



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

Wildlife and Sport Fish Restoration Program Grants Awarded to the State of Vermont by the U.S. Fish and Wildlife Service



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

JUL 08 2024

Memorandum

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

From: Colleen Kotzmoyer 
Director, Contract and Grant Audit Division

Subject: Final Audit Report – *Wildlife and Sport Fish Restoration Program Grants Awarded to the State of Vermont by the U.S. Fish and Wildlife Service*
Report No. 2023-CGD-022

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

During our audit, we found 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. However, we noted internal control deficiencies related to the management of in-kind contributions and issued a notice detailing these findings and recommendations to FWS and the Department. FWS and the Department concurred, immediately began taking corrective actions, and then provided documentation of their actions. We appreciate these proactive measures to address our recommendations before we issued our report; based on the responses and documentation, we consider the recommendations to be fully implemented. In this report, we summarize the FWS and Department responses and actions taken to address our recommendations, as well as our comments on their responses. We list the status of the recommendations in Appendix 4.

We will notify Congress about our findings and we will report semiannually, as required by law, on action you have taken to implement the recommendations. 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.

Contents

Introduction.....1

 Objectives1

 Background.....1

Results of Audit2

 Unallowable and Unsupported In-Kind Contributions.....2

 Other Matters4

Recommendations Summary6

Appendix 1: Scope and Methodology.....7

Appendix 2: Sites Visited10

Appendix 3: Monetary Impact11

Appendix 4: Status of Recommendations.....12

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 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 Vermont Fish and Wildlife Department (Department) used grant funds and State hunting and fishing license revenue for allowable fish and wildlife activities and complied with applicable laws and regulations, FWS guidelines, and grant agreements. The scope of our audit was State fiscal years (SFYs) ending June 30, 2021, and June 30, 2022.

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

Background

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 In general, the Acts and related Federal regulations allow 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. The reimbursement amount is called the Federal share, and the portion the States must match with their own funds is called the State share. To meet the State-share requirement, the Department used general license revenues, third-party matches, and in-kind contributions.³ 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 License revenues are from the sale of hunting and fishing licenses or permits, third-party matches may consist of expenses that are waived by a subaward recipient, and in-kind contributions may be volunteer hours recorded.

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. However, we noted internal control deficiencies related to the management of in-kind contributions.

We found the following:

- **Unallowable In-Kind Contributions.** The Department erroneously claimed 1,451 hours as in-kind match for its Hunter Education Program grant. As a result, we question the \$99,074 in Federal share that the Department received in connection with the unallowable in-kind State share.
- **Unsupported In-Kind Contributions.** The Department did not have evidence of supervisory approval for 19.5 hours and 114 vehicle miles used as in-kind match for its Aquatic Resource Education grant. As a result, we question the \$1,017 in Federal share that the Department received in connection with the unsupported in-kind State share.

See Appendix 3 for a statement of monetary impact.

Unallowable and Unsupported In-Kind Contributions

WSFR requires States to use matching or non-Federal funds to cover at least 25 percent of grant project costs.⁴ Additionally, Federal regulations state that to the extent feasible, services donated will be supported by the same methods used to support regular personnel costs.⁵ Furthermore, Federal regulations require that third-party in-kind contributions must be verifiable from the non-Federal entity's records⁶ and that costs be adequately documented to be allowable under Federal awards.⁷

The State defines “verification” as “the determination of the completeness, accuracy, authenticity and/or validity of transactions, events or information” and defines “supervision” as “the ongoing oversight, management and guidance of an activity by designated employees to help ensure the results of the activity achieve the established objectives.”⁸ Supervision also includes the approval of work “at critical points to ensure quality and accuracy.”

⁴ 50 C.F.R. § 80.83.

⁵ 2 C.F.R. § 200.434(d).

⁶ 2 C.F.R. § 200.306(b)(1).

⁷ 2 C.F.R. § 200.403(g).

⁸ Vermont Department of Finance and Management, *Internal Control Standards: A Guide for managers* (2.0b ed. 2022).

During the audit period of SFYs 2021 and 2022, the Department claimed a total of 12,544 in-kind volunteer hours valued at \$296,254, and 13,092 in-kind match contribution miles⁹ valued at \$16,077. We sampled four grants that claimed a total of 1,856 volunteer in-kind hours and 3,078 in-kind match contribution miles valued at \$40,785 and \$1,791, respectively. We found that the Department did not provide sufficient documentation to substantiate the third-party in-kind match for two of the grants we sampled.

Specifically, on Hunter Education Program Grant No. F20AF11887, all 1,451 hours reported were claimed as matching contributions. However, the Department did not have timesheets supporting the entire 1,451 hours, totaling \$33,025, as in-kind match. A Department official confirmed that the hours were not volunteer instructor hours but rather student hours that were mistakenly entered into the Department’s match tracking sheet. Because the Department used these unallowable hours as in-kind match—valued at \$33,025—to meet its 25-percent State share requirement, FWS reimbursed the Department \$99,074 in Federal share for other costs incurred under the WSFR grant (see Figure 1).

Figure 1: Unallowable Costs Related to Hunter Education Program Grant No. F20AF11887

Expense	Match Claimed	Rate (\$)	Unallowable Match	State Share (\$)	Federal Share (\$)
Labor Hours	1,451	22.76	1,451	33,025	99,074
Total	1,451			\$33,025	\$99,074

In addition, on Aquatic Resource Education Grant No. F20AF11963, we reviewed 19 timesheets and found that the Department did not have evidence of supervisory approval for 19.5 of 135 hours and 114 of 1,649 vehicle miles, totaling \$339 as in-kind match. Because the Department used these unsupported hours and miles as in-kind match—valued at \$339—to meet its 25-percent State share requirement, FWS reimbursed the Department \$1,017 in Federal share for other costs incurred under the WSFR grant (see Figure 2).

Figure 2: Unsupported Costs Related to Aquatic Resource Education Grant No. F20AF11963

Expense	Match Claimed	Rate (\$)	Unsupported Match	State Share (\$)	Federal Share (\$)
Labor Hours	135	13.99	19.5	273	818
Mileage	1,649	0.58	114	66	198
Total				\$339	\$1,017

⁹ Mileage used as in-kind match contribution refers to the use of the distance traveled, often in a personal vehicle, as a contribution towards a project’s matching requirements instead of cash. For our sample, the Department claimed in-kind match contribution miles on the same form as in-kind hours.

These issues occurred because the Department had weaknesses in its internal control process over volunteer timekeeping and mileage verification. Specifically, the Department did not have a written policy regarding the supervisor's responsibility to review documentation for volunteer time to ensure compliance with Federal regulations.

Due to the internal control deficiencies within the Department's volunteer timekeeping process, the Department did not fulfill the required 25-percent State share (\$33,364) and was therefore not eligible for the 75-percent Federal share (\$100,091). As a result, we question the \$100,091 in Federal share that the Department received as a result of the unallowable and unsupported in-kind State share.¹⁰

Moreover, because we examined a small number of timesheet transactions and did not project the results of our testing to the entire population of timesheet transactions, the Department may have received additional unallowable or unsupported Federal reimbursements that we did not identify in our testing.

Recommendations

We recommend that FWS require the Department to:

1. Resolve the \$100,091 in unallowable Federal share received as a result of the unsupported and unallowable \$33,364 State share.
2. Develop and implement Departmentwide procedures regarding volunteer time and mileage documentation and verification to ensure compliance with Federal regulations.

Other Matters

Real Property Records

The last WSFR-funded real property reconciliation due in 2023 was not completed. We communicated with FWS and the Department regarding our concerns. FWS officials told us that they did not complete the reconciliation as of December 2023 because they did not have sufficient resources to ensure timely completion; however, they planned to work with the Department to complete the reconciliation by March 2024.

State land reconciliation for WSFR grants has been a recurring finding in many of our audits, and in April 2020, we issued a management advisory to FWS to address the issue.¹¹ Because FWS is currently working to address our management advisory recommendations on this

¹⁰ The Department was not eligible for the 75-percent Federal share without meeting its 25-percent State share requirement; however, this does not imply that the \$100,091 in costs FWS reimbursed were unallowable.

¹¹ *U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program, Issues Identified with State Land Reconciliation for Wildlife and Sport Fish Restoration Program Grants* (Report No. 2019-CR-015), issued April 2020.

matter—which are programwide and would include Vermont—we are not making an additional recommendation in this report.

Unfunded Pension Liabilities

In July 2023, we issued a management advisory to FWS regarding unfunded pension liabilities that States were allocating to WSFR grants.¹² This management advisory discussed issues with a State charging WSFR grants to help pay down the State’s unfunded liabilities, which could potentially reduce the efficiency and effectiveness of the Federal grant in accomplishing its agreed-upon objectives.

Effective October 1, 2024, Federal regulations will require that Federal award recipients only charge unfunded pension costs directly to a Federal award if those unfunded pension costs are allocable to that award. In addition, the regulations will require that the recipient must provide the Federal Government an equitable share of the allowed costs,¹³ which may be accomplished through the application of the indirect cost rate.

During our current audit of Vermont, we found that during SFYs 2021 and 2022, the Department charged roughly \$1.8 million to WSFR grants to pay for the State’s unfunded pension liabilities, which represents approximately 21.8 percent of the Department’s payroll. Because FWS is currently working to address our recommendations in the management advisory, we did not perform any testing to validate the number the State reported or make additional recommendations. However, we are highlighting these costs because upcoming changes in Federal regulations may affect their allocability to WSFR grants.

¹² *Unfunded Liabilities for Wildlife and Sport Fish Restoration Program Grants* (Report No. 2020-ER-058-A), issued July 2023.

¹³ 2 C.F.R. § 200.431(g)(6)(v) and (vi) of the October 2024 update. As of June 2024, this is pre-publication is only OMB guidance and not official Federal regulations.

Recommendations Summary

During our audit, we issued a Notice of Potential Finding and Recommendations on the deficiencies associated with in-kind contributions. FWS and the Department concurred with our recommendations and took immediate action to correct the deficiencies. Because of the expediency with which our concerns were addressed, we were able to review the corrective actions and associated documentation FWS and the Department provided before we issued our report. Based on this review, we consider Recommendations 1 and 2 implemented. Below we summarize the FWS and Department responses and actions taken to implement our recommendations, as well as our comments on their responses. Appendix 4 lists the status of each recommendation.

We recommend that FWS require the Department to:

1. Resolve the \$100,091 in unallowable Federal share received as a result of the unsupported and unallowable \$33,364 State share.

FWS Response: FWS concurred with the recommendation and immediately began working with the Department to resolve the unallowable Federal share received.

Department Response: The Department concurred with the recommendation and provided supporting documentation consisting of a revised SF-425 demonstrating the payback.

OIG Comment: We consider Recommendation 1 implemented based on the FWS and Department responses. We obtained and reviewed the supporting documentation and determined it is sufficient support to close the recommendation.

2. Develop and implement Departmentwide procedures regarding volunteer time and mileage documentation and verification to ensure compliance with Federal regulations.

FWS Response: FWS concurred with the recommendation.

Department Response: The Department concurred with the recommendation and provided Departmentwide procedures—effective April 2, 2024—regarding volunteer time and mileage documentation and verification.

OIG Comment: We consider Recommendation 2 implemented based on the FWS and Department responses. We obtained and reviewed the Department's supporting documentation and determined that it is sufficient support to close the recommendation.

Appendix 1: Scope and Methodology

Scope

We audited the Vermont Fish and Wildlife Department'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 38 grants that were open during the State fiscal years (SFYs) that ended June 30, 2021, and June 30, 2022. We also reviewed license revenue during the same period. The audit included expenditures of approximately \$22.2 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 following related principles were significant to the audit objectives:

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

We looked at the design, implementation, and operating effectiveness of internal controls over activities related to our audit objectives. Our tests and procedures included:

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

- Reviewing equipment inventory and disposal records.
- 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 that we discuss in the “Results of Audit” section of our report and made recommendations that FWS and the Department addressed.

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 Vermont Fish and Wildlife Department and that Department’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 that the Department claimed on WSFR grants.¹⁴ We followed up on 1 recommendation from the 2018 report and 18 from the 2013 report. We

¹⁴ *U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the State of Vermont, Fish and Wildlife Department From July 1, 2015, Through June 30, 2017* (Report No.2018-ER-063), issued November 2018.

U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the State of Vermont, Agency of Natural Resources, Department of Fish and Wildlife From July 1, 2010, Through June 30, 2012 (Report No.R-GR-FWS-0014-2013), issued August 2014.

reviewed the Department's corrective actions taken and found all recommendations to be implemented.

State Audit Reports

We reviewed the single audit reports for SFYs 2021 and 2022 to identify control deficiencies or other reportable conditions that affect WSFR. In those reports, the Schedule of Expenditures of Federal Awards indicated \$12.8 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. Neither of these reports contained any findings that would directly affect WSFR grants.

We also reached out to the Vermont State Auditor's Office, and it informed us that there were no prior and ongoing investigations pertaining to or involving the Vermont Fish and Wildlife Department.

Appendix 2: Sites Visited

Headquarters	Montpelier
Regional Office	Rutland
Wildlife Management Areas	Carman's Marsh Dead Creek Little Otter Creek Rock River
Boating Access Sites	Converse Bay Larry Greene Lewis Creek Rock River Sand Bar South Slang
Fish Culture Stations	Ed Weed Roxbury Salisbury
Shooting Range	Kehoe Conservation Camp

Appendix 3: Monetary Impact

We reviewed 38 grants that were open during the State fiscal years that ended June 30, 2021, and June 30, 2022. The audit included expenditures of \$22.2 million and related transactions. We questioned \$100,091 in Federal share as unallowable.

Monetary Impact: Unallowable and Unsupported Questioned Costs

Grant No.	Grant Title	Cost Category	Questioned Costs (\$)
F20AF11887	Hunter Education Program	In-Kind	99,074
F20AF11963	Aquatic Resource Education	In-Kind	1,017
Totals			\$100,091

Appendix 4: Status of Recommendations

Recommendation	Status	Action Required
<p>2023-CGD-022-01 We recommend that the U.S. Fish and Wildlife Service (FWS) require the Vermont Fish and Wildlife Department (Department) to resolve the \$100,091 in unallowable Federal share received as a result of the unsupported and unallowable \$33,364 State share.</p>	Implemented	No action is required.
<p>2023-CGD-022-02 We recommend that FWS require the Department to Develop and implement Departmentwide procedures regarding volunteer time and mileage documentation and verification to ensure compliance with Federal regulations.</p>		



REPORT FRAUD, WASTE, ABUSE, AND MISMANAGEMENT

The Office of Inspector General (OIG) provides independent oversight and promotes integrity and accountability in the programs and operations of the U.S. Department of the Interior (DOI). One way we achieve this mission is by working with the people who contact us through our hotline.



If you wish to file a complaint about potential fraud, waste, abuse, or mismanagement in the DOI, please visit the OIG's online hotline at www.doioig.gov/hotline or call the OIG hotline's toll-free number: **1-800-424-5081**

Who Can Report?

Anyone with knowledge of potential fraud, waste, abuse, misconduct, or mismanagement involving the DOI should contact the OIG hotline. This includes knowledge of potential misuse involving DOI grants and contracts.

How Does it Help?

Every day, DOI employees and non-employees alike contact the OIG, and the information they share can lead to reviews and investigations that result in accountability and positive change for the DOI, its employees, and the public.

Who Is Protected?

Anyone may request confidentiality. The Privacy Act, the Inspector General Act, and other applicable laws protect complainants. Section 7(b) of the Inspector General Act of 1978 states that the Inspector General shall not disclose the identity of a DOI employee who reports an allegation or provides information without the employee's consent, unless the Inspector General determines that disclosure is unavoidable during the course of the investigation. By law, Federal employees may not take or threaten to take a personnel action because of whistleblowing or the exercise of a lawful appeal, complaint, or grievance right. Non-DOI employees who report allegations may also specifically request confidentiality.