 (\$68,355 Federal share) as unallowable and \$367,400 (\$275,550 Federal share) as unsupported.

Monetary Impact: Questioned Costs

FBMS Grant No.	Grant Title	Cost Category	Questioned Costs (\$) (Federal Share)	
			Unallowable	Unsupported
F16AF00146	Wildlife Education	In-Kind	–	7,808
F18AF01051	Wildlife Development	In-Kind	–	2,018
F19AF00138	Fisheries Enhancement & Restoration	CSC	1,388	–
F19AF00139	Aquatic Education	In-Kind	–	11,827
F19AF00140	Wildlife Outreach	CSC	1,310	–
F19AF00142	Wildlife Investigations	ODC, CSC	4,381	91,061
F19AF00143	Wildlife Technical Assistance	CSC	1,248	–
F19AF00144	Wildlife Habitat Enhancement	CSC	3,411	–
F19AF00229	Fish & Wildlife Coordination	CSC	1,344	–
F19AF00242	Fisheries Research	CSC	4,012	–
F19AF00328	Fisheries Conservation & Enhancement	CSC	459	–
F19AF00329	Fisheries Research & Management	CSC	1,742	–
F19AF00954	Motorboat Access O&M	CSC	734	–
F20AF00119	Wildlife Education	In-Kind	–	18,638
F20AF00125	Wildlife Investigation	ODC, CSC	4,876	30,945
F20AF00126	Wildlife Technical Assistance	CSC	1,994	–
F20AF00127	Wildlife Habitat Enhancement	CSC	5,069	–
F20AF00128	Wildlife Outreach	CSC	1,498	–
F20AF00129	Aquatic Education	In-Kind	–	50,572

FBMS Grant No.	Grant Title	Cost Category	Questioned Costs (\$) (Federal Share)	
			Unallowable	Unsupported
F20AF00130	Fisheries Enhancement & Restoration	CSC	1,490	-
F20AF00229	Fisheries Research	CSC	4,319	-
F20AF00230	Fish & Wildlife Coordination	CSC	2,101	-
F20AF00235	Fisheries Research & Management	CSC	4,637	-
F20AF00236	Fisheries Conservation & Enhancement	CSC	1,214	-
F20AF10569	Motorboat Access O&M	CSC	2,897	-
F21AF00515	Wildlife Technical Assistance	CSC	878	-
F21AF00608	Wildlife Outreach	CSC	962	-
F21AF00853	Wildlife Habitat Enhancement	CSC, IDC	10,683	-
F21AF00859	Fisheries Research	CSC	1,032	-
F21AF00894	Wildlife Investigations	ODC, CSC, In-Kind	4,683	62,682
Totals			\$68,355	\$275,550

Abbreviations: Central Service Costs (CSC), Other Direct Costs (ODC), Indirect Costs Base (IDC).

Appendix 4: Responses to Draft Report

The U.S. Fish and Wildlife Service's response to our draft report follows on page 37. The Connecticut Department of Energy and Environmental Protection's response to our draft report follows on page 39.



United States Department of the Interior

FISH AND WILDLIFE SERVICE

300 Westgate Center Drive
Hadley, MA 01035-9589



September 29, 2023

In Reply Refer To:
FWS/Region 5/WSFR

Amy R. Billings
Director, Central Region Audit Division
U.S. Department of the Interior
Office of Inspector General

Dear Director Billings:

Enclosed is the State of Connecticut, Department of Energy and Environmental Protection's (Department), response to the Office of Inspector General's Draft Audit Report No. 2022-CR-038. The Fish and Wildlife Service (Service) has confirmed with the Department that these are the only comments they have on this Draft Report.

The Service concurs with all the auditor's findings but disagrees with the questioned costs as stated and recommendations related to Unallowable Central Service Costs. Please see enclosed response.

The Service has reviewed and accepted the Department's response. We will work closely with the Department staff in developing and implementing a corrective action plan that will resolve all the findings and recommendations.

Sincerely,

Colleen E. Sculley
Assistant Regional Director
Wildlife and Sport Fish Restoration Program

Enclosure:

Service Supporting Documentation
CT Draft Audit Report Response

Unallowable Central Service Costs—Questioned Costs of \$82,503 (\$61,878 Federal Share)

The auditors found that the Department did not adjust its indirect cost rate to exclude from the pool the central service costs that were more than the allowable 3 percent of the apportionments under the Acts for State Fiscal years (SFYs) 2020 and 2021.

The auditors recommended that the Service require the Department to:

6. Resolve the Federal share of questioned costs related to unallowable central service costs totaling \$61,878.
7. Apply the questioned rate of 1.5 percent for SFY 2020 and 1.63 percent for SFY 2021 to other grants not listed in our report that had incurred costs claimed during those State fiscal years (grants for which a final SF-425 had not been submitted as of the period of audit) and resolve the questioned costs resulting from the application of the questioned rate.
8. Train personnel on incurred cost proposal preparation so employees can identify unallowable costs that should not be claimed.
9. Ensure that the 3-percent limitation calculation on the Statewide Cost Allocation Plan in relation to the Department's apportionment is computed and included in all subsequent indirect cost proposals.

The Service agrees that the Departments approved indirect rate did not consider the 3% limitation on central service costs. However, the Departments adjusted indirect rate removed all costs associated with the Statewide Central Service Costs. This resulted in an adjusted indirect cost rate of 34.30% for FY2021, 5.48% lower than the approved rate of 39.78%. In FY2020 the adjusted indirect cost rate was 33.42%, which was 4.75% lower than the approved rate of 38.17%.

The Departments FY21 Proposed Rate Schedule (Attachment 1) was used to develop their proposed rate and provided to the EPA as back up support. The FY21 rate is based on the FY20 Department pool. The adjustment as shown on the CT IDC Rate 2021 table (Attachment 2) shows a total state pool for FY21 was \$25,787,654 (FY20 pool). The Department then removed all central service costs (SWCAP) from their calculation (\$6,053,875) as seen on the FY21 Proposed Rate Schedule in cell AL39. They used the FY19 SWCAP actual costs (as this is the latest actuals, they had access to). The Department then calculated a percent change, which was 76.52%, this is then applied to the recovery of \$3,263,304 (cell A155) to remove any additional SWCAP charges. The adjusted total pool plus the adjusted recovery is used to calculate the adjusted IDC rate of 34.30%. While the Department did not have approval for the revised rate from their cognizant agency the indirect rate did not include any SWCAP costs therefore they did not exceed the 3% limitation. See attached SF425's demonstrating that the state charged the 34.30% rate. The Department used the same methodology to adjust the FY20 indirect cost rate and remove the SWCAP (Attachment 3-4).

The Service has determined that the Department did not exceed the 3% limitation and the Federal share of questioned costs related to unallowable central service costs as stated in recommendation 6 and 7 are resolved.

Recommendations Summary

We recommend that the FWS require the Department to:

1. Resolve the Federal share of questioned costs related to unsupported other direct costs totaling \$171,199.

Bureau of Central Services (BCS)/Bureau of Natural Resources (BNR) Comment

These questioned costs were identified because BNR did not correctly identify Wildlife Management Institute (WMI) and University of Connecticut (UCONN) as subrecipients on several grants. All the work conducted by WMI and UCONN related to these grants were completed to our satisfaction and reported in the Performance Reports approved by WSFR staff. See Attachment 1 verifying all costs associated with services provided by these entities were reasonable and necessary to carry out the approved project objectives. BNR staff have now been trained to use the Subrecipient/Vendor Determination Checklist and follow the appropriate protocol. (See Comment for #16)

2. Develop and provide training to Department personnel to ensure Federal regulations requiring adequate support for all claimed costs are adhered to.

BCS Comment

Training for this is already in effect and will continue to be provided to staff so that all claimed costs have adequate and clear support outlined. Staff are onboarded by days spent reviewing both the current versions of CFR and State Accounting Manual. In addition, CT DEEP staff are instructed to refer to Federal programmatic contacts as listed in the Federal award document to aide in compliance. The State Accounting Manual and current CFR are constantly referred to in order to ensure compliance. Additional steps will be added to continually improve the quality of documentation in the future.

3. Resolve the Federal share of questioned costs related to the Federal reimbursement for the unsupported in-kind match totaling \$104,351.

BNR Comment

Documented overmatch on the following three grants will be used to offset some of these questioned costs: F16AF00146, F19AF00139 and F21AF00894. The revised in-kind match questioned costs of \$40,897 will be resolved by the Aquatic Resources Education grant F22AF00589 in the current grant year which ends 12/31/2023. The revised in-kind match questioned costs of \$7,807 will be resolved in the Conservation Education/Firearms Safety grant F23AF00748 in the current grant year which ends 12/31/2023.

4. Develop and implement Departmentwide policies and procedures for volunteer timesheets to include necessary volunteer and supervisor signatures, daily hour entries, duplicate timesheet entry removal, appropriate timesheet reviews, and correct time totals.

BNR Comment

As of 5/1/23, all forms to document volunteer time have been modified to satisfy all the requirements pertaining to 2 C.F.R § 200.403(g). The revised volunteer forms for both aquatic education and hunter education have been approved by WSFR and are being implemented by program staff to be used on all grant programs that use volunteer in-kind services. Volunteer instructions and forms are attached (Attachment 4) and posted on the agency website:

https://portal.ct.gov/-/media/DEEP/fishing/care/Instructor-Resources/CARE_Time_Activity_Form_Instructions_V3.pdf

5. Develop and provide training to Department personnel with responsibility for reviewing in-kind

documentation to ensure Federal regulations and Department policies and procedures are followed.

BNR Comment

WSFR staff conducted a site visit to our CARE Center on 4/21/23 and provided guidance to agency staff regarding volunteer in-kind documentation. All revised volunteer forms were reviewed and approved by WSFR. New volunteer forms were implemented 5/1/23 for all programs using volunteer in-kind services. (See #4 above)

6. Resolve the Federal share of questioned costs related to unallowable central service costs totaling \$61,878.

BCS Comment

CT DEEP does not concur with this recommendation. The basis of these questioned costs relating to unallowable central service costs is that the 3% SWCAP limitation on Central Service Costs was not met. While CT DEEP did not prepare a Schedule G with its adjusted Indirect Cost Rate for PR/ DJ grants, the SWCAP was simply removed from calculation, essentially lowering CT DEEP's Indirect Cost Rate from what it could be (see attachments "6. CT DEEP FY21 DOI Adj. IDC Rate Worksheet" and "6.1 CT DEEP Sch. G Calculation). In future Indirect Cost Rate proposals, CT DEEP will prepare and present a Schedule G, as recommended by OIG audit staff.

7. Apply the questioned rate of 1.5 percent for SFY 2020 and 1.63 percent for SFY 2021 to other grants not listed in our report that had incurred costs claimed during those State fiscal years (grants for which a final SF-425 had not been submitted as of the period of audit) and resolve the questioned costs resulting from the application of the questioned rate.

BCS Comment

CT DEEP does not concur with this finding. In our preparation of the adjusted Indirect Cost Rate for PR/ DJ grants (see attachment "6. CT DEEP FY21 DOI Adj. IDC Rate Worksheet"), the SWCAP has been removed, alleviating any concerns with reaching or going over the 3% limitation. In calculating the adjusted rate which gets applied to DJ/ PR grants, CT DEEP removes the SWCAP to prevent any unallowable charges to be included in the calculation. Verbiage has been added to the instructions manual to ensure staff completion of the Federally recommended Schedule G to show the 3% limitation has been met without any questions in future audit proceedings.

8. Train personnel on incurred cost proposal preparation so employees can identify unallowable costs that should not be claimed.

BCS Comment

Training for this is already in effect and will continue to be provided to staff so that all claimed costs have adequate and clear support outlined. Current training includes reviewing of the EPA Trainee Guidance on creation of Indirect Cost Rate proposals as well as reviewing the instructions put together by CT DEEP staff over the years. Additional steps will be added as needed to continually improve the quality of documentation in the future.

9. Ensure that the 3-percent limitation calculation on the Statewide Cost Allocation Plan in relation to the Department's apportionment is computed and included in all subsequent indirect cost proposals.

BCS Comment

BCS concurs with this assessment and will ensure that the 3% limitation calculation is included in all subsequent indirect cost proposals. While the current method of preparing the DOI DJ/ PR adjusted Indirect Cost rate already accounts for this (see attachment "7. CT DEEP FY21 DOI Adj. Comp Rate Worksheet"), verbiage has been added to the instructions manual to ensure staff completion.

10. Resolve the Federal share of questioned costs related to unallowable indirect cost base totaling \$6,477.

BCS Comment

CT DEEP does not concur with this recommendation. The basis of this recommendation is that the incorrect Indirect Cost Rate was applied to a manual correction of salaries. As with all manual corrections pertaining to payroll involving Indirect Costs, the approved rate for the FY in which the funds were being revised to was applied for correctness. While CT DEEP does agree with the need to minimize manual corrections (express in other recommendation responses), CT DEEP does believe that the \$6,477 worth of questioned costs are allowable and correct.

11. Revise the SF-425 for Grant No. F21AF00853 to ensure that only costs identified to the project are reported in the indirect cost base.

BCS Comment

BCS was, via information received from USFWS, originally under the impression that a previously-accepted and closed out SF-425 could not be edited and re-submitted. We have since been advised otherwise and will do so; see attachment “11. Revised SF-425 F21AF00853.”

12. Implement internal controls to verify that costs included in the indirect cost base are assigned to the period in which the costs are incurred.

BCS Comment

There are currently processes and procedures in place that ensures this. CT DEEP utilizes a project ID field in the State financial system Core-CT that goes above and beyond requirements put forth in the State Accounting Manual. CT DEEP is continually working to minimize the need for manual adjustments via closing out of old project codes, de-activating old payroll timesheet codes, and other steps which will all aid in this goal. With sufficient staffing levels, this will be a much more attainable feat.

13. Develop and implement a process that ensures expenditures claimed on grants are documented in the State financial system at a sufficient level that allows them to be easily traced to a specific grant without requiring manual adjustments.

BCS Comment

As with the response to recommendation #12, there are currently processes and procedures in place that ensures this. CT DEEP utilizes a project ID field in the State financial system Core-CT that goes above and beyond requirements put forth in the State Accounting Manual. CT DEEP is continually working to minimize the need for manual adjustments via closing out of old project codes, de-activating old payroll timesheet codes, and other steps which will all aid in this goal. With sufficient staffing levels, manual adjustments will be less likely be needed.

14. Develop and implement controls in the payroll system and accounting system to prevent project ID miscoding.

BNR/BCS Comment

The accounting/ Payroll system has adequate controls in place to prevent project ID miscoding. Start and end dates are entered into the system to prevent early and/ or late coding to project IDs when they are established and the timesheet codes are inactivated upon completion of Federal awards. The timesheet allows for coding on a daily level, which allows employees to begin/ end coding to Federal grants on the exact start and end dates of Federal awards. A comprehensive file containing all active timesheet codes is available for employees and timesheet reviewers to view at will. An email, dated 9/1/2023, see Attachment “14. Timesheet Reviewer email” was sent to remind employees of their responsibilities and to assist in minimizing the need for manual corrections. Periodic reviews of individual timesheets throughout the year will also be conducted by administrative staff.

15. Develop and implement monitoring procedures so only eligible costs are charged to grants.

BCS Comment

As with the response to Recommendation #13, there are currently processes and procedures in place that ensures this. CT DEEP utilizes a project ID field in the State financial system Core-CT that goes above and beyond requirements put forth in the State Accounting Manual. CT DEEP is continually working to minimize the need for manual adjustments via closing out of old project codes, de-activating old payroll timesheet codes, and other steps which will all aid in this goal. With sufficient staffing levels, manual adjustments will be less likely be needed.

16. Implement and train officials involved in subaward management on oversight techniques applicable to Federal requirements and the Department's newly established policies and procedures on subawards.

BNR/BCS Comment

CT DEEP has implemented the use of the subrecipient/contractor determination checklist, the risk assessment template, and the monitoring plan for subawards. Agency officials have now been instructed to use the Subrecipient/Vendor Determination Checklist and follow the appropriate protocol for conducting the risk assessment and complying with subrecipient monitoring (See attached memo 5/25/22). Staff recently utilized the newly established policies and procedures for grant F22AF02305, Job 4: O'Sullivan's Island Fishing Pier and Viewing Platform. Subrecipient: Naugatuck Valley Council of Governments (NVCOG). The attached monitoring plan, determination checklist and pre-award risk assessment template emailed to OIG auditors 12/22/22 was used for this grant subrecipient. (See Attachment 16).

17. Review all open contracts to determine if any contracts should have been subawards. If so, amend the agreements, include all required elements, conduct risk assessments, develop monitoring plans, and report on USAspending.gov.

BNR/BCS Comment

The Department will review all open contracts using the checklist mentioned in our response to recommendation # 16 to identify subrecipients and adjust agreements accordingly.

18. Train subrecipients on their responsibilities under Federal awards.

BCS Comment

CT DEEP concurs with this recommendation and will continuously work with subrecipients on their responsibilities for reporting. This will be done on a continual basis as vendors/ contractors are deemed subrecipients and will be done via communication with the subrecipient and CT DEEP program and financial contacts. Attachment "18. Subrecipient_Documentation_Template" is provided to share what will be sent to contractors once they have been deemed a subrecipient to a Federal award.

19. Develop policies and procedures to better identify and evaluate potential sources of program income on grants.

BCS Comment

CT DEEP concurs with this recommendation and will continuously review and improve the policies and procedures in place to able to identify and evaluate all potential sources of grant program income. This will be accomplished by the implementation of annual training sessions, provided by CT DEEP Grants Management Supervisor(s), to staff. These sessions will be a combination of reviewing open awards for possible sources of program income as well as a review of 2 CFR 200 Subpart D, section 307 on program income requirements.

20. Train all personnel responsible for conducting physical inventories on the frequencies required by the State regulations (e.g., annual, biennial, etc.).

BCS/Asset Management Comment

We have recently hired four new staff to our Asset team and have been working to train them on all

regulations and requirements of State Asset Management. This includes all physical inventory requirements. In addition, we are cross training our Procurement staff who work closely with the Asset team on these requirements.

21. Assign assets to custodians rather than locations as required by the Property Control Manual.

BCS/Asset Management Comment

We have taken steps to assign custodians to personal/movable assets with our Core CT asset management system. This includes assets such as laptops, vehicles, and firearms. The vast majority of our other ~8,000 assets are located in fixed locations at our State Parks. These locations experience a high degree of staff movement and turnover. Due to this staff movement, we do not believe that assigning these assets to an individual custodian would be a tenable situation for our staff and would not allow us to keep an accurate accounting of the items.

22. Conduct physical inventory immediately and document the results.

BCS/Asset Management Comment

As previously mentioned, we have recently hired a new Asset team and are currently in the process of training them in all areas of asset management. Once fully trained they will be equipped to develop an efficient and accurate methodology for conducting annual physical inventories. We expect this first inventory to occur in calendar year 2024. We will document our results.

Appendix 5: Connecticut Department of Energy and Environmental Protection Exhibit D

The Connecticut Department of Energy and Environmental Protection provided us with Exhibit D detailing its computation of fixed rate with roll-forward adjustment for FY 2021 indirect cost rate proposal. Exhibit D follows on page 45.

**STATE OF CONNECTICUT
DEPARTMENT OF ENERGY AND ENVIRONMENTAL PROTECTION
COMPUTATION OF FIXED RATE
WITH ROLL-FORWARD ADJUSTMENT
FOR FY 2021 INDIRECT COST RATE PROPOSAL**

DEPARTMENT-WIDE RATE

1. Fixed rate for FY 2019	<u>34.10%</u>
2. Actual direct cost base incurred in FY 2019-Adjusted	<u>\$ 64,822,168</u>
3. Amount of indirect costs recovered in FY 2018 (1 X 2)	<u>\$ 22,104,359</u>
4. Recoverable indirect costs:	
A. Actual departmental indirect costs incurred in FY 2019	<u>\$ 16,470,475</u>
B. Central service costs fixed for FY 2019	<u>\$ 6,053,875</u>
C. Roll-forward included in computation of fixed rate shown in 1., above.	<u>\$ 2,843,314</u>
Total recoverable indirect costs in FY 2018 (Add A, B and C)	<u>\$ 25,367,664</u>
5. Under (Over) recovered costs. (3 minus total of 4)	<u><u>\$ 3,263,305</u></u>
6. Computation of fixed rate for FY 2021 :	
A. Anticipated departmental indirect costs for FY 2021 (Including Energy and DPUC Expenses from FY 2019)	<u>\$ 16,470,475</u>
B. Central service costs fixed for FY 2021	<u>\$ 6,053,875</u>
C. Under (Over) recovered costs from 5., above.	<u>\$ 3,263,305</u>
D. Total pool for FY 2021 indirect cost rate computation (Add A, B and C)	<u><u>\$ 25,787,655</u></u>
E. Anticipated direct cost base for FY 2019 (Including Energy and DPUC Expenses from FY 2018)	<u><u>\$ 64,822,168</u></u>
F. Fixed rate for FY 2021 (D / E)	<u><u>39.78%</u></u>

Appendix 6: Status of Recommendations

Recommendation	Status	Action Required
<p>2022-CR-038-01 We recommend that the FWS require the Department to resolve the Federal share of questioned costs related to unsupported other direct costs totaling \$171,199.</p>	<p>Resolved: U.S. Fish and Wildlife Service (FWS) regional officials concurred with the recommendations and will work with staff from the Connecticut Department of Energy and Environmental Protection (Department) to develop and implement a corrective action plan (CAP).</p>	<p>Complete CAP 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>2022-CR-038-02 We recommend that the FWS require the Department to develop and provide training to Department personnel to ensure Federal regulations requiring adequate support for all claimed costs are adhered to.</p>		
<p>2022-CR-038-03 We recommend that the FWS require the Department to resolve the Federal share of questioned costs related to the Federal reimbursement for the unsupported in-kind match totaling \$104,351.</p>		
<p>2022-CR-038-04 We recommend that the FWS require the Department to develop and implement Departmentwide policies and procedures for volunteer timesheets to include necessary volunteer and supervisor signatures, daily hour entries, duplicate timesheet entry removal, appropriate timesheet reviews, and correct time totals.</p>	Implemented	No action is required.

Recommendation	Status	Action Required
<p>2022-CR-038-05 We recommend that the FWS require the Department to develop and provide training to Department personnel with responsibility for reviewing in-kind documentation to ensure Federal regulations and Department policies and procedures are followed.</p>	<p>Resolved: FWS regional officials concurred with the recommendation and will work with staff from the Department to develop and implement a CAP.</p>	<p>Complete CAP that includes information on actions taken or planned to address the recommendation, 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>2022-CR-038-06 We recommend that the FWS require the Department to resolve the Federal share of questioned costs related to unallowable central service costs totaling \$61,878.</p>	<p>Unresolved</p>	<p>We will meet with the FWS to discuss the recommendations and requirements to include in the CAP for resolution.</p>
<p>2022-CR-038-07 We recommend that the FWS require the Department to apply the questioned rate of 1.5 percent for SFY 2020 and 1.63 percent for SFY 2021 to other grants not listed in our report that had incurred costs claimed during those State fiscal years (grants for which a final SF-425 had not been submitted as of the period of audit) and resolve the questioned costs resulting from the application of the questioned rate.</p>		

Recommendation	Status	Action Required
<p>2022-CR-038-08 We recommend that the FWS require the Department to train personnel on incurred cost proposal preparation so employees can identify unallowable costs that should not be claimed.</p>		
<p>2022-CR-038-09 We recommend that the FWS require the Department to ensure that the 3-percent limitation calculation on the Statewide Cost Allocation Plan in relation to the Department’s apportionment is computed and included in all subsequent indirect cost proposals.</p>	<p>Resolved: FWS regional officials concurred with the recommendations and will work with staff from the Department to develop and implement a CAP.</p>	<p>Complete CAP 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>2022-CR-038-10 We recommend that the FWS require the Department to resolve the Federal share of questioned costs related to unallowable indirect cost base totaling \$6,477.</p>		
<p>2022-CR-038-11 We recommend that the FWS require the Department to revise the SF-425 for Grant No. F21AF00853 to ensure that only costs identified to the project are reported in the indirect cost base.</p>		

Recommendation	Status	Action Required
<p>2022-CR-038-12 We recommend that the FWS require the Department to implement internal controls to verify that costs included in the indirect cost base are assigned to the period in which the costs are incurred.</p>		
<p>2022-CR-038-13 We recommend that the FWS require the Department to develop and implement a process that ensures expenditures claimed on grants are documented in the State financial system at a sufficient level that allows them to be easily traced to a specific grant without requiring manual adjustments.</p>	<p>Resolved: FWS regional officials concurred with the recommendations and will work with staff from the Department to develop and implement a CAP.</p>	<p>Complete CAP 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>2022-CR-038-14 We recommend that the FWS require the Department to develop and implement controls in the payroll system and accounting system to prevent project ID miscoding.</p>		
<p>2022-CR-038-15 We recommend that the FWS require the Department to develop and implement monitoring procedures so only eligible costs are charged to grants.</p>		

Recommendation	Status	Action Required
<p>2022-CR-038-16 We recommend that the FWS require the Department to implement and train officials involved in subaward management on oversight techniques applicable to Federal requirements and the Department’s newly established policies and procedures on subawards.</p>		
<p>2022-CR-038-17 We recommend that the FWS require the Department to review all open contracts to determine if any contracts should have been subawards. If so, amend the agreements, include all required elements, conduct risk assessments, develop monitoring plans, and report on USAspending.gov.</p>	<p>Resolved: FWS regional officials concurred with the recommendations and will work with staff from the Department to develop and implement a CAP.</p>	<p>Complete CAP 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>2022-CR-038-18 We recommend that the FWS require the Department to train subrecipients on their responsibilities under Federal awards.</p>		
<p>2022-CR-038-19 We recommend that the FWS require the Department to develop policies and procedures to better identify and evaluate potential sources of program income on grants.</p>		

Recommendation	Status	Action Required
<p>2022-CR-038-20 We recommend that the FWS require the Department to train all personnel responsible for conducting physical inventories on the frequencies required by the State regulations (e.g., annual, biennial, etc.).</p>	<p>Resolved: FWS regional officials concurred with the recommendations and will work with staff from the Department to develop and implement a CAP.</p>	<p>Complete CAP 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>2022-CR-038-21 We recommend that the FWS require the Department to assign assets to custodians rather than locations as required by the <i>Property Control Manual</i>.</p>		
<p>2022-CR-038-22 We recommend that the FWS require the Department to conduct a physical inventory immediately and document the results.</p>		



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