



Department of the Interior  
Office of Inspector General

# AUDIT REPORT

U.S. Fish and Wildlife Service  
Federal Assistance Program Grants  
Awarded to the  
Commonwealth of Pennsylvania Game  
Commission From July 1, 2002, Through  
June 30, 2004

Report No. R-GR-FWS-0008-2005

May 2007



# United States Department of the Interior

## OFFICE OF INSPECTOR GENERAL

12030 Sunrise Valley Drive, Suite 230  
Reston, Virginia 20191

May 31, 2007

## AUDIT REPORT

### Memorandum

To: Director  
U.S. Fish and Wildlife Service

From: Christina M. Bruner *Christina M. Bruner*  
Director of External Audits

Subject: Audit on the U.S. Fish and Wildlife Service Federal Assistance Program Grants  
Awarded to the Commonwealth of Pennsylvania Game Commission From  
July 1, 2002, Through June 30, 2004 (No. R-GR-FWS-0008-2005)

This report presents the results of our audit of costs incurred by the Commonwealth of Pennsylvania (Commonwealth) Game Commission (Commission) under grants awarded by the U.S. Fish and Wildlife Service (FWS). FWS provided the grants to the Commonwealth under the Federal Assistance Program for State Wildlife Restoration and Sport Fish Restoration (Federal Assistance Program). The audit included total reported outlays of approximately \$26.3 million under ten grants that were open during the Commonwealth's fiscal years (CFYs) ended June 30 of 2003 and 2004 (see Appendix 1). The audit also covered Commission compliance with applicable laws, regulations, and FWS guidelines, including those related to the collection and use of hunting and fishing license revenues and the reporting of program income.

We found the Commission complied, in general, with applicable grant accounting and regulatory requirements. We questioned \$1.76 million in costs and identified issues related to 1) inadequate controls over real property; 2) incomplete inventories and inadequate controls over personal property; and 3) inaccurate reporting of program income.

We provided a draft of the report to FWS and the Department for response. This report summarizes Department and FWS Region 5 responses after each recommendation, as well as our comments on the responses. We list the status of the recommendations in Appendix 3.

Please respond in writing to the findings and recommendations included in this report by August 29, 2007. Your response should include information on actions taken or planned, targeted completion dates, and titles of officials responsible for implementation.

If you have any questions regarding this report, please contact Mr. Chris Krasowski, the Federal Assistance Coordinator, or me at 703-487-5345.

cc: Regional Director, Region 5, U.S. Fish and Wildlife Service

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## Introduction

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### Background

The Pittman-Robertson Wildlife Restoration Act and the Dingell-Johnson Sport Fish Restoration Act (Acts)<sup>1</sup> established the Federal Assistance Program for State Wildlife Restoration and Sport Fish Restoration. Under the Federal Assistance Program, FWS provides grants to states to restore, conserve, manage, and enhance their sport fish and wildlife resources. The Acts and federal regulations contain provisions and principles on eligible costs and allow FWS to reimburse the states up to 75 percent of the eligible costs incurred under the grants. The Acts also require that hunting and fishing license revenues be used only for the administration of the State's fish and game agencies. Finally, federal regulations and FWS guidance require states to account for any income they earn using grant funds.

### Objectives

Our audit objectives were to determine whether the Commission:

- claimed the costs incurred under Federal Assistance Program grants in accordance with the Acts and related regulations, FWS guidelines, and the grant agreements;
- used State hunting license revenues solely for wildlife program activities; and
- reported and used program income in accordance with federal regulations.

### Scope

Audit work included claims totaling approximately \$26.3 million on ten FWS grants that were open during CFYs 2003 and 2004 (see Appendix 1). We performed our audit at the Pennsylvania Game Commission headquarters in Harrisburg, PA, and visited 4 regional offices, 1 wildlife management area, 1 nursery, 2 public access program projects, and 13 game lands (see Appendix 2). We performed this audit to supplement, not replace, the audits required by the Single Audit Act Amendment of 1996 and by Office of Management and Budget Circular A-133.

### Methodology

We performed our audit in accordance with the "Government Auditing Standards" issued by the Comptroller General of the United States. We tested records and conducted other auditing procedures as necessary under the circumstances. Our tests included:

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<sup>1</sup> As amended 16 U.S.C. §§ 669 and 777, respectively.

- examining the evidence that supports selected expenditures charged to the grants by the Commission;
- reviewing transactions related to purchases, direct costs, drawdowns of reimbursements, in-kind contributions, and program income;
- interviewing Commission employees to ensure that personnel costs charged to the grants were supportable;
- conducting site visits to inspect equipment and other property;
- determining whether the Commission used hunting license revenues solely for wildlife program purposes; and
- determining whether the State passed required legislation assenting to the provision of the Acts.

To the extent possible, we relied on the work of the Commonwealth of Pennsylvania Office of the Budget, Comptroller Operations and the Legislative Budget and Finance Committee (LBFC). Relying on the LBFC's relevant audit work helped us to avoid duplication of audit effort.

We also identified the internal controls over transactions recorded in the labor accounting system and tested the operation and reliability of those controls. Based on the results of initial assessments, we assigned a level of risk to these systems and selected a judgmental sample of transactions recorded in these systems for testing. We did not project the results of tests to the total population of recorded transactions or evaluate the economy, efficiency, or effectiveness of the Commission's operations.

## **Prior Audit Coverage**

On December 20, 2002, we issued "Advisory Report on Costs Claimed by the Commonwealth of Pennsylvania Game Commission, Under Federal Aid Grants from the U.S. Fish and Wildlife Service from July 1, 1996 through June 30, 1998" (Report No. 2003-E-0006). The Commonwealth Office of the Budget, Comptroller Operations, issued a single audit report on the Commonwealth for CFY2003, and the LBFC issued an audit of the Game Commission's Strategic Plan for CFY2002.

Our December 2002 report did not contain any recommendations and, accordingly, no followup was required. The Office of the Budget single audit report for CFY2003 disclosed that the Commission's Wildlife Restoration Program was not considered a major program, and none of the reported findings directly impacted the Commission's Federal Assistance Program grants. The Commonwealth's single audit for CFY2004 was due by March 30, 2005. However, due to problems in the implementation of a new Commonwealth-wide accounting system, the single audit report was not available during our audit. The LBFC audit report of the Game Commission's Strategic Plan for CFY2002 disclosed control weaknesses related to improvement of compliance with strategic objectives. We determined none of the weaknesses reported in either reports impacted Federal Assistance Program grants.

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## Results of Audit

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### Audit Summary

We found that the Commission complied, in general, with selected grant agreement provisions and requirements of the Acts, regulations, and FWS guidance. However, we discovered several conditions that resulted in the findings listed below, including questioned costs of \$1.76 million. We discuss these findings in more detail in the Findings and Recommendations section.

**Questioned Costs.** The Commission claimed \$1.76 million in indirect costs based on a 28.4 percent rate from CFY2001, rather than on a rate for CFYs 2003 and 2004.

**Improper Use of Property Purchased with Federal Assistance Program Funds.** The Commission (1) used lands acquired with Federal Assistance Program funds for radio tower sites; (2) closed two shooting ranges to the general public; (3) allowed snowmobiles on game lands; and (4) allowed use of lands for a university weather station.

**Incomplete Personal Property Inventories.** The Commission's equipment inventories omitted 32 firearms and inventories were not current.

**Inaccurate Reporting of Program Income.** The Commission submitted financial status reports that incorrectly reported program income.

### Findings and Recommendations

#### A. Questioned Costs: Indirect Costs — \$1.76 million

The Commission claimed indirect costs of \$1.76 million for CFYs 2003 and 2004 based on its CFY2001 indirect cost rate of 28.4 percent because the State Comptroller's Office had not submitted indirect cost proposals for CFYs 2003 and 2004 and, therefore, did not have approved rates for those years. The Commission must have a rate approved for each year it claims indirect costs.

OMB Circular A-87, attachment E, item D(1)(a) (recently codified in the Code of Federal Regulations, 2 C.F.R. 225) requires all departments or agencies of a governmental unit planning to claim indirect costs under federal awards to prepare an indirect cost rate proposal and related documentation to support those costs. Attachment A, item H(2) of the Circular requires that "no cost allocation plan or indirect cost rate shall be approved by the Federal Government unless the plan or rate proposed has been certified."

According to Commission officials, a new indirect cost rate had not been obtained because the Pennsylvania Comptroller's Office did not have staff available to prepare and submit the proposal. We are therefore questioning indirect costs of \$1.76 million (federal share) for CFYs 2003 and 2004.

The table below shows indirect costs charged to the grants open during the audit period.

<b>Grant Period</b>	<b>Grant Number</b>	<b>Salary Base</b>	<b>Indirect Cost Rate Used 28.4 Percent</b>	<b>Indirect Costs Charged</b>
2003	WR-1-C-2	\$652,229	\$185,233	\$72,756
2003	WR-1-2Q	(included in C-2)		
2004	WR-1-C-3	645,191	183,234	94,823
2003	W-73-T-2	379,981	107,915	80,936
2004	W-73-T-3	371,117	105,397	79,048
2003	W-74-D-2	3,590,210	1,019,620	92,969
2004	W-74-D-3	2,935,414	833,658	527,591
2003	W-75-D-2	3,889,921	1,104,738	157,976
2004	W-75-D-3	3,907,428	1,109,710	651,504
2003	W-76-E-2	474,907	134,874	0
2004	W-76-E-3	962,971	273,484	0
		\$17,809,369	\$5,057,863	\$1,757,603

### **Recommendations**

We recommend that FWS:

1. resolve the unsupported indirect costs of \$1.76 million (federal share) and
2. ensure the Commission establishes procedures to prepare and submit indirect cost proposals if it intends to claim indirect costs under Federal Assistance Program grants and a policy to prevent charging of indirect costs if an approved indirect cost rate has not been obtained.

### **Commission Response**

Commission officials concurred with the audit recommendations. They stated they submitted the indirect cost proposals for the missing years to the Department of Interior for approval. They received approval of outstanding rates on October 17, 2005. The next rate proposal is not due until January 2, 2009. Additionally, officials indicated the Commission and the Governor's Budget Office, Comptroller Operations, have established procedures that address recommendation two. The procedures help to ensure timely submission of the indirect cost proposals and receipt of an approved indirect cost rate. The Commission will not request reimbursement for indirect costs without an approved rate. Commission officials submitted all required documentation to the Region Five FWS Office, including amended Financial Status Reports for affected grants.

### **FWS Response**

FWS officials agreed with the recommendations and stated that they have verified that the Commission has since received an indirect cost rate for the audit years in question.

## **OIG Comments**

Since we completed our audit fieldwork, the Commission obtained an approved indirect cost rate for the years in question. We calculated the allowable indirect charges to the CFYs 2003 and 2004 grants based on the rate the Commission obtained in October 2005. We determined the indirect costs the Commission claimed were less than total eligible indirect costs. Therefore, we believe the Commission has adequately addressed audit recommendation one. We will consider recommendation one resolved and implemented once FWS HQ officials document in the corrective action plan that they reviewed and approved of the actions taken. The corrective action plan should contain the procedures developed to ensure timely submission of indirect cost rate proposals and verification that FWS headquarters officials reviewed and approved of the actions taken.

### **B. Improper Use of Property Purchased with Federal Assistance Program Funds**

States may use Federal Assistance Program funds to provide habitats for and increase populations of sport fish and wildlife, and to create public opportunities for use of these resources. States may, for example, purchase lands for the benefit of sport fish and wildlife and for public use of these resources. The State must, however, maintain control of such lands and ensure they serve the purposes for which they were acquired. The Commonwealth used Federal Assistance Program funds to purchase game lands, but did not adequately ensure they were used for Federal Assistance Program purposes.

The Commission maintains extensive land records that identify lands purchased with federal funds. While such records can help ensure the lands are used appropriately, the examples listed below indicate that the Commission lacks adequate controls to ensure the lands are used only for fish and wildlife habitat and resources. We found that:

- The Commonwealth planned to build five radio project towers on lands purchased with Federal Assistance Program funds.
- The Commission did not allow public access to a shooting range on Game Land No. 91 range, which was acquired with Federal Assistance Program Funds. This land was being used primarily by local, Commonwealth, and federal law enforcement staff, rather than being available for general public use. Time spent by these groups totaled more than 95 percent of the 6-month period July to September 2003 and from April to June 2004. The balance of usage was by Commission personnel. A Commission official stated that the range was provided as a service to other law enforcement agencies.
- Commission officials were unaware that Pennsylvania State University had constructed and was using a weather station on Commonwealth Game Land No. 176. The weather station site is approximately 2-4 fenced acres. An access road, small shed, trailer, power lines, and many scientific devices are on the parcel. Commission records show that land was originally leased to the University in 1946 but that the lease had not been renewed since 1990.

The Commission may, under Sections 722(b) and 725 of the Game Commission Code, issue permits or licenses for use of its lands for a reasonable fee, when it is in the interest of the Commission. However, Section 741(b) of the Code requires the Commission to promulgate regulations to protect users, improvements, lands, and buildings under its control. Federal regulations also apply. Under 50 C.F.R. § 80.5, eligible uses of Federal Assistance Program funding include restoring, conserving, and enhancing wildlife, and providing for public use of those resources. Title 50 C.F.R. § 80.14(b) requires real property to serve the purpose for which acquired, and further requires that when the state fish and wildlife agency loses control of the property, it must be replaced using non-federal assistance funds.

Without adequate controls, the Commission cannot ensure lands were used for eligible purposes.

### **Recommendations**

We recommend that FWS work with the Commission to:

1. determine whether the use of land and property for (a) radio tower sites, (b) law enforcement organizations, and (c) the weather station were eligible uses and, if not, take appropriate corrective actions;
2. determine whether other land acquired with Federal Assistance Program funds is being used for eligible purposes;
3. establish and implement policies and procedures to prevent the misuse of lands acquired with Federal Assistance Program funds; and
4. establish policies and procedures to ensure FWS approval is obtained when the uses of lands acquired with Federal Assistance Program funds change.

### **Commission Response**

Commission officials concurred with the audit recommendations and stated:

- the shooting ranges will be open for public use;
- a letter will be sent to the Pennsylvania State University requiring removal of the weather station facility from the game lands and reclamation of the site;
- a Standard Operating Procedure (SOP) will be implemented to ensure uses of State Game Land properties are consistent with Federal requirements; and
- an SOP will be established that outlines allowable uses on lands acquired with Federal Assistance Program funds and contains procedures to ensure approval from FWS has been granted for intended uses of the lands.



## **FWS Response**

FWS officials agreed with the recommendations and stated they will work closely with the Commission on the development of a corrective action plan to resolve and implement all of the recommendations in a timely manner.

## **OIG Comments**

While FWS management concurs with the recommendations and the Department indicated it is taking action to address them, additional information is needed in the corrective action plan. The plan should contain documentation on the proposed or completed actions (including proposed or final procedures), targeted completion date(s), title(s) of the official(s) responsible for implementation, and verification that FWS headquarters officials reviewed and approved of the actions taken.

### **C. Incomplete Personal Property Inventories**

We found that the Commission had not complied with existing procedures for the management of equipment. We identified 27 20-gauge shotguns at the North Central Regional Office and 5 muzzleloader rifles at the Northeast Regional Office that were not on equipment inventories.

Under 50 C.F.R. § 80.19, States must maintain current and complete property records in accordance with requirements in the FWS Manual. In addition, Commission Administrative Directive No. 10.1A (September 13, 1999) requires all electronic, motorized, and audio/visual items, all firearms, and all other items worth \$500 or more to be maintained in the inventory system. State of Pennsylvania Management Directive 310.14, “Fixed Asset Accounting and Reporting,” also contains requirements for ensuring control over the Commonwealth’s assets. Under this directive, heads of State agencies are responsible for establishing procedures and controls for implementing and monitoring assets, assigning responsibilities for accounting for the assets, and implementing adequate procedures and controls to safeguard and physically account for fixed assets.

Based on our site visits and discussions with Commission personnel, we concluded that the requirements of Directive 310.14 are not being followed consistently. Without adequate controls over property, the Commission cannot ensure accountability for its fixed assets.

## **Recommendations**

We recommend that FWS work with the Commission to:

1. ensure that policy and procedures on equipment inventories are implemented consistently among the regions,

2. ensure all equipment inventories are up to date based upon physical inventories, and
3. update the North Central and Northeast inventories to include the omitted firearms.

### **Commission Response**

Commission officials concurred with the audit recommendations. They stated:

- Staff from the Bureau of Administrative Services will review existing inventory procedures and will propose potential revisions. These revisions will strengthen compliance with existing procedures.
- Compliance with the inventory procedures will be addressed with senior staff in the bureaus within headquarters and in the regional offices.
- They will monitor inventory more closely to ensure all inventory is up-to-date and procedures are being followed.
- They will advise the Northcentral and Northeast Regional Offices to update their current inventory to include firearms that were omitted from inventory during the audit review.

### **FWS Response**

FWS officials agreed with the recommendations and stated they will work closely with the Commission on the development of a corrective action plan to resolve and implement all of the recommendations in a timely manner.

### **OIG Comments**

While FWS management concurs with the recommendations and the Department indicated it is taking action to address them, additional information is needed in the corrective action plan. The plan should contain documentation on the proposed or completed actions (including on the proposed or final procedures and on the status of the recommended updates to inventories), (targeted) completion date(s), title(s) of the official(s) responsible for implementation, and verification that FWS headquarters officials reviewed and approved of the actions taken.

## **D. Inaccurate Reporting of Program Income**

The Commission utilizes the Commonwealth Comptroller's Office, Federal Accounting Division, to draw down federal funds, report its expenditures, and maintain adequate documentation. We found that the Comptroller's Office improperly reported program income on six grants. The errors led to no negative monetary impact on the FWS. However, misreported program income can impact the reimbursable federal share under the grants, and accurate reporting is therefore necessary.

Under 43 C.F.R. § 12.65, program income ordinarily will be deducted from total allowable costs to determine the net allowable costs (deductive method). The awarding federal agency may authorize the grantee to use another alternative, such as the additive method. The additive method allows a grantee to add program income to the project funds to further implement eligible program projects.

The six grants in question included the Operations and Maintenance Grants W-74-D-2 and W-74-D-3; Habitat Management Grants W-75-D-2 and W-75-D-3; and Hunter Education Grants W-76-E-2 and W-76-E-3. The grant agreements for these grants specified use of the additive method, but the Commission reported program income using the deductive method. Additionally, the Commission reported program income of \$554,160 on Habitat Management Grant W-75-D-3 when the correct amount was \$340,622. We did not identify the associated costs with any of the six grants because there was no negative monetary impact on the FWS.

A Comptroller Operations office official stated that the errors on the financial status reports were due to administrative errors.

### **Recommendation**

FWS should work with the Commission to establish procedures to ensure the Commission reports program income on the financial status reports using the method specified in the grant agreement.

### **Commission Response**

Commission officials concurred with the audit recommendation. They stated they met with Governor's Budget Office, Comptroller Operations to discuss the procedures for submitting financial status reports. They further stated that prior to our audit, Comptroller Operation's staff completed and submitted the financial status reports. They stated the Commission's Federal Assistance Coordinator now has responsibility for this process. They moved the responsibility to the Coordinator to ensure information on the program is reported properly. They said that once completed by Commission staff, reports are submitted to FWS with copies to their staff and Comptroller operations.

### **FWS Response**

FWS officials agreed with the recommendation and stated it will work closely with the Commission on the development of a corrective action plan to resolve and implement all of the recommendation in a timely manner.

### **OIG Comments**

While FWS management concurs with the recommendation and the Department indicated it has taken action to address them, additional information is needed in the corrective action plan. The plan should contain documentation on the proposed or final procedures, (targeted) completion date(s), title(s) of the official(s) responsible for implementation, and verification that FWS headquarters officials reviewed and approved of the actions taken.

**PENNSYLVANIA GAME COMMISSION  
FINANCIAL SUMMARY OF REVIEW COVERAGE  
JULY 1, 2002, THROUGH JUNE 30, 2004**

Grant Number	Grant Amount	Claimed Costs <sup>1</sup>	Questioned Unsupported Costs
			(Federal Share)
WR-1-C-2	\$1,175,000	\$892,885	\$72,756
WR-1-C-3	1,220,000	852,313	94,823
W-73-T-2	600,000	561,421	80,936
W-73-T-3	600,000	511,996	79,048
W-74-D-2	4,000,000	5,107,634	92,969
W-74-D-3	4,350,000	4,154,635	527,591
W-75-D-2	6,200,000	5,960,769	157,976
W-75-D-3	6,500,000	5,903,825	651,504
W-76-E-2	784,767	1,064,508	
W-76-E-3	839,080	1,279,173	
	\$26,268,847	\$26,289,131	\$1,757,603

<sup>1</sup> Amounts recorded by the Department during the audit period, including indirect costs.

**PENNSYLVANIA GAME COMMISSION**  
**SITES VISITED**

**Regional Offices**

South West – Ligonier  
North Central – Jersey Shore  
North East – Dallas  
South East – Reading

**Wildlife Management Area**

Middle Creek WMA – South East Region

**Nursery**

Howard Nursery, Howard, PA

**Public Access Program Projects**

Project No. 008 – South West Region  
Project No. 136 – South West Region

**State Game Lands**

South West Region

No. 42  
No. 79  
No. 108  
No. 184

North Central Region

No. 33  
No. 176

North East Region

No. 13  
No. 57  
No. 66  
No. 91  
No. 187

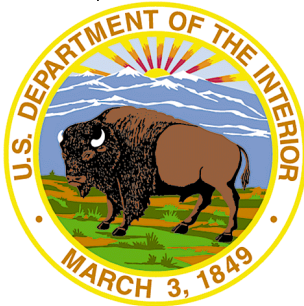
South Central Region

No. 230  
No. 290

**PENNSYLVANIA GAME COMMISSION**  
**STATUS OF AUDIT FINDINGS AND RECOMMENDATIONS**

<b>Recommendations</b>	<b>Status</b>	<b>Action Required</b>
A.1, A.2,,B.1, B.2, B.3, B.4, C.1, C.2, C.3, D	FWS management concurs with the recommendations, but additional information is needed as outlined in the “Actions required” column.	Additional information is needed in the corrective action plan, including the actions taken or planned to implement the recommendations, targeted completion date(s), the title of official(s) responsible for implementation, and verification that FWS officials reviewed and approved of actions taken or planned by the state. We will refer recommendations not resolved and/or implemented at the end of 90 days (after August 29, 2007) to the Assistant Secretary for Policy, Management and Budget for resolution and/or tracking of implementation.

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