**WSFR State Audit Program Review**

Informational Webinar

November 8, 2021

12:00 – 1:00pm EST

**Webinar Leads**:

Scott Knight - Manager, Division of Financial Assistance Support & Oversight

Jean Kvasnicka – Manager, Policy & Compliance Branch

Ord Bargerstock, Compliance Team Lead

Shuwen Cheung, Accountant

Sherry Martin, Accountant

**Webinar Facilitators**:

Ryan Oster, WSFR Training Branch

Mike Sawyers, WSFR Training Branch

**Agenda**:

11:40am – 12:00pm Activate MS Teams meeting link / troubleshoot IT issues

12:00 – 12:10pm Welcome / Webinar Business Rules / Introductions – R. Oster

12:10 – 12:30pm Overview of What the Audit is About – S. Knight

12:30 – 1:00pm Open Q & A Session from Pre-submitted and other Questions\* – ALL

\* Facilitator will verbally ask the Webinar Leads any questions that arise during the webinar or that were submitted previously. The Webinar Leads will respond to the questions.

**Post-Webinar Information**

Attendance: 172 @ highest count – this included WSFR meeting organizers and facilitators.

**Notes Taken on Call:**

Scott’s Introduction:

* JTF issue ID raised a question around the areas of improvements for the audit process.
* Concurrently, WSFR was conducting an analysis of prior audit findings for internal deliberation on the WSFR management team. Scott shared screen for others to see the top issues identified:
  + Working through JTF, WSFR issued subaward management guidance.
  + Real property was an issue addressed collaboratively by the states and regions.
  + Letter issued to advise states of the recommended process to ensure any cost-overruns can be considered allowable expenses in audits.
* Scott discussed the positive direction of the audits. This included a reduction in the audit findings/recommendations.
* Communication between OIG and WSFR has improved:
  + Quarterly meetings between leadership of WSFR and OIG
  + Quarterly meetings with Regional OIG supervisors focused on policy, regulations, and communication – sometimes even addressing state-specific issues as appropriate.
* Annual update will be provided for the audit trends/analysis. Scott shows the FY21 audit trends and analysis. Provide brief description of some of these issues.
* Scott notes that there will be a “next steps session” to address these FY21 issues.
* New initiative related to pre-audit outreach.
  + This will involve OIG outreach to the Regional Office Staff and State to engage earlier in the process regarding the process, what documentation will be needed, and policy changes that may affect the audit process.
* Scott hopes to continue making progress towards resolving audit issues through training and other information rather than issuance of audit findings.
* One recent change that was made because of a reduction in audit findings is moving from a 5-year audit cycle to a 6-year cycle.
* There may be better ways to address the issues through training and other proactive approaches. WSFR is open to suggestions.

**Question & Answer Session – Questions pre-submitted or entered in chat:**

1.Will states in the next audit cycle get a pass from auditors for review of compliance with PPR and FFR due dates?  The change in due dates resulting from the grants solutions roll-out and the subsequent realignment of performance periods with previously issued award letters created some challenges for State Fish and Wildlife Agencies that I hope the auditors will overlook.

Response: Great question… WSFR’s objective is to be fair. If there’s an error because of the GrantSolutions rollout and reporting realignment, WSFR will work with OIG in attempts to come up with a reasonable solution if this becomes an audit issue. While this shouldn’t be interpreted as a “blank check,” there’s a willingness on WSFR’s part to be reasonable with audit issues related to the GrantSolutions transition and realignment.

2. There is no question that audits improve processes and reduce the risk of improper use of WSFR funding; however, the administrative cost, both financial and time, to state wildlife agencies and regional WSFR programs seems to be increasing based on discussions amongst the states and regional WSFR staff. Has WSFR estimated the cost to conduct audits (both internal and state) to evaluate the ROI?

Response: Scott noted that there hasn’t been a full cost benefit analysis. The OIG audits cost ~$2M and covers the review of programs exceeding ~$1B. Given these figures, WSFR believes there is a high value received through the audits relative to the cost. Additionally, OIG’s reputation in the process brings strength and integrity to the process. But to date, there has not been a specific ROI analysis planned.

3. Given the high costs associated with conducting audits of the WSFR program, would WSFR consider a suite of audit approaches that may be utilized based on a state’s history of audit findings. For example, would WSFR consider an audit-lite approach for states in good standing, or focused audits that target key processes that are areas of greatest concern? Other federal programs and states have various audit approaches to be more targeted and cost effective.

Response: That’s a good question… I think WSFR is open to alternative approaches to the audit that would achieve the same outcome. But the question is how do we get to that point? It’s challenging to simply take the stance that if a given state doesn’t have a finding during one audit, that there are no issues or areas for improvement. Sometimes issues aren’t identified in an audit for a variety of reasons. From WSFR’s perspective, moving to a 6-year audit cycle was an acknowledgement of progress in the right direction and felt this would be well-received by the states. But WSFR is willing to consider an alternative approach to reduce the burden of the audits if it were to result in similar results/outcomes.

4. Based on interactions with OIG auditors (both state and WSFR staff), it seems as if there is an expectation that WSFR should take a 'regulator' approach with states. How does WSFR engage with and provide direction to OIG auditors to ensure that the auditors understand/are aware of the partnership between WSFR and the States. Many states have formal agreements (MOU’s etc.) in place that outline our unique relationship. Is this relationship communicated to OIG auditors?

Response: Ryan notes that we have an annual meeting with the OIG and WSFR staff in May. This is a 3-day meeting where WSFR updates OIG on new training, guidance, and other BMPs regarding how WSFR implements these programs. This meeting also provides OIG an opportunity to inform WSFR of what kinds of trends they are seeing in the audits. This is an annual function to ensure OIG is aware of the uniqueness of the WSFR partnership.

Scott added that we occasionally disagree with OIG over how they think the WSFR Program should operate. OIG oftentimes is receptive, but they view themselves as the umpire in the situation and because of this, they aren’t always interested in the nuanced approach that the WSFR Partnership often takes. Scott contends that WSFR handles this the right way in the spirit of the partnerships and is always willing to defend their position to OIG. In some cases, this has resulted in management advisories from OIG issued to WSFR when there isn’t agreement on a particular matter. Scott notes that we are trying to carry forward the legacy of the partnership and that they don’t mind disagreeing with OIG when WSFR feels their interpretation is inaccurate. In closing, Scott noted that it is unlikely that OIG would recognize the unique nature of the WSFR Partnership to an extent that it would change their approach to conducting the audits.

5. Who is best to serve as state POC for a WSFR audit?

Response: There’s a recognition that all states are structured differently, but the main characteristics that the person or people should have relates to a background in the programs being audited, fiscal background in the agency, and someone in a position of strong enough influence in the agency to ensure the that the audit requests can be fulfilled in a timely manner.

6. What is a “Notice of Potential Finding and Recommendation (NPFR)” and what is its purpose?

Response: NPFRs serve a valuable purpose in the process with the main goal of communicating *potential* issues identified during the audit. When an NPFR is issued, there seems to be a desire to have the NPRF rescinded if the state does not agree. Scott notes that the NPFR is sometimes the first time WSFR becomes aware of an issue and it provides an opportunity for WSFR to understand the issue. Sometimes WSFR does not agree with the NPFR and is willing to disagree with OIG’s stance on the issue. From WSFR’s perspective, it is easier to have the NPFR issued and then addressed prior to the final audit report. The issuance of an NPFR does not automatically mean it will be listed as a finding in the Final Audit Report. Scott’s recommendation is to not panic if/when an NPFR is issued. There are opportunities to address the matter through the audit process.

7. Do most state fish & wildlife agencies have internal audit functions?

Response: Generally, not within the State Fish & Wildlife Agency itself. Some bigger states may have internal staff or processes specific to auditing needs.

8. Was there JTF consideration to possibly move OIG audit reviews of open grants within a one state fiscal year period as opposed to the state’s two most recently closed fiscal years?

Response: Scott noted that WSFR would consider this approach. He also acknowledged that, in some cases, there have been delays in final audit reports being issued. This has resulted in limited time to address the Corrective Action Plan (CAP) and reach resolution in advance of the next-scheduled audit entrance conference. This was the case in several audit reports that had complex recommendations. Perhaps there could be consideration for greater focus on the second year of the 2-year audit cycle rather than the first year of the audit cycle in cases where a CAP from the previous audit was still under development or implementation.

9. Can you elaborate on the process by which WSFR and OIG decide on which audit team is assigned to each State audit?

Response: Ord notes that OIG selects the teams. A few years ago, OIG had an external audit team that focused only on WSFR audits. But now, OIG has been restructured and is presently organized via three separate OIG Regions (East, Central, and West). Generally, OIG selects the audit team based on availability of an auditor and if that auditor has a particular specialty. The level of experience of a given auditor also comes into play when assembling the team. Selection of auditors is not necessarily geographically based. Scott notes that with the rare exception, WSFR stays out of the matter and leaves team selection to OIG.

10. GrantSolutions and TRACS are two relatively new systems that WSFR/States are now using.  What is the level of detail that OIG will have access to GS and TRACS as part of the State audit?

Response: This depends on how involved each system is related to the official award file. When the auditors are reviewing the core elements of a grant application or award, these documents may exist in GrantSolutions (e.g., SF424, budget narrative, compliance documentation, grant narrative). Generally, auditors will not be gathering information from TRACS since GrantSolutions contains the official files for the awards. An exception for TRACS is the land and facilities modules. TRACS is the official system of record for lands and facilities in lieu of the SF429 for real property reporting requirements. But any financial information in TRACS is not auditable. If OIG attempts to seek financial information in TRACS, WSFR would stop them from doing so. It’s important to remember that OIG is the contractor for these audits – so WSFR has control to ensure they aren’t utilizing TRACS to gather information that is not auditable.

11. How does OIG determine what issues they identify as an NPFR & formal audit findings vs simply a verbal mentioning at the exit conference?

Response: Scott questions the benefit of having 30 audit recommendations issued in the report. If there are a few significant findings and the remainder are minor issues, issuing findings on all of them may diminish the importance of the more significant findings. A recommended approach might be to issue the findings on the significant matters and leave the other smaller issues for discussion at the exit conference. An example of a smaller issue might be something like a tractor being located on the wrong WMA. It seems as though this should not rise to the level of an audit finding. The approach to ultimately addressing an issue found during the audit may be a consideration moving forward.

Ord added that there is auditor discretion as to whether or not a particular issue should result in a finding. Because of this independence, it’s not always WSFR’s role to make a judgement on a particular issue.

12. Each audit cycle seems to have focused on certain hot topics or issues (i.e., Subrecipient/Contractor Determination; Real Property Reconciliation), is there any indication or trend as to what the next hot button topic/issue might be?  And how might States be more proactive and get out in front of these emerging topics/issues?

Response: Auditors still spending significant time on real property issues. They see real property as a public trust and have placed a high emphasis on this topic. Scott predicts idle funds being an issue – this might be an area of particular emphasis in the future given the record high apportionments for Wildlife Restoration.

13. It would be nice if States had some input into the timing of the start of the audit. We were notified Sept. 2 that our audit would begin in Oct. Our fiscal year doesn't officially close until 9/15 so many of the documents requested were not available by the due date of the request. We knew we would be audited in FY22, but a couple weeks’ notice is difficult to plan for.

Response: Scott recognizes that there needs to be better coordination around scheduling. Also see bullet point from Scott’s opening remarks above that spoke to the pre-audit coordination efforts between OIG, the WSFR Regional Office, and State. This may facilitate a better communication and understanding regarding time constraints of a given State’s fiscal year and limitations to provide requested information at the beginning of an audit.