



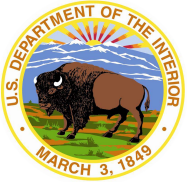
**Department of the Interior
Office of Inspector General**

AUDIT REPORT

**U.S. Fish and Wildlife Service
Wildlife and Sport Fish Restoration
Program Grants Awarded to the
Commonwealth of Pennsylvania,
Fish and Boat Commission,
From
July 1, 2006, Through June 30, 2008**

Report No. R-GR-FWS-0003-2009

March 2009



United States Department of the Interior

OFFICE OF INSPECTOR GENERAL
12030 Sunrise Valley Drive, Suite 230
Reston, VA 20191

March 3, 2009

AUDIT REPORT

Memorandum

To: Director
U.S. Fish and Wildlife Service

From: Suzanna I. Park *Suzanna I. Park*
Director of External Audits

Subject: Audit on U.S. Fish and Wildlife Service Wildlife and Sport Fish Restoration Program Grants Awarded to the Commonwealth of Pennsylvania, Fish and Boat Commission, From July 1, 2006, Through June 30, 2008 (No. R-GR-FWS-0003-2009)

This report presents the results of our audit of costs incurred by the Commonwealth of Pennsylvania (Commonwealth), Fish and Boat Commission (Commission), under grants awarded by the U.S. Fish and Wildlife Service (FWS). FWS provided the grants to the Commonwealth under the Wildlife and Sport Fish Restoration Program (the Program). The audit included claims totaling approximately \$30.8 million on 21 grants that were open during Commonwealth fiscal years (CFYs) ended June 30 of 2007 and 2008. The audit also covered the Commission's compliance with applicable laws, regulations, and FWS guidelines, including those related to the collection and use of fishing license revenues and the reporting of program income.

We found that the Commission complied, in general, with applicable grant accounting and regulatory requirements. However, we identified findings related to inadequate land management and improper equipment usage rates that were corrected during the course of the audit.

We provided Notifications of Potential Findings and Recommendations on our findings to FWS and the Commission. In their responses, both FWS and the Commission concurred with the recommendations and the Commission took action to implement them. We determined that the Commission's actions were sufficient to classify the recommendations as resolved and implemented. Therefore, no further response to this audit report is necessary. We list the status of each recommendation in Appendix 3.

If you have any questions regarding this report, please contact the audit team leader, Carl Nelson, or me at 703-487-5345.

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

Introduction

Background

The Pittman-Robertson Wildlife Restoration Act and the Dingell-Johnson Sport Fish Restoration Act (Acts)¹ established the Wildlife and Sport Fish Restoration Program. Under the 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 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 agency. 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 if the Commission:

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

Scope

Audit work included claims totaling approximately \$30.8 million on the 21 grants that were open during CFYs ended June 30 of 2007 and 2008. We report only on those conditions that existed during this audit period. We performed our audit at Commission headquarters in Harrisburg, PA, and visited three regional offices, three fish hatcheries, four boat access areas, and three lake areas. We performed this audit to supplement, not replace, the audits required by the Single Audit Act Amendments 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. 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 tested records and conducted auditing procedures as necessary under the circumstances. We believe that the evidence obtained from our tests and

¹ 16 U.S.C. §§ 669 and 777, as amended, respectively.

procedures provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our tests and procedures included:

- 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 fishing license revenues solely for administration of the Commission; and
- determining whether the State passed required legislation assenting to the provisions of the Acts.

We also identified the internal controls over transactions recorded in the labor and license fee accounting systems and tested their operation and reliability. 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 the tests to the total population of recorded transactions or evaluate the economy, efficiency, or effectiveness of Commission operations.

Prior Audit Coverage

On September 1, 2005, we issued “Audit Report on the U.S. Fish and Wildlife Service Federal Assistance Grants Administered by the Commonwealth of Pennsylvania, Fish and Boat Commission from July 1, 2002 through June 30, 2004” (R-GR-FWS-0009-2005). We followed up on all recommendations in the report and found that the Department of the Interior, Office of the Assistant Secretary for Policy, Management and Budget considered them to be resolved and implemented.

We reviewed the Single Audit Reports of the Commonwealth of Pennsylvania and the Comprehensive Annual Financial Reports (CAFRs) for the fiscal years ended June 30, 2006 and 2007. The Commission’s Sport Fish Restoration Program was not selected as a major program for review in the Single Audit Reports, and an unqualified opinion was issued in the CAFRs. The Single Audit Report and the CAFR for 2008 were not available for review at the time of our audit.

Results of Audit

Audit Summary

We found that the Commission complied, in general, with applicable grant agreement provisions and requirements of the Acts, regulations, and FWS guidance. However, we identified conditions that resulted in the findings listed below. We discuss the findings in more detail in the Findings and Recommendations section.

Inadequate Land Management. The Commission disposed of and granted an easement on real property purchased with Program funds without obtaining prior approval from FWS.

Improper Equipment Usage Rates. The Commission calculated equipment usage rates inaccurately, resulting in incorrect charges to Program grants for the use of vehicles and equipment.

Findings and Recommendations

A. Inadequate Land Management

Federal regulations require the Commission to ensure that land acquired with the Program funds continues to be used for its original purpose – hunting and fishing. When no longer needed, the Commission must request disposition instructions from FWS. However, we found two instances where the Commission conceded control of its land without obtaining FWS’ prior approval, as required:

- At Canonsburg Lake, the Commission conveyed approximately two acres of its property to a landowner association after discovering that several landowners had encroached on the Commission’s adjacent boating access area. In exchange, the landowner association made approximately \$27,900 in improvements to the boating access area, which exceeded the value of the lost land.
- At Beachwood Lake, the Commission granted a no-fee, limited right-of way easement to a subdivision, after learning that an unauthorized access road had been built across its land. Officials informed us that the Commission still retains title to the property and that the easement does not interfere with the purposes for which the land was acquired.

After we brought these examples to the attention of FWS officials, they retroactively approved the property disposal and easement. However, failure to obtain approval from FWS before taking such actions could result in the use of Program lands for unauthorized purposes.

According to Code of Federal Regulations (50 C.F.R. § 80.14(b)), real property acquired or constructed with the Program funds must continue to serve the purpose for which acquired or constructed. When such property passes from management control of the State fish and wildlife agency, the control must be fully restored to that agency, or the real property must be replaced using non-Federal funds not derived from license revenues. Furthermore, 43 C.F.R. § 12.71(c) requires the State agency to request disposition instructions from the awarding agency when real property is no longer needed for its originally authorized purpose.

In addition, the FWS Service Manual Chapter 522 FW 1.1.15 states that the State fish and wildlife agency, as the grantee, is responsible for exercising sufficient control over real property to ensure that the property is used for the purpose(s) for which it was acquired. If the property is no longer needed nor can no longer serve the purpose for which acquired, the State must notify the Regional Director and arrange for disposition.

These issues arose because the Commission did not have policies and procedures requiring its officials to obtain instructions from FWS prior to disposing of or granting easements on the Program lands.

Recommendation

We recommend that FWS require the Commission to develop policies and procedures to ensure that it obtains prior approval from FWS before disposing of or granting easements on lands acquired with the Program funds.

Commission Response

The Commission concurred with the finding and recommendation. Commission officials promulgated a new land management policy that requires FWS' consent before disposing of lands acquired with the Program funds.

FWS Response

FWS Regional officials concurred with recommendation and agreed with the actions taken by the Commission to resolve and implement the recommendation.

OIG Comments

Based on the Commission and FWS responses and actions taken, we consider the recommendation resolved and implemented.

B. Improper Equipment Usage Rates

The Commission charges the Program grants for the use of equipment and vehicles based on rates that it calculates annually, but its methodology for developing these usage rates is inaccurate. Specifically, the methodology requires the Commission to determine the

difference between estimated equipment operating costs (developed at the beginning of the CFY) and actual costs (determined at the end of the CFY). This difference is known as the “under- or over-recovery” and varies from one CFY to the next. Although the Commission should apply the under- or over-recovery from only the *current* CFY to calculate the new usage rates, it incorrectly applied the under- or over-recovery from the current *and prior* CFYs. Depending on whether the resultant rate is too high or too low, the Program grants could be overcharged or undercharged for equipment and vehicle usage.²

According to 43 C.F.R. § 12.62, grant funds may only be used for allowable costs of the grantee. Furthermore, 2 C.F.R. § 225, Appendix A, Section C(2) (formerly OMB Circular A-87) defines a reasonable cost as a cost, in its nature and amount, that does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.

Recommendation

We recommend that FWS ensure the Commission uses the under- or over-recovery amounts from only the current CFY to adjust its equipment usage rates for the following CFY.

Commission Response

The Commission concurred with the finding and recommendation. Commission officials revised their methodology for developing the equipment usage rates and will apply the under- or over- recovery amounts from the current CFY only.

FWS Response

FWS Regional officials concurred with recommendation and agreed to the actions taken by the Commission to resolve and implement the recommendation.

OIG Comments

Based on the Commission and FWS responses and the actions taken, we consider the recommendation resolved and implemented.

² Due to the large number of equipment and vehicle usage rates utilized by the Commission, we were unable to determine questioned costs resulting from these improper rates.

Appendix 1

**PENNSYLVANIA FISH AND BOAT COMMISSION
FINANCIAL SUMMARY OF REVIEW COVERAGE
JULY 1, 2006 THROUGH JUNE 30, 2008**

Grant Number	Grant Amount	Claimed Costs
F-99-D-1	\$170,000	\$221,691
F-98-D-1	311,420	312,288
F-96-D-1	187,600	61,446
F-74-D-17	5,298,360	882,996
F-74-D-16	5,591,100	3,918,609
F-74-D-15	1,662,500	511,653
F-71-R-18	293,393	277,102
F-71-R-17	287,640	348,545
F-69-E-20	498,768	363,750
F-69-E-19	550,000	682,761
F-69-E-18	500,000	652,673
F-61-T-28	1,414,944	953,393.
F-61-T-27	1,387,200	1,635,379
F-61-T-26	1,375,000	1,563,670
F-57-R-31	5,966,279	2,499,342
F-57-R-29	5,000,000	4,509,519
F-57-D-30	5,100,000	4,918,976
F-30-D-45	2,208,000	1,307,144
F-30-D-44	2,200,000	2,386,191
F-30-D-43	2,426,667	2,420,463
F-100-D-1	403,000	403,200
Totals	\$42,831,871	\$30,830,791

Appendix 2

PENNSYLVANIA FISH AND BOAT COMMISSION SITES VISITED

Headquarters

Harrisburg

Regional Offices

Northcentral Region

Northwest Region

Southwest Region

Fish Hatcheries

Girard (Mission Property)

Pleasant Gap

Tylersville

Boat Access Areas

Canonsburg

Glassworks

Shades Beach

Walnut Creek

Lake Areas

Canonsburg Lake

Fairview Gravel Pits

Lake Somerset

Appendix 3

PENNSYLVANIA FISH AND BOAT COMMISSION STATUS OF AUDIT FINDINGS AND RECOMMENDATIONS

RECOMMENDATIONS	STATUS	ACTION REQUIRED
A and B	Resolved and implemented	No additional action is required.

Report Fraud, Waste, Abuse, **and Mismanagement**



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