



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, Game Commission,
From July 1, 2006, Through June 30, 2008**

**Report No.
R-GR-FWS-0008-2009**

November 2009



United States Department of the Interior

OFFICE OF INSPECTOR GENERAL
12030 Sunrise Valley Drive, Suite 230
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November 12, 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, Game Commission, From July 1, 2006, Through June 30, 2008 (No. R-GR-FWS-0008-2009)

This report presents the results of our audit of costs claimed 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 Wildlife and Sport Fish Restoration Program (the Program). The audit included claims totaling approximately \$28.3 million on 10 grants that were open during Commonwealth fiscal years (CFYs) ended June 30 of 2007 and 2008 (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 that the Commission complied, in general, with applicable grant accounting and regulatory requirements. However, we questioned costs totaling \$2,689,153 (federal share) as a result of unsupported payroll allocations. In addition, we found that the Commission did not eliminate duplicates from its annual license certifications, maintain records on the funding source of its equipment, or establish controls to ensure that labor hours were accurately recorded in its accounting system.

In addition, we found that the Commission is holding over \$5 million in an escrow account, which it obtained through a transaction involving land originally purchased with Program funds. However, FWS does not receive periodic reports on the balance remaining in this account and the interest earned. Since FWS needs to be consulted in the eventual disbursement of these funds, we suggest that it require the Commission to provide bank statements or other regular reports on the status of funds in the escrow account.

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

Please respond in writing to the findings and recommendations included in this report by February 10, 2010. 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 the audit team leader, Ms. Lori Howard, 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 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 \$28.3 million on the ten grants that were open during CFYs 2007 and 2008 (see Appendix 1). We report only on those conditions that existed during this audit period. We performed our audit at Commission headquarters in Harrisburg, PA, and visited 2 regional offices, 17 State game lands, 6 county headquarters offices, and 1 wildlife learning center (see Appendix 2). 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 hunting 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 the Commission's operations.

Prior Audit Coverage

On May 31, 2007, we issued "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" (R-GR-FWS-0008-2005). We followed up on all ten recommendations in the report and found that the Department of the Interior, Office of the Assistant Secretary for Policy, Management and Budget (PMB) considers nine recommendations resolved but not implemented. We did not identify any conditions during our current audit that warrant repeating the findings from the prior audit, but we note that PMB cannot classify recommendations as implemented until it receives adequate documentation supporting that classification.

We also reviewed the Single Audit Reports of the Commonwealth of Pennsylvania for CFYs 2006 and 2007, and the Comprehensive Annual Financial Reports (CAFRs) for CFYs 2007 and 2008. The Commission's Wildlife 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.

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 several conditions that resulted in the findings listed below, including questioned costs totaling \$2,689,153. We discuss the findings in more detail in the Findings and Recommendations section.

Questioned Costs. The Commission charged \$2,689,153 in payroll costs (federal share) to two grants using an unsupported allocation method.

Incorrect License Certifications. The Commission did not eliminate duplicate license holders from its annual certifications.

Inadequate Equipment Management System. The Commission's property records did not specify the funding source of equipment purchased with Program funds and license revenue.

Discrepancies Between Timesheets and Accounting System Data. The Commission did not establish adequate controls to ensure that information from employees' timesheets was accurately recorded in its accounting system.

Findings and Recommendations

A. Questioned Costs – \$2,689,153

Commission employees overseeing land management activities charged all their time to the Lands Management Supervisory account rather than a specific grant or project. The Commission then allocated 35 percent of the employees' total payroll costs to the Operations and Maintenance Grant (W-74-D) and 44 percent to the Habitat Management Grant (W-75-D). The remaining 21 percent of the Lands Management Supervisory account was funded by the Commonwealth. However, this allocation was based on an analysis of labor hours conducted before 2002 that was never approved by FWS.

The Code of Federal Regulations (C.F.R.), in 2 C.F.R. § 225, Appendix A, Subsection E.2.a, states that typical direct costs chargeable to federal awards include the compensation of employees for the time devoted to and identified specifically for the performance of those awards. Furthermore, Appendix B, Subsection 8.h(4), requires that a distribution of employees' wages be supported by personnel activity reports or equivalent documentation when they work on multiple activities or cost objectives, or a substitute system must be approved by the cognizant federal agency. Finally, according to Appendix B, Subsection 8.h(5)(e), labor distribution percentages determined before employees perform the services do not qualify as support for charges to federal awards.

As a result, we have no assurance that \$2,689,153, the federal share of payroll costs charged to Grants W-74-D and W-75-D, was used to support the grants' objectives in the proportions claimed by the Commission.

Recommendations

We recommend that FWS:

1. resolve the \$2,689,153 in costs questioned as unsupported, and
2. require the Commission to ensure that field staff who oversee land management activities charge their time directly to the grant for which they perform work.

Commission Response

The Commission concurs with the recommendations and is currently taking steps to resolve and implement the recommendations.

FWS Response

FWS Regional officials concurred with the recommendations and stated that they would work with the Commission in developing a corrective action plan to resolve the recommendations.

OIG Comments

Based on both Commission and FWS responses, additional information is needed in the corrective action plan, including:

- the specific action(s) taken or planned to address the recommendations;
- targeted completion date;
- titles of officials responsible for implementing the actions taken or planned; and
- verification that FWS headquarters officials reviewed and approved of actions taken or planned by the Commission.

B. Incorrect License Certifications

States are required to report the number of hunting license holders to FWS annually and certify the accuracy of their counts. These certifications are important because FWS bases the apportionment of grant funds, in part, on each State's number of reported license holders. However, for at least 15 different types of hunting licenses, the Commission did not eliminate duplicate license holders from its certifications for license years 2005 and 2006.

According to 50 C.F.R. § 80.10(c)(5), “The director of the State fish and wildlife agency is responsible for eliminating multiple counting of single individuals in the information that he or she certifies and may use statistical sampling or other techniques approved by the Director for this purpose.”

This issue occurred because the Commission did not have a process to remove duplicate license sales from its annual certification. According to Commission officials, a new automated Point of Sale system will be implemented beginning in June 2009, which should be able to eliminate all duplicates. However, if its timetable is delayed, the Commonwealth could continue to issue incorrect license certifications and receive an inappropriate apportionment of Program funds.

Recommendation

We recommend that FWS ensure the Commission implements a procedure to eliminate duplicate license holders from its annual license certifications.

Commission Response

The Commission concurs with the recommendation and is currently taking steps to resolve and implement the recommendation.

FWS Response

FWS Regional officials concurred with the recommendation and stated that they would work with the Commission in developing a corrective action plan to resolve the recommendation.

OIG Comments

Based on both Commission and FWS responses, additional information is needed in the corrective action plan, including:

- the specific action(s) taken or planned to address the recommendation;
- targeted completion date;
- titles of officials responsible for implementing the actions taken or planned; and
- verification that FWS headquarters officials reviewed and approved of actions taken or planned by the Commission.

C. Inadequate Equipment Management System

The Commission maintains an automated equipment management system to track property costing over \$5,000 and all weapons and computers, regardless of cost. However, this system does not identify the funding source of the Commission’s

equipment, and Commission officials informed us that a labor-intensive effort would be required to determine this information for all of its property

According to 43 C.F.R. § 12.72(d)(1), States must maintain property records that detail, among other things, the percentage of Federal participation in the cost of the property. Adherence to this regulation helps to ensure compliance with 42 C.F.R. § 12.72, which requires grantees to use federally-funded equipment for the program or project for which it was acquired. States also need to maintain records of equipment purchased with license revenues because 50 C.F.R. § 80.4(a)(2) states that if property acquired with such funds is sold, any proceeds should be treated as license revenue.

This condition occurred because the automated equipment records system does not contain a field to note the funding source, and the Commission did not otherwise record this information. Without maintaining accurate records on the funding source of its property, the Commission cannot ensure that (1) the property items purchased with Program funds and license revenues are being utilized for the purposes for which they were originally acquired or (2) the proceeds from the sale of property purchased with Program funds and license revenues are properly credited.

Recommendation

We recommend that FWS ensure the Commission implements a process to record the funding source of its equipment.

Commission Response

The Commission concurs with the recommendation and is currently taking steps to resolve and implement the recommendation.

FWS Response

FWS Regional officials concurred with the recommendation and stated that they would work with the Commission in developing a corrective action plan to resolve the recommendation.

OIG Comments

Based on both Commission and FWS responses, additional information is needed in the corrective action plan, including:

- the specific action(s) taken or planned to address the recommendation;
- targeted completion date;
- titles of officials responsible for implementing the actions taken or planned; and

- verification that FWS headquarters officials reviewed and approved of actions taken or planned by the Commission.

D. Discrepancies Between Timesheets and Accounting System Data

Field employees detail the number of hours they work on specific grants by completing manual timesheets. Headquarters and regional personnel are responsible for inputting the information from these timesheets into the Commission's accounting system. However, because the Commission did not have adequate internal controls, such as a requirement to reconcile the timesheets with data in the accounting system, payroll information for employees in the Northwest and Southcentral Regions did not always correspond with the original timesheets. As a result, the Commission could overcharge the Program grants for labor costs.

This situation is contrary to 2 C.F.R. § 225, Appendix B, Subsection 8.h(1) and (4), which states that charges to federal awards for salaries and wages will be based on payrolls documented in accordance with generally accepted practices of the State and should be supported with documentation such as personnel activity reports.

Recommendation

We recommend that FWS ensure the Commission develops controls to verify that labor information entered into its accounting system accurately reflects employees' timesheets.

Commission Response

The Commission concurs with the recommendation and is currently taking steps to resolve and implement the recommendation.

FWS Response

FWS Regional officials concurred with the recommendation and stated that they would work with the Commission in developing a corrective action plan to resolve the recommendation.

OIG Comments

Based on both Commission and FWS responses, additional information is needed in the corrective action plan, including:

- the specific action(s) taken or planned to address the recommendation;
- targeted completion date;
- titles of officials responsible for implementing the actions taken or planned; and

- verification that FWS headquarters officials reviewed and approved of actions taken or planned by the Commission.

Appendix 1

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

| Grant Number | Grant Amount | Claimed Costs | Questioned Costs (Federal Share) | |
|-----------------|---------------------|---------------------|-------------------------------------|--------------------|
| | | | Unsupported | Total |
| W-73-T-6 | \$675,000 | \$727,713 | | |
| W-73-T-7 | 675,000 | 862,111 | | |
| W-74-D-6 | 4,333,500 | 4,297,429 | \$608,290 | \$608,290 |
| W-74-D-7 | 4,133,500 | 4,300,428 | 587,861 | 587,861 |
| W-75-D-6 | 6,035,000 | 6,138,482 | 753,977 | 753,977 |
| W-75-D-7 | 6,900,000 | 7,017,087 | 739,025 | 739,025 |
| W-76-E-6 | 972,600 | 1,573,150 | | |
| W-76-E-7 | 969,920 | 1,675,725 | | |
| WR-1-C-6 | 672,749 | 732,666 | | |
| WR-1-C-7 | 672,749 | 938,841 | | |
| TOTAL | \$26,040,018 | \$28,263,632 | \$2,689,153 | \$2,689,153 |

PENNSYLVANIA GAME COMMISSION
SITES VISITED

Headquarters

Harrisburg

Regional Offices

Northwest - Franklin

Southcentral - Huntingdon

County Headquarters Offices

Butler County

Clearfield County

Erie County

Fulton County

Indiana County

Venango County

State Game Lands

Northcentral Region

No. 331

Northwest Region

No. 39

No. 44

No. 95

No. 154

No. 162

No. 167

No. 218

No. 304

No. 306

Southcentral Region

No. 53

No. 118

No. 124

No. 249

Southwest Region

No. 248

No. 273

No. 276

Wildlife Education Center

Pymatuning Wildlife Learning Center

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

| Recommendations | Status | Action Required |
|------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| A.1, A.2, B, C, and 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 February 10, 2010) to the Assistant Secretary for Policy, Management and Budget for resolution and/or tracking of implementation. |

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