

# STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR  
BETH A. WOOD, CPA



## NORTH CAROLINA WILDLIFE RESOURCES COMMISSION

RALEIGH, NORTH CAROLINA

STATEWIDE FEDERAL COMPLIANCE AUDIT PROCEDURES  
FOR THE YEAR ENDED JUNE 30, 2015



**NCOSA**  
The Taxpayers' Watchdog

STATE OF NORTH CAROLINA  
**Office of the State Auditor**



**Beth A. Wood, CPA**  
State Auditor

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## AUDITOR'S TRANSMITTAL

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The Honorable Pat McCrory, Governor  
Members of the North Carolina General Assembly  
Gordon S. Myers, Executive Director  
North Carolina Wildlife Resources Commission

As part of our audit of the State of North Carolina's compliance with requirements applicable to its major federal programs, we have completed certain audit procedures at the North Carolina Wildlife Resources Commission for the year ended June 30, 2015. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Our audit was performed by authority of Article 5A of Chapter 147 of the *North Carolina General Statutes*.

Our audit objective was to render an opinion on the State of North Carolina's, and not the Commission's, administration of major federal programs. However, the report included herein is in relation to our audit scope at the Commission and not to the State of North Carolina as a whole. The State Auditor expresses an opinion on the State's compliance with requirements applicable to its major federal programs in the State's *Single Audit Report*.

The audit findings in this report are also evaluated to determine their impact on the State's internal control and the State's compliance with rules, regulations, contracts and grants. If determined necessary in accordance with *Government Auditing Standards*, these findings are reported in the State's *Single Audit Report*.

*North Carolina General Statutes* require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the options listed in the back of this report.

A handwritten signature in cursive script that reads 'Beth A. Wood'.

Beth A. Wood, CPA  
State Auditor

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Beth A. Wood, CPA  
State Auditor

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Article V, Chapter 147 of the North Carolina General Statutes, gives the Auditor broad powers to examine all books, records, files, papers, documents, and financial affairs of every state agency and any organization that receives public funding. The Auditor also has the power to summon people to produce records and to answer questions under oath.



# **INDEPENDENT AUDITOR'S REPORT**

STATE OF NORTH CAROLINA  
**Office of the State Auditor**



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State Auditor

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

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Gordon Myers, Executive Director  
and Management of the Wildlife Resources Commission

Report on Compliance

As part of our audit of the State of North Carolina's compliance with the types of requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major programs for the year ended June 30, 2015, we have performed audit procedures at the North Carolina Wildlife Resources Commission. Our report on the State of North Carolina's compliance with requirements that could have a direct and material effect on each major program and on internal control over compliance in accordance with OMB Circular A-133 is included in the State's *Single Audit Report*. Our federal compliance audit scope at the Wildlife Resources Commission included the following:

- The Fish and Wildlife Cluster:
  - CFDA 15.605 – Sport Fish Restoration Program
  - CFDA 15.611 – Wildlife Restoration and Basic Hunter Education

The audit results described below are in relation to our audit scope at the Commission and not to the State of North Carolina as a whole.

Management's Responsibility

Management is responsible for compliance with laws, regulations, contracts and grants applicable to federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the State of North Carolina's major federal programs based on our audit of the types of compliance requirements referred to above, which we issue in the State's *Single Audit Report*. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in

*Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion. However, our audit does not provide a legal determination of the Commission's compliance with those requirements.

### Opinion on Each Major Federal Program

As stated above, our opinion on compliance for each of the State of North Carolina's major federal programs is included in the State's *Single Audit Report*.

### Other Matters

The results of our audit procedures at the Wildlife Resources Commission disclosed instances of noncompliance that are required to be reported in accordance with OMB Circular A-133 and which are described in finding 1 in the Findings, Recommendations, and Responses section of this report.

### Report on Internal Control Over Compliance

Management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance 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. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section 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 accompanying Findings, Recommendations, and Responses section, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies. We consider the deficiency described in finding 1 in the Findings, Recommendations, and Responses section of this report to be a material weakness in internal control over compliance. Furthermore, we consider the deficiency described in finding 2 in the Findings, Recommendations, and Responses section of this report to be a significant deficiency in internal control over compliance.

#### Wildlife Resources Commission's Response to Findings

The Commission's responses to the findings identified in our audit are included in the Findings, Recommendations, and Responses section of this report. The Commission's responses were not subjected to the auditing procedures applied in the audit of compliance or consideration of internal control over compliance, and accordingly, we express no opinion on them.

#### Purpose of Report on Internal Control Over Compliance

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this communication is not suitable for any other purpose.



Beth A. Wood, CPA  
State Auditor

Raleigh, North Carolina

March 28, 2016



# **FINDINGS, RECOMMENDATIONS, AND RESPONSES**



### **Matters Related to Federal Compliance Audit Objectives**

The following audit findings were identified during the current audit and describe conditions that represent deficiencies in internal control or noncompliance with laws, regulations, contracts, grant agreements, or other matters.

#### 1. THE COMMISSION DID NOT ENSURE VENDORS WERE NOT SUSPENDED OR DEBARRED

Prior to awarding contracts or issuing orders, North Carolina Wildlife Resources Commission (WRC) management did not verify that vendors had not been suspended or debarred from doing business with the State or federal government. During the state fiscal year-ended June 30, 2015, the Commission paid \$7,522,007 (federal share \$5,641,505) to 22 out of 32 (68.7%) vendors subject to this requirement.

Management's failure to verify vendors were not suspended or debarred could result in transactions with vendors who may not provide quality goods and services. Based on our review, none of the vendors that received payments during the audit period were suspended or debarred from doing business with the State or federal government.

According to Commission management, they were aware of the requirement to verify that vendors were not suspended or debarred. A suspension and debarment clause was included in all contracts that were processed through the Commission's purchasing section. However, for contracts not processed through the purchasing section of the Commission, management did not include a clause in the contract, collect a certification from the vendor or verify in the federal exclusions system that the vendor was not suspended or debarred.

Federal regulation 2 CFR 180.300 requires the non-federal entity to verify that the intended contractor is not suspended or debarred or otherwise excluded from participating in Federal assistance programs by checking the Government-wide System for Award Management (SAM) Exclusions, collecting a certification from the contractor or adding a clause or condition to the contract.

*Federal Award Information:* The finding impacts CFDA 15.605: Grant F105 for the award period of April 1, 2012 – June 30, 2016; Grant F111 for the award period of December 12, 2012 – November 30, 2015; Grant F112 for the award period of December 12, 2012 – November 30, 2016; Grant MBA1 for the award period of January 1, 2014 – September 30, 2014 and Grant F26 for the award period of July 1, 2014 – June 30, 2015.

This finding also impacts CFDA 15.611: Grant W67 for the award period of July 1, 2011 – June 30, 2016 and Grant W68 for the award period of July 1, 2014 – June 30, 2015.

*Recommendation:* Commission management should make sure that procedures are consistently followed to ensure that vendors are not suspended or debarred by one, or a combination, of the means described above.

*Agency's Response:* NCWRC has revised contract formation documentation, including the NCWRC Purchasing Manual, to include a required review of the State and Federal debarred vendor lists prior to initiating a vendor contract. This revision has been communicated to the appropriate NCWRC staff. NCWRC also requires vendors to

certify that they are not debarred by the state or federal government. These vendor certifications serve as an additional preventive measure to ensure NCWRC is conducting business with authorized vendors. NCWRC will send periodic communications to appropriate NCWRC staff relating to the debarred vendor list review requirement. NCWRC will retain documentation to evidence performance of debarred vendor list review.

### 2. THE COMMISSION DID NOT FOLLOW STATE PROCUREMENT POLICIES

The Wildlife Resources Commission did not follow statewide procurement policies when making purchases from state term contracts and executing construction contracts using Fish and Wildlife Cluster grant funds.

Specifically the following issues were noted:

- State Term Contract 515B for Grounds Maintenance Equipment requires users of the contract to contact multiple vendors for the “Best Value”<sup>1</sup>. The Commission used this contract to purchase goods for \$71,328 (federal share of \$54,497). There was no documentation to support that multiple vendors were contacted.
- During the audit period the Commission paid \$835,416 (federal share of \$626,562) to vendors on construction contracts that were executed without obtaining approval or exemption from the Department of Administration’s State Construction Office (SCO).

Failure to follow statewide procurements policies could result in the Commission paying too much for goods and services or getting poor quality.

Per Commission management, the employee responsible for the equipment purchase against State term contract 515B did not contact multiple vendors as required in the term contract.

Also per Commission management, previous guidance from the SCO was misinterpreted to mean that Commission management could determine if a construction contract met the criteria for exemption and did not submit all constructions contracts to SCO for review and approval.

Federal regulations require states to follow the same policies and procedures it uses for procurements with non-federal funds to procure goods and services using federal funds. The State Construction Manual, Chapter 300, requires that all plans and specifications for the construction or renovation of state building or buildings located on state lands be reviewed and approved by the State Construction Office. Additionally, the State Construction Manual states that informal projects, under \$300,000, may be exempt from the SCO plan review process at the discretion of the SCO.

*Federal Award Information:* This finding impacts CFDA 15.605: Grant F26 for the award period of July 1, 2014 – June 30, 2015.

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<sup>1</sup> Best Value as it relates to the use of State term contracts means contacting the approved term contract vendors to determine the best vendor to use based on pricing, delivery, warranty, service locations, available options/features/attachments and other issues important to the user organization.

This finding also impacts CFDA 15.611: Grant W67 for the award period of July 1, 2011 – June 30, 2016 and Grant W68 for the award period of July 1, 2014 – June 30, 2015.

*Recommendation:* Commission management should ensure statewide procurement policies and procedures are followed when executing construction contracts and purchasing good and services on state term contracts.

*Agency's Response:* (State Term Contract 515B) NCWRC has communicated, to the appropriate NCWRC staff, the requirement to obtain and document multiple vendor bids when purchasing equipment under State Term Contract 515B. NCWRC has revised the NCWRC Purchasing Manual to include guidance relating to State Term Contracts. NCWRC will send periodic communications to appropriate NCWRC staff relating to the State Term Contract requirements. NCWRC will retain documentation to evidence performance of multiple vendor quote requests.

(State Construction Office contract review) NCWRC complied with all of the construction requirements contained in the State Construction Manual, however, due to a misinterpretation of State Construction Office contract review guidance, NCWRC did not submit all eligible contracts to the State Construction Office for review as required. NCWRC has obtained clarification from the State Construction Office and has notified all appropriate NCWRC staff of the clarification. NCWRC has revised the State Construction Procurement Process section of the NCWRC Purchasing Manual to include the clarification of the State Construction Office contract review requirements. Periodic communication will be sent to NCWRC staff relating to State Construction Office requirements. NCWRC will retain documentation to evidence performance of contract submission to the State Construction Office.

# ORDERING INFORMATION

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## COPIES OF THIS REPORT MAY BE OBTAINED BY CONTACTING:

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For additional information contact:  
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**919-807-7513**



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This audit was conducted in 1098 hours at an approximate cost of \$108,702.