



DEPARTMENT OF WILDLIFE RESOURCES
FISH AND WILDLIFE CLUSTER
OF FEDERAL GRANT PROGRAMS

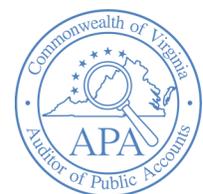
REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2025

Auditor of Public Accounts

Staci A. Henshaw, CPA

www.apa.virginia.gov

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AUDIT SUMMARY

Our audit of the Fish and Wildlife Cluster of federal grant programs, administered by the Department of Wildlife Resources, for the fiscal year ended June 30, 2025, found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth's accounting and reporting system; except for issues noted within the finding titled "Improve Financial Management of Federal Grants," which is described in the section titled "Internal Control and Compliance Finding and Recommendation;" and
- one matter involving internal control and its operation requiring management's attention, that also represents an instance of noncompliance with applicable laws and regulations that is required to be reported under Government Auditing Standards that we consider to be a material weakness in internal control.

In the section titled "Internal Control and Compliance Finding and Recommendation," we have included our assessment of the conditions and causes resulting in the internal control and compliance finding identified through our audit as well as the recommendation for addressing this finding. Our assessment does not remove management's responsibility to perform a thorough assessment of the conditions and causes of the finding and develop and appropriately implement adequate corrective actions to resolve the finding as required by the Department of Accounts in Topic 10205 – Agency Response to APA Audit of the Commonwealth Accounting Policies and Procedures Manual. Those corrective actions may include additional items beyond our recommendation.

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INTERNAL CONTROL AND COMPLIANCE FINDING AND RECOMMENDATION

Improve Financial Management of Federal Grants

Type: Internal Control and Compliance

Severity: Material Weakness

The Department of Wildlife Resources (Wildlife Resources) should improve its financial management of federal grants and documentation of internal controls to ensure compliance with state and federal requirements. Wildlife Resources has experienced recent turnover in its grants staff positions. Wildlife Resources has hired new staff; however, there was no transition period with the previous staff, and the previous grants staff did not sufficiently document internal controls over the federal programs. Staff have started documenting desk procedures, but agency-wide policies and procedures remain lacking. As such, grants staff did not appear to have sufficient knowledge of statewide policies and procedures to adequately perform the federal grants management processes in accordance with federal regulations and the Commonwealth Accounting Policies and Procedures (CAPP) Manual. We identified the following issues:

- Wildlife Resources should amend its procedures to comply with CAPP Manual requirements for cash management of federal funds. CAPP Manual Topic 20605 states that two methods of recording "split" funded expenses are acceptable. The method preferred by the State Comptroller is to establish procedures to "split code" the expenses by allocating the disbursement between a state fund and the federal fund at the matching ratio prescribed by the grant or contract. A second, and temporary, funding method allows the agency to charge the original expense to a state fund and subsequently, within seven business days, prepare and submit a general ledger journal in the Commonwealth's accounting and financial reporting system to charge the federal fund for the federal portion of the original expense, referencing the original voucher in the journal reference line for transparency. If a state agency cannot comply, the agency must request approval from the State Comptroller. Wildlife Resources follows the temporary funding method to record its federal expenses. Wildlife Resources spends from state funds and then performs journal entries to move transactions to the federal fund in bulk with some journal entries representing hundreds of individual transactions, which does not allow for transparency regarding the nature of Wildlife Resources federal expenses. Further, our analysis found that Wildlife Resources enters journal entries for federal drawdowns up to three months after the original transaction date which is not consistent with the seven-day requirement in CAPP Manual Topic 20605. Per 2 Code of Federal Regulations (CFR) § 200.302, a recipient must comply with state laws and procedures for expending and accounting for the State's funds. Additionally, the untimely performance of these extensive journal entries may result in Wildlife Resources recording journal entries in the wrong fiscal year, which could result in inaccurate information within the Commonwealth's Annual Comprehensive Financial Report.

- Wildlife Resources does not maintain adequate support for its journal entries. CAPP Manual Topic 20405 requires the agency to retain sufficient supporting documentation to provide auditable records containing evidence of required coding elements for journal entries. Wildlife Resources' journal entries lack documentation related to changes in coding. Further, Wildlife Resources does not maintain supporting documentation for journal entries in one accessible location which would allow for sufficient supervisory review. Not maintaining adequate supporting documentation over journal entries increases the risk of inaccurate or fraudulent transactions. Wildlife Resources also does not have policies and procedures in place that detail how it creates the journal entries, what type of documentation to retain to support journal entries, or how Wildlife Resources ensures it only moves allowable costs to the federal fund. Title 2 CFR § 200.303(a) requires recipients to establish, document, and maintain effective internal control over the federal award that provides reasonable assurance that the recipient or subrecipient is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.
- During fiscal year 2025, in response to our Office's [2024 Internal Control Questionnaire Review](#), Wildlife Resources established a bimonthly drawdown and journal entry schedule to ensure timely drawdown of federal funds to reimburse expenses originally incurred within state funds and to assist in remediation of its cash flow issues. Per 31 CFR § 205.33, a state must minimize the time between the drawdown of federal funds from the federal government and their disbursement for federal program purposes in accordance with the actual, immediate cash requirements of the state. The timing and amount of funds transfers must be as close as is administratively feasible to a state's actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs. However, based on our analysis of drawdowns, while Wildlife Resources has made progress in the rate of drawdowns since the previous review, due to staff shortages, Wildlife Resources has not fully followed its drawdown schedule to ensure timely drawdowns of federal funds, which could exacerbate the agency's cash flow issues. Specifically, the drawdown schedule included twenty planned drawdowns, however Wildlife Resources completed only eleven (55%) in accordance with that schedule. Furthermore, Wildlife Resources does not have policies and procedures in place over the completion of drawdowns as required by 2 CFR § 200.302, which requires a recipient to have written procedures to implement the requirements of 2 CFR § 200.305 regarding federal drawdowns.
- Wildlife Resources did not record program income revenue of approximately \$2.3 million in the correct fiscal year for the Fish and Wildlife Cluster. Wildlife Resources recorded the program income received in fiscal year 2025 in a suspense account and did not distribute the income to the proper revenue account until fiscal year 2026. CAPP Manual Topic 20205 requires recording of all state receipts in the Commonwealth's accounting and financial reporting system in a timely manner within three business days of the deposit. Additionally, the Department of Accounts (Accounts) Fiscal Year-End Closing Procedures require agencies to certify that they properly distributed balances to the correct accounts before final close of

Commonwealth's accounting and financial reporting system. By not properly recording program income, Wildlife Resources may misrepresent financial information to the federal government and report information that does not agree with its accounting records.

- Wildlife Resources reported federal expenses on its Schedule of Expenditures of Federal Awards (SEFA), a schedule that details Wildlife Resources' federal expenses for fiscal year 2025, that did not agree to its underlying accounting records. Wildlife Resources reported federal expenses in the SEFA that it recorded as state funds in the Commonwealth's accounting and financial reporting system due to considering journal entries that they did not record in the system until the next fiscal year. Due to these issues and preparation of the SEFA by a member of management on long-term leave who was not available during the audit, Wildlife Resources could not support amounts totaling over \$660,000 in its SEFA. Additionally, Wildlife Resources does not have documented procedures outlining its process for preparing the SEFA in accordance with 2 CFR § 200.510(b), which states that the auditee must prepare a schedule of expenditures of federal awards for the period covered by the auditee's financial statements which must include the total federal awards expended as determined in accordance with 2 CFR § 200.502. Accounts' Office of the Comptroller's Directive No. 1-25 (Comptroller's Directive) also provides specific directions for compiling the SEFA and supporting schedules to support its preparation of the Commonwealth's SEFA and related disclosures. Furthermore, the Comptroller's Directive states that an agency must ensure that it has internal controls in place to avoid material misstatements and/or misclassifications in the attachments and other financial information submitted to Accounts for inclusion in the Commonwealth's Single Audit. By not implementing adequate internal controls over financial reporting, Wildlife Resources cannot provide reasonable assurance that the financial information it submits to Accounts for inclusion in the Commonwealth's Single Audit is free of material misstatements.

Because of the scope of the matters and errors noted above, we consider this finding to be a material weakness in internal control. Wildlife Resources should improve its financial management of federal funds and documentation of internal controls to ensure compliance with state and federal requirements. The need for strong internal controls is especially important given that Wildlife Resources is exploring additional federal funding opportunities. Wildlife Resources should work with Accounts to develop and implement a federal grants management process that complies with the CAPP Manual. Wildlife Resources should improve its process and controls related to federal fund drawdowns to ensure timely reimbursement of expenses within federal limitations. Further, Wildlife Resources should also improve its controls and procedures related to journal entry processing to ensure it retains adequate support for all entries and enters the entries timely. Additionally, Wildlife Resources should perform a thorough review of its SEFA before submitting it to Accounts and retain supporting documentation to support the SEFA. Finally, Wildlife Resources should develop policies and procedures over all federal grants processes including all compliance requirements. These improvements combined are necessary to ensure accurate accounting and financial reporting in accordance with the CAPP Manual, the Code of Federal Regulations, the Comptroller's Directives, and applicable accounting standards.



Commonwealth of Virginia

Auditor of Public Accounts

Staci A. Henshaw, CPA
Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

January 29, 2026

The Honorable Abigail Spanberger
Governor of Virginia

Joint Legislative Audit
and Review Commission

Secretary David Bulova
Secretary of Natural and Historic Resources

Ryan Brown
Executive Director, Department of Wildlife Resources

We have audited the financial records and operations of the Fish and Wildlife Cluster of federal grant programs, administered by the **Department of Wildlife Resources** (Wildlife Resources), for the year ended June 30, 2025. We conducted this audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, in support of the Commonwealth's Single Audit. 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.

Audit Objectives

Our audit's primary objective was to audit the Fish and Wildlife Cluster of federal grant programs in support of the Commonwealth's Single Audit for the year ended June 30, 2025. In support of this objective, we evaluated the accuracy of recorded financial transactions in the Commonwealth's accounting and financial reporting system and reviewed the adequacy of Wildlife Resources' internal controls over compliance with applicable laws, regulations, contracts, and grant agreements.

Audit Scope and Methodology

Wildlife Resources' management has responsibility for establishing and maintaining internal control and complying with applicable laws, regulations, contracts, and grant agreements. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws, regulations, contracts, and grant agreements.

We gained an understanding of the overall internal controls, both automated and manual, sufficient to plan the audit. We considered materiality and risk in determining the nature and extent of our audit procedures. Our review encompassed controls over the Fish and Wildlife Cluster of federal grant programs.

We performed audit tests to determine whether Wildlife Resources' controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws, regulations, contracts, and grant agreements. Our audit procedures included inquiries of appropriate personnel, inspection of documents, records, and contracts, and observation of Wildlife Resources' operations. We performed analytical procedures, including budgetary and trend analyses, and tested details of transactions to achieve our audit objectives.

A nonstatistical sampling approach was used. Our samples were designed to support conclusions about our audit objectives. An appropriate sampling methodology was used to ensure the samples selected were representative of the population and provided sufficient, appropriate evidence. We identified specific attributes for testing each of the samples and, when appropriate, we projected our results to the population.

Our consideration of internal control over compliance was for the limited purpose described in the section "Audit Objectives" and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the section titled "Internal Control and Compliance Finding and Recommendation," we identified certain deficiencies in internal control that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency titled "Improve Financial Management of Federal Grants," which is described in the section titled "Internal Control and Compliance Finding and Recommendation," to be a material weakness.

Conclusions

We found that Wildlife Resources properly stated, in all material respects, the amounts recorded and reported in the Commonwealth’s accounting and financial reporting system except as noted within the finding titled “Improve Financial Management of Federal Grants,” which is described in the section titled “Internal Control and Compliance Finding and Recommendation.”

We noted a matter involving internal control and its operation and compliance with applicable laws, regulations, contracts, and grant agreements that requires management’s attention and corrective action. This matter is described in the section titled “Internal Control and Compliance Finding and Recommendation.”

Since the finding noted above is identified as a material weakness, it will be reported as such in the “Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance,” which is included in the Commonwealth of Virginia’s Single Audit Report for the year ended June 30, 2025. The Single Audit Report will be available at www.apa.virginia.gov in February 2026.

Exit Conference and Report Distribution

We discussed this report with management at an exit conference held on February 4, 2026. Government Auditing Standards require the auditor to perform limited procedures on Wildlife Resources’ response to the finding identified in our audit, which is included in the accompanying section titled “Agency Response.” Wildlife Resources’ response was not subjected to the other auditing procedures applied in the audit and, accordingly, we express no opinion on the response.

This report is intended for the information and use of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

Staci A. Henshaw
AUDITOR OF PUBLIC ACCOUNTS

JDE/vks

FINDINGS SUMMARY

Finding Title	Status of Corrective Action*	Fiscal Year First Reported
Improve Financial Management of Federal Grants	Ongoing	2025

*A status of **Ongoing** indicates new and/or existing findings that require management’s corrective action as of fiscal year end.



COMMONWEALTH of VIRGINIA

Department of Wildlife Resources

David L. Bulova
Secretary of Natural
and Historic Resources

Ryan J. Brown
Executive Director

February 10, 2026

Staci Henshaw
The Auditor of Public Accounts
P. O. Box 1295
Richmond, Virginia 23218

Dear Ms. Henshaw:

Thank you for affording us the opportunity to review the findings and recommendations made during the Auditor of Public Accounts (APA) audit of our financial transactions concerning the Department of Wildlife Resources (DWR) Federal Programs and specifically grants that make up the "Fish and Wildlife Cluster" for fiscal year ending June 30, 2025. Based on this report and discussions with APA leading up to this report's publishing, DWR is grateful that we were found to have proper recording and reporting of all transactions, in all material respects, in the Commonwealth's accounting and reporting system, notwithstanding the issues noted within the finding titled "Improve Financial Management of Federal Grants" that recognizes areas of improvement with regard to written policies and procedures, supporting documentation, staff training, and timeliness of the Federal grant reimbursements process. While the Department of Wildlife Resources (DWR) generally agrees with APA's observations and concurs with the recommendations included in this report, I feel it is important to offer additional context on some such areas in this response.

1. DWR manages on average \$16 million annually from the three programs that make up the "Fish and Wildlife Cluster": namely Wildlife Restoration, Sportfish Restoration, and State Wildlife Grants. In doing so, our agency consistently adheres to unique Federal program guidance and requirements, and as a result have agency staff that represent Virginia on both regional and national Federal Aid workshops and steering committees. As these three Federal programs comprise a significant percentage of our annual budget, we take pride in ensuring that these funds are managed according to state and Federal guidelines and are ultimately used as intended to support fish and wildlife conservation.
2. As acknowledged in this report, it is true that DWR's grants team, and in general our Planning and Finance Division, has experienced turnover and transition in key positions and regrettably little to no overlap between previous staff departing and new staff coming on board. This prevented opportunities for appropriate training, transfer of historical knowledge, and adequate oversight. As highlighted in your findings and recommendations, these gaps were further aggravated by not having sufficient documentation to support procedures in place, or a clear understanding of those procedures, so that the internal controls over these and other Federal grant programs were easily explained and followed.

3. While DWR has undergone multiple audits at both state and Federal levels over the past decade, this year's audit represented the first time that our current process for charging and reimbursing Federal expenditures was questioned. As referenced in the report, when it comes to our Federal-eligible expenditures, DWR operates within a process where we charge the entirety of the original expenditure to an agency fund, subsequently seek reimbursement or "drawdown" of the federal portion of that expenditure into our Federal fund, and finally transfer, or "journal", these reimbursed funds as a way of restoring the initial agency fund. Depending on the grant awarding agency's guidance, this drawdown process would normally occur monthly or quarterly. This methodology is used instead of "split coding" expenditures to both the agency fund and Federal fund upfront. That said, we do recognize that this process creates opportunities for delays and inefficiencies that can lead to noncompliance. Therefore, we appreciate the chance to evaluate our current methodology moving forward. Based on follow up discussions between our team, APA, and DOA, we are already in the process of determining our next steps.
4. DWR strives to seek Federal grant reimbursement as efficiently as possible and continues to increase our rate of drawdowns every year. In 2024, our grants team adopted a formal internal schedule to improve accountability of Federal drawdowns. While our dedicated staff made progress, this section and the overall Planning and Finance Division faced staffing and training challenges over most of FY2025, as well as external disruptions to the Federal reimbursement process, that prevented us from staying consistent. Failing to adhere to our own biweekly and monthly drawdown schedule, DWR was forced to endure Federal reimbursement delays ranging from 3 calendar days to as many as 45, with an average delay of 27 calendar days over this twelve-month timeline. While certainly an area for improvement, and one that will contribute to DWR's cashflow support throughout the fiscal year, we are already seeing positive results as we backfill staff, advance additional training, evaluate processes, and clearly define priorities. As a result, I fully expect Federal reimbursement processes to be less volatile externally and timelier internally moving forward.
5. Based on previous Federal audits, DWR believes that supporting documentation exists already to appropriately verify Federal grant expenditures, program income, corresponding accounting transactions, and requests for reimbursement. As has been previously reported, DWR maintains monthly expense and accounting entry information within shared electronic and paper filing systems, and this and other supporting documentation is made available for purposes of review and approval in our purchase, accounts payable, and Federal fund reimbursement processes. There are, of course, always opportunities to improve, and to make such documentation more standardized, purposeful, and accessible. Based on that, DWR is already taking steps to improve the transparency of Federal expenditures, which includes enhancing detail within our supporting documentation to improve understanding, uploading applicable documents into the Cardinal accounting system to assist with management approval, and consolidating all documentation centrally to assist with access.

DWR is well-positioned to respond quickly to this year's identified issues of internal control and compliance. Our agency will continue to seek ways to ensure consistency and efficiency for all our financial responsibilities, and our employees will continue to bring a sense of pride and professionalism in how we manage these important responsibilities. We look forward to working with your staff to address ongoing Corrective Action Work Plans. I would also like to thank you for the level of cooperation and

professionalism your staff showed during this year's audit and look forward to a strong working relationship in the future.

Sincerely,

A handwritten signature in blue ink, appearing to read 'R Brown', with a stylized flourish at the end.

Ryan Brown
Executive Director

cc: George Terwilliger, Chair, DWR Board
Marley "Woody" Woodall Jr, Chair, DWR Board Finance, Audit, & Compliance Committee