



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

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

This is a revised version of the report prepared for public release.



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

FEB 13 2024

Memorandum

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

From: Bryan Brazil 
Director, Western Region Audit Division

Subject: Final Audit Report – *U.S. Fish and Wildlife Service Grants Awarded to the State of Iowa, Department of Natural Resources, From July 1, 2019, Through June 30, 2021, Under the Wildlife and Sport Fish Restoration Program*
Report No. 2022-WR-004

This report presents the results of our audit of costs claimed by the Iowa Department of Natural Resources (Department) under grants awarded by the U.S. Fish and Wildlife Service through the Wildlife and Sport Fish Restoration Program.

We provided a draft of this report to the FWS. The FWS concurred with five recommendations and did not concur with three recommendations. The full responses from the FWS and the Department are included in Appendix 4. In this report, we summarize the FWS' and the Department's responses to our recommendations, as well as our comments on their responses. We list the status of the recommendations in Appendix 5.

Please provide us with a corrective action plan based on our recommendations by May 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. 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 regarding this report, 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 Iowa Department of Natural Resources (Department) used grant funds and State hunting and fishing license revenue for allowable fish and wildlife activities and complied with applicable laws and regulations, FWS guidelines, and grant agreements.

See Appendix 1 for details about our scope and methodology. See Appendix 2 for sites we 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 generally ensured that grant funds and State hunting and fishing license revenue were used for allowable fish and wildlife activities and complied with applicable laws and regulations, FWS guidelines, and grant agreements. We noted, however, issues with potential diversion of license revenue and potential loss of control over real property.

We found the following:

- **Potential Diversion of License Revenue.** The Department potentially diverted license revenue totaling \$16,788,874 because another State agency potentially gained control of the funds for investment purposes.
- **Control Deficiencies.** We found opportunities to improve controls over real property.

See Appendix 3 for a statement of monetary impact and a summary of potential diversion of license revenue.

Potential Diversion of License Revenue—\$16,788,874

To become eligible for WSFR funding, the Pittman-Robertson Wildlife Restoration Act and the Dingell-Johnson Sport Fish Restoration Act and supporting Federal regulations⁴ require States to enact legislation imposing restrictions⁵ on revenues earned through the sale of hunting and fishing licenses. Among these restrictions are that those revenues be controlled only by the State’s fish and wildlife agency (in this case, the Department). A State may become ineligible to receive WSFR benefits if it diverts hunting and fishing license revenue from the control of the fish and wildlife agency.⁶

The Constitution of the State of Iowa states, “All revenue derived from [S]tate license fees for hunting, fishing, and trapping, and all [S]tate funds appropriated for, and [F]ederal or private funds received by the [S]tate for the regulation or advancement of hunting, fishing, or trapping, or the protection, propagation, restoration, management, or harvest of fish or wildlife, shall be used exclusively for the performance and administration of activities related to those purposes.”⁷ Iowa Code authorizes the Fish and Game Protection Fund, except as otherwise provided, to contain all revenue from license fees and all other sources under the fish and wildlife programs.⁸ We confirmed with Department representatives that license revenue is held in the Fish and Game Protection Fund.

⁴ 50 C.F.R. § 80.10.

⁵ Statement No. 34 of the Governmental Accounting Standards Board defines restricted funds as funds that should be reported as restricted when constraints placed on fund use are imposed by law through constitutional provisions (such as the assenting laws) or enabling legislation. A particular Government fund with such constraints is commonly referred to as a “restricted fund.”

⁶ 50 C.F.R. § 80.11(c)(1).

⁷ Additionally, Iowa Code § 456A.17-28 establishes laws that assent to the provisions of the WSFR Acts.

⁸ Iowa Code § 456A.17.2.

We learned that Iowa Code requires the Treasurer of State (TOS) to invest idle funds, potentially including license revenue held in the Fish and Game Protection Fund. Iowa Code § 12.8 states, “The [TOS] shall invest or deposit, subject to chapters 12F, 12H, and 12J and as provided by law, any of the public funds not currently needed for operating expenses and shall do so upon receipt of monthly notice from the [Director of Administrative Services] of the amount not so needed.”

We found that the TOS did, in fact, invest license revenue held in the Fish and Game Investment Fund; we determined that, in following the Iowa Code investment requirements, this action could be interpreted as a potential diversion of hunting and fishing license revenue.

During our review of the Department’s revenues, we noted journal entries crediting the Fish and Game Protection Fund with interest income totaling \$301,835 and that the credits were an intra-State transfer of investment interest from the TOS. We then requested the amount of license revenue funds used as investment principal and the current fair market value from the TOS. The TOS estimated that it is presently managing Department funds, including license revenue, valued at approximately \$16,788,874 in the State’s Pooled Money Fund.⁹

We asked the Department and TOS why moneys from the Fish and Game Protection Fund had been invested in the State’s Pooled Money Fund. A representative of TOS cited Iowa Code § 12.8, which gives it the responsibility to invest all idle State funds and to distribute the interest earned to each fund. Iowa Code does not require either the Director of Administrative Services or the TOS to discriminate between restricted and unrestricted funds in this process. A Department representative stated that the Department does not have a role in the investment process.

Use of license revenue by a fish and game agency as investment principal—in the amount of \$16,788,874 in this case—foreseeably exposes those revenues to risk. Because investment is not inherently a function required to manage either a State fish and game agency or the fish- and wildlife-related resources for which it is responsible, this practice may violate 50 C.F.R. § 80.11(c)(2). In addition, the TOS’ investment of the funds, in particular, despite acting under State law, may violate 50 C.F.R. § 80.11(c)(1). If the State maintains Iowa Code § 12.8 and the TOS’ authority to control or use license revenue for purposes other than the management and administration of the Department, the State could become ineligible to receive the benefits of the Acts. Though we are not questioning costs or the decision to invest idle funds, we are obligated to provide transparency regarding the transfer of restricted funds that may violate Federal regulations.

⁹ The Pooled Money Fund is where TOS invests State agency funds that are not currently needed for operating expenses.

Recommendations

We recommend that the FWS require the Department to:

1. Provide accounting detail of license revenues used as investment principal.
2. Implement policies and procedures that ensure the Department maintains control over license revenue funds when they are invested.
3. Analyze and provide justification regarding the allowability of the Iowa Treasurer of State to invest restricted license revenue.
4. Resolve any potential diversion of license revenue.

Control Deficiency—Loss of Control Over Real Property

Federal regulations require the State to be responsible for the control of all assets acquired under the grant to ensure that they serve the purpose for which they were acquired throughout their useful life.¹⁰ In addition, Federal regulations describe trespass as using, occupying, or developing the public lands or their resources without a required authorization.¹¹ We applied this definition to lands purchased or maintained with WSFR funds.

During our site visits to Department wildlife management areas (WMAs), we found multiple instances of potential loss of control of real property on lands acquired or maintained with WSFR funds or license revenues. For example, of the five WMAs we visited, we saw or were told about issues at three of them, as described below.

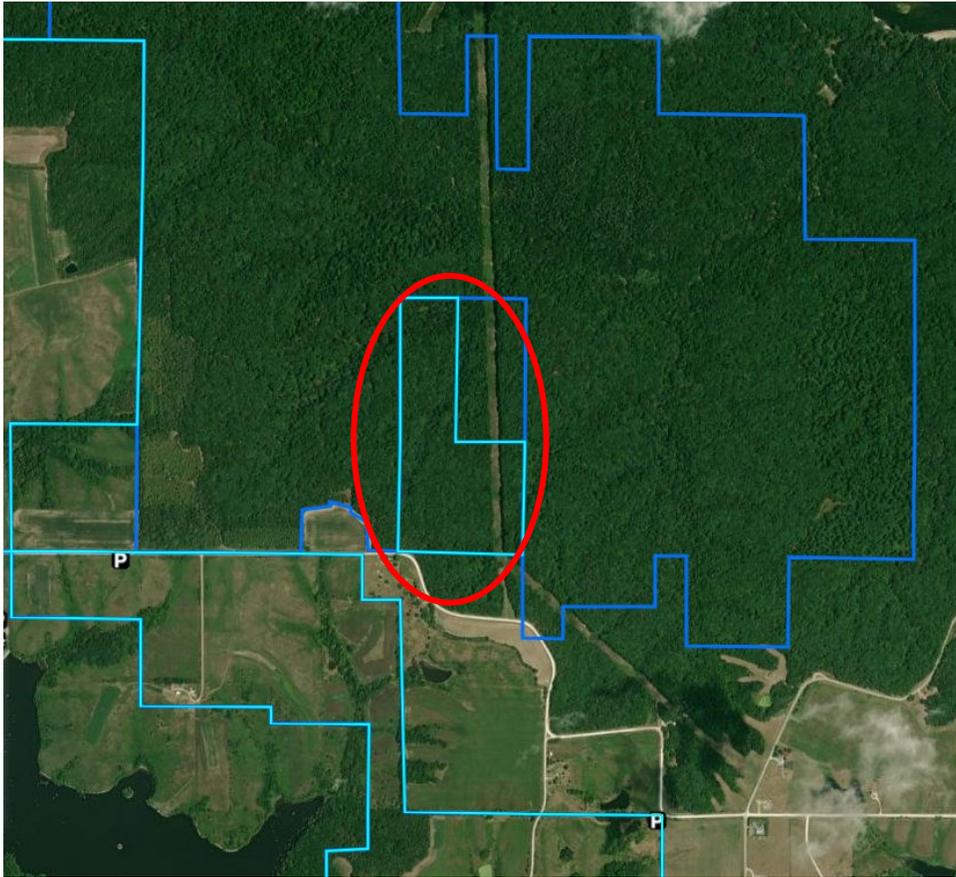
First, we inspected a section of the Lake Sugema WMA that is mostly surrounded by State Forest property, as seen in Iowa's Public Hunting Atlas¹² (see Figure 1). The WMA staff were unaware that a section of land (circled in red) that borders State Forest land (blue border) was part of the WMA (turquoise border). We asked staff why they were not managing land at Lake Sugema, and they told us they were unaware that the land was their responsibility. Specifically, WMA staff told us that the State Forester, rather than WMA staff, has maintained that area within the boundary of the WMA for as long as they could recall.

¹⁰ 50 C.F.R. § 80.90(f).

¹¹ 43 C.F.R. § 2888.10.

¹² The Iowa Hunting Atlas website describes itself as a tool to make it easier for hunters to locate areas that are open to public hunting. Available at <https://iowadnr.maps.arcgis.com/apps/webappviewer/index.html?id=f9161b90cddb4fcfb35a96901882a4b7>.

Figure 1: Lake Sugema WMA



Source: Iowa Hunting Atlas. While touring the WMA, we showed a map of the area to site staff to confirm the piece of property in question.

Second, at the Colyn WMA, we saw that the owner of a private residence had mowed into the WMA and stored chicken wiring beyond the WMA border signage (see Figure 2). Third, at the Red Rock WMA, we saw that the owners of two different private residences mowed onto the WMA (see Figure 3). WMA field staff told us that the mowing provides a mutually beneficial firebreak for the WMA and the private residences; however, the WMA staff did not authorize the residents to conduct mowing activities on the WMA property. WMA staff told us they informed the residents not to mow multiple times, but the residents still carry out the unauthorized activity. The WMA staff informed us that formal agreements related to mowing would be beneficial to both the WMA and the residents, but no such agreements exist. Additionally, because the WMAs do not entirely use border fencing, they face challenges enforcing hard borders with neighboring private residences.

Figure 2: Trespass and Mowing at the Colyn WMA



Mowing past the private property line, which runs at an angle and is marked by a white sign (red circle); the resident's chicken fence is leaning against a tree in the WMA (blue circle).

Source: OIG Photo.

Figure 3. Inappropriate Mowing into the Red Rock WMA.



These images depict mowing beyond the WMA boundaries, which are designated by the white pole in the top images and the fence line in the bottom image.

Source: OIG Photo.

Also at the Red Rock WMA, we noticed evidence of dumping on a portion of the WMA specifically marked as a wildlife refuge (see Figure 4). Federal funding to Red Rock WMA is provided in several recent grants, particularly the annual Fish and Wildlife Management Program grants (Grant Nos. F19AF00368 and F20AF00274). Both grant narratives include maintaining and demarcating refuge boundaries within WMAs and state that the intent is to control access, limit public use, and deter activities that could negatively affect resources and intended public uses. Dumping occurs on the WMA because the refuge viewing area is a popular visitor location and a high-traffic area that is prone to littering. There is also a lack of physical borders and, according to WMA staff, a lack of law enforcement presence in this area.

Figure 4: Dumping at the Red Rock WMA’s Refuge Area



Source: OIG photo.

In summary, these instances of potential loss of control of real property are occurring on the Department’s WMAs for four reasons: (1) A lack of controls ensuring WMA staff are aware of WMA boundaries and lands under their responsibility, (2) a lack of formal agreements with private landowners for maintenance activities, (3) a lack of enforcement of trespass regulations, and (4) a lack of activities aimed at preventing illegal dumping.

Because some WMA land was maintained by the State Forester, mowed by adjacent landowners, or used for dumping, it was not maintained in accordance with grant objectives. Further, wildlife

habitat is diminished and negatively impacted by mowing, dumping, and lack of active maintenance.

Recommendations

We recommend that the FWS require the Department to:

5. Ensure wildlife management area staff are informed of boundaries and their responsible land areas.
6. Determine whether to establish formal agreements with private landowners to address mutually beneficial activities that may otherwise be considered trespass.
7. Implement activities aimed at eliminating encroachment on wildlife management areas, including—but not limited to—clearly marking and delineating boundaries in areas where wildlife management areas border residential areas.
8. Implement activities aimed at eliminating illegal dumping on lands acquired or maintained with WSFR grants or license revenues.

Recommendations Summary

We provided a draft of this report to the FWS for review. The FWS concurred with five recommendations and did not concur with three recommendations. We consider Recommendations 1 through 4 unresolved and Recommendations 5 through 8 resolved. Below we summarize the FWS' and the Department's responses to our recommendations, as well as our comments on their responses. See Appendix 4 for the full text of the FWS' and the Department's responses; Appendix 5 lists the status of each recommendation.

We recommend that the FWS require the Department to:

1. Provide accounting detail of license revenues used as investment principal.

FWS Response: The FWS did not concur with the recommendation and provided documentation summarizing the Department's cash balances. The FWS further stated, "All funds are accounted for and are used only for the administration of the fish and wildlife agency."

Department Response: The Department did not concur with the recommendation and stated that it "tracks the balance of the Fish and Game fund on a monthly basis and the changes in the fund balance are revenues into the fund and expenditures out of the fund that are initiated exclusively by the Department of Natural Resources."

OIG Comment: We consider Recommendation 1 unresolved. The document the FWS provided summarizes the cash balance of the "Fish and Game fund" but does not provide accounting detail of license revenues used as investment principal. Further, the FWS did not provide documentation supporting its statement that "all funds are accounted for and are used only for the administration of the fish and wildlife agency." We will consider this recommendation resolved when the FWS provides documentation showing that the Department has a complete accounting of license revenues invested by the TOS.

2. Implement policies and procedures that ensure the Department maintains control over license revenue funds when they are invested.

FWS Response: The FWS did not concur with the recommendation and stated that it believes funds are not diverted from the Department to any purposes other than the Department's administration.

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

All monies in any State of Iowa fund are exclusively under the control of the [o]wner of the fund. The Treasurer of State invests state idle funds, but that does not impact the ability of the [o]wner to control those funds. While the

Treasurer of State pools the monies for investment purposes, the process never takes any monies out of the control of the [o]wner of the fund.

OIG Comment: We consider Recommendation 2 unresolved. This recommendation involves implementing new policies and procedures to ensure control over the license revenue fund. Given that the FWS and the Department do not concur that a loss of control occurred, they did not identify any new policies and procedures to address this recommendation. The Department and FWS did not meet the intent of the recommendation because no new policies and procedures were implemented, and we do not consider the central issue of potential diversion to be resolved.

3. Analyze and provide justification regarding the allowability of the Iowa Treasurer of State to invest restricted license revenue.

FWS Response: The FWS did not concur with the recommendation and stated it believes that the Department’s investment of license revenue through the TOS is consistent with 50 C.F.R. § 80.11(c)(2) and that funds are not diverted from the Department to any purposes other than the Department’s administration.

The FWS cited Iowa Code § 12.8, which provides the TOS the responsibility to invest “...any public funds not currently needed for operating expenses...”

Department Response: The Department did not concur with the recommendation.

OIG Comment: We consider Recommendation 3 unresolved. The intent of this recommendation was to ensure the Department analyzed and provided justification for the allowability of the TOS’ investment of license revenue. The FWS response to our recommendation addressed the potential misuse of the funds under 50 C.F.R. § 80.11(c)(2) but did not address loss of control under 50 C.F.R. § 80.11(c)(1). Our review found the funds may have been diverted from the control of the Department. We contend that the Department may have lost control of its license revenue fund when the TOS, acting under State law, invested these monies, potentially violating 50 C.F.R. § 80.11(c)(1). Specifically, Iowa Code § 12.8, which requires that the TOS invest the funds, may remove control from the Department over those funds because the Department has no authority to direct the investment of those funds. While Iowa Code may consider those funds to remain in the control of the Department, there is nothing in the Federal regulations that specifically allows for control by another State agency to be considered control by the Department. We encourage the FWS to work with the Office of the Solicitor to clarify its position on what constitutes control of license revenue funds to better inform States and future auditors of the FWS’ views.

4. Resolve any potential diversion of license revenue.

FWS Response: The FWS concurred with the recommendation and stated it believes that the Department’s investment of license revenue through the TOS is consistent with

50 C.F.R. § 80.11(c)(2) and that funds are not diverted from the Department to any purposes other than the agency's administration.

Department Response: The Department did not concur with the recommendation and stated, "All monies in any State of Iowa fund are exclusively under the control of the Owner of the fund. [...] The Department will work with the FWS to ensure WSFR Region 3 has an accurate understanding of the State of Iowa Pooled Money Fund."

OIG Comment: We consider Recommendation 4 unresolved based on our review of the FWS response and our continued concern as noted in Recommendation 3. We will consider this recommendation resolved when the FWS provides us further analysis and justification regarding the potential violation of 50 C.F.R. § 80.11(c)(1). We will consider the recommendation's implementation based on the analysis and justification.

5. Ensure wildlife management staff are informed of boundaries and their responsible land areas.

FWS Response: The FWS concurred with the recommendation.

Department Response: The Department concurred with the recommendation and stated it "has begun implementing practices to address recommendations in the draft report and will work with FWS to develop strategies to address the remaining recommendations."

OIG Comment: We consider Recommendation 5 resolved based on the FWS' response. We will consider the recommendation implemented when the FWS provides documentation demonstrating that wildlife management staff have been informed of boundaries and their responsible land areas.

6. Determine whether to establish formal agreements with private landowners to address mutually beneficial activities that may otherwise be considered trespass.

FWS Response: The FWS concurred with the recommendation.

Department Response: The Department concurred with the recommendation and stated it "has begun implementing practices to address recommendations in the draft report and will work with FWS to develop strategies to address the remaining recommendations."

OIG Comment: We consider Recommendation 6 resolved based on the FWS' response. We will consider Recommendation 6 implemented when the FWS provides documentation demonstrating that the Department has considered whether to establish formal agreements with private landowners engaged in activities that may be considered trespass.

7. Implement activities aimed at eliminating encroachment on wildlife management areas, including—but not limited to—clearly marking and delineating boundaries in areas where wildlife management areas border residential areas.

FWS Response: The FWS concurred with the recommendation.

Department Response: The Department concurred with the recommendation and stated it “has begun implementing practices to address recommendations in the draft report and will work with FWS to develop strategies to address the remaining recommendations.”

OIG Comment: We consider Recommendation 7 resolved based on the FWS’ response. We will consider Recommendation 7 implemented when the FWS provides documentation demonstrating that the Department has implemented activities to eliminate encroachment on wildlife management areas.

8. Implement activities aimed at eliminating illegal dumping on lands acquired or maintained with WSFR grants or license revenues.

FWS Response: The FWS concurred with the recommendation.

Department Response: The Department concurred with the recommendation and stated it “has begun implementing practices to address recommendations in the draft report and will work with FWS to develop strategies to address the remaining recommendations.”

OIG Comment: We consider Recommendation 8 resolved based on the FWS’ response. We will consider Recommendation 8 implemented when the FWS provides documentation demonstrating the Department has implemented activities to eliminate illegal dumping on lands acquired or maintained with WSFR grants or license revenues.

Appendix 1: Scope and Methodology

Scope

We audited the Iowa Department of Natural Resources' (Department's) use of grants awarded by the U.S. Fish and Wildlife Service (FWS) under the Wildlife and Sport Fish Restoration Program (WSFR). We reviewed 17 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 \$54 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.

- Design control activities to achieve objectives and respond to risks.
- Design the information system and related control activities to achieve objectives and respond to risks.
- 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 finding of potential loss of control of real property.

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 Iowa fish and wildlife agency, 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.¹³ We followed up on three recommendations from these reports and considered all three recommendations implemented. For implemented recommendations, we verified the State has taken the appropriate corrective actions to resolve these recommendations.

¹³ *U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the State of Iowa, Department of Natural Resources, From July 1, 2009, Through June 30, 2011* (Report No. R-GR-FWS-0011-2012), issued November 2012.

U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the State of Iowa, Department of Natural Resources From July 1, 2014, Through June 30, 2016 (Report No. 2017-CR-047), issued December 2017.

State Audit Reports

We reviewed the single audit reports for SFYs 2019 and 2020 to identify control deficiencies or other reportable conditions that affect WSFR. In those reports, the Schedule of Expenditures of Federal Awards indicated \$35 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 during our audit period. Neither of these reports contained any findings that would directly affect the WSFR grants.

Appendix 2: Sites Visited

Fish Hatcheries	Fairport Mt. Ayr
Wildlife Management Areas	Colyn Green Hill Lake Sugema Mt. Ayr Red Rock
Hunter Education Facilities	Butch Olofson Shooting Range

Appendix 3: Monetary Impact

We reviewed 17 grants that were open during the State fiscal years that ended June 30, 2020, and June 30, 2021. The audit included expenditures of \$54 million and related transactions. We identified a potential diversion of \$16,788,874 in license revenue from the Department of Natural Resources (non-Federal funds).

Monetary Impact: Potential Diversion of License Revenue

Finding Area	Amount (\$)
License Revenue Fund Investments	16,788,874
Total	\$16,788,874

Appendix 4: Responses to Draft Report

The U.S. Fish and Wildlife Service's response to our draft report follows on page 20. The Iowa Department of Natural Resources' response to our draft report follows on page 23.



United States Department of the Interior



FISH AND WILDLIFE SERVICE

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

IN REPLY REFER TO:
FWS/R3/WSFR

November 14, 2023

Memorandum

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

From: Assistant Regional Director, Wildlife and Sport Fish Restoration Programs

**JAMES
HODGSON**

Digitally signed by
JAMES HODGSON
Date: 2023.11.14
16:47:03 -06'00'

Subject: Response to the Office of Inspector General's memorandum dated August 31, 2023, containing the OIG's Draft Audit Report No. 2022-WR-004 on U.S. Fish and Wildlife Service's (Service) Wildlife and Sport Fish Restoration Grants administered by the State of Iowa, Department of Natural Resources, from July 2019, Through June 30, 2021.

Attached is a copy of the Iowa Department of Natural Resources (Department) response to the draft OIG audit report (see attachment).

While the Service concurs with the majority of the OIG auditor's findings, we do not however concur with the findings related to the potential diversion of license revenue as stated in the draft report. Please see the attached commitments.

The Service has reviewed and accepted the Department's response. Upon issuance of a final audit report, the Service will work closely with the Department staff in developing and implementing a corrective action plan that will resolve all final findings and recommendations.

Please direct any questions to Ms. Julie Cole, Grants Fiscal Officer, at [REDACTED].

Attachment (1)

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

Potential Diversion of License Revenue - \$16,788,874

The auditors are concerned about the Departments ability to control restricted funds for program purposes.

The auditors recommended that the FWS require the Department to:

1. Provide accounting detail of license revenues used as investment principal. – The Service does not concur.
2. Implement policies and procedures that ensure the Department maintains control over license revenue funds when they are invested. – The Service does not concur
3. Analyze and provide justification regarding the allowability of the Iowa Treasurer of State to invest restricted license revenue. – The Service does not concur
4. Resolve any potential diversion of license revenue. – The Service concurs.

The Service believes that the Department investment of license revenue, through the Treasurer of State is consistent with 50 CFR 80,11© (2), funds are not diverted from the Department to any purposes other than the agency’s administration.

Iowa State Code Section 12.8 provides the Treasurer of State the responsibility to invest “any public funds not currently needed for operating expenses and shall do so upon receipt of monthly notice from the director of the department of administrative services of the amount not so needed. In the event of loss on redemption or sale of securities invested as prescribed by law, and if the transaction is reported to the executive council, neither the treasurer nor director of the department of administrative services is personally liable but the loss shall be charged against the funds which would have received the profits or interest of the investment and there is appropriated from the amount so required.

A summary of the Departments cash balance as of July 1, 2021 is attached. Attachment (1). All funds are accounted for and are used only for the administration of the fish and wildlife agency.

Control Deficiency – Loss of Control over Real Property

5. Ensure wildlife management area staff are informed of boundaries and their responsible land areas. - The Service concurs.
6. Determine whether to establish formal agreements with private landowners to address mutually beneficial activities that may otherwise be considered trespass. – The Service concurs.
7. Implement activities aimed at eliminating encroachment on wildlife management areas, including – but not limited to - clearly marking and delineating boundaries in areas where wildlife management areas border residential areas. – The Service concurs.

8. Implement activities aimed at eliminating illegal dumping on lands acquired or maintained with WSFR grants or license revenues. – The Service concurs.



September 26, 2023

Jim Hodgson, Assistant Regional Director
U.S. Fish and Wildlife Service
Wildlife and Sport Fish Restoration Programs
5600 American Blvd. West, Suite 990
Bloomington, MN 55437-1458

RE: Draft Audit Report – U.S. Fish and Wildlife Service Grants Awarded to the State of Iowa, Department of Natural Resources, From July 1, 2019 through June 30, 2021 Report 2022-WR-004

Dear Mr. Hodgson,

The Iowa Department of Natural Resources (Department) has reviewed the draft report and appreciates the opportunity to respond to the findings and recommendations contained in the report.

The Department does not concur with the finding regarding the Potential Diversion of License Revenue and subsequent recommendations. Iowa Code Section 12.8 provides the Treasurer of State the responsibility to invest all state funds and to distribute the interest earned to each fund. All monies in any State of Iowa fund are exclusively under the control of the Owner of the fund. The Treasurer of State invests state idle funds, but that does not impact the ability of the Owner to control those funds. While the Treasurer of State pools the monies for investment purposes, the process never takes any monies out of the control of the Owner of the fund. The Department tracks the balance of the Fish and Game Fund on a monthly basis and the changes in the fund balance are revenues into the fund and expenditures out of the fund that are initiated exclusively by the Department of Natural Resources. Therefore, there is no diversion of license revenue. The Department will work with the FWS to ensure WSFR Region 3 has an accurate understanding of the State of Iowa Pooled Money Fund.

The Department concurs with the finding regarding Control Deficiency – Loss of Control Over Real Property. The Department has begun implementing practices to address recommendations in the draft report and will work with FWS to develop strategies to address the remaining recommendations.

Please continue to work with Kara Bryant, Federal Aid Coordinator, to address any follow-up actions related to this audit or the Department’s response. Kara can be reached at [REDACTED] or by email at [REDACTED]@dnr.iowa.gov.

Sincerely,

Digitally signed by Kayla Lyon
Date: 2023.09.26 10:55:32
-05'00'

Kayla Lyon, Director

Appendix 5: Status of Recommendations

Recommendation	Status	Action Required
<p>2022-WR-004-01 We recommend that the U.S. Fish and Wildlife Service (FWS) require the Iowa Department of Natural Resources (Department) to provide accounting detail of license revenues used as investment principal.</p>		
<p>2022-WR-004-02 We recommend that the FWS require the Department to implement policies and procedures that ensure the Department maintains control over license revenue funds when they are invested.</p>	Unresolved	<p>We will meet with the FWS to discuss the recommendation and requirements to include in the corrective action plan (CAP) for resolution.</p>
<p>2022-WR-004-03 We recommend that the FWS require the Department to analyze and provide justification regarding the allowability of the Iowa Treasury of State to invest restricted license revenue.</p>		
<p>2022-WR-004-04 We recommend that the FWS require the Department to resolve any potential diversion of license revenue.</p>		

Recommendation	Status	Action Required
<p>2022-WR-004-05 We recommend that the FWS require the Department to ensure wildlife management staff are informed of boundaries and their responsible land areas.</p>		
<p>2022-WR-004-06 We recommend that the FWS require the Department to determine whether to establish formal agreements with private landowners to address mutually beneficial activities that may otherwise be considered trespass.</p>		
<p>2022-WR-004-07 We recommend that the FWS require the Department to implement activities aimed at eliminating encroachment on wildlife management areas, including—but not limited to—clearly marking and delineating boundaries in areas where wildlife management areas border residential areas.</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 a 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-WR-004-08 We recommend that the FWS require the Department to implement activities aimed at eliminating illegal dumping on lands acquired or maintained with WSFR grants or license revenues.</p>		



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