

PERFORMANCE AUDIT REPORT

Pennsylvania Game Commission

May 2019



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General

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**EUGENE A. DePASQUALE
AUDITOR GENERAL**

May 23, 2019

The Honorable Tom Wolf
Governor
Commonwealth of Pennsylvania
Room 225 Main Capitol Building
Harrisburg, PA 17120

Dear Governor Wolf:

This report contains the results of the Department of the Auditor General's performance audit of the Pennsylvania Game Commission (Commission). This audit was conducted under the authority of Sections 402 and 403 of The Fiscal Code, 72 P.S. §§ 402 and 403, and in accordance with applicable generally accepted government auditing standards. 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.

Our performance audit covered the period July 1, 2014, through June 30, 2017 and focused on the following audit objectives:

- For each fiscal year:
 - Identify and analyze all sources of Commission revenue.
 - Identify and analyze all Commission expenditures.
 - Determine each fund's year-end balance, including any and all money held in escrow or restricted accounts.
- Determine if expenditures, including the acquisition of property, were in compliance with applicable laws, including but not limited to Chapter 5 (relating to Fiscal Affairs) and Chapter 7 (relating to Property and Building) of the Game and Wildlife Code (Code), 34 Pa.C.S. §§ 501 and 701 *et seq.*, and any associated regulations.

Our audit report includes five issue areas containing 11 findings and 43 recommendations, including 40 to the Commission and three to the Pennsylvania General Assembly.

Issue Area One focused on Commission revenue. Specifically, we found that the Commission collected oil and gas bonus revenue pursuant to the lease agreements it had with energy companies developing natural resources on state game lands. It, however, failed to adequately track royalty revenue from these companies, increasing the risk of lost revenue. We also found that the Commission complied with the relevant sections of the Code and its Forestry Manual in conducting and accounting for timber sales transactions. Additionally, we found that the Commission's amount of license revenue collected appears reasonable; however, it must explore ways to increase the number of licenses sold.

Issue Area Two focused on how the Commission tracked expenditures. Specifically, we found that the Commission identified five core goals in its 2015-2020 Strategic Plan, yet it failed to track and compile costs associated with the specific objectives and projects established to meet those goals. It should have accounted for costs so that it could measure the cost effectiveness of its efforts to meet its core goals.

Issue Area Three focused on the Game Fund's reserve balance and monies held in escrow accounts. With regard to budgeting and key financial decision-making processes, we found that the Commission neglected to effectively consider its full financial position, including the Game Fund's balance, which grew significantly during the audit period, as well as monies held in seven escrow accounts. Also, we found that the escrow accounts are held outside of the Pennsylvania Treasury Department, and therefore, lacked transparency and independent oversight. Further, the Code has not been updated to consider the utilization of escrow accounts and the Commission's related practices since the development of increased natural resource-based revenue. Additionally, we identified three escrow accounts that included commingled funds for different purposes beyond that of the original escrow agreements. There was no Board approval for certain questionable disbursements from the escrow accounts, including the Commission using \$5.3 million of escrow monies to reimburse the Game Fund for land management personnel costs. Finally, we found that the Commission's management controls are not adequate to ensure proper oversight and monitoring of escrow accounts, increasing the risk of error, misuse, or potential fraud.

Issue Area Four focused on the Commission's compliance with Chapters 5 and 7 of the Code. We found that the Commission appears to have complied with the Code regarding using a portion of certain license sales revenue for habitat improvement activities; however, it questionably included employee leave towards the mandated amount and failed to require all employees to complete timesheets to provide sufficient evidence it complied with the requirements in the Code. Additionally, we found that the Commission's 45 land acquisitions were properly authorized and in accordance with the Code. The Code's land acquisition and exchange provisions, established 30 years ago, however, do not correlate to current Commission practices and other conditions, including the use of escrow accounts.

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Issue Area Five focused on the Commission's compliance with the Commonwealth's vehicle fleet policy. Specifically, we found that the Commission's poor administration and lax oversight of its fleet of on-road, passenger vehicles resulted in the Commission having more than 100 underutilized vehicles. It also had four times as many pool vehicles as needed. Specifically, as of June 30, 2017, it had 161 pool vehicles even though management estimated it needed approximately 36 to 38 vehicles.

In closing, I want to thank the Commission for its cooperation and assistance during the audit. The Commission is in agreement or partial agreement with most findings and all but one recommendation. We will follow up at the appropriate time to determine whether and to what extent all recommendations have been implemented.

Sincerely,

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale", with a long, sweeping horizontal line extending to the right.

Eugene A. DePasquale
Auditor General

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Executive Summary

Created in 1895 by our state legislature, the Pennsylvania Game Commission (Commission) was established to manage, protect, and preserve the Commonwealth's wildlife, including game, birds, and fur-bearing animals. The governing statute of the Commission, known as the Game and Wildlife Code (Code) within the Pennsylvania Consolidated Statutes, Title 34, defines the Commission's role as follows:

It shall be the duty of the commission to protect, propagate, manage and preserve the game or wildlife of this Commonwealth and to enforce, by proper actions and proceedings, the laws of this Commonwealth relating thereto.¹

The Commission currently owns approximately 1.5 million acres of state game lands. The Commission, operating under an executive authorization, sustains its operations entirely on revenues it generates from licensing and other sources. It does not receive any funding from the Commonwealth's General Fund. The executive authorization limits the expenditures that the Commission can incur during a fiscal year, regardless of the revenues generated and collected by the Commission.

We established two objectives to conduct our audit of the Commission's operations for the three-year period from July 1, 2014 through June 30, 2017. Additional information on the audit scope, as well as the audit objectives and methodology, can be found in *Appendix A*.

Our performance audit results are contained in five Issue Areas and 11 findings with 43 recommendations, 40 directed to the Commission and 3 to the Pennsylvania General Assembly. The Commission is in general agreement with all but one of our recommendations. Our findings within each Issue Area are summarized below.

Issue Area 1 – Pennsylvania Game Commission Revenues

Finding 1.1 – Although the Commission collected bonus revenue in compliance with lease agreements, it did not adequately track royalty revenue from oil and gas producers, thereby increasing the risk of lost revenue.

The Commission collects revenue from energy companies that are authorized, through executed lease agreements with the Commission, to extract oil, gas, and minerals (OGM) from state game lands. We judgmentally selected 18 of the 66 energy companies referred to as producers that submitted payments during the audit period. For each producer, we selected one lease agreement on which it submitted payments to the Commission and reviewed a judgmental selection of those payments. Specifically, we found the following:

¹ 34 Pa.C.S. § 322 (relating to Powers and duties of the Commission), *see* Subsection (a) in particular.

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- The Commission relied on the supporting data that accompanied the royalty payments from producers, and therefore, did not question or confirm the appropriateness or accuracy of the royalty payment amounts it received. The Commission also failed to ensure that *all* royalty payments due from the oil and gas producers were in fact received.
 - Given the large number of producers and OGM lease agreements—as well as the doubling of royalty revenue from \$9.3 million received during the fiscal year ended (FYE) June 30, 2015, to \$19.2 million received during the FYE June 30, 2017—the Commission should have had a strong internal control system in place to monitor royalty payments and ensure it received all of the royalty revenue due from producers, but it failed to position itself to manage this significant revenue stream.
 - The Commission acknowledged its failure to adequately monitor royalty revenues and attributed this failure to its small staffing environment and the non-accounting related duties of its staff.
- The Commission failed to enforce key accountability provisions within its oil and gas lease agreements. Except for one audit of one year’s payments from one producer and two affiliates, it did not exercise its right to audit producers. It also never levied interest penalties on delinquent payments from producers, and it did not enforce the submission of annual production reports, which could have provided an additional accounting control.
- A risk of loss or potential theft of public funds exists due to the Commission’s failure to log in and timely deposit royalty checks upon receipt. We found instances where checks were deposited several weeks after they were stamped received by the Commission, including one which was deposited 63 days after it was stamped received.
- The Commission properly authorized lease agreements with producers and collected bonuses in accordance with the terms. Bonus and rental revenue dwindled from \$12.5 million received during the FYE June 30, 2015, to a mere \$204,000 received during the FYE June 30, 2017, due to most available state game lands already being leased.

Finding 1.2 – The Commission complied with the relevant sections of the Forestry Manual and the Game and Wildlife Code in conducting and accounting for timber sales transactions.

We judgmentally selected 17 of the 159 sales agreements (each with a different buyer) executed between July 1, 2014 and June 30, 2017, totaling \$12.9 million. We reviewed bid documents, sales agreements, and corresponding payments from buyers to determine compliance with the Forestry Manual and the Code. Based on the results of our audit procedures, we concluded that

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the Commission complied with timber sales procedures set forth in the Forestry Manual and the Code.

Finding 1.3 – The Commission’s amount of license revenue collected appears reasonable; however, it must explore ways to increase the number of licenses sold.

Due to the significance of license revenue in relation to all sources of Commission revenue, we determined whether the total license sales appeared reasonable, compared the number of hunters and number of licenses sold in Pennsylvania to that of the nation and six other states, and interviewed Commission staff from the Bureau of Information and Education to determine what the Commission has done to increase license sales. Specifically, we found the following:

- The Commission’s total license revenue appears reasonable based on the number of licenses sold and cost per license. For the three-year audit period, average annual license sales were \$35.4 million.
- Based on data from the United States Fish and Wildlife Service, between reporting years 2014 and 2018, Pennsylvania’s number of hunters has increased slightly; however, the number of licenses sold has decreased, contrary to the national trend.²
- The Commission must continue to explore various options to identify and implement techniques to increase license sales revenue.

We offered 12 recommendations to the Commission to strengthen its internal controls over the collection of, accounting for, and oversight of royalty revenue from energy companies and to address stagnant license sales.

Issue Area 2 – Pennsylvania Game Commission Expenditures

Finding 2.1 - The Commission failed to track and compile costs associated with specific objectives to determine the cost effectiveness of meeting its core goals.

The Commission has clearly identified five core goals in its 2015-2020 Strategic Plan with specific, measurable objectives which support the achievement of the core goals. Each core goal has five to eight objectives. The Commission has established an array of tasks or projects to meet

² This section compares information from the USFWS’ *National Hunting Licenses Reports*. The reporting years of 2014-2018 are two license years behind the Commission’s license years. Additionally, the USFWS include and exclude certain license types that Commission management does not consider to be distinct hunting license holders. The USFWS reports were used for the purpose of consistency in comparisons between states. According to Commission management, the distinct hunting license holders decreased during our audit period as outlined in the *Introduction and Background* section of this audit report. This is not consistent with the USFWS reports due to the timing difference and varied definitions of a license holder between the USFWS and the Commission. See <https://wsfrprograms.fws.gov/subpages/licenseinfo/hunting.htm>.

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those objectives. In addition, the Code clearly stipulates that the Commission is required to measure program performance through both program and financial accountability. However, we found the following:

- The Commission does not track costs by project in order to summarize and determine how much it costs the Commission to achieve its objectives and core goals.
- If the Commission cannot account for monies spent on specific objectives, it cannot analyze the costs versus benefits at the project level or determine whether it is appropriately prioritizing spending among projects.
- Management acknowledged that it would be possible to compile the costs of direct labor and direct materials used for specific projects based on the coding in the SAP accounting system if the related payroll and materials were coded correctly.

We offered four recommendations to the Commission to foster its accounting for project costs so that it can appropriately conduct cost-benefit analyses of its projects in support of objectives and core goals.

Issue Area 3 - The Commission's full financial position, including the Game Fund's reserve balance and monies held in escrow accounts, should be transparent and considered when making critical financial decisions with the administration and oversight of escrow accounts needing particular improvement.

Finding 3.1 – In its budget and key financial decision-making processes, the Commission neglected to consider its full financial position, including the Game Fund's balance and monies in escrow. Further, the Commission failed to sufficiently coordinate its processes with the GBO.

We reviewed the Game Fund balance along with monies held in escrow during the three-year period July 1, 2014 through June 30, 2017. We also interviewed management as well as the Commission's Chief Counsel and officials from the Governor's Budget Office (GBO). Based on our review, we found the following:

- Management informed us that the Game Fund's balance—which grew 48 percent from \$37.8 million as of FYE June 30, 2015 to \$56.1 million as of FYE June 30, 2017—is included in the budget's financial statement submission and forecasts; however, we found that the balance is not effectively considered in the Commission's annual budgeting process. In other words, only current year expected revenue is used when the Commission prepares its annual budget.

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- While Commission management claimed the exclusion of the Game Fund's balance from the budget process was pursuant to instructions from the GBO, officials from the GBO stated there is no prohibition to using Game Fund balance monies and that the Commission could propose the use of these funds within its annual budget proposal.
- Commission management indicated that several key executives were aware of the existence of escrow accounts; however, the Commission's Chief of Fiscal Management was not appraised of their existence. This management official in charge of handling finances for the Commission, including preparing the annual budget, stated that he had no knowledge of what escrow accounts existed, how escrow dollars were being utilized, or what their respective balances were. During our audit period, funds were held in seven escrow accounts in which the Commission is the beneficiary with total funds ranging between a low of \$6.5 million as of FYE June 30, 2017 and a high of \$10.1 million as of FYE June 30, 2015. Escrow accounts are instead solely handled by the Commission's Chief Counsel and are also not considered in the budget decision-making process.

Finding 3.2 - Escrow accounts are held outside of the Pennsylvania Department of Treasury, and therefore, lack transparency and independent oversight. Further, the Code has not been updated to consider the utilization of escrow accounts and the Commission's related practices since the development of increased natural resource-based revenue.

Based on a review of the Commonwealth's SAP Accounting System, the bank statements for the seven escrow accounts, and interviews with the Commission's Chief Counsel, we determined the following:

- The escrow accounts are held outside of the Game Fund and are in no way affiliated with the Pennsylvania Department of Treasury (Treasury), creating a substantial lack of transparency about what accounts exist, what their balances were, and what their respective deposit and disbursement activities were.
- While we acknowledge there could be legitimate purposes for using escrow accounts, such as for land exchanges or acquisitions, other uses of these accounts may be questionable, for instance, the Commission's use of these funds to cover payroll costs totaling \$5.3 million for game land management. Using escrow accounts in this way allows the Commission to dip into a private reserve of cash outside the Game Fund to perform its charged duties and to avoid outside scrutiny for using funds for such purposes.
- We acknowledge the Code, which was enacted in 1986, is silent on the matter of escrow accounts, and therefore, utilizing escrow accounts is not expressly prohibited. However, we emphasize that these funds should be subject to internal controls that maximize accountability and transparency in the way they are received, managed, and used by the Commission.

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Finding 3.3 – Three Commission escrow accounts included comingled funds for different purposes beyond that of the original escrow agreements. Further, there was no Board approval for certain questionable disbursements from the escrow accounts.

To further evaluate the Commission's seven escrow accounts, we obtained and reviewed each of the escrow agreements, interviewed the Commission's Chief Counsel, and obtained detailed explanations regarding each of the accounts. We also judgmentally selected 14 deposits and 16 disbursements from the seven escrow accounts to obtain a more detailed understanding from the Commission and requested supporting documentation for 6 of the selected deposits and 5 of the selected disbursements. Based on our audit procedures for these seven escrow accounts, we found the following concerns:

- Three escrow accounts, with balances totaling \$1.3 million as of FYE June 30, 2017, remain open and utilized even though the original purposes for which the accounts were established have been fulfilled. Deposits were made into the accounts from various sources, resulting in comingled funds. Four disbursements totaling \$5.3 million to reimburse the Game Fund for land management personnel costs from two of these accounts were not approved by the Board, resulting in a lack of transparency about the use of escrow monies.
- A fourth escrow account, with a balance of about \$40,000 as of FYE June 30, 2017, was inactive and incurred dormant account fees totaling \$190 during the audit period. Until our audit inquiry on March 28, 2018, the Chief Counsel was not aware that the Duck March Project account remained open despite the project's completion in 2016.

Three other escrow accounts, which include U.S. Fish & Wildlife Service involvement, were utilized in accordance with the respective agreements.

Finding 3.4 - The Commission's management controls are not adequate to ensure proper oversight and monitoring of escrow accounts, increasing the risk of error, misuse, or potential fraud.

Through interviews with Commission management, we found the following:

- The Commission has no specific policies or formal written procedures regarding its use and administration of escrow accounts.
- The Commission failed to assign staff to provide adequate administration, oversight, and monitoring of the Commission's escrow accounts.
- The Commission's Chief Counsel is the Commission's only administrator of the escrow accounts and has sole signatory responsibilities over the authorization of disbursements.

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We offered 9 recommendations to the Commission to improve management, accountability, and transparency related to the Commission's full financial position, the Game Fund balance, and escrow monies. We also offered one recommendation to the General Assembly to review the applicable provisions of the Code to determine whether its present intent is being carried out appropriately by the Commission's current use of escrow accounts.

Issue Area 4 – PA Game Commission Expenditures - Compliance with Chapters 5 and 7 of the Game and Wildlife Code

Finding 4.1 – The Commission appears to have complied with the Game and Wildlife Code regarding using a portion of certain license sales revenue for habitat improvement activities; however, it questionably included employee leave towards the mandated amount and failed to require all employees to complete timesheets to sufficiently evidence its compliance.

In order to determine whether these specific funds were recorded and spent in accordance with the Code, we interviewed Commission management, analyzed the revenues from resident, nonresident, and antlerless deer licenses, and reviewed the expenditures to ensure the funds were properly spent on the six specific areas of habitat improvement. Based on our audit procedures, we found the following:

- The Commission properly allocated the mandated portion of certain license sales revenue to habitat improvement activities.
- It appears the Commission spent the mandated amount of certain license sales revenue on habitat improvement activities, but questionably included employee leave towards the mandated amount. This included any pay received for holidays, sick leave, and vacation time. Although including these non-working hours are not explicitly excluded from the six habitat improvement areas, they are definitely not exclusively dedicated to improving wildlife habitats as required by the Code.
- The Commission failed to require all employees to complete timesheets to provide sufficient evidence it complied with the requirements in the Code.

Finding 4.2 – The Commission's 45 land acquisitions were properly authorized in accordance with the Game and Wildlife Code. However, the Code's land acquisition and exchange provisions, established 30 years ago, do not correlate to current Commission practices and other conditions, including the use of escrow accounts.

The Commission made 45 land acquisitions through purchase, donation, land-for-land exchange, or transfer totaling approximately 5,000 acres during the three-year audit period. We verified that all 45 land acquisitions were properly authorized by the Board of Commissioners. We excluded

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from further review 24 land acquisitions acquired through donation, land-for-land exchange, or transfer because they did not involve the use of Commission funds. Of the 21 purchase acquisitions totaling approximately 2,827 acres, we performed additional procedures on 17 purchases and found that each purchase was made in compliance with the \$400/acre price limit or it met an allowable exception to the limit. We also found that the 17 purchases reviewed appeared to have been for a fair and reasonable price in accordance with the Code. We did find, however, that the Board did not consistently and explicitly document its review supporting the allowable exceptions for acquisitions that exceeded the \$400/acre price limit.

While we found that the Commission's land purchases were made in compliance with the Code, it is vital to note that the Code does not explicitly include or exclude from its \$400/acre price limit the use of funds from escrow accounts for purchasing game lands. Given the fact that the Code's land acquisitions and exchange provisions have not been updated in more than 30 years to meet current Commission practices and conditions, including the resurgence of the state's oil and gas industry between 2008 and 2012, it is critical that the Code be amended accordingly. We also believe the Commission should promptly update its own regulations and internal policies and procedures to address current practices and conditions, including using funds from escrow accounts.

We offered seven recommendations to the Commission to improve compliance with Chapters 5 and 7 of the Code. We also offered two recommendation to the General Assembly regarding reviewing the Code.

Issue Area 5 – PA Game Commission Expenditures - Compliance with the Commonwealth's Vehicle Fleet Policy

Finding 5.1 – Poor administration and lax oversight of Commonwealth fleet on-road, passenger vehicles resulted in the Commission having more than 100 underutilized vehicles and four times as many pool vehicles as were actually needed.

Based on our audit procedures, which included reviewing the *Commonwealth Fleet Policy* and *Commonwealth Fleet Procedures Manual*, reviewing semi-annual vehicle usage reports prepared by the Department of General Services (DGS), obtaining vehicle listings from the Commission and interviewing Commission officials, we found the following:

- The Commission had between 114 and 126 underutilized, non-law enforcement vehicles during the fiscal years ended June 30, 2015 and 2016. Overall, during this two-year period, between 32 percent and 37 percent of the Commission's on-road, passenger vehicles failed to meet DGS' utilization standard.

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- As of June 30, 2017, the Commission had 161 vehicles designated as pool vehicles. Commission management acknowledged that it had too many pool vehicles. In fact, management estimated that it only needs approximately 36 to 38 pool vehicles.
- The Commission has a standard procedure that dictates personnel assigned to 15 positions must have a permanently assigned vehicle. The standard procedure is dated October 13, 2005, and therefore, has not been revised or amended for more than 13 years. We found that of the 235 employees that had 1 of the 15 positions, 230 had vehicles and 5 did not. Therefore, because the standard procedure allows the Executive Director to approve deletions to the permanent vehicle assignment list, it appears that the Commission is in compliance with the standard procedure. We do not, however, agree that the Commission should have a written procedure that identifies certain positions for which employees will be permanently assigned vehicles; rather, the need for permanently assigned vehicles should be determined on a case-by-case basis for each employee.
- The Commission lacked adequate oversight and monitoring with regard to vehicle utilization. We also found data entry errors that affected the DGS underutilization reports for certain vehicles.

We offered eight recommendations to the Commission to improve accountability for and utilization of vehicles maintained as part of the Commission's fleet.

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Introduction and Background

This report presents the results of our performance audit of the Pennsylvania Game Commission (Commission) which was conducted under the authority of Sections 402 and 403 of The Fiscal Code.³ Our performance audit had two audit objectives and covered the period of July 1, 2014 through June 30, 2017, unless otherwise noted, with updates through the report date. Refer to *Appendix A* of this report for a detailed description of the audit objectives, scope, and methodology.

In the sections that follow, we provide background information about the Commission, its organization and responsibilities, significant revenue sources, operational areas, and escrow accounts.

Background of the Pennsylvania Game Commission

Created in 1895 by our state legislature, the Commission was established to manage, protect, and preserve Pennsylvania's wildlife, including game, birds, and fur-bearing animals. The Commission regulates the hunting and trapping of game, sets bag limits, operates game farms, and employs state game wardens.⁴ The Commission also helps to oversee the enactment of various statutes to help protect game animals throughout the state (e.g., wild ducks, antlerless deer, and elk). In 1920, the Commission purchased its first state game land.⁵

The Pennsylvania Constitution defines natural resources as a basic right and requires the Commonwealth to conserve and maintain them for the benefit of all citizens.⁶ Wildlife is one of these natural resources and the governing statute of the Commission, known as the Game and Wildlife Code (Code) within the Pennsylvania Consolidated Statutes, Title 34, assigns its trust and control to the Pennsylvania Game Commission.⁷ It further defines the Commission's role as follows:

³ 72 P.S. §§ 402 and 403.

⁴ Beginning on January 1, 2018, the Pennsylvania Game Commission now calls all of its law-enforcement officers who were previously called game protectors and wildlife conservation officers by the title of "state game wardens". See <<https://www.yorkdispatch.com/story/sports/outdoors/2017/12/26/pennsylvania-game-commission-change-name-its-field-officers-state-game-wardens/982721001/>> (accessed February 19, 2019).

⁵ <<https://www.phmc.pa.gov/Archives/Research-Online/Pages/Environmental-Resources-Records-RG-37-43.aspx>> (accessed February 15, 2019).

⁶ Pennsylvania Const. Art. 1, § 27 entitled "Natural Resources and the public estate". (Added to the state Constitution by referendum adopted in 1971.) This important amendment provides as follows, in part:

"...Pennsylvania's **public natural resources** are the common property of all the people, including generations yet to come. As **trustee of these resources**, the Commonwealth shall conserve and maintain them for the benefit of all the people." (Emphases added.)

⁷ 34 Pa.C.S. § 103 (relating to Ownership, jurisdiction and control of game and wildlife).

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It shall be the duty of the commission to protect, propagate, manage and preserve the game or wildlife of this Commonwealth and to enforce, by proper actions and proceedings, the laws of this Commonwealth relating thereto.⁸

As a trustee of Pennsylvania's public natural resources, the Commission is also responsible for promulgating such regulations "as it deems necessary and appropriate concerning game or wildlife and hunting or furtaking" within the Commonwealth and is excluded from the regulatory review process to which almost all other agencies, boards, commissions, and authorities are subject.⁹

Currently, the Commission owns and manages over 1.5 million acres of state game lands in more than 308 tracts in 65 of the 67 counties in Pennsylvania. On those game lands, there are 3,871 miles of roads, 368 buildings, 29 public shooting ranges, about 38,000 bridges and culverts, and around 1,500 ponds and dams.¹⁰ The Commission manages 480 different species of wild birds and mammals, 20 of those being endangered species, and seven threatened species.¹¹ This provides opportunities for wildlife-related recreation to virtually every citizen of the Commonwealth.

Pennsylvania maintains a rich hunting heritage. The table below shows the number of active and distinct license holders and the number of licenses sold during the three fiscal years ended June 30, 2015, 2016, and 2017, including the revenue from the license sales.¹²

⁸ 34 Pa.C.S. § 322 (relating to Powers and duties of the Commission), *see* Subsection (a) in particular.

⁹ 34 Pa.C.S. § 2102 (relating to Regulations), *see* Subsection (a) in particular. *See also* the Commission's regulations which are accessible in the following link: <<https://www.pacode.com/secure/data/058/partIII/toc.html>>. Both the Commission and its counterpart the Fish Commission have been excluded from the Regulatory Review Act (Act) which means that while all other executive and independent agencies, boards, commissions, and authorities must go through the regulatory review process, the Commission and the Fish Commission have a great deal of latitude in promulgating their regulations. Section 745.3 (relating to Definitions) of the Act provides for the following definition of "Agency": "Any department, departmental administrative board or commission, independent board or commission, agency or other authority of this Commonwealth now existing or hereafter created, but shall not include the Senate or the House of Representatives, **the Pennsylvania Fish Commission, the Pennsylvania Game Commission** or any court, political subdivision, municipal or local authority. (Emphasis added.) *See* 71 P.S. § 745.3.

¹⁰ 2017 Pennsylvania Game Commission, *2017 Annual Report, Your Wildlife Agency*, page 11.

¹¹ Pennsylvania Game Commission Strategic Plan 2015-2020, page 2.

¹² The word distinct means each active hunter is only counted once, no matter how many licenses each hunter holds.

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Pennsylvania Game Commission License Sales – by Fiscal Year Ended June 30			
	2015	2016	2017
Number of Active and Distinct License Holders	944,528	936,395	915,497
Number of Licenses Issued^{a/}	2,648,072	2,626,694	2,606,618
Revenue from License Sales	\$35,248,250	\$35,535,338	\$35,343,341

^{a/} Totals include permits and privileges such as bobcat and river otter, and also include resident senior lifetime renewal licenses that are renewed annually by the Commission at no-charge. Sources: Produced by the Department of the Auditor General staff. The data for number of distinct license holders was obtained from the Commission's "Federal Assistance Report- Hunting Originals" for each respective year. The data for licenses issued was obtained from the Commission's "PGC License Sale Distribution Report" for each respective fiscal year. The revenue data was obtained from the PA Office of Comptroller Operations from the Commonwealth's SAP accounting system (Basis of Accounting: Modified Accrual).

The Commission's Independent Agency Designation

The Commission, which sustains its operations entirely on revenues it generates from licensing and other sources, does not receive any funding from the Commonwealth's General Fund. As discussed in *Issue Area 3*, the Commission operates under an executive authorization. The executive authorization limits the expenditures that the Commission can incur during a fiscal year, regardless of the revenues generated and collected by the Commission. The Commonwealth's control of the Commission purse strings occurs even though the Commission is designated under statute as an independent agency.

The Commission is identified in the Game and Wildlife Code as an independent agency:

The ownership, jurisdiction over and control of game or wildlife is vested in the commission as an **independent agency** of the Commonwealth in its sovereign capacity to be controlled, regulated and disposed of in accordance with this title.¹³

Although the Commission is excluded from the regulatory review process and excepted from almost all of the Governor's directives, we found that not only does the Governor annually limit the Commission's expenses, the Governor's Budget Office is directly involved in the Commission's annual budgeting process.¹⁴

¹³ 34 Pa.C.S. § 103(a). (Emphasis added.)

¹⁴ Under the Game and Wildlife Code, the Commission is required to follow the policies of the executive branch under the Governor's jurisdiction relating to personnel "classification and compensation plans." See 34 Pa.C.S. § 303(b). The Commission can elect not to follow the Governor's directives at its discretion, but it reportedly volunteers to follow certain policies of the executive branch under the Governor's jurisdiction, in whole or part, including: the policies of the Office of Comptroller Operations within the Office of the Budget; the policies of the

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The Commission's Chief Counsel further clarified the Commission's independence under statute, by stating that the Commonwealth has "assent legislation" which requires that license fees may not be diverted to purposes other than the administration of the wildlife agency.¹⁵

The Commission's Organizational Structure

The Commission, which is also known as the "Board of Commissioners", is comprised of one Pennsylvania citizen from each of the eight districts in the state.¹⁶ Section 301 of the Game and Wildlife Code defines the districts as follows:

- District 1 - Counties of Butler, Clarion, Crawford, Erie, Forest, Lawrence, Mercer, Venango, Warren
- District 2 - Counties of Allegheny, Armstrong, Beaver, Fayette, Greene, Indiana, Washington, Westmoreland
- District 3 - Counties of Cameron, Centre, Clearfield, Clinton, Elk, Jefferson, McKean, Potter
- District 4 - Counties of Bedford, Blair, Cambria, Fulton, Huntingdon, Somerset
- District 5 - Counties of Bradford, Columbia, Lycoming, Montour, Northumberland, Sullivan, Tioga, Union
- District 6 - Counties of Adams, Cumberland, Dauphin, Franklin, Juniata, Lancaster, Lebanon, Mifflin, Perry, Snyder, York
- District 7 - Counties of Carbon, Lackawanna, Luzerne, Monroe, Pike, Susquehanna, Wayne, Wyoming
- District 8 - Counties of Berks, Bucks, Chester, Delaware, Lehigh, Montgomery, Northampton, Philadelphia, Schuylkill¹⁷

Department of General Services; certain policies of the Department of Labor and Industry; and the Governor's Gift Ban *unless* the rules could "impact" on the agency's operations.

¹⁵ 34 Pa.C.S. § 324.

¹⁶ These eight citizens, who must be "competent" and "well informed on the subject of wildlife conservation and restoration", are "appointed by the Governor, by and with the advice and consent of a majority of the elected members of the Senate." *See* 34 Pa.C.S. § 301(a).

¹⁷ 34 Pa.C.S. § 301(b).

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The Commission also has an Executive Staff. The Board is responsible for selecting an Executive Director and monitoring their progress.¹⁸ Under the Executive Director, there are two Deputy Directors, the Deputy Director of Administration and the Deputy Director of Field Operations.¹⁹ See *Appendix B* for the Commission's organizational chart. Additionally, there are Directors for each of the six Bureaus:²⁰

- Bureau of Wildlife Habitat Management
- Bureau of Administrative Services
- Bureau of Wildlife Management
- Bureau of Wildlife Protection
- Bureau of Automated Technology Services
- Bureau of Information and Education

The Commission has a headquarters building in Harrisburg and the following six regional offices:

- Franklin (Venango County), Northwest Regional Office
- Bolivar (Westmoreland County), Southwest Regional Office
- Jersey Shore (Lycoming County), North Central Regional Office
- Huntingdon (Huntingdon County), South Central Regional Office
- Dallas (Luzerne County), Northeast Regional Office
- Reading (Berks County), Southeast Regional Office

As of January 2018, the Commission had an authorized complement of 714 salaried positions. At that time, a total of 636 positions were filled and 78 were classified as vacant. Employees of the Commission include state game wardens, hunter educators, wildlife specialists, and maintenance workers. The Commission also has a wildlife management team that consists of wildlife biologists whose job it is to study and manage wild animals and their habitats. There are 200 wildlife conservation officer "Game Wardens" in Pennsylvania and 350 part-time deputies. The table below shows the number of salaried positions between the central office, the six regional offices, and the four game farms.

¹⁸ 34 Pa.C.S. § 302.

¹⁹ 34 Pa.C.S. § 303.

²⁰ <<https://www.pgc.pa.gov/InformationResources/AboutUs/ExecutiveStaff/Pages/default.aspx>> (accessed January 16, 2018).

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Pennsylvania Game Commission Employee Complement		
As of:	Total Number of Salaried Positions	Total Number of Filled Positions
June 30, 2015	714	686
June 30, 2016	714	669
June 30, 2017	714	633

Source: Compiled by the Department of the Auditor General staff from Complement Reports provided by the Commission.

Additional Significant Revenue Sources

Beyond licensing revenues, we also analyzed the Commission's other significant sources of revenue, which included revenue from oil, gas, and mineral lease agreements and the sale of timber on state game lands.

Revenue from Oil, Gas, and Mineral Lease Agreements

The Pennsylvania Game Commission generates significant revenue through the development of oil, gas, and mineral rights. The Commission never sells game land, but instead sells the rights to use its land. These rights are leased to companies known as producers. The producers enter into lease agreements with the Commission for the extraction of oil and gas from under the state game lands. The Commission also has restricted surface use cooperative agreements that allow for the development of gas well pads on the state game lands' surface.

Revenue from Timber Sales

Although timber sales serve as a significant source of revenue for the Commission, it does not sell timber for the sole purpose of generating revenue. In fact, according to the Commission's Forestry Manual, "The Objective of the Forestry Division is to sustainability [*sic*] manage the forested habitat of Pennsylvania Game Commission controlled land for optimum wildlife habitat quality and diversity."²¹ In order to meet this objective, the Commission sells mature timber to bidders which not only produces revenue but also allows room for new trees to grow and develop.

Expenditures of the Commission

The Commission summarizes its expenditures into operational areas, including wildlife habitat management, wildlife protection, wildlife management, administration, information and

²¹ *The Pennsylvania Game Commission Forestry Manual*, Bureau of Wildlife Habitat Management, Forestry Division, 2010, page 6.

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education, executive offices, and automated technology services. Highlights of some types of services and expenditures included in each of these operational areas are described below.

Wildlife Habitat Management

Wildlife Habitat Management includes a variety of habitat and non-habitat functions, including controlled burning, forest habitat management, shooting range improvements and maintenance, road and bridge building and maintenance, payments in lieu of taxes on every acre of state game lands, boundary line maintenance, food plot planting and maintenance, deer deterrent fence repair installs and removals, upgrades to infrastructure, and the procurement of equipment to perform habitat management activities.

Wildlife Protection

Wildlife Protection includes the salaries for the employees in the Bureau of Wildlife Protection. This bureau is comprised of five divisions including Communications, Administration, Enforcement, Special Operations, and Special Permit Enforcement Divisions. These bureaus are responsible for a wide variety of duties including maintaining the Commission's radio system, reviewing and maintaining all agency prosecution records, overseeing the Commission's deputy program, administering the Commission's Conservation Officer Assistance Program, and administering wildlife related special permits.

Wildlife Management

Wildlife Management includes the cost of the salaries and duties performed by the Bureau of Wildlife Management. This bureau employs numerous biologists that are assigned to specific game and nongame birds and mammals. These biologists' responsibilities include developing species management plans, monitoring populations, harvests, and habitats, and coordinating reintroduction and recovery projects for extirpated or endangered species. In addition, the Commission's two game farms, also overseen by the Bureau of Wildlife Management, annually raise and release 200,000 to 250,000 ring-necked pheasants across Pennsylvania to augment small game hunting opportunities.²²

Administration

Administration includes the salaries for the Bureau of Administration. This bureau has four divisions including Fiscal Management, Procurement, Licensing, and Warehouse. The bureau is responsible for budget submission, verification of contracts, procurement, vehicle fleet, and the

²² The areas of the state where the Commission and partners are trying to establish wild populations of ring-necked pheasants could be greatly reduced after the July 2019 meeting of the Pennsylvania Board of Game Commissioners. See <<https://www.pennlive.com/life/2019/04/is-the-pennsylvania-game-commission-cutting-back-on-pheasants.html>> (accessed April 23, 2019).

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licensing system. Other administration expenditures include those related to the licensing system, printing, postage, and vehicle purchases.

Information and Education

Information and Education includes the costs of the salaries and responsibilities performed by employees within the Bureau of Information and Education. This bureau includes three divisions: Publications Division, the Media Services Division, and the Research and Education Division. These divisions are responsible for a variety of administration, education, marketing, and outreach responsibilities. These responsibilities include the Commission's printed publications such as *Hunter-Trapper Digest* and monthly *PA Game News*, the creation of website and social media content, as well as the administration of the Hunter-Trapper Education and National Archery in School programs.

Executive Offices

The Executive Offices is comprised of the Executive Director, Deputy Executive Directors, Chief Counsel, Legislative Office and Training. Expenditures are related to all of the Commission's centralized shared services costs, including the Commonwealth's Integrated Enterprise System, comptroller, human resource, civil service, and payroll operations. In addition, these expenditures include all expenditures related to training cadets into Game Wardens.

Automated Technology Services

Automated Technology expenditures include the following: consultants, the Enterprise Data Center, hardware, software licensing, and telecom. In addition, fiscal year 2014-2015 included the final year of mainframe costs.

Escrow Accounts

In addition to maintaining the Game Fund, the Commission is beneficiary to funds in privately held escrow accounts. Because the Commission relies on the revenue of leasing oil and gas rights and timber sales on state game lands, it makes every effort to find comparable game land to be used for hunting, trapping and fishing. If sufficient land cannot be identified immediately, an interest-bearing escrow account managed by a third party separate from the Commission is established, and monies are deposited by lessees or other parties for future purchase of wildlife habitats, lands or other uses incidental to hunting, furtaking, and wildlife resource management. During the audit period, the Commission maintained seven escrow accounts outside the Commonwealth's accounting system and control of the Commonwealth Treasury Department. See *Appendices F and G* for more information.

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Issue Area 1 – Pennsylvania Game Commission Revenues

As stated previously, the Pennsylvania Game Commission (Commission) is a self-sustaining state independent regulatory agency which receives no funding from the Commonwealth's General Fund. The Commission generates revenues from four principal sources: 1) hunting license sales, 2) bonus and royalty revenues from companies with lease agreements to extract and develop oil, gas, and mineral (OGM) resources from state game lands, 3) timber sales, and 4) federal excise tax reimbursements and grants.²³ Other revenues include interest income, seedling sales, newsstand sales, and newsletter subscriptions.

The revenues are to be deposited in the Game Fund in accordance with the Game and Wildlife Code, which states:

All proceeds from the sale of waters, timber, buildings, other appurtenances, oil, gas or minerals, leases of commission lands, waters or interests, rights from the production or sale of minerals, oil or gas or other products and from licenses or other rights granted by the commission shall be deposited in the Game Fund.²⁴

The Commission uses its revenue tracking system to record payments as received. Summarized data from the tracking system is then imported into the Commonwealth's SAP accounting system as revenues. The Commission's revenues for the fiscal years ended (FYE) June 30, 2015, 2016, and 2017, are outlined in the following table:

²³ Federal excise tax reimbursements are provided to the Commonwealth from the federal government via the Pittman-Robertson Act, which levies an excise tax on the sale of firearms and ammunition. The federal government, via the Department of the Interior, distributes reimbursements to states based upon a formula.

²⁴ 34 Pa.C.S. § 727. Note that the OGM revenues deposited into the Game Fund for fiscal year ended June 30, 2015, did not include almost \$4 million in bonuses, which were deposited into a Commission escrow account. This is further discussed in *Issue Area 3*.

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Pennsylvania Game Commission Game Fund Revenues by FYE June 30,			
Type of Revenues	2015	2016	2017
Hunting License Sales	\$ 35,248,250	\$ 35,535,338	\$ 35,343,341
OGM and Rights-of-Way ²⁵	\$ 26,424,757	\$ 32,790,898	\$ 26,397,763
Timber Sales	\$ 5,960,551	\$ 6,539,143	\$ 10,268,341
Federal Excise Tax Reimbursements & Grants	\$ 26,770,196	\$ 26,880,946	\$ 26,525,584
Other Revenues	\$ 8,149,826	\$ 6,700,523	\$ 8,338,306
Total	\$ 102,553,580	\$108,446,848	\$106,873,335

Source: Produced by the Department of the Auditor General staff from data provided by the PA Office of Comptroller Operations from the Commonwealth's SAP accounting system (Basis of Accounting: Modified Accrual).

As shown in the previous table, the largest revenue stream, hunting license sales, had little change over the three-year period. According to the Commission's *Strategic Plan 2015-2020*, the Commission experiences stagnant license fee revenue because "the volume of sales remains relatively flat," and its hunting license "fees are among the lowest in the nation."²⁶ *Appendix C* of this report identifies the amount of revenue generated by license type.

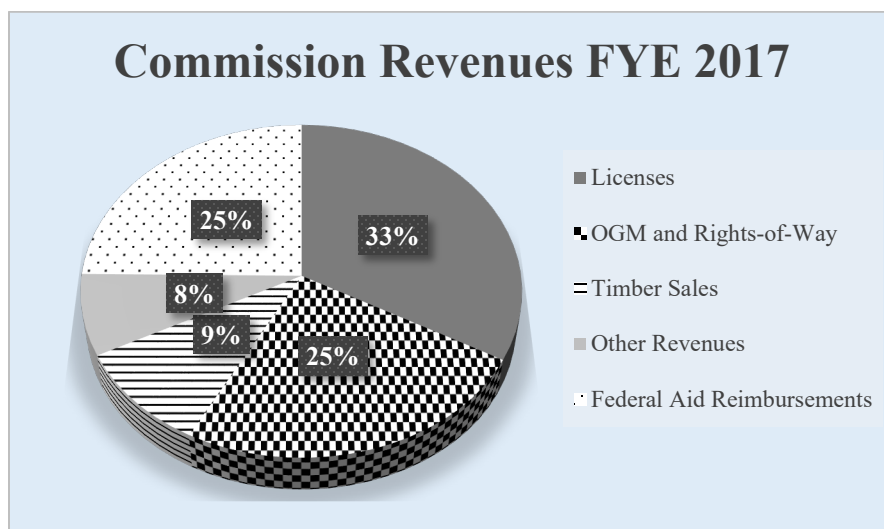
In order to satisfy our objective to identify and analyze Commission revenues, we focused our audit procedures on the three highest non-federal revenue streams: OGM bonuses and royalties, timber sales, and hunting license sales. Although federal tax reimbursements from arms and ammunitions sales along with federal grants represented approximately a quarter of all Commission revenues, we limited our review to those funding streams related to activities with little to no federal oversight that were designated by the Game and Wildlife Code to be ultimately managed by the Commission. As shown in the following chart, these three revenue streams accounted for over 67 percent of revenues in the FYE June 30, 2017.

²⁵ The Commission's Regulations in Chapter 135, Lands and Buildings, Subchapter L, *Licenses for Rights-of-Way*, (34 Pa. Code §§ 135.221 – 135.225), provide for licensing rights-of-way across game lands and allows the Commission to leverage annual license fees to persons or entities whose applications for rights-of-way are approved. In each of the three years of the audit period, revenues from rights-of-way licenses were approximately \$3.4 million, \$4 million, and \$4.9 million, respectively, and averaged approximately 3.9 percent of total revenues over the three-year period. The Department did not include fees from rights-of-way in the scope of its audit of Commission revenues.

²⁶ Pennsylvania Game Commission, *Strategic Plan 2015-2020*, page 7, <<https://www.pgc.pa.gov/InformationResources/AboutUs/Documents/PGC%20Strategic%20Plan%202015-2020.pdf>> (accessed April 17, 2018).

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Source: Produced by the Department of the Auditor General staff from data provided by the PA Office of Comptroller Operations from the Commonwealth's SAP accounting system (Basis of Accounting: Modified Accrual).

As part of our revenue-related audit procedures for OGM revenues and timber sales, we analyzed: 1) compliance procedures related to lease agreements and contracts; and 2) revenue collection and accounting procedures. For license revenue, we analyzed overall revenue trends and within certain license types. We also reviewed whether certain types of revenue were deposited into the Game Fund as required by the Game and Wildlife Code.

Based on these audit procedures and our interviews with Commission management, we found that:

- Although the Commission collected bonus revenue in compliance with lease agreements, it did not adequately track royalty revenue from oil and gas producers, thereby increasing the risk of lost revenue.
- The Commission complied with the relevant sections of the Forestry Manual and the Game and Wildlife Code in conducting and accounting for timber sales transactions.
- The Commission's amount of license revenue collected appears reasonable; however, it must explore ways to increase the number of licenses sold.

The following findings describe our audit procedures, results, and conclusions.

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Finding 1.1 – Although the Commission collected bonus revenue in compliance with lease agreements, it did not adequately track royalty revenue from oil and gas producers, thereby increasing the risk of lost revenue.

The Pennsylvania Game Commission collects revenue from energy companies that are authorized, through executed lease agreements with the Commission, to extract oil, gas, and minerals (OGM) from state game lands.²⁷ The companies that lease these rights are referred to in the lease agreements and throughout this report, as producers. Other producers making payments to the Commission may not have had lease agreements directly with the Commission, but may have had rights assigned to them based upon subsequent agreements with lease-holding producers, the assignments of which were provided for in the lease agreements.

Between July 1, 2014 and June 30, 2017, the Commission deposited OGM payments received from 66 producers totaling \$73.1 million into the Game Fund as shown in the following chart.²⁸

Pennsylvania Game Commission Oil, Gas, and Mineral Producers July 1, 2014 through June 30, 2017	
Type of Resource	Number of Producers
Oil and Gas	53
Coal	10
Stone, Sand, Gravel, and Lime	3
Total	66

Source: Produced by the Department of the Auditor General staff from information provided by the Commission from its revenue tracking system.

The two primary sources of OGM revenues are bonuses and royalty payments (defined below) from oil and gas lease agreements, which totaled \$65.6 million of the overall total of \$73.1 million OGM revenue received (90% of the total). Each oil and gas lease agreement involves an agreed-upon number of acres, which the producer uses, but does not buy or own, to produce oil and gas for sale. The lease agreements are to be approved by a majority of the eight-member Board of Commissioners (Board).²⁹

²⁷ Although the majority of these agreements are cooperative agreements for the exercise of production rights, there are some pre-existing leases. The Code and several official Commission documents refer to these agreements as leases; therefore, throughout this report we use the term lease agreement to encompass all of the above.

²⁸ This does not include \$4.2 million of OGM payments received by the Commission that were deposited into one of its escrow accounts. See *Issue Area 3* for additional information regarding escrow accounts.

²⁹ 34 Pa.C.S. §§ 301 and 321. As provided in the Game and Wildlife Code, the independent administrative Commission which is subject to the Pennsylvania Sunshine Act "...shall annually hold meetings...in January and June or July and at such other times and places within this Commonwealth as the commission shall designate for the

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- Bonus payments from producers are established as a one-time, per acre payment rate and are vulnerable to trends in oil and natural gas markets at the time of the negotiation of the lease agreement. They are paid to the Commission in the form of a lump sum payment at the beginning of the lease agreement term.
- Royalty payments from producers are made throughout the term of the lease agreement. The payments are based on monthly production and sales from the wells. These payments are also subject to market forces, such as fluctuations in fuel and energy costs.³⁰

The following chart highlights OGM revenues, including bonus and rental revenues, which dropped from \$12.5 million received during the fiscal year ended (FYE) June 30, 2015 to a mere \$200,000 received during the FYE June 30, 2017.³¹ During the same period, revenue from oil and gas royalties more than doubled. Other OGM revenues are related to the sales of coal, sand, stone, gravel and lime, as well as payments from producers as a result of surface damage from the production of OGM resources. According to Commission officials, as of June 2015, most available state game land acreage had already been leased, which accounts for the sharp drop in bonus revenue from FYE June 30, 2015 to FYE June 30, 2017.³² However, the royalty payments are a potentially significant and ongoing funding stream for the Commission.

transaction of business.” See 34 Pa.C.S. § 321(a). See also, <https://www.pgc.pa.gov/InformationResources/AboutUs/Commissioners/Pages/default.aspx> (accessed March 15, 2019).

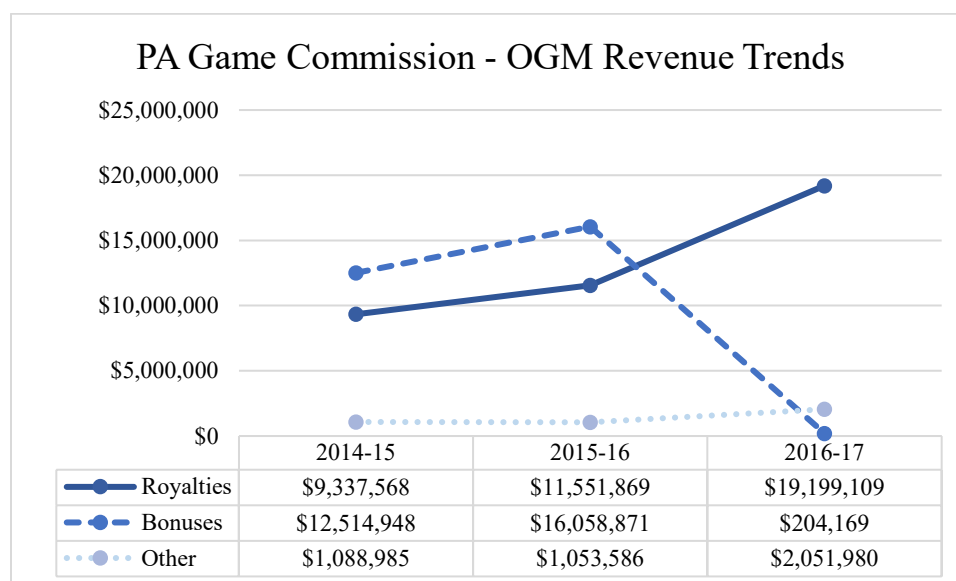
³⁰ As discussed later in the finding, royalty payments are based on the volume of oil, gas, or other hydrocarbons produced and sold from a well, the price that the oil or gas is sold for, and the royalty rate established in the agreement. Producers can deduct certain costs, including compression, transportation, gathering and other processing costs required to bring the OGM to market.

³¹ Included in bonus revenue in the Commonwealth SAP accounting system are rental fees paid by producers for wells that are not in production. Rental fees are based on the number of acres that are not yet developed or not producing oil or gas. The approximate total amount of rental fees collected during the three-year audit period were \$3 million. We did not audit the collection of the rental fees.

³² PA Game Commission, *Strategic Plan 2015-2020*, issued on June 1, 2015, page 8, <https://www.pgc.pa.gov/InformationResources/AboutUs/Documents/PGC%20Strategic%20Plan%202015-2020.pdf> (accessed April 17, 2018).

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Source: Produced by the Department of the Auditor General staff from data provided by the Office of Comptroller Operations, Governor's Budget Office, Commonwealth SAP accounting system, modified accrual basis.

We judgmentally selected 18 of the 66 producers that submitted payments during the audit period based on the dollar amounts and number of payments made during the audit period. The table below summarizes the selection of producers we reviewed.

Pennsylvania Game Commission Summary of Producers Reviewed by Department of Auditor General			
	Oil & Gas	Coal	Total
Producer had lease agreement with the Commission	14	2	16
Producer had subsequent agreement with another producer	2	--	2
Submitted payments to Commission	16	2	18

Source: Produced by the Department of the Auditor General staff from information provided by the Commission.

We performed audit procedures to determine whether the lease agreements were properly authorized and whether assignments of rights by lease-holders to other producers were also authorized as part of the subsequent agreements. We also reviewed bonus and royalty revenues to verify whether they were collected in accordance with lease agreement terms. Finally, we reviewed three key accountability clauses provided for in the lease agreements to determine whether the Commission complied with or enforced such provisions to help ensure collection of all revenue.

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Based on our audit procedures, we found the following:

- The Commission relied on the supporting data that accompanied the royalty payments from producers, and therefore did not question or confirm the appropriateness or accuracy of the royalty payment amounts it received.
- The Commission failed to ensure that all royalty payments due from the oil and gas producers were in fact received.
- The Commission failed to enforce key accountability provisions within its oil and gas lease agreements, including not exercising its right to audit producers.
- A risk of loss or potential theft of public funds exists due to the Commission's failure to log in and timely deposit royalty checks upon receipt.
- The Commission properly authorized lease agreements with producers and collected bonuses in accordance with the lease agreement terms.

The following sections provide further details describing our results.

The Commission relied on the supporting data that accompanied the royalty payments from producers, and therefore did not question or confirm the appropriateness or accuracy of the royalty payment amounts it received.

According to the lease agreements, producers are required to submit royalty payments to the Commission whenever wells are producing and selling oil or gas. Included with each royalty payment is a remittance document that provides details about the production at each well for which a royalty payment was included in the check, including:

- Production date (month and year).
- Monthly production quantity at each well where production occurred (e.g., in barrels for oil).
- Unit market price in the month of production.
- The gross value (quantity multiplied by the unit market price).
- Cost adjustments.
- Net value (gross value minus cost adjustments).
- The Commission's interest (equals the royalty percentage set forth in the lease agreement multiplied by the fractional interest held by the Commission).
- Royalty payment (net value multiplied by the Commission's interest).

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Prudent business practices dictate that management should design its control procedures over transactions, such as revenue collections, to ensure that all revenue that is due is actually received and accurately recorded.³³ We judgmentally selected five royalty payments from each of the 14 oil and gas producers and 2 coal producers reviewed that had direct lease agreements with the Commission during our audit period. One of the coal producers only made one payment; therefore, we reviewed a total of 76 payments. Based on our review of the royalty payments and remittance documents, as well as discussions with Commission management however, we found the following:

- The Commission did not verify the appropriateness or accuracy of the royalty payments received from producers.
- The Commission did not ensure that all royalty payments due from the oil and gas producers were actually received (see next section in the finding).

The details contained in the remittance documents (listed above) are used in a formula to calculate the amount of the royalty payment owed to the Commission. The formula can be complex due to a number of factors affecting the calculation, including the number of wells per lease agreement/producer and variables in data from each well and lease agreement.³⁴ Therefore, it is imperative that the Commission have in place a system for verifying the accuracy and/or reasonableness of the data used in the formula as well as a process of recalculating the formula to ensure that the royalty payment amount is accurate. However, Commission management acknowledged that it relied on the data provided by the producers. In fact, while Commission management indicated that it maintains a revenue tracking system with the information contained in the remittance documents, it acknowledged the system is not sufficient, stating that it intends to “upgrade/develop a new and more robust revenue tracking system.”

Further, management indicated that it does not have sufficient staff to properly verify the accuracy of the royalty payments, stating, “[t]he OGM staffing level today is the same as it was in 2003. In [fiscal year] 2003 the revenues were approximately \$1.5 million to \$2 million per year. In [fiscal year] 2017 the OGM section generated over \$30 million.” Moreover, the staff who are responsible for receiving and accounting for OGM revenue work in the Environmental Planning and Habitat Protection Division, which is a division of the Bureau of Wildlife Habitat Management. The staff do not work full-time on OGM revenue because they have other significant job duties unrelated to receiving and accounting for OGM revenue. Given the large number of producers and OGM lease agreements, as well as the sharp increase in OGM royalty

³³ United States Government Accountability Office, *Standards for Internal Control in the Federal Government* (commonly known as the Green Book), September 2014, page 48. The Pennsylvania Governor’s Office issued its own *Standards for Internal Control for Commonwealth Agencies*, Management Directive 325.12, on December 7, 2014. The directive was amended on May 15, 2018, to formally adopt the Green Book standards for Commonwealth agencies.

³⁴ According to Commission management, there were 857 wells active during the audit period. We did not validate this information.

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revenue from FYE 2015 through FYE 2017, the Commission should consider whether the responsibility of collecting and monitoring OGM revenue should be assigned to full-time staff dedicated to ensuring all revenue received is accurate and appropriate.

The Commission did not ensure that all royalty payments due from the oil and gas producers were actually received.

Pursuant to the lease agreements, royalty payments are made only if there were production and sales from the well. Specifically, the lease agreements state:

Payments of royalties shall be made not later than the twenty-fifth (25th) day of each calendar month that is two months from the month in which production and sales are made, unless otherwise approved in writing by the Commission.³⁵

According to Commission management, if the Commission did not receive a payment from a producer or if payments were not received on all wells related to a specific lease agreement, management assumed that there was either no production or sales. The Commission, however, indicated that once a year it runs queries in its revenue tracking system on each lease agreement to see if payments for wells are missed. But when we asked for documentation to support the queries it had made during the three-year audit period, officials could not provide supporting documentation. Therefore, we could not independently verify that these reviews were actually performed, nor whether they resulted in any additional royalty revenue.

Further, when we asked specific questions about the 16 oil and gas lease agreements we had selected for review, officials could only offer *possible* explanations about the number of royalty payments received on certain lease agreements. For example, when we asked management why a specific producer did not remit any royalty payments in June, August, September, and October of 2015, and why another producer did not remit payments from August 2015 through February 2016, we were told only that there are times when a well is not in production, that production may have stopped on a well if another well was dug, or that fracking could have interrupted the production. These explanations indicate that the Commission staff did not adequately follow up with producers or even analyze its own data on well production and sales. Consequently, the Commission did not do enough to hold producers accountable and ensure that it was receiving the royalties it was due from production on the wells installed on state game lands.

Producers are also required by law to report to the Department of Environmental Protection (DEP) on well production within 45 calendar days of the close of each monthly reporting

³⁵ The excerpt cited here as an example is from section 5.1, "Payments," of the "*Restricted Surface Use Oil and Gas Cooperative Agreement*" between the Commonwealth of Pennsylvania and Anadarko E&P Company, LP, dated August 31, 2011, pertaining to State Game Lands No. 114, Tract No. 114A-11. Reference was also made to section 4, "Gas Royalties" of said agreement.

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period.³⁶ Commission management stated several times that it *can compare* its data to DEP's data on well production. When we asked whether the Commission actually compared its data to DEP's, management stated that it compares data for approximately 25 wells per year and that the comparisons have raised no "red flags." We asked for documentation to support the comparisons conducted during the audit period, but the Commission stated that it did not maintain this documentation. Therefore, we could not independently conclude that the Commission actually conducted such comparisons.

Even if it had conducted comparisons of its data with DEP's data on 25 wells per year, these comparisons may not have provided a sufficient control since the Commission's lease agreements during the three-year period involved a reported 857 wells. In addition, controls such as this comparison procedure should have been formalized and implemented routinely with results reported to senior management at the Commission and possibly the Board. Another level of control that the Commission failed to implement was related to *Annual Well Production Reports*, which are required by the lease agreements to be submitted directly to the Commission by producers. The Commission never required the producers to remit them, stating again that it "can access" DEP's data obtained from producers. These annual reports are discussed further in the next section of the finding.

In addition to querying its own revenue tracking system for potential missed payments from production and sales on wells, the system could also be used to potentially find producers not *timely* providing royalty payments. For example, although the sale date of the oil or gas is not provided on the remittance documentation, based on our review of royalty payments and related remittance documents, we found instances where royalty payments were submitted **years after production** occurred at the wells. We found one producer made a payment in November 2014 which was related to production that occurred in November 2010, approximately four years earlier.

By not performing routine verification and other monitoring of the documentation to support royalty payments on lease agreements and their respective wells, the Commission may be losing significant revenue that is not being identified and subsequently collected.

Commission management did not dispute our finding that it does not verify whether producers made monthly royalty payments. Instead it stated, "[Producers] make payments in compliance with the terms of the lease agreements. [The Commission] will contact the producers if discrepancies are discovered. [The Commission] periodically queries its revenue database to see if payments for wells are missed." The informal monitoring process appears to over-rely on producers and does not sufficiently ensure that the Commission is receiving accurate royalty revenue payments from producers. Also, as stated in the previous section, management cited the

³⁶ 58 Pa.C.S. § 3222 (relating to Well reporting requirements) of the Oil and Gas Act (Act 13 of 2012), and Subsection (a) of 25 Pa. Code § 78a.121 (relating to Well Reporting) of the Oil and Gas Regulations.

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small staff and their other responsibilities as reasons for not providing more formal oversight, but they have failed to take necessary steps to address their purported personnel issues.

Another mechanism for determining whether the producers are submitting all required royalty payments is audits. The next section describes some key accountability provisions, including audits, which are not being exercised or enforced.

The Commission failed to enforce key accountability provisions within its oil and gas lease agreements, including not exercising its right to audit producers.

The lease agreements with the producers contain three key accountability provisions which were not implemented by the Commission:

- Audits of the producers allowed to be conducted by the Commission at its discretion.
- Penalties of 12 percent interest allowed for delinquent payments from producers.
- *Annual Well Production Reports* required to be submitted directly to the Commission by producers.

Audit clause

The oil and gas lease agreements contain an audit clause that would allow the Commission to audit producers. The lease agreements state:

Producer further grants to commission the right at any time to examine, audit, or inspect books, records, and accounts of Producer pertinent to the purpose of verifying the accuracy of the reports and statements furnished to Commission, and for checking the amount of payments lawfully due under the terms of this Agreement.³⁷

According to the lease agreements, any audits, examinations, and inspections are to be conducted at the Commission's expense. Although 53 oil and gas producers made payments to the Commission during the three-year audit period, only one audit of the data factoring into royalty payments was conducted on a main producer, with two producers being affiliated with the main producer. The audit was conducted by a consulting firm hired by the Commission. The scope of the audit was limited to the period from September 2013 to October 2014. From interviews with management and a limited review of documents, we noted that the audit found issues with all

³⁷ The excerpt cited here as an example is from the "*Restricted Surface Use Oil and Gas Cooperative Agreement*" between the Commonwealth of Pennsylvania and Anadarko E&P Company, LP, dated August 31, 2011, pertaining to State Game Lands No. 114, Tract No. 114A-11. Reference was also made to section 4, "Gas Royalties" of said agreement, ¶13.2.

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three producers, including possible improper cost adjustments that reduced royalty payments, possible underpayment of royalties, and possible missed royalty payments.

While we acknowledge the cost constraints that might limit the number and frequency of such audits, the Commission should have conducted more audits, examinations, and/or inspections for compliance, and it should have done so strategically to maximize the cost-benefit of such useful internal control tools. Audits, examinations, and inspections should have been conducted not only to determine whether the Commission had received all of the royalty revenue due from producers, but also to encourage all producers to remit timely and full payment of the royalties due. The real prospect of an audit in of itself is an accounting control. By not implementing this accountability tool provided for in the lease agreements, the Commission greatly increased risks over a protracted period that producers may have failed to remit full and proper payments to the Commission.

Commission management stated, “The current staff is capable and has the expertise to perform monitoring and routine audits.” It also indicated, as stated previously, that there is not sufficient staff to perform these duties. These two statements from the Commission are in conflict and are seemingly irreconcilable with one another. Nevertheless, implementing a strategy of conducting audits, examinations, and inspections, as well as utilizing a range of scopes and methodologies, could provide the Commission with *an additional potential benefit of increasing its revenue collections*. This may in fact offset the costs of having additional staff dedicated to these important accountability tasks.

Penalties

The lease agreements contain a provision that allows the Commission to levy interest penalties on delinquent oil and gas royalty payments. An example of such a clause from one of the lease agreements states:

Once it has been determined by Commission that Producer is in default in the payment of any sum of money payable under provisions of this Agreement for thirty (30) days, Commission shall notify Producer in writing. Producer shall have 30 days from date of notice to respond or cure said notice. If Producer fails to respond or cure, then Producer agrees to pay an additional twelve percent (12%) annual interest on the defaulted amount calculated from the time of such default. This provision is in no way a waiver of the requirement to pay on time.³⁸

This clause provides a cost incentive for producers to avoid paying penalties if they pay royalties to the Commission timely and in accordance with the lease agreements. It also provides tangible

³⁸ The penalty clause example cited is from “*Restricted Surface Use Oil and Gas Cooperative Agreement*” between the Commonwealth of Pennsylvania and Anadarko E&P Company, LP, dated August 31, 2011, pertaining to State Game Lands No. 114, Tract No. 114A-11, ¶ 5.3.

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consequences that the Commission can employ in order to enforce the timeliness of royalty payments. However, as previously explained, the Commission has not monitored the timeliness of royalty payments from producers in order to identify whether any payments were in default. As a result, the Commission did not hold producers accountable and potentially lost revenue from not levying these penalties. Commission management acknowledged it never levied interest charges on any oil and gas producers at any time during the three-year audit period.

Production reports

In addition to allowing for penalties for untimely payments, the oil and gas lease agreements explicitly require the producers to provide directly to the Commission an “*Annual Well Production Report*” for each well in production on state game lands.³⁹ However, Commission officials stated that it did not enforce the requirement for producers to provide these annual reports because it has access to the same data through the DEP. “The OGM section can download the production data reported to the DEP and compare it to the production data reported to the [Commission] for any given well.”

As discussed previously, however, the Commission had no formal procedures in place to routinely compare its data as reported by producers to the DEP’s data, and it provided no documentary evidence that it actually did make comparisons at any time throughout the audit period.

By not enforcing the lease agreements’ accountability requirement related to the annual production reports, the Commission missed another opportunity to verify the data maintained in its revenue tracking system—obtained from the supporting documentation provided with the monthly royalty payments from producers. It could have used the annual well production reports to compare to its revenue tracking system data and the DEP’s data. Comparisons such as these—if implemented timely and routinely—could have provided an added level of control to ensure that it was receiving all of the royalty revenue that was due from producers.

Commission management acknowledged that it had not been diligent in requiring producers to file the ‘Annual Well Production Report’ and claims to have taken steps to rectify this situation by generating and sending a form letter to each operator reminding them of this lease agreement provision. The Commission should ensure producers provide the annual reports as required in the lease agreements and integrate their review into its internal control system as another level of control to ensure it is receiving all of the royalties due from production and sales.

³⁹ Ibid., ¶ 5.2.

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A risk of loss or potential theft of public funds exists due to the Commission's failure to log in and timely deposit royalty checks upon receipt.

Between July 1, 2014 and June 30, 2017, the Commission received over 1,200 oil and gas royalty payments totaling \$40.1 million dollars, with the highest payment from one oil and gas producer being more than \$1.5 million. Common best practices in business and government recommend timely deposits of receipts to prevent risk of loss or potential theft.⁴⁰ The Commission, therefore, should have an internal control system that protects its revenue from potential loss or theft. That system should include procedures to ensure daily logging in and depositing of royalty payments from producers, along with a segregation of duties between those who have custody of the checks and those responsible for accounting for them.⁴¹ Additionally, this log should then be routinely reconciled with both the Department of Treasury deposit records and deposits recorded in the Commission's own revenue tracking system.

Commission management provided a copy of its informal written procedures for receiving and depositing checks. In response to follow-up questions by auditors, management also provided further written explanation of its procedures. We found that the Commission's procedures for collecting revenue do not require the staff to immediately log in checks received when the mail is opened. Instead, checks are given to management for review to determine how it should be coded when it is entered into the revenue tracking system. There is no log for tracking checks when received. Because staff can be working outside the office as part of their non-revenue collecting duties, there can be a time lag between the day a check is received in the office and when it is deposited and recorded in the revenue tracking system. Although Commission management stated that checks are maintained in a locked safe until they are deposited and that deposits are made weekly, these procedures do not sufficiently safeguard the significant volume of OGM payments coming into the office and therefore, it increases the risk of loss or potential theft of public funds.

We judgmentally selected and reviewed 70 oil and gas royalty checks received by the Commission during the audit period to determine whether the amounts recorded in the revenue tracking system matched the check copies and remittance documentation and found no exceptions. We also reviewed these payments to determine the timeliness of their deposits. We did note that most, though not all, of the checks or the attached remittance documentation were date-stamped by the Commission, even though the Commission's written procedures did not include a procedure to date-stamp checks upon receipt. Date-stamping checks or attached

⁴⁰ Government Finance Officers Association, "Essential Components of an Organization –Wide Cash Handling Policy," May 23, 2017. The PowerPoint presentation offers an array of recommendations for optimizing control over receipts/revenues, including emphasis on recommending *daily* deposits. <https://www.gfoa.org/sites/default/files/GFOA%20Cash%20Handling%20May%2023final.pdf> (accessed March 4, 2019).

⁴¹ United States Government Accountability Office, *Standards for Internal Control in the Federal Government*, September 2014, pages 50-51. The Pennsylvania Governor's Office issued Management Directive 325.12 Amended on May 15, 2018, which adopted these standards for Commonwealth agencies.

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remittance documentation when they are received can provide an additional level of accountability to support the data maintained in a log of checks received. The following table summarizes the results of what we found with regard to deposits.

Pennsylvania Game Commission Analysis of Deposit Dates of Oil and Gas Royalty Payments	
Range of Days	# Days Between Stamped Receipt Date & Deposit Date ^{a/}
No Stamped Receipt Date	23
0 to 7 days	24
8 to 14 days	13
15 to 21 days	2
22 to 30 days	2
Over 30 days	6
Total	70

^{a/}Deposit Date as recorded per the Commission's revenue tracking system.

Source: Produced by the Department of the Auditor General staff from information provided by the Pennsylvania Game Commission.

To put this table into perspective, 23 of the 70 checks, or 33 percent, *were never even date-stamped when they were received by the Commission staff*. This is a significant control weakness in the safeguarding of money received by the office staff, particularly when deposits were not made on a daily basis and there was a small number of staff. We also found that checks received from producers were not consistently deposited in a timely manner, resulting in a further risk of loss or potential theft. Of the 46 royalty payments that were date-stamped, 6 were deposited *more than 30 days after the Commission received the payment*. One of those checks was not deposited until 63 days after it was stamped received by Commission staff. An environment like this—where funds received are not timely accounted for and deposited—creates the possibility for theft or loss of public funds. Commission management acknowledged that there was an instance where a producer actually called the Commission because its check had not been cashed yet. Whether the Commission misplaced the check or was merely lackadaisical, the mere fact that the producer in this case had to call to question the status of the check is concerning.

Commission management acknowledged the lack of timely deposits and explained that this was also due to the small number of staff charged with collecting and accounting for OGM revenue. However, standardized procedures governing the receipt, deposit, and accounting for checks could have improved the safeguarding of OGM receipts, minimized time lags in deposits, and mitigated the risk of loss or potential theft. Given OGM revenue amounts to millions of dollars annually for the Commission, we question whether this function would be better managed under

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a different bureau with dedicated staff and proper oversight. Without adequate procedures to ensure the daily deposit of funds received, the Commission's oil and gas royalty payments have a high risk of loss or potential theft.

The Commission properly authorized lease agreements with producers and collected bonus revenue in accordance with the lease agreement terms.

For the 16 selected OGM producers that had lease agreements with the Commission, we reviewed the lease agreements for proper authorizing signatures and proper authorization by the Board and found no exceptions. For the two producers that had subsequent agreements with other lease-holding producers, we reviewed supporting documentation authorizing such assignments and found no exceptions.

Since bonus payments are required by oil and gas lease agreements and not coal lease agreements, we reviewed the oil and gas lease agreements to verify whether the amount of the bonus stipulated within the lease agreement was paid by the producer to the Commission in full within 60 days of the Commission's authorization of the lease agreement. We found that bonus payments on the oil and gas lease agreements we reviewed, totaling \$42.3 million, were received in accordance with the terms of the lease agreements.⁴² We noted, however, concerns regarding \$3.9 million in bonus payments on an oil and gas lease agreement being deposited into an escrow account rather than the Game Fund, which is discussed further in *Issue Area 3*.

Conclusion: During the three-year audit period, although the Commission collected bonus revenue in accordance with its lease agreements with producers, it did not position itself to adequately handle the increase in royalty payments from oil and gas producers, a revenue stream that more than doubled in dollar amount during the three years. As stated earlier, the large number of producers remitting royalty payments coupled with the complexity of the royalty formula should have compelled the Commission to more promptly and substantively strengthen the system of internal controls governing the collection of royalty revenue. The internal controls should have included standardized procedures, reporting requirements, and sufficient staffing with proper segregation of duties, coupled with best business practices regarding control procedures, to ensure that all revenue due to the Commission was being collected and that routine oversight was being conducted by senior management and the Board.

Likewise, the Commission should have implemented the key accountability provisions in the lease agreements that required annual production reports from producers and allowed the

⁴² Of the bonuses related to the lease agreements we reviewed, a total of 2 were collected on lease agreements that had been authorized during the audit period, totaling \$3.2 million. The remaining bonuses - a total of 14 - reviewed were collected on lease agreements that were authorized *prior* to the audit period—we still verified the collection of those bonuses, totaling \$39.1 million, even though they were collected prior to the audit period.

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Commission to conduct audits, examinations, and inspections at its discretion, as well as to levy interest penalties on delinquent payments. It also should have required producers to provide the *Annual Well Production* reports and used those reports as an additional level of control in tracking revenue from producers.

Finding 1.2 – The Commission complied with the relevant sections of the Forestry Manual and the Game and Wildlife Code in conducting and accounting for timber sales transactions.

In addition to the revenue generated through the development of oil, gas, and mineral rights on state game lands and license sales to hunters and trappers, the Commission collects revenue from the sale of timber harvested from state game lands. From July 1, 2014 through June 30, 2017, the Commission executed 159 timber sales agreements with 88 different companies. During the same three-year period, the Commission generated a total of \$22.8 million in timber sales revenue, as shown in the following table:

Pennsylvania Game Commission Annual Timber Sales – by Fiscal Year End June 30			
2015	2016	2017	Total
\$5,960,551	\$6,539,143	\$10,268,341	\$22,768,035

Source: Produced by the Department of the Auditor General staff from data provided by the PA Office of Comptroller Operations from the Commonwealth's SAP accounting system (Basis of Accounting: Modified Accrual).

The Game and Wildlife Code states in part, “All proceeds from the sale of waters, timber . . . shall be deposited in the Game Fund [emphasis added].”⁴³ In addition, procedures governing timber sales transactions—from the solicitation of bids to the receipt, deposit and accounting for payments to the Commission—are stipulated in detail in the Forestry Division’s *Forestry Manual*.⁴⁴

The Commission does not sell timber for the sole purpose of generating revenue, thus sales can fluctuate significantly from year to year. According to the Commission’s *Strategic Plan 2015-2020*, the “priority of the agency’s timber management program is to restore and develop quality wildlife habitats, and timber sales revenue is funneled back into wildlife habitat improvement at a nearly 1:1 ratio.”⁴⁵

⁴³ 34 Pa.C.S. § 727 (relating to Proceeds from sales and grants).

⁴⁴ Pennsylvania Game Commission, *Forestry Manual*, Bureau of Wildlife Habitat Management, Forestry Division, January 1, 2010.

⁴⁵ Pennsylvania Game Commission, *Strategic Plan 2015-2020*, page 7.

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Regional foresters, which operate out of six regional offices located throughout the Commonwealth under the direction of the Chief Forester, are responsible for timber sales.⁴⁶ Each regional forester identifies and recommends the timber to be sold and forwards a recommendation package to the Chief Forester for review and approval. The timber to be sold is identified by marked areas referred to as blocks, each of which can be sold at different prices to one or more potential buyers.⁴⁷

All sales of timber must be solicited through a public bid process. The Commission uses Pennsylvania State University's *Timber Market Report* (PSU market report) to determine the value of the timber to establish a minimum price that it will accept when it solicits bids. The highest qualified bidder then enters into an agreement as an approved buyer to purchase the timber from the Commission. The sales agreement is signed by the approved buyer and the Commission's Executive Director. The buyer pays for each block of timber as it is harvested.

To maximize the number of buyers reviewed, as well as the dollar value of timber sales, we judgmentally selected 17 of the 159 sales agreements (each with a different buyer) executed between July 1, 2014 and June 30, 2017, totaling \$12.9 million. We reviewed bid documents, sales agreements, and corresponding payments from buyers to determine compliance with the Forestry Manual and the Code. For each of the 17 sales agreements, we verified that the following occurred in accordance with Forestry Division guidelines:

- All sales agreements were awarded following a public bid process.⁴⁸
- Sales agreements were properly authorized by the buyer and the Commission's Executive Director.
- Prices set forth in the agreements equaled or exceeded the minimum market price established by the PSU market report.
- Performance bonds or letters of credit were properly provided by the buyer to the Commission.⁴⁹
- Payments received agreed to the amounts stipulated in the sales agreements.⁵⁰
- Payments were recorded and deposited into the Game Fund in accordance with the Code.⁵¹

⁴⁶ Regional offices are located in the Northeast, Southeast, Northwest, Southwest, Northcentral and Southcentral regions of the Commonwealth.

⁴⁷ Pennsylvania Game Commission, Forestry Manual Bureau of Wildlife Habitat Management, Forestry Division, January 1, 2010, Appendix III. A.

⁴⁸ Ibid., page 26 and Appendix III – Timber Sale Administration, pages 113-115.

⁴⁹ Performance bonds and letters of credit are issued by insurance companies or banks to provide surety to guarantee satisfactory completion of the terms of a contract.

⁵⁰ Ibid., pages 27 and 28 and Appendix III – Timber Sale Administration, page 116. In all, we reviewed 134 payments related to the 17 sales agreements and found that the buyers made all payments in accordance with the sales agreements. We did not verify whether the payments were timely deposited into the Game Fund.

⁵¹ 34 Pa.C.S. § 727.

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For each fiscal year in the audit period, we verified that the total payments received by the Forestry Division as recorded in the Commission's revenue tracking system reconciled to the total deposits into the Game Fund in the Commonwealth's SAP accounting system.

Based on the results of our audit procedures, we conclude that the Commission complied with timber sales procedures set forth in the Forestry Manual and the Game and Wildlife Code.

Finding 1.3 – The Commission's amount of license revenue collected appears reasonable; however, it must explore ways to increase the number of licenses sold.

A hunting license is required to legally hunt or trap wildlife in the Commonwealth of Pennsylvania.⁵² The Commission sells resident and nonresident general hunting licenses, antlerless deer, bear, archery, and an array of other game licenses. License sales are managed by the License Division of the Commission's Bureau of Administrative Services.

Most types of hunting licenses, including the most popular resident adult hunting license, can be purchased online through the Pennsylvania Automated License System (PALS) or in person at locations that interface with PALS, such as county treasurer offices and authorized agents (e.g., Cabela's, Dick's Sporting Goods, or Walmart).⁵³ According to Commission officials, there are more than 700 locations across the Commonwealth where hunters can apply for and purchase licenses.

Through the use of the PALS, the Commission maintains a master database of licenses sold and license holders. The database provides the Commission with insight into the age of license holders, where they live, where they purchase their licenses, how many belong to hunting families, where they hunt versus where they live, and type of license purchased. The Commission has been able to conduct dozens of surveys directed at randomly selected individuals as well as individuals who meet specific criteria.⁵⁴

During the three-year period ended June 30, 2017, license sales accounted for approximately one third of all Commission revenues. Due to the significance of license revenue and as part of our audit objective to identify and analyze all sources of Commission revenue, we determined whether the total license sales appeared reasonable, compared the number of hunters and number

⁵² For this report, the term "hunting" refers to all types of hunting, trapping, and fur-taking of game, and the term "license" refers to all types of licenses, permits, tags, and stamps.

⁵³ According to Commission management, PALS provided the Commission with the means to improve the license buying experience for its customers. The automated process reduced the wait time for new and returning customers. The PALS also simplified the reporting of big game harvests. Exceptions to online purchases include antlerless deer licenses and a few other licenses, which must be purchased in person at county treasurer offices.

⁵⁴ Commonwealth of Pennsylvania, 2015 NASCIO Nomination, Pennsylvania Automated Licensing System.

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of licenses sold in Pennsylvania to that of the nation and of six other states, and interviewed Commission staff from the Bureau of Information and Education to determine what the Commission has done to increase license sales.

Based on our audit procedures, we found the following:

- The Commission's total license revenue appears reasonable based on the number of licenses sold and cost per license.
- Between reporting years 2014 and 2018, Pennsylvania's number of hunters has increased slightly; however, the number of licenses sold has decreased, contrary to the national trend.
- The Commission must continue to explore various options to identify and implement techniques to increase license sales revenue.

These areas are discussed in the sections below.

The Commission's total license revenue appears reasonable based on the number of licenses sold and cost per license.

For the fiscal years ended June 30, 2015, 2016, and 2017, the Commission sold more than 2.6 million licenses, resulting in more than \$35 million in annual revenue, as shown in the following table.

Pennsylvania Game Commission License Sales – by Fiscal Year Ended June 30,				
	2015	2016	2017	Percent +/- 2015 to 2017
Number of Licenses Issued ^{a/}	2,648,072	2,626,694	2,606,618	(1.6%)
Revenue from License Sales ^{b/}	\$35,248,250	\$35,535,338	\$35,343,341	0.2%

^{a/} Totals include permits and privileges such as bobcat and river otter, and also include resident senior lifetime renewal licenses that are renewed annually by the Commission at no charge. These types of licenses are not included in the U.S. Fish and Wildlife Service totals in the following section.

^{b/} Totals do not include rights-of-way license fees and PALS transaction fees.

Sources: Produced by the Department of the Auditor General staff. The data for licenses issued was obtained from the Commission's "PGC License Sale Distribution Report" for each respective fiscal year. The revenue data was obtained from the PA Office of Comptroller Operations from the Commonwealth's SAP accounting system (Basis of Accounting: Modified Accrual).

As shown in the previous table, the number of licenses issued slightly decreased from 2015 to 2017, while the revenue from license sales slightly increased. This is due to the figures being a

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summary of all the different types of licenses and corresponding various prices. For instance, an increase/decrease in the number of resident adult hunting licenses at \$19 per license would have a more significant impact on revenue than the same increase/decrease of resident junior licenses at \$5 per license.

To purchase a new license, applicants need to provide a social security number, name, address, date of birth, and proof of residency. The PALS cross checks this information to determine if a license has already been issued to that individual. In the PALS system, each hunter is given a unique Customer Identification Number (CID) which stays with the hunter even if several years pass between license renewals. Every time a new hunter purchases a new license, a new CID is created.

For the fiscal year ended June 30, 2017, the Commission had 72 types of licenses, permits, or stamps as shown in the following table.

Pennsylvania Game Commission Number of Types of Hunting Licenses			
Type of License, Permit, or Stamp	Cost	No Cost	Total
General Hunting Licenses	17	6	23
Mentored Hunting Permits	4	-	4
General Furtaker Licenses	7	4	11
Elk Permits ^{a/}	8	-	8
Antlerless Deer Licenses	8	-	8
Add-On Licenses:			
Archery Licenses	2	-	2
Muzzleloader Licenses	2	-	2
Migratory Bird Licenses	2	-	2
Bear Licenses	2	-	2
Special Spring Turkey Licenses	2	-	2
Other:			
DMAP Antlerless Deer Permits ^{b/}	4	-	4
Bobcat Permits	1	-	1
Fisher Permits	1	-	1
Otter Permits	1	-	1
Federal Duck Stamps	1	-	1
Total	62	10	72

^{a/} Elk permits include the four types of elk permits as well as the four types elk applications. According to the PA Game and Wildlife Code, the Commission may establish an application fee for elk permits in order to ensure sound management of the wild elk population. See 34 Pa.C.S. § 2705(15).

^{b/} The Deer Management Assistance Program (DMAP) connects landowners who wish to manage the deer population on their property with hunters who participate in the program.

Source: Produced by the Department of the Auditor General staff from the Commission's "PGC License Sale Distribution Report" for each respective fiscal year.

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The Pennsylvania General Assembly establishes the cost per license for the majority of the license types within the PA Game and Wildlife Code or otherwise directs the Commission to promulgate regulations to establish costs, which are in the Pennsylvania Code.⁵⁵

In order to determine whether the license sales revenue collected by the Commission appeared reasonable, we multiplied the number of licenses sold from the PALS by the cost of the license as mandated by law or regulation for each license type for each of the three years in our audit period. We then compared these totals to the license sales revenue posted in the Commonwealth's SAP accounting system. The differences were minor and generally due to timing. Therefore, we conclude that the Commission's license sales revenue appears to be reasonable.

Between reporting years 2014 and 2018, Pennsylvania's number of hunters has increased slightly; however, the number of licenses sold has decreased, contrary to the national trend.

Each state's fish and wildlife agency must certify the number of paid license holders and the number of licenses sold to the U.S. Fish and Wildlife Service (USFWS) each year.⁵⁶ The USFWS reports this data on its website.⁵⁷ Using this data, we compared Pennsylvania's number of paid license holders and number of total licenses to similar statistics nationally and in six other states. We selected the three states that had the closest number of paid license holders to Pennsylvania (Texas, Michigan, and Wisconsin) and the three states with the highest number of paid license holders that border Pennsylvania (New York, Ohio, and West Virginia). During our

⁵⁵ See 34 Pa.C.S. § 2709 for the majority of license fees and Pa. Code, Title 58, Part III, Chapter 147 Special Permits for the fees for the mentored hunting program permits, deer management assistance program permits, and other furbearer permits.

⁵⁶ Pursuant to federal regulations, 50 CFR § 80.30. The certification period must be 12 consecutive months, corresponding to the state's fiscal year or license year, be consistent year to year, and end at least one year and no more than two years before the beginning of the federal fiscal year in which the funds first become available for expenditure. This means that the 2015-2016 license data that the Commission submitted to the USFWS is shown as the reported figures for 2018. This was the most recent data available during our audit procedures that was consistent for all states. See 50 CFR § 80.32. A paid license holder is one individual regardless of the number of licenses purchased.

⁵⁷ This section compares information from the USFWS' *National Hunting Licenses Reports*. The reporting years of 2014-2018 are two license years behind the Commission's license years. Additionally, the USFWS reports include and exclude certain license types that Commission management does not consider to be distinct hunting license holders. The USFWS reports were used for the purpose of consistency in comparisons between states. According to Commission management, the distinct hunting license holders decreased during our audit period as outlined in the *Introduction and Background* section of this audit report. This is not consistent with the USFWS reports due to the timing difference and varied definitions of a license holder between the USFWS and the Commission. See <<https://wsfrprograms.fws.gov/subpages/licenseinfo/hunting.htm>>.

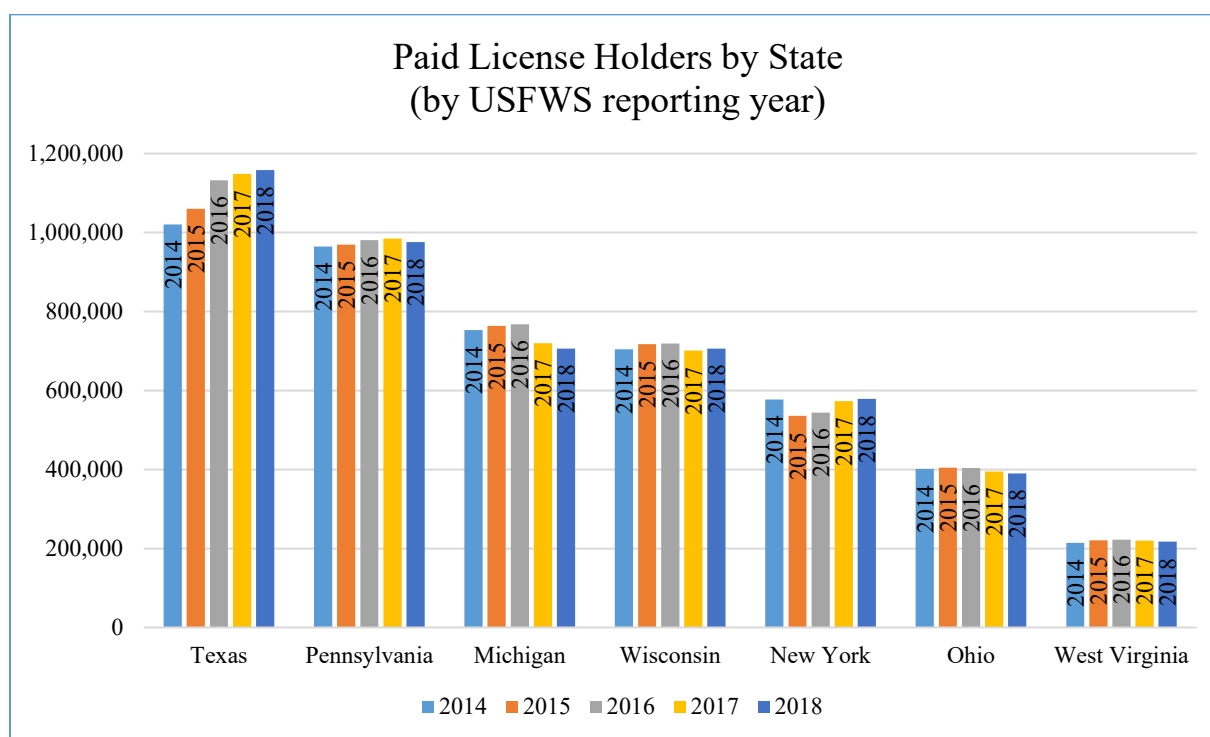
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audit period, Pennsylvania had the second highest number of paid hunting license holders each year.

According to the USFWS' hunting license historical data, the number of paid hunting license holders for the nation as a whole has increased from 14.6 million in reporting year 2014 to 15.6 million in reporting year 2018, or approximately 7.0 percent.

Similarly, the number of paid license holders in Pennsylvania also increased during the same time period, from 964,714 to 975,650. This increase of approximately 1.1 percent was less than the national increase but comparable to the small increases also seen by Wisconsin, New York, and West Virginia. Texas exceeded the national trend with an increase of 13.5 percent, while Michigan and Ohio paid license holders decreased 6.3 percent and 2.7 percent, respectively. The number of paid license holders for each comparison state from reporting years 2014 to 2018 is shown in the following chart.



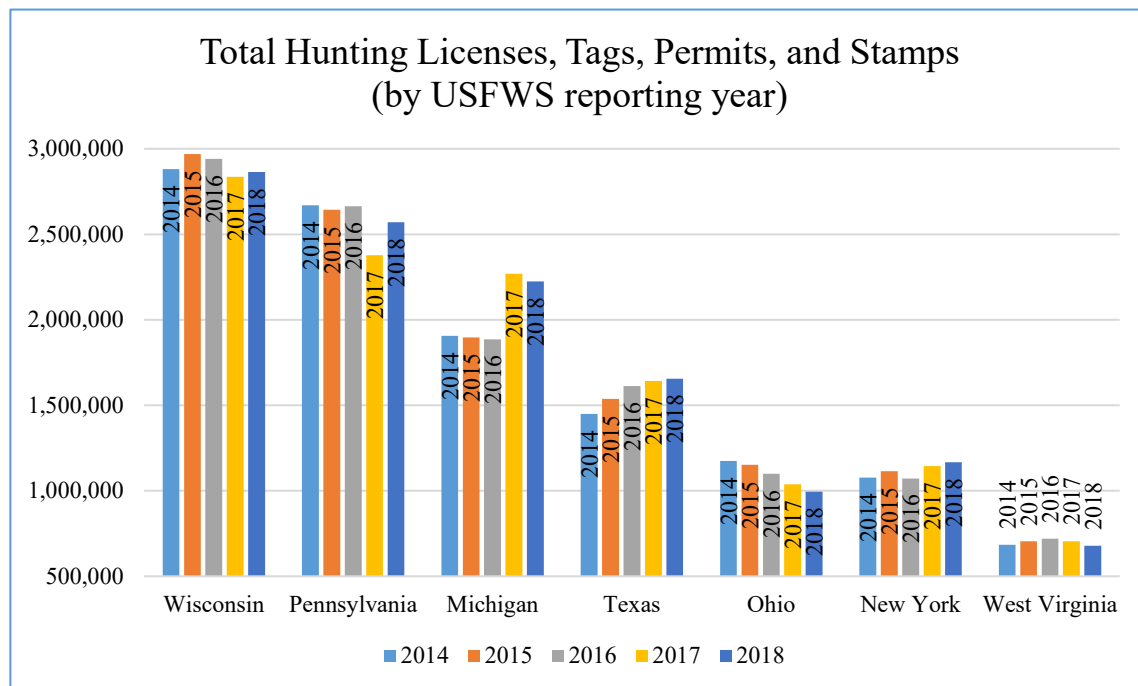
Source: Produced by the Department of the Auditor General staff from the U.S. Fish and Wildlife Service National Hunting License Reports for 2014-2018, <<https://wsfrprograms.fws.gov/subpages/licenseinfo/hunting.htm>> (accessed April 1, 2019). This data is of undetermined reliability as noted in Appendix A. However, this data is the best data available. Although this determination may affect the precision of the numbers we present, there is sufficient evidence in total to support our finding and conclusions.

Additionally, the number of total licenses sold in the nation increased from 35.2 million in reporting year 2014 to 37.0 million in reporting year 2018, or approximately 5.0 percent. The

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number of licenses sold in Michigan, Texas, and New York increased by 16.7 percent, 14.1 percent, and 8.2 percent, respectively. On the other hand, Ohio, Pennsylvania, West Virginia, and Wisconsin all experienced a decrease in the number of licenses sold ranging from -0.6 percent to -15.2 percent, with Pennsylvania down 3.7 percent. The number of licenses sold for each comparison state from reporting years 2014 to 2018 is shown in the following chart.



Source: Produced by the Department of the Auditor General staff from the U.S. Fish and Wildlife Service National Hunting License Reports for 2014-2018, <https://wsfrprograms.fws.gov/subpages/licenseinfo/hunting.htm> (accessed April 1, 2019). This data is of undetermined reliability as noted in Appendix A. However, this data is the best data available. Although this determination may affect the precision of the numbers we present, there is sufficient evidence in total to support our finding and conclusions.

We did not compare total license revenues between states since the cost per license and what the license encompasses can differ greatly. For instance, a general adult license in Wisconsin costs \$43 while Pennsylvania's only costs \$19.⁵⁸

In conclusion, Pennsylvania's number of paid license holders has slightly increased from reporting years 2014 to 2018, which is better than four comparable states; however, the increase is well below the highest state and the national average. Additionally, Pennsylvania has experienced a decrease in the number of licenses sold, while the nation and three comparable states experienced sizable increases. As previously stated, one-third of the Commission's

⁵⁸ Wisconsin Sports License for Residents includes deer gun, fishing and small game excluding furbearers. Pennsylvania includes one antlered deer tag, one fall turkey tag, one spring turkey tag, and small game hunting privileges for one license year.

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revenues are funded by license revenue. Therefore, it is critical for the Commission to do everything possible to maintain or increase the current level of license sales.

The Commission must continue to explore various options to identify and implement techniques to increase the number of licenses sold.

The Commission's License Division staff stated that the declines in the number of licenses sold overall were due in part to older hunters retiring and fewer young people getting involved in the sport. According to a 2016 national survey conducted by the USFWS, the age groups that participated the most in hunting were those ages 45 to 54 and 55 to 64; however, the hunting participation rate declined with those 65 and older. The average hunter stops hunting at age 65 and the largest population of hunters, the "baby boomers," are already aging out of the system.⁵⁹ In order to help boost license sales revenues, during the audit period the Commission:

- Petitioned the General Assembly to raise the cost of licenses.
- Conducted surveys and focus groups.
- Implemented the GoHuntPA marketing initiative.

Although after our audit period, the Commission also hired a new marketing coordinator in January 2018 to help improve its hunter recruitment, retention, and reactivation efforts.

Raise cost of licenses

In order to increase license revenue, the Commission has continued to express its advocacy for an increase in the cost of the licenses. The cost of licenses can only increase with the approval of the General Assembly. Prior to 1999, license fees increased, on average, every ten years. The Commission proposed and the Pennsylvania Senate introduced legislation in 2015 to increase hunting license fees for the first time in 17 years (or since 1999); however, the bill was not called up for a vote.⁶⁰ The General Assembly also has considered giving the Commission the authority to set its own fees each year since it was first proposed in 2015.⁶¹ To date, neither of these options have been enacted.

⁵⁹ Decline In Hunters Threatens How U.S. Pays For Conservation, Nathan Rott, NPR, March 20, 2018. <<https://www.npr.org/2018/03/20/593001800/decline-in-hunters-threatens-how-u-s-pays-for-conservation>> (accessed March 25, 2019).

⁶⁰ Senate Bill 1148, P.N. 1577 of the 2015-2016 legislative session, which was never called up for a vote. See <https://www.legis.state.pa.us/cfdocs/billInfo/bill_history.cfm?year=2015&sind=0&body=S&type=B&bn=1148> (accessed March 11, 2019).

⁶¹ Senate Bill 1166, latest P.N. 2062 of the 2015-2016 legislative session which would have given the Commission, among others, the authority to establish its own licensing fees (passed the required three times in the Senate and passed once in the House) and Senate Bill 192, P.N. 224 of the 2017-2018 session which would have, among others, again given the Commission this authority (note that the bill passed the Senate but went nowhere in the House). See <https://www.legis.state.pa.us/cfdocs/billInfo/bill_history.cfm?year=2015&sind=0&body=S&type=B&bn=1166>

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Conduct surveys and focus groups

The Commission, in conjunction with the Pennsylvania State University, conducted several hunting-related surveys during our audit period covering a variety of topics. The surveys contained demographic information about hunters, including age, gender, race, education level, and income. These surveys also addressed what percentage of hunters or recreational firearm shooters had purchased a license or had planned to purchase a license.

Additionally, the Commission, in conjunction with the Pennsylvania State University, conducted two focus groups, a Hunters Focus Group and a Female Hunters Focus Group. These focus groups contained recommendations and concerns for improvement and possible new program implementation. According to Commission management, it did not implement new programs or initiatives specifically to address the results of the focus groups due to concentrating resources on existing programs and a lack of additional staff available to implement new ideas.

GoHuntPA Initiative

GoHuntPA, was a marketing initiative the Commission implemented in 2014 to encourage lapsed hunters to get back into the sport of hunting and purchase licenses. The initiative was funded by a federal grant. According to Commission officials, the initiative was abandoned after two years when it did not result in improved license sales. Officials acknowledged that no other marketing initiatives were pursued during our three-year audit period due to budget cuts, which caused the elimination of the marketing director position.

Conclusion: The Commission should focus its efforts on retaining existing hunters, reactivating lapsed hunters, and recruiting new hunters. Since the revenue from license sales account for about one-third of total Commission revenues, it is important that the Commission does everything possible to maintain or increase the current level of licenses sold.

Recommendations for Issue Area 1

We recommend that the Commission:

1. For oil and gas producers with lease agreements during and subsequent to the audit period, immediately dedicate staff to verify whether these producers have accurately remitted royalty payments.

and

<https://www.legis.state.pa.us/cfdocs/billInfo/bill_history.cfm?syear=2017&sind=0&body=S&type=B&bn=192>
(accessed March 11, 2019).

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2. For oil and gas producers with lease agreements during and subsequent to the audit period, immediately dedicate staff to verify whether these producers have, in fact, remitted all royalty payments due to the Commission.
3. Invoke the lease agreement's default clause for any producers that failed to make royalty payments as required.
4. Update its revenue tracking system, as needed, to ensure its royalty payments are accurate and royalty payments due are received.
5. Create board-approved, comprehensive, and detailed policies; and implement corresponding standardized, written procedures governing the timely receipt, deposit, and accounting for OGM revenue to ensure that a strong internal control system is in place. This process should include date stamping remittance documents and creating a log for incoming checks and periodically reconciling the log to the payments deposited.
6. Review the organization of staff charged with processing OGM revenue payments from producers and make changes as needed to ensure sufficient, competent staff are available to achieve adequate internal controls, including segregation of duties.
7. Evaluate the need for Commission staff to perform audits or other on-site compliance reviews of producers to monitor and ensure compliance with the lease agreements and dedicate staff to these responsibilities.
8. Consider the feasibility of requiring producers to remit payments via electronic transmittals.
9. Develop and implement a process for ensuring that all producers provide the *Annual Well Production Report*, and use such reports as a reconciliation and monitoring tool for comparison to its monthly revenue records, as well as to the DEP's data.
10. Continue to conduct surveys, focus groups, marketing campaigns, and/or other initiatives to identify various ways to increase the number of hunting licenses sold and consider implementing suggestions or initiatives that result from these efforts.
11. Identify successful programs to increase the number of hunting licenses sold as implemented in other states and consider whether the Commonwealth should implement similar programs.
12. Develop a standard set of hunter and license demographics to track on an annual basis in order to identify areas in license sales that could be targeted for improvement.

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Issue Area 2 – Pennsylvania Game Commission Expenditures

The Pennsylvania Game Commission (Commission) must expend Game Fund monies pursuant to the Game and Wildlife Code (Code), which states, in part, that monies:

...[S]hall be used solely for any contingent, incidental or other expenses of any kind or description reasonably necessary in carrying on the work of the commission, including, but not limited to, the purchase of land, the costs of activities for the promotion of public interest in recreational hunting and furtaking, nongame species, endangered or threatened species and all other game or wildlife in this Commonwealth and administration of this title.⁶²

As shown in the following table, total Commission expenditures decreased from \$106.9 million in the fiscal year ended June 30, 2015, to \$96.5 million in the fiscal year ended June 30, 2017. According to Commission officials, this \$10 million decrease was a result of the Commission's Executive Office mandate to reduce operational expenditures in all regions and bureaus by 10 percent due to a shortfall in revenue during the FYE June 30, 2015.

Pennsylvania Game Commission Expenditures by Fiscal Year End June 30,			
Operational Area	2015	2016	2017
Wildlife Habitat Management	\$ 46,157,075	\$ 43,534,866	\$41,945,701
Wildlife Protection	\$ 18,987,999	\$ 20,287,272	\$18,908,147
Wildlife Management	\$ 13,243,637	\$ 12,270,796	\$10,871,866
Administration	\$ 13,071,587	\$ 12,288,894	\$13,515,025
Information and Education	\$ 5,765,543	\$ 5,012,608	\$ 4,121,372
Executive Offices	\$ 5,739,512	\$ 3,631,681	\$ 3,533,183
Automated Technology Services	\$ 3,912,809	\$ 3,553,224	\$ 3,617,454
Total Expenditures	\$106,878,162	\$100,579,341	\$96,512,748

Source: Produced by the Department of the Auditor General staff from data provided by the PA Office of Comptroller Operations from the Commonwealth's SAP accounting system (Basis of Accounting: Modified Accrual).

The Commission uses the Commonwealth's SAP accounting system and assigns codes to individual expenditures based on the time, type, description, and region where the expense was incurred. Through this coding, the Commission can summarize expenditures by general ledger account (such as salaries and wages, land purchases, or building maintenance), by program area (such as public education and information services, general law enforcement, or forest management), and by operational area as listed in the previous table. A description of each operational area can be found in the *Introduction and Background* of this audit report. The

⁶² 34 Pa.C.S. § 521(a).

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expenditures by general ledger account and program area for the fiscal years ended June 30, 2015 through 2017, are included in *Appendices D and E*, respectively, of this audit report.

In order to satisfy our objective to identify and analyze all Commission expenditures and determine if expenditures were in compliance with applicable laws, we focused our audit procedures on whether:

- Licensing revenue was properly spent on legally mandated activities.
- Land acquisitions were in compliance with the Code.
- The volume and utilization of its vehicles was fiscally responsible and in compliance with the Commonwealth Fleet Policy.

We focused on these three areas based on concerns brought to our attention regarding a potential future increase in license fees, the Commission possibly spending too much money on land purchases, and alleged misuse/non-use of Commission vehicles. These audit procedures and results are included in *Issue Areas 4 and 5* of this audit report. We also performed audit procedures to determine whether the Commission was effectively spending monies from the Game Fund to achieve its overall goals. The results of these audit procedures are included in the following section.

Finding 2.1 - The Commission failed to track and compile costs associated with specific objectives to determine the cost effectiveness of meeting its core goals.

The Commission creates a five-year strategic plan for overall operations. The 2015-2020 Strategic Plan identifies the Commission's specific, measurable objectives that define each of its following five core goals:

- Manage, propagate, and protect all of Pennsylvania's wild birds and mammals and put wildlife first in decision-making.
- Manage wildlife habitats.
- Operate using sound, proven business practices to ensure long-term financial stability, to sustain performance improvement and commitment to excellence.
- Serve the Commonwealth as the leader in wildlife conservation.
- Support our hunting and trapping heritage.⁶³

Each core goal is comprised of five to eight objectives. Through its day-to-day operations, the Commission completes a multitude of tasks or projects in order to achieve its objectives under

⁶³ Pennsylvania Game Commission Strategic Plan 2015-2020, pages 14-16.

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each of these five core goals. An example of the relationship between core goals, objectives, and projects is outlined below.

Core Goal: Manage, propagate, and protect all of Pennsylvania's wild birds and mammals and put wildlife first in decision-making.

- **Objective:** Prepare strategies to contain white-nose syndrome and stabilize the population of at-risk bats by 2016.⁶⁴
 - **Projects:** The Bureau of Wildlife Protection engaged in several projects to promote bat conservation and achieve its objective, including but not limited to:
 - Acquiring and making changes to popular hibernation sites.
 - Using remote cameras for surveillance in protecting critical bat caves throughout the state.
 - Installing or replacing bat-friendly gates to allow bats access to sites.
 - Treating roost structures to prevent the fungal spores from germinating.
 - Completing numerous surveys to understand the fungal infestations, population changes, and temperatures/humidity at sites.
 - Conducting field trials to evaluate treatments for White-Nose Syndrome.
 - Funding a project to study the processes by which the fungus spreads on a detailed scale.

Source: Produced by the Department of the Auditor General staff from information in the Commission's Strategic Plan 2015-2020, page 14, and Strategic Plan Implementation, April 1, 2018 through June 30, 2018.

According to the Executive Director, the Commission strongly values the strategic plan and the document has been actively used in decision making. The Code requires that the Legislative Budget and Finance Committee (LBFC) conduct a performance audit of the Commission's compliance with its strategic plan every three years.⁶⁵ The most recent LBFC performance report, dated May 2018, concluded that all of the Commission's five core goals were partially achieved.⁶⁶

Although the Commission establishes its own objectives and asserts that it actively monitors the projects completed to meet those objectives, it does not track the costs by project in order to summarize and determine how much it costs the Commission to achieve its objectives and goals. Monitoring the costs associated with its objectives and goal achievement would be critical for

⁶⁴ White-nose syndrome is a disease that affects hibernating bats and is caused by a fungus that grows in cold, dark and damp places. It is named after the visible white fungal growth on the infected bats' muzzles and wings. As the fungus grows, it causes changes in bats that make them become active more than usual and burn up fat they need to survive the winter. Pennsylvania Game Commission Strategic Plan 2015-2020, page 14.

⁶⁵ 34 Pa.C.S. § 522(b)(1).

⁶⁶ In addition to the five broad goals, the strategic plan contained 34 strategic objectives. Of these 34 objectives, LBFC rated 8 as fully/largely achieved, 18 as partially achieved, and 8 as not achieved/largely not achieved. *Source:* < <http://lbfc.legis.state.pa.us/Resources/Documents/Reports/629.pdf> > (accessed February 21, 2019).

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determining whether Commission assets and resources were used effectively and efficiently. Additionally, consistent with its strategic plan, the Code states that the Commission:

- “...shall implement policies and programs to improve its **relationship with the general public and with its licensees.**”
- “...shall require **program accountability** of its various functions through program performance measurement.”
- “...shall improve the **financial accountability** of its various functions through performance measurement.”⁶⁷

As such, the Commission is responsible not only to develop and monitor its program and financial performance and improve its relationship with hunters and other interested parties but also to be accountable and transparent in the costs of its performance.

According to Commission management, projected expenses for specific projects are included in its annual budget; however, the budget does not itemize every expense attributable to each project. Management further stated that costs cannot always be matched to a specific goal. For instance, the Commission pays for fuel and electricity that cannot be traced to a particular bureau or project.

Management acknowledged that it would be possible to compile the costs of direct labor and direct materials used for specific projects based on the coding in the SAP accounting system if the related payroll and materials were coded correctly. (See *Finding 4.1* for weaknesses found in the Commission’s coding and tracking of payroll expenditures.) Management, however, indicated that it was never a part of its standard operations to compile expenditures by project or objective, and the Commission was never requested from the Board or other external entities to track and present the expenditures in this manner.

Using the example previously presented, the costs for installing bat-friendly gates may be charged in part to salaries and maintenance expenses on the financial side. The costs would also be included in the Wildlife Protection operational area expenses. According to Commission officials, however, there is no process in place to identify and report all of the specific costs attributed to installing such gates that could then be compiled with the other completed projects to determine how much money in total was spent on containing the White-Nose Syndrome.

Without tracking project costs, the Commission is unable to determine whether the projects being completed and its objectives and core goals being achieved were cost effective. If the Commission cannot account for monies spent on specific objectives, it cannot analyze the costs versus benefits at the project level or determine whether it is appropriately prioritizing spending

⁶⁷ 34 Pa.C.S. § 328(a)-(c). (Emphases added.)

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among projects. For instance, the money spent could severely outweigh the benefit to the Commission or could have been better allocated to higher priority goals. Being able to tell hunters and other interested parties exactly what their money was spent for helps to build public trust and promotes greater transparency.

Additionally, evaluating the costs and benefits for objectives and projects would provide the Commission with information that would be valuable when making tough decisions, such as whether to propose license fee increases or reduce expenditures. This would also assist the Commission in developing its annual budget as further discussed in *Issue Area 3*.

Recommendations for Issue Area 2

We recommend that the Commission:

1. Design and implement procedures to plan the funding of the projects needed to complete its strategic plan goals in detail during its budgeting process.
2. Design and implement procedures to track and compile costs associated with specific projects and objectives.
3. Design and implement procedures to reconcile actual costs to the expected budgeted costs in order to understand and evaluate the cost of implementing its strategic core goals and ensure resources are used efficiently, effectively, and in order of priority.
4. Design and annually update information in a prominent location on its website regarding its overall program, financial performance, and expenditures to improve transparency and accountability to interested parties such as hunters, interest groups, and taxpayers.

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Issue Area 3 – The Commission’s full financial position, including the Game Fund’s reserve balance and monies held in escrow accounts, should be transparent and considered when making critical financial decisions with the administration and oversight of escrow accounts needing particular improvement.

As part of our first audit objective, we determined the Game Fund’s year-end balances as of June 30, 2015, 2016, and 2017, including any and all money held in escrow or restricted accounts. All Game Fund monies are considered restricted in that the Pennsylvania Game Commission (Commission) must expend these funds pursuant to the Game and Wildlife Code (Code), which states in part that monies:

[S]hall be used solely for any contingent, incidental or other expenses of any kind or description reasonably necessary in carrying on the work of the commission, including, but not limited to, the purchase of land, the costs of activities for the promotion of public interest in recreational hunting and furtaking, nongame species, endangered or threatened species and all other game or wildlife in this Commonwealth and administration of this title.⁶⁸

The following table shows the Game Fund’s fiscal year end balances along with the amount of recorded revenues and expenditures for each year:

Pennsylvania Game Commission Game Fund Balance as of June 30,			
	2015	2016	2017
Game Fund Beginning Balance July 1, ^{a/}	\$ 42,147,965	\$ 37,823,383	\$ 45,690,860
Revenues	102,553,580	108,446,848	106,873,335
Expenditures	(106,878,162)	(100,579,341)	(96,512,748)
Balance June 30,^{b/}	\$ 37,823,383	\$ 45,690,860	\$ 56,051,477

^{a/} Game Fund Beginning Balances as of July 1, 2014, 2015, and 2016.

^{b/} Game Fund Ending Balances as of June 30, 2015, 2016, and 2017.

Source: Produced by the Department of the Auditor General from Commonwealth Accounting Reports provided by the Office of the Budget, Comptroller Operations (Basis of Accounting: Modified Accrual)

Our review showed the Game Fund had a considerable balance of \$56.1 million as of June 30, 2017, increasing over 48 percent, or \$18.2 million, from 2015 to 2017. During this same time period, revenues increased by \$5.8 million, or nearly 6 percent, and expenditures decreased by \$10.4 million, or nearly 10 percent. The increase in the Game Fund balance occurred over the same time period that the Commission proposed and the Pennsylvania Senate introduced

⁶⁸ 34 Pa.C.S. § 521(a).

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legislation in 2015 to increase hunting license fees for the first time in 17 years (or since 1999) suggesting there were not enough revenues to cover necessary expenditures.⁶⁹

While license fees were not increased, potential fee increases have continued to be discussed by the Commission, and the General Assembly considered giving the Commission the authority to set its own fees each year since it was first proposed in 2015.⁷⁰ With a significant and increasing fund balance, the question arises as to how the Game Fund balance is considered in the Commission's annual budgeting process and key financial decision-making. This includes the Commission's evaluation as to why it believes it is necessary to propose increased hunting license fees given its substantial fund balance.

Additionally, there are funds held in seven different escrow accounts for different purposes of which the Commission is the beneficiary as shown in the below table. Further details of each account can be found in *Appendix F*.

Pennsylvania Game Commission Escrow Account Balances as of June 30,			
	2015	2016	2017
FNB Wealth Management ^{c/}	\$3,985,911	\$3,018,097	\$1,013,312
P&N Coal Escrow ^{c/}	2,432,075	908,778	100,723
Hartman Escrow Account	425,537	570,581	182,334
Duck Marsh Project	39,975	39,916	39,856
PA Coal Indiana Bat Escrow ^{d/}	1,767,909	3,497,938	4,178,666
Penn State University Escrow ^{d/}	1,332,866	1,007,427	1,012,826
PA Coal White Nose Escrow ^{d/}	124,689	76,166	20,755

^{c/} Escrow agreements were amended in 2001 and 2002 to allow Commission reimbursement for land management services utilizing monies from these accounts.

^{d/} Escrow agreements require the United States Fish and Wildlife Service (USFWS) approval in the receipt and disbursement of funds from these accounts.

Source: Produced by the Department of the Auditor General from the respective escrow account bank statements.

⁶⁹ Senate Bill 1148, P.N. 1577 of the 2015-2016 legislative session, which remained in committee during the entire session, thereby never being called up for a vote. See https://www.legis.state.pa.us/cfdocs/billInfo/bill_history.cfm?year=2015&sind=0&body=S&type=B&bn=1148 (accessed April 4, 2019).

⁷⁰ Senate Bill 1166, latest P.N. 2062 of the 2015-2016 legislative session which would have given the Commission, among others, the authority to establish its own licensing fees (passed the required three times in the Senate and passed once in the House) and Senate Bill 192, P.N. 224 of the 2017-2018 session which would have, among others, again given the Commission this authority (note that the bill passed the Senate but went nowhere in the House). See https://www.legis.state.pa.us/cfdocs/billInfo/bill_history.cfm?year=2015&sind=0&body=S&type=B&bn=1166 and https://www.legis.state.pa.us/cfdocs/billInfo/bill_history.cfm?year=2017&sind=0&body=S&type=B&bn=192 (accessed April 4, 2019).

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It is very concerning that these escrow accounts are not subject to oversight or accountability from independent sources. (See descriptions for each of these seven accounts in *Appendix G* of this audit report.) According to the Commission, it purports to “generally” utilize monies in the escrow accounts to purchase game lands in order to exchange game lands that were subjected to damage. The Commission, however, also stated that three of the escrow accounts (i.e., P&N Coal, FNB Wealth Management, and Hartman) can also be used for land management services. These three accounts collectively had balances totaling \$1.3 million as of June 30, 2017.

The Commission includes personnel costs in its definition of land management services for all game lands and does not limit such services to the land acquired through exchanges. Further, the Commission does not distinguish personnel monies used on specific projects and generally designates large portions of staff to land management tasks without specifically tracking actual work hours spent on these specific projects, including whether hours qualify as land management activities or hours charged towards employee leave. Therefore, the Commission is using escrow funds to pay for personnel costs outside of land management services.

Commission management indicated that these escrow funds used for personnel costs are “fungible,” i.e., deemed interchangeable and intentionally commingled by the Commission, since funds are not tracked on an individual dollar basis. Commission management further stated that although the funds are not tracked on an individual project level, the Commission has tracked funds in an aggregate manner to assure purchases are allowable. Since these funds have distinct uses, however, they **should not be commingled** within the escrow accounts and we strongly encourage the Commission to better track escrow dollars in all respects. This would promote transparency, better management of escrow fund dollars, and allow Commission management to assess the true costs of individual land management projects. Similar to the Game Fund balance, the question arises as to how these escrow accounts are considered in the Commission’s budget and financial decision-making processes.

We made inquiry and subsequent follow-up of Commission management, along with management in the Governor’s Budget Office (GBO), as to considerations of the fund balances and escrow accounts in establishing annual budgets and key decision-making, such as proposing license fee increases or reducing costs. Based on management’s responses, we found that:

- In its budget and key financial decision-making processes, the Commission neglected to consider its full financial position, including the Game Fund’s balance and monies in escrow. Further, the Commission failed to sufficiently coordinate its processes with the GBO.
- Escrow accounts are held outside of the Pennsylvania Department of Treasury, and therefore, lack transparency and independent oversight. Further, the Code has not been updated to consider the utilization of escrow accounts and the Commission’s related practices since the development of increased natural resource-based revenue.

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See *Findings 3.1 and 3.2* for further details.

Due to our concerns with the escrow accounts lacking transparency, we further analyzed these accounts, including the Commission's oversight and management controls. For each of the seven escrow accounts, we obtained and reviewed the escrow agreements and quarterly bank statements, which included a total of 57 deposits and 46 disbursements. From the escrow bank statements, we judgmentally selected 14 deposits and 16 disbursements from six of the seven escrow accounts to obtain a more detailed explanation and understanding of the Commission's activity within these accounts. We did not select transactions from one of the seven accounts, the Duck Marsh Project, due to it being dormant during the audit period. Of the 30 selected transactions, we further requested supporting documentation for 6 deposits and 5 disbursements. Based on these audit procedures, we found the following additional concerns related to the Commission's escrow accounts:

- Three Commission escrow accounts included comingled funds for different purposes beyond that of the original escrow agreements. Further, there was no Board approval for certain questionable disbursements from the escrow accounts.
- The Commission's internal controls are not adequate to ensure proper oversight and monitoring of escrow accounts, increasing the risk of error, misuse, or potential fraud.

See *Findings 3.3 and 3.4* for further details.

Finding 3.1 – In its budget and key financial decision-making processes, the Commission neglected to consider its full financial position, including the Game Fund's balance and monies in escrow. Further, the Commission failed to sufficiently coordinate its processes with the GBO.

While the Commission is independent of the Governor's Office for almost all matters, it must propose an annual budget for expenditures to be reviewed and approved by the GBO each year.⁷¹ The Commission's total budget amount approved by the GBO is included as a line item executive authorization in the Governor's Executive Budget proposal to the Legislature each year in early February. Once the budget is enacted for the upcoming fiscal year, the Commission may only expend up to the total approved executive authorization amount for the respective

⁷¹ While the Commission is designated in the Code as an "independent administrative commission," which is excluded from the regulatory review process and excepted from almost all of the Governor's directives, we found that the Governor annually limits the Commission's expenses and GBO is involved in the Commission's annual budgeting process. See 34 Pa.C.S. § 301(a); 71 P.S. § 745.3 (i.e., exclusion from the definition of "Agency" in the Regulatory Review Act). Further, under the Code, the Commission is explicitly required to follow the policies of the executive branch under the Governor's jurisdiction relating to personnel "classification and compensation plans" except with regard to the director. See 34 Pa.C.S. § 303(b).

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year.⁷² If there is a need to revise the executive authorization upward to allow for more expenditures or downward due to revenues falling short in a given year, the Commission would need to provide a revised budget proposal to the GBO for approval. If approved, the Commission may then expend up to the revised executive authorization in the respective fiscal year.

We interviewed the Commission's Chief of Fiscal Management, the official responsible for providing the Commission's proposed annual budget to the GBO.⁷³ We were informed that to prepare the annual budget, the Commission estimates the revenues it will receive in the upcoming fiscal year from hunting license fees, fines, rentals and royalties from oil and gas, sale of timber and minerals, federal Pittman-Robertson Act reimbursements, and other miscellaneous revenues. Based on the annual revenues the Commission anticipates receiving, it prepares a budget for expenditures.

We inquired as to how the Game Fund's reserve balance factors into the budget process, especially considering the fact that there is a significant balance which has been growing during the three-year audit period. The Chief of Fiscal Management informed us that the fund balance is included in the budget's financial statement submission and forecasts, however, it is not effectively considered in the budget process. He could not, however, explain why this is the case, but believed the fund balance is a reserve that would be utilized if the estimated revenues were not realized as expected in a given year to cover budgeted expenditures. Additionally, when we inquired about the escrow accounts, the Commission official stated that he had no knowledge of what accounts exist or their respective balances. He stated that the escrow accounts are handled by the Commission's Chief Counsel and are also not considered in the budget decision-making process. Thus, the Chief of Fiscal Management for the Commission, the office charged with handling the finances for the Commission, had no knowledge of seven escrow accounts containing several million dollars. Nor did he have knowledge that the accounts were being utilized, how they were maintained by the Chief Counsel, or how escrow account dollars were being spent. Commission management indicated that several key executives were aware of the existence of escrow accounts but acknowledged that the Chief of Fiscal Management was not apprised of their existence. It is integral that the head of the fiscal division have a full understanding and the opportunity to enact proper protocols and controls over all fiscal matters. See *Finding 3.2* for further details regarding lack of transparency of the Commission's escrow accounts.

Further, according to the Chief of Fiscal Management, while he did not know the rationale behind this, the exclusion of the fund balance from the budget process was pursuant to the instructions of the GBO. Based on his interactions with the GBO since he started his position in September 2013, the Commission's budget proposal had to be within the estimated revenue

⁷² Based on available balances reported in the Governor's Executive Budgets, executive authorizations for the three fiscal years ended June 30, 2015, 2016, and 2017 were \$108,204,000, \$105,588,000, and \$98,913,000, respectively.

⁷³ Note that the Commission's Chief of Fiscal Management during the time of our audit period was promoted to Director of the Bureau of Administrative Services in November 2018.

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amounts for the upcoming year. If necessary, proposed expenditures had to be reduced to be within these anticipated revenues.

When interviewed, however, GBO officials stated that there is no law, regulation, or policy, which prohibits the Commission from utilizing funds from the Game Fund balance. The GBO stated that the Commission could propose use of these funds within its annual budget proposal. The GBO would review this proposal, considering not just the current upcoming fiscal year, but also evaluate trends up to five years into the future. The GBO would consider various factors when determining whether or not to approve use of any portion of the reserve fund balance. The GBO's consideration may include factors such as whether the funds would be utilized for a one-time expense or if they would be needed on an on-going annual basis, and the outlook of anticipated revenues over future years from oil, gas, and mineral sales, rentals, and royalties, which will decrease as resources are depleted.

Our audit does not evaluate or make judgement as to whether any part of the Game Fund balance should or should not be used, or what amount of fund balance reserve is appropriate. There are legitimate reasons in accordance with both best business and accounting practices to keep a healthy fund balance such as: providing a reserve if revenues fall short of expectations in a given year; oil, gas, and mineral rental and royalty revenue eventually being depleted; additional expenditures for wildlife necessary to combat chronic wasting disease or for other critical initiatives; etc.⁷⁴ Our concern is that there is a considerable disconnect between the Commission and the GBO. The Commission's full financial position, including the fund balance and monies in escrow accounts which may be utilized for land management services, should be transparent and considered within the budgeting and financial decision-making process, especially given the fact that hunting license fee increases are being proposed at the same time that the Game Fund balance is growing significantly.

Finding 3.2 - Escrow accounts are held outside of the Pennsylvania Department of Treasury, and therefore, lack transparency and independent oversight. Further, the Code has not been updated to consider the utilization of escrow accounts and the Commission's related practices since the development of increased natural resource-based revenue.

The Commission's Chief of Fiscal Management stated that escrow accounts in which the Commission is a beneficiary are not under his purview. While he knows the Commission has

⁷⁴ Chronic wasting disease (CWD) is a fatal neurological illness occurring in North American cervids, including white-tailed deer, mule deer, elk, and moose. Since its discovery in 1967, CWD has spread geographically and increased in prevalence locally. CWD is contagious and can spread freely within and among cervid populations. No treatments or vaccines are currently available, which makes it a great concern to wildlife managers. See U. S. Geological Survey website <https://www.usgs.gov/faqs/what-chronic-wasting-disease?qt-news_science_products=0> (accessed March 21, 2019).

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such escrow accounts, he does not have knowledge of the specific accounts, balances, or purposes. He stated these escrow accounts are managed by the Commission's Chief Counsel. In response to our inquiry, the Chief Counsel identified seven escrow accounts of the Commission and provided us with bank statements for each account over the period July 1, 2014 through June 30, 2017, along with the escrow agreements and the stated purposes for each account.

Based on a review of the Commonwealth's SAP Accounting System, the bank statements for the seven escrow accounts, and interviews with the Commission's Chief Counsel, we determined that these escrow accounts are held outside of the Game Fund and are in no way affiliated with the Pennsylvania Department of Treasury (Treasury). This creates a substantial lack of transparency as to what escrow accounts exist, their related deposit and disbursement activities, and their balances. According to management, the Commission had discussions with Treasury regarding the escrow accounts about ten years ago, to the best of their recollection, however, they were not able to provide evidence of such discussions. Based solely on the recollections of the Commission's Chief Counsel, Treasury indicated that it did not wish to maintain oversight over the Commission's escrow accounts.⁷⁵ Management acknowledged that it would be beneficial to have the escrow accounts under Treasury's purview and would like to discuss this with Treasury in the future.

This lack of transparency was further demonstrated when we interviewed officials at the GBO. While they were aware of the existence of escrow accounts at the Commission, GBO officials also indicated that they did not have knowledge of the accounts themselves, including balances and purposes of the accounts, due to the fact that these escrow accounts are maintained outside of Treasury. The GBO further noted that while the Commission's escrow accounts are entirely outside of Treasury's oversight, other similarly situated state agencies such as the Department of Conservation and Natural Resources' (DCNR) escrow accounts are within the Treasury's purview.

While we acknowledge there could be legitimate purposes for using escrow accounts, such as for land exchanges or acquisitions, other uses of these accounts may be questionable. For instance, we found that the agreements for two of the Commission's escrow accounts were amended from their original purpose of land exchange/acquisition to also allow funds to be utilized for the Commission's state game land management. Land management is performed in large part by Commission personnel, which would predominately include its payroll costs. We noted that during the audit period July 1, 2014 through June 30, 2017, the Commission reimbursed the Game Fund a total of \$5.3 million in four different transactions from these two escrow accounts. This concern will be addressed more fully in *Finding 3.3* of this audit report.

This practice essentially allows the Commission to dip into a private reserve of cash outside the Game Fund to perform its charged duties instead of directly tying any land management

⁷⁵ This information was provided to use by Commission management during the exit conference and therefore, we did not have an opportunity to validate the Commission's Chief Counsel's statement.

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activities to the land for which the funds were initially deposited into escrow or for land to be purchased from these funds at a later date. Furthermore, the Commission does not keep detailed records of what constitutes land management activities, but instead relies on employee coding in a general sense. See further concerns regarding employee coding of time in *Finding 4.1* of this audit report.

The effect of this practice is that employees are subjectively determined to be performing such land management activities and therefore, the Commission pays these employees' salary/payroll out of escrow funds that are not subjected to outside fiscal scrutiny. As noted in *Finding 4.1*, these escrow dollars also go towards charged employee leave despite whether they are performing land management activities or not. By not maintaining these monies within the Game Fund, these funds were not considered within the Commission's annual budgeting process, nor are they sufficiently transparent when critical issues, such as raising hunting license fees, are being considered. To the extent there is an operational need, these accounts should be fully transparent and, therefore, subjected to oversight by Treasury.

Further, it is vital to note that the Code, which was enacted in 1986, is silent on the matter of escrow accounts, and therefore, utilizing such accounts is not expressly prohibited.⁷⁶ While the General Assembly may have chosen not to address, for example, escrow accounts in its more recent amendments to the Code, we believe that it may wish to consider closely reviewing the applicable provisions of the Code to ensure that its present intent is being carried out appropriately by the Commission's current use of escrow accounts, especially since the development of increased natural resource-based revenue. See revenues from oil, gas, and mineral lease agreements addressed in *Finding 1.1*.

Conclusion: In order for the Commission to make sound and responsible financial decisions, including preparing its annual expenditure budget, proposing license fee increases, implementing new projects/initiatives, or eliminating costs for projects, programs, or personnel, it is absolutely imperative that Commission officials and others, including the GBO and the General Assembly, fully understand the Commission's full financial position. This includes not only evaluating and tracking project costs to meet its objectives and core goals as outlined in *Issue Area 2* of this report, but also giving full consideration to the Game Fund's reserve balance and monies held in escrow in making these critical financial decisions. Without considering the Commission's full financial position, ill-informed decisions could be made that are not in the best interest of the Commission, or the Commonwealth, including its residents and hunters.

⁷⁶ While most of the Code has rarely been amended, its definitional section has been amended as many as eight times. See 34 Pa.C.S. § 102. Under the Statutory Construction Act, it can be surmised that the General Assembly could have easily prohibited escrow accounts when it amended the Code's definitional section but declined to do so. See 1 Pa.C.S. § 1922 (Presumptions in ascertaining legislative intent).

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Finding 3.3 – Three Commission escrow accounts included comingled funds for different purposes beyond that of the original escrow agreements. Further, there was no Board approval for certain questionable disbursements from the escrow accounts.

In order to further evaluate the Commission's seven escrow accounts, we obtained and reviewed each of the escrow agreements, interviewed the Commission's Chief Counsel, and obtained detailed explanations regarding each of the accounts. As discussed earlier in this *Issue Area 3*, we judgmentally selected 14 deposits and 16 disbursements from the seven escrow accounts to obtain a more detailed understanding from the Commission and requested supporting documentation for 6 of the selected deposits and 5 of the selected disbursements. Based on our audit procedures for these seven escrow accounts, we found the following concerns which we address in the sections to follow:

- Three escrow accounts remain open and utilized even though the original purposes for which the accounts were established has been fulfilled.
- One escrow account was inactive and incurring dormant account fees.
- Three escrow accounts, which include USFWS involvement, were utilized in accordance with the agreements.

Three escrow accounts remain open and utilized even though the original purposes for which the accounts were established has been fulfilled.

Three escrow accounts continue to be utilized despite their original purpose being fulfilled. These three accounts are the FNB Wealth Management (FNB), P&N Coal (P&N), and Hartman Escrow Accounts, which we address further in the following sections of this finding.

FNB and P&N Escrow Accounts

The FNB escrow agreement was entered into in June 1992 specifically for the exchange of various tracts of land in Wyoming County and for various tracts of land in Erie, Clarion, Venango, Mercer, Luzerne, and Wyoming Counties. In February 2001, it was noted that the acquisition of all said tracts of land was completed, but the escrow still had residual funds. Similarly, the P&N escrow agreement was entered into in April 1992 specifically for the exchange of bituminous coal on portions of game lands in Jefferson County for various tracts of land in Elk, Chester, and Blair Counties. In 2002, it was noted that the acquisition of all said tracts of land was completed, but the escrow still had residual funds. Both agreements were then amended by the Commission not only to purchase further tracts of land using the residual funds, but also to allow the residual funds to be used for the costs of land management for the

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protection and propagation of game and wildlife, including lawful hunting and trapping in accordance with the Code, as amended.

We found that rather than using the remaining residual funds at the time of the amendments for the said purpose and then close the accounts, or in the alternative, move the funds to the Game Fund, the Commission held these accounts open. The Commission then continued to utilize these accounts for deposits and disbursements. The Commission's Chief Counsel indicated he offered these accounts as viable ways for companies to provide security for certain purposes. We found that during the three-year audit period of July 1, 2014 through June 30, 2017, approximately \$4.2 million was deposited from various sources into the FNB account and \$0.5 million into the P&N account. The escrow agreements, however, were not amended to include the *specific* purposes for which these new deposited funds should be utilized. Instead, the Commission provided these accounts as a holding place for funds from various sources while keeping the monies away from independent scrutiny.

Our review of 14 escrow deposit transactions included 6 deposits made into the FNB and P&N escrow accounts. Reasons for these deposits varied, including a bonus payment related to an oil and gas lease agreement, security payments to replace a damaged surface habitat, and a royalty payment related to a bituminous coal surface mining agreement. Of these six deposits, we further reviewed supporting documentation for one deposit of \$3 million into the FNB account, which was a bonus payment related to an oil and gas lease agreement, and one deposit of \$50,000 into the P&N account, which was an advanced royalty payment related to the bituminous coal surface mining agreement.

Both the oil and gas lease and mining agreements state that the payments will be deposited into an escrow account to be used for the future purchase of land acceptable to the Commission.⁷⁷ These funds, however, are comingled with other funds in the escrow accounts in which the escrow agreements not only allow for the purchase of land, but also for land management services. Therefore, these funds may potentially be used in noncompliance with the oil and gas lease and mining agreements.

This comingling of funds for different purposes was noted during our review of disbursements from these two escrow accounts. Of the 16 disbursements we reviewed, 3 were from the FNB escrow account and 4 were from the P&N escrow account as follows:

- One FNB disbursement of \$2.4 million to purchase land.
- Two FNB disbursements transferring a total of \$3.0 million to reimburse the Game Fund for Commission land management services personnel costs.
- Two P&N disbursements transferring a total of \$2.3 million to reimburse the Game Fund for Commission land management services personnel costs.

⁷⁷ The lease agreement regarding the \$3 million dollar payment also allowed the option to deposit the monies into the Game Fund for the same purpose.

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- Two P&N disbursements totaling \$92 thousand for a purchase of land and an in-kind reclamation of land.

As previously noted in *Finding 3.2*, the Commission's practice essentially allows it to dip into a private reserve of cash outside the Game Fund to perform its specific charged duties instead of directly tying any land management activities to the land for which the funds were initially deposited into escrow or for land to be purchased from these funds at a later date. This concern was consequently perpetuated when the Commission reimbursed the Game Fund for personnel costs related to land management services totaling \$5.3 million in four different transactions from July 1, 2014 through June 30, 2017, from the comingled assets obtained from these two escrow accounts.

Further concerning is the fact that there was no Board approval of these four disbursements from the escrow accounts totaling \$5.3 million to reimburse the Game Fund for land management services personnel costs. Commission management stated that board approval was not necessary since the Board previously approved the respective oil and gas lease agreements several years earlier, which stated that funds could be deposited into escrow or the Game Fund. Management believes no additional board approvals were necessary and funds can be moved from the escrow to the Game Fund at their discretion. **We disagree** and believe that decisions of this magnitude should be transparent and publicly discussed in board meetings in proximity to the action with final approval made by the Board in accordance with the Sunshine Act.

Hartman Escrow Account

The Hartman agreement was entered into in September 2010, with Hartman depositing a total of \$100,000 into the account intended for the purchase of land approved by the Commission. Similar to the amended FNB and P&N agreements, the Hartman agreement also allows for the costs related to management of lands to be used for the protection and propagation of game and wildlife, including lawful hunting and trapping in accordance with the Code, as amended.

Similar to the FNB and P&N accounts, the Hartman account was not closed after the original \$100,000 was used to purchase land. We found that, during the period July 1, 2014 through June 30, 2017, nearly \$270,000 in new deposits were made into this account; however, the escrow agreement was not amended to include the specific purpose for these new deposits. Of the 14 escrow deposit transactions we reviewed, 2 were made into the Hartman account, including \$73,789 for land damage and \$121,100 from a settlement with a windfarm company for killing of endangered bird species. Of the 16 disbursements reviewed, 2 were from the Hartman account, both for land acquisition totaling \$271,000, which were clearly beyond the original land purchased with the initial \$100,000 deposit in 2010, when the account was initially established. We did not find the Hartman account was used for land management services during the period July 1, 2014 through June 30, 2017, even though these costs would be allowed according to the escrow agreement.

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The Commission's Chief Counsel did acknowledge that the Commission intends to close at least the Hartman account, but stated the reasoning was that the account is too small to be self-supporting.⁷⁸

One escrow account was inactive and incurring dormant account fees.

Due to inadequate oversight and monitoring of escrow accounts which we more fully address in *Finding 3.4*, the Commission's Chief Counsel was not aware that the Duck Marsh Project account remained open until our audit inquiry on March 28, 2018. After further investigation, the Chief Counsel noted that the Duck Marsh Project was actually completed in 2016. The Chief Counsel stated that he cannot say why these escrow funds were not drawn in 2016, but acknowledged the fiscal paperwork was not obtained or catalogued in such a way that he was aware that the funds should have been drawn. This is an example of how the Commission's lack of policy and standard procedures, including sufficient fiscal oversight, resulted in its total lack of awareness of an escrow account. As a result of our audit inquiry, this account was eventually closed on August 13, 2018, and the remaining funds of \$39,810 were transferred into the Game Fund. From the start of our review period, July 1, 2014, until the account was finally closed, the Commission lost \$190 in administrative fees resulting from its failure to properly account for the Duck Marsh escrow.

Three escrow accounts, which include USFWS involvement, were utilized in accordance with the agreements.

The remaining three escrow accounts, PA Coal Indiana Bat (IBat), Pennsylvania State University, and PA Coal White Nose, were each entered into for specific purposes set out in the respective escrow agreements in conjunction with the USFWS. The purposes of these agreements remain intact and are ongoing during our review period. Additionally, receipts and disbursements from these accounts require approval by the USFWS in addition to the Commission. Of the 14 escrow deposits and 16 escrow disbursements reviewed, the remaining 6 deposits and 7 disbursements were from these three escrow accounts. Based on explanations and/or documentation provided by the Commission's Chief Counsel, we found that the deposits and disbursements were in compliance with the ongoing purposes set out in these three agreements, with the exception that no documentation could be provided for two deposits totaling \$973,766 into the IBat account, apparently made directly by the USFWS.

The Commission's Chief Counsel stated that he is not always notified of deposits made into the escrow accounts, but instead, these deposits are made directly into the accounts by the USFWS or other third parties. Regardless of who makes the deposits, the Commission's oversight of

⁷⁸ This means that the account is currently accumulating more in management fees than it is in interest and is therefore costing the Commission money to keep it open.

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these accounts should include tracking and monitoring of all deposits and disbursements, including maintaining supporting documentation to ensure accountability for the funds and documentation of the reasons for every deposit and disbursement. Concerns regarding the Commission's oversight of escrow accounts will be addressed more fully in *Finding 3.4*.

Conclusion: The Commission's Chief Counsel explained that having multiple escrow accounts opened and closed for each deposit of monies with different purposes creates a large amount and variety of additional work. He acknowledged that commingling funds makes administration more difficult, but he believes the manner in which the FNB and P&N escrow agreements were amended was favorable to the Commission's utilization of these accounts. He also stated overseeing more separate accounts would require additional staff. Although we understand it may take more effort, **funds should not be commingled**. Having comingled funds within an escrow account that are devoid of individual objective scrutiny by the administration enables a mindset that all such monies are fungible (interchangeable) and does not promote transparent or fiscally accountable practices. If there is an operational need for the Commission to utilize escrow accounts, they should be established for a specific purpose, the funds and deposits should be closely tracked and accounted for in furtherance of that purpose, and the account should be closed once the purpose is fulfilled.

Finding 3.4 - The Commission's management controls are not adequate to ensure proper oversight and monitoring of escrow accounts, increasing the risk of error, misuse, or potential fraud.

Through interviews with Commission management, we found that the Commission has no specific policies or formal written procedures regarding its use and administration of escrow accounts. Additionally, the Commission failed to assign staff to provide adequate administration, oversight, and monitoring of the Commission's escrow accounts. The Commission's Chief Counsel is the Commission's only administrator of the escrow accounts and has sole signatory responsibilities over authorization of disbursements. The Chief Counsel was also solely responsible for receipt of the quarterly escrow account statements. During our interview, the Chief Counsel stated he is responsible for ensuring account disbursements comply with the terms of each escrow agreement, but he does not routinely review all transactions recorded on the quarterly escrow statements, only reviewing transactions on an as-needed basis. No other staff were assigned to administer, review, or monitor these accounts.

The Commission's failure to assign additional staff, whose primary responsibility is fiscal oversight of Commission funds, to administer the escrow accounts created a lack of segregation of duties, resulting in the Chief Counsel, who has other substantial duties, having conflicting responsibilities regarding oversight of these escrow accounts. The Chief Counsel was solely responsible for requesting and authorizing disbursements from the account trustee, while also

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being solely responsible for maintaining account records and reviewing the transactions on the quarterly escrow statements. Best business and accounting practices dictate that having one person responsible for all of these duties increases risk of error, misuse, or potential fraud. Further, administering such escrow accounts and the related transactional work through the Commission's Office of Chief Counsel (OCC), with the Chief Counsel being the Commission's sole signatory party on the accounts, may create a conflict of duties and negatively impact the role of the OCC as a legal advisor to the Commission regarding these accounts.⁷⁹

According to the Standards for Internal Control in the Federal Government, commonly known as the Green Book, which also has been adopted by the Commonwealth of Pennsylvania, a key factor in improving accountability in achieving an entity's mission is to implement an effective internal control system. Management should develop and maintain documentation of its internal control system, including policies and procedures. The Green Book states:

[E]ffective documentation assists in management's design of internal control by establishing and communicating the who, what, when, where, and why of internal control execution to personnel. Documentation also provides a means to retain organizational knowledge and mitigate the risk of having that knowledge limited to a few personnel, as well as a means to communicate that knowledge as needed to external parties, such as external auditors.⁸⁰

Additionally, in regard to segregation of duties, the Green Book states that:

[M]anagement divides or segregates key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing transactions, and handling any related assets so that no one individual controls all key aspects of a transaction or event.⁸¹

The Green Book states in regard to appropriate documentation that:

[M]anagement clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination.⁸²

⁷⁹ See Commonwealth Attorneys Act, Chapter 4. Counsel for Independent Agencies, 71 P.S. § 732-401 *et seq.*; see specifically 71 P.S. § 732-402(1).

⁸⁰ United States Government Accountability Office Standards for the Internal Control in the Federal Government by the Comptroller General of the United States dated September 2014, page 29. The PA Governor's Office issued Management Directive 325.12, effective July 1, 2015, and amended May 15, 2018, which adopted these standards for implementing an effective internal control system for all Commonwealth agencies under the Governor's jurisdiction.

⁸¹ *Ibid.*, p. 47.

⁸² *Ibid.*, p. 48.

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The Commission's lack of policies and procedures, along with inadequate oversight and administration, for the utilization of escrow accounts increases the risk of error, misuse, or fraud, and resulted in the deficiencies previously noted in *Finding 3.3*. These include: comingled funds for different purposes; inadequate tracking and accounting for all escrow accounts; lack of documentation for all transactions; and lack of board approval on significant matters. Having comprehensive policies and procedures over use of escrow accounts, including establishing an effective management internal control system, as well as having an administrator separate and apart from the Commission's OCC for handling these transactions, would help alleviate these deficiencies and ensure proper accountability and operational need for these accounts. Further transparency and fiscal responsibility can be obtained by transferring oversight functions of escrow accounts to the Treasury, as is the case with similarly situated agencies.

Recommendations for Issue Area 3

We recommend that the Commission:

1. Consult with the GBO to ensure a consistent and thorough understanding of the Commission's annual budgeting process (including requesting a process flow chart) and needed steps for placing the escrow accounts under Treasury in the interest of improving government accountability and transparency.
2. Develop a comprehensive understanding of its full financial position, including the Game Fund's reserve balance and escrow accounts' balances, in its annual budgeting and financial decision-making processes.
3. Ensure that all parties involved in financial decisions, such as proposals for hunting license fee increases, understand the Commission's full financial position.
4. After closely evaluating the extent to which it continues to have an operational need for each of its escrow accounts, ensure that independent oversight of the escrow accounts exists, preferably through the transfer of its accounts to Treasury **or** close the accounts altogether whenever appropriate.⁸³
5. Establish regulations to comprehensively explain and dictate established procedural steps, including internal controls, in the management of escrow accounts.

⁸³ This independent oversight could vary for the three escrow accounts with federal USFWS involvement.

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6. If there is an operational need for an escrow account, ensure that:
 - a. There are proper procedures and official protocols in place to ensure fiscally sound practices in creating and managing such an account.
 - b. The account is established for a specific purpose.
 - c. Funds for different purposes are not comingled within the same account.
 - d. After the purpose per the escrow agreement is fulfilled, close the account.
7. Refrain from utilizing escrow accounts for general purposes such as land management services personnel costs, which should more appropriately flow through the Game Fund.
8. Ensure board decisions in meeting minutes involving significant escrow transactions are sufficiently specific and establish the clear intention of the board, including board approval in accordance with Sunshine Act.
9. Implement an effective system of management internal control over the administration and oversight of the Commission's escrow accounts, as per the Green Book, including but not limited to:
 - a. Developing formal written policies and procedures.
 - b. Assigning appropriate staff to ensure proper segregation of duties for authorizing, transactions, processing and recording transactions, reviewing transactions, and handling related assets.
 - c. Utilizing the Commission's Chief Counsel as an advisor regarding these accounts, rather than for administering the accounts and the related transaction work.
 - d. Maintaining documentation for all transactions and other significant events.

We recommend that the General Assembly:

10. Consider closely reviewing the applicable provisions of the Code to determine whether its present intent is being carried out appropriately by the Commission's current use of escrow accounts.

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Issue Area 4 – Pennsylvania Game Commission Expenditures - Compliance with Chapters 5 and 7 of the Game and Wildlife Code.

The Pennsylvania Game Commission (Commission) must expend Game Fund monies pursuant to the Game and Wildlife Code (Code) and other applicable laws and regulations.⁸⁴ The Commission uses the Commonwealth's SAP accounting system to record all expenditures from the Game Fund. As discussed in *Issue Area 2*, the Commission failed to track and compile costs associated with specific objectives to determine the cost effectiveness of meeting its core goals.

To further satisfy our objectives to identify and analyze all Commission expenditures and determine if expenditures were in compliance with applicable laws, we focused our audit procedures on whether certain license revenue was properly spent on legally mandated activities and whether land acquisitions were in compliance with the Code. We focused on these two areas based on concerns brought to our attention regarding a potential future increase in license fees and the Commission possibly spending too much money on land purchases.

Based on our interviews with Commission management and other audit procedures, we found that:

- The Commission appears to have complied with the Game and Wildlife Code regarding using a portion of certain license sales revenue for habitat improvement activities; however, it questionably included employee leave towards the mandated amount and failed to require all employees to complete timesheets to sufficiently evidence its compliance.
- The Commission's 45 land acquisitions were properly authorized and in accordance with the Game and Wildlife Code. However, the Code's land acquisition and exchange provisions, established 30 years ago, do not correlate to current Commission practices and other conditions, including the use of escrow accounts.

A description of our audit procedures, results, and conclusions are included within the following findings.

⁸⁴ 34 Pa.C.S. § 521(a).

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Finding 4.1 – The Commission appears to have complied with the Game and Wildlife Code regarding using a portion of certain license sales revenue for habitat improvement activities; however, it questionably included employee leave towards the mandated amount and failed to require all employees to complete timesheets to sufficiently evidence its compliance.

The Game and Wildlife Code requires a certain amount of revenue from specific license sales be used for an outlined number of purposes. Specifically, the Code requires “a minimum of \$4.25 from each resident and nonresident license and \$2 from each antlerless deer license issued for which the full fee has been paid” be “deposited into one separate account.” These revenues must be used exclusively in the following six areas of natural propagation of game and wildlife (habitat improvement):

1. Improving and maintaining any natural wildlife habitat by the production, distribution and planting of trees, shrubs, vines and forage crops.
2. Forest management practices related to the creation and development of food and cover.
3. Development and management of food and cover openings, including maintenance of soil fertility and herbaceous ground cover.
4. Purchase, construction and enhancement of wetlands and riparian areas.
5. Construction and maintenance of nesting, brooding and rearing structures or areas.
6. The prorated cost for the purchase, maintenance and operation of equipment, tools and materials necessary to meet the habitat improvement objectives of this section.⁸⁵

In order to determine whether these specific funds were recorded and spent in accordance with the Code, we interviewed Commission management, analyzed the revenues from resident, nonresident, and antlerless deer licenses, and reviewed the expenditures to ensure the funds were properly spent on the six specific areas of habitat improvement. Based on our audit procedures, we found that the Commission:

- Properly allocated the mandated portion of certain license sales revenue to habitat improvement activities.
- It appears the Commission spent the mandated amount of certain license sales revenue on habitat improvement activities, but questionably included employee leave towards the

⁸⁵ 34 Pa.C.S. § 521(b)(1). (Emphasis added). For simplicity’s sake, this finding refers to these six areas as habitat improvement.

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mandated amount and failed to require all employees to complete timesheets to sufficiently evidence its compliance.

These areas are discussed in the following sections.

The Commission properly allocated the mandated portion of certain license sales revenue to habitat improvement activities.

As discussed in *Finding 1.3*, the Commission sells various types of hunting and trapping licenses and permits. The following table outlines the types of licenses that the Commission considers to be applicable resident, nonresident, and antlerless deer licenses for the purpose of compliance with Section 521(b) of the Code.

PA Game Commission Number of Resident, Nonresident, and Antlerless Deer Licenses Sold in the fiscal year ended June 30				
License Type	2015	2016	2017	Total
Resident:				
Adult Hunting	636,237	629,804	612,511	1,878,552
Junior Hunting	30,539	28,111	24,771	83,421
Junior Hunting/Furtaker Combo	55,359	54,114	51,734	161,207
Senior Hunting	18,407	17,821	17,178	53,406
Senior Lifetime Hunting	4,953	5,151	4,776	14,880
Senior Lifetime Hunting/Furtaker Combo	6,155	6,334	6,554	19,043
Adult Furtaker	43,286	42,661	41,871	127,818
Junior Furtaker	88	79	79	246
Senior Furtaker	437	418	381	1,236
Senior Lifetime Furtaker	6	12	5	23
Nonresident:				
Adult Hunting	46,197	46,019	45,750	137,966
Junior Hunting	1,392	1,320	1,280	3,992
Junior Hunting/Furtaker Combo	895	884	844	2,623
7-Day Small Game Hunting	2,435	2,392	2,207	7,034
Adult Furtaker	386	386	394	1,166
Junior Furtaker	3	9	4	16
Total Resident and Nonresident	846,775	835,515	810,339	2,492,629
\$4.25 per license	\$3,598,794	\$3,550,938	\$3,443,941	\$10,593,673
Antlerless Deer License:				
Resident	595,250	585,907	585,483	1,766,640
Resident Landowner	1,105	1,151	1,113	3,369

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Resident Special Regs	161,936	140,288	141,573	443,797
Resident Armed Forces	2,451	2,149	1,983	6,583
Resident Disabled Veteran	2,094	2,396	2,525	7,015
Non-Resident	15,533	13,967	14,687	44,187
Non-Resident Landowner	69	57	58	184
Non-Resident Special Regs	1,559	1,285	1,198	4,042
Total Antlerless Deer	779,997	747,200	748,620	2,275,817
\$2.00 per license	\$1,559,994	\$1,494,400	\$1,497,240	\$4,551,634
GRAND TOTAL	\$5,158,788	\$5,045,338	\$4,941,181	\$15,145,307

Source: Produced by the Department of the Auditor General staff from the Commission's "PGC License Sale Distribution Report" for each respective fiscal year.

According to Commission management, all license revenue is recorded by license type within the Commonwealth's SAP accounting system (SAP). The Commission performs an intra-fund transfer from license revenue to a special set-aside account specifically for the license fee revenues used for habitat improvement. Commission management stated that during our audit period, it transferred approximately \$7.5 million annually into this set-aside account. We verified that the Commission did make these intra-fund transfers through review of SAP accounting records.

As shown in the previous table, the Commission was mandated to spend less than \$5.2 million annually from license revenues on habitat improvement. Since the Commission's annual transfer of \$7.5 million of license revenue was more than necessary, we found that the Commission complied with the revenue allotment portion of Section 521(b) of the Code.

The *Game News* reported the minimum license revenue to be used on habitat improvement to be \$5.0 million, \$4.9 million, and \$4.8 million, for the years ended June 30, 2015, 2016, and 2017, respectively. These reported figures, however, are slightly less than what they should be according to Commission management. Management stated that the information contained within the *Game News* was just carried forward over time and no adjustments were made to include furtaker licenses. Commission management acknowledged it does not have formal policies and procedures that detail which types of licenses should or should not be included within the calculation, other than the language within the Code. The exclusion of these licenses did not change our overall conclusion that the Commission complied with the Code because it transferred over \$2 million dollars more than what was actually mandated. It is important, however, that the Commission consistently calculate and publish these figures for accountability and transparency.

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It appears the Commission spent the mandated amount of certain license sales revenue on habitat improvement activities, but questionably included employee leave towards the mandated amount and failed to require all employees to complete timesheets to sufficiently evidence its compliance.

Over 70 percent of the Commission's expenditures are salaries, wages, and benefits paid to its employees. The employees are responsible to perform work related to various areas, one of which is habitat improvement. According to Commission management, based on current and historical license sales, the Commission performs an intra-fund transfer twice a year from the habitat improvement-related salary expenditures to a special set-aside account specifically used for the six habitat improvement areas on which the set-aside license fee revenues must be exclusively spent.

The Commission's two expenditure transfers for each year within our audit period are shown in the following table. We obtained the Commission's *Section 521 Payroll Expense Reports* used to support each transfer, which detailed line item expenditures by employee. The total expenditures on the *Section 521 Payroll Expense Reports* exceeded the total \$7.5 million expenditure transfer and only accounted for a portion of the total habitat improvement related salary expenditures in each fiscal year.⁸⁶

PA Game Commission Section 521(b) of the Game and Wildlife Code Habitat Improvement Expenditures				
Fiscal Year Ended June 30	First Transfer	Second Transfer	Total Transfer	Section 521 Payroll Expense Report Total
2015	\$4,911,318	\$2,588,682	\$7,500,000	\$8,207,131
2016	\$4,989,827	\$2,510,173	\$7,500,000	\$8,160,285
2017	\$5,047,777	\$2,452,223	\$7,500,000	\$8,053,491

Source: Produced by the Department of the Auditor General staff from information on the Commission's SAP transfer documents and the Section 521 Payroll Expense Reports.

In order to determine whether the employees' whose salaries were paid by license fee revenues (i.e., were included in the above transfers) actually worked on habitat improvement activities, we judgmentally selected one biweekly pay period from 40 employees to review.⁸⁷ We obtained and reviewed each employee's timesheet (as applicable) for the corresponding pay period.

Commission management stated that all payroll expenses for certain employees are default coded to habitat improvement activities within SAP. Therefore, unless an ineligible activity is specified

⁸⁶ The *Section 521 Payroll Expense Reports* generally only include 20 of the 26 annual pay periods.

⁸⁷ The six *Section 521 Payroll Expense Reports* provided by the Commission for the fiscal years ended June 30, 2015, 2016, and 2017, contained 364 to 408 employees.

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on their timesheets, the Commission considers the time charged by these employees to be entirely eligible for inclusion in the *Section 521 Payroll Expense Report*. This includes any pay received for holidays, sick leave, and vacation time. Although including these non-working hours are not explicitly excluded from the six habitat improvement areas, they are definitely not exclusively dedicated to improving wildlife habitats. For instance, if an employee would go on vacation for a week, there are no habitat-related activities being performed for those 40 hours, yet these expenditures still are classified as habitat-related activities. For the fiscal years ended June 30, 2015, 2016, and 2017, Commission management stated that 107 employees, 130 employees, and 141 employees, respectively, were default coded to habitat improvement activities.

Out of the 40 timesheets reviewed, 20 involved employees that were default coded to habitat improvement, and 3 of the 20 default-coded employees were not even required to maintain timesheets. Commission management stated these employees did not need to complete timesheets unless they worked overtime because all time in the sections they work is considered habitat improvement. Additionally, one of these three default-coded employees without a timesheet was an administrative employee (Clerk Typist) with job description activities indirectly related to habitat improvement. Without timesheet documentation, however, we could not verify all hours worked were actually related to habitat improvement activities.

For the 17 of 20 default-coded employees that maintained timesheets, we found 11 included time related to hours assigned by the employee as holiday, sick, annual, and personal time in the system that were included *Section 521 Payroll Expense Report*. The remaining six timesheets did not include these types of hours.

According to Commission management, those employees that are not default coded are supposed to record what activities were performed during working hours. Any activities related to habitat improvement would be included in the *Section 521 Payroll Expense Report* and any activities not related to habitat improvement, including holiday, sick, and vacation pay, would be excluded from the *Section 521 Payroll Expense Report*. We found, however, that this is not consistently occurring. For the 20 employees that were not default coded, we found that 3 of 20 included time related to hours assigned by the employee as holiday, sick, annual, and personal time in the system that were included in the *Section 521 Payroll Expense Report*. Although some of the remaining 17 timesheets included leave, the leave pay was properly not included within the *Section 521 Payroll Expense Report*.

According to Commission officials, although the coding of timesheets could be improved, it is more important that it complied with the legal mandate. Management indicated that even if some of the expenses that were included on the *Section 521 Payroll Expense Report* were not used specifically for habitat improvement, such as leave and administrative costs, the Commission definitely has more habitat improvement related expenditures that could be included for compliance purposes. The *Section 521 Payroll Expense Reports* generally only include 20 of the 26 annual pay periods.

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While we acknowledge that it appears the Commission complied with the legal mandate because it only had to spend about \$5 million dollars for habitat improvement and the *Section 521 Payroll Expense Reports* that only included a portion of the year's habitat expenditures were more than \$8 million; the Commission did not maintain adequate documentation to accurately validate its compliance.

By not requiring all employees to complete biweekly timesheets with proper activity coding indicating exactly which hours are directly and indirectly related to the six areas of habitat improvement on which the employee actually worked, the Commission failed to provide sufficient evidence that these license fee revenues were expended exclusively on habitat improvement expenses. Since the majority of the Commission's expenditures are salaries and wages, documenting what activities each employee performs within timesheets is important. Properly detailing each employee's work activities would not only improve its record keeping related to legal compliance, it would assist in identifying payroll costs associated with land management activities specified within escrow agreements and the Commission's tracking and compiling costs by activities to determine the cost effectiveness of meeting its core goals, as further discussed in *Issue Areas 2 and 3*. This is especially important in light of the Code's requirement that a specific allocation from license funds, "shall be used for habitat improvement, development, maintenance, protection and restoration conducive to increasing natural propagation of game and wildlife."⁸⁸ The Code clearly, and in a narrow fashion, establishes the specific permitted expenditure of such license monies with employee and similar payroll costs not being among the delineated allowable uses.⁸⁹

Finding 4.2 – The Commission's 45 land acquisitions were properly authorized in accordance with the Game and Wildlife Code. However, the Code's land acquisition and exchange provisions, established 30 years ago, do not correlate to current Commission practices and other conditions, including the use of escrow accounts.⁹⁰

During the three-year audit period ending June 30, 2017, the Commission added more than 5,000 acres to its game lands through 45 land acquisition transactions pursuant to the Game and Wildlife Code.⁹¹ According to a Commission document outlining the land acquisition process, acquisition priorities include those tracts which provide access to existing state game lands, contain sensitive habitats for "special concern species," and other unique landscapes such as

⁸⁸ 35 Pa.C.S. § 521(b).

⁸⁹ Ibid.

⁹⁰ Please note that only one of these provisions was amended in 1990, and one other was added in 1996 and then amended in 2000. See 34 Pa.C.S. § 721 (relating to Control of property) as amended by Act 170 of 1990 and 34 Pa.C.S. § 730 (relating to Controlled goose hunting areas) as added by Act 19 of 1996 and amended by Act 170 of 2000.

⁹¹ 34 Pa.C.S. § 101 *et seq.* (Act 93 of 1986).

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wetlands and watersheds. In its Strategic Plan 2015-2020, the Commission states, “[t]he agency owns and manages almost 1.5 million acres of [state game lands] in more than 300 tracts in 65 of the 67 counties in Pennsylvania.”⁹²

The Commission acquired land by making purchases, exchanges, and by receiving donated lands.⁹³ In one instance, the Commission also received a transfer of 50 acres of land from another state agency. Chapter 7, Subchapter A, of the Code governs the acquisition of land. The Code provides, “The commission may by purchase, gift, lease, eminent domain or otherwise acquire within this Commonwealth . . . Title to or control of, lands, waters, buildings”⁹⁴

Subchapter B of Chapter 7 addresses the exchange of land.⁹⁵ Game land can be exchanged for land of an equal or greater value when the exchange is in the best interest of the Commission. One example of an exchange involves third parties—such as oil, gas, and mineral companies—that exchange land with the Commission to compensate for damages to game lands that may have resulted in the temporary or permanent loss of wildlife habitat and/or recreational opportunities. Alternately, these third parties are sometimes permitted to provide compensation in exchange for damaged game lands. These compensation funds are then deposited into escrow accounts for the Commission to use at a later date to purchase replacement land in exchange for the damaged land.

When the Commission purchases land, the Code allows the Commission to pay “what it considers a fair and reasonable price,” but it establishes a limit of \$400 per acre.⁹⁶ It requires acquisitions to be approved by a majority of the members of the Commission.⁹⁷ The Code also provides for certain exceptions to the \$400/acre limit. According to the Code, the Commission may pay “what it considers a fair and reasonable price” for the following, which are exceptions to the \$400/acre limit:

- Lands known as indentures.⁹⁸
- Lands located within existing game lands.
- Lands to be used as rights of way to existing game lands.
- Lands to be used as state game farms.

⁹² Pennsylvania Game Commission, *Strategic Plan 2015-2020*, page 2.

⁹³ 34 Pa.C.S. § 701 *et seq.* (Chap. 7. Property and Buildings, Subchapter A. Acquisition and Improvements). *See in particular* 34 Pa.C.S. § 701(a).

⁹⁴ 34 Pa.C.S. § 701(a)(1).

⁹⁵ 34 Pa.C.S. § 723 (Chapter 7. Property and Buildings, Subchapter B, Control, Management and Disposition). This also addresses the sale of game land. The Commission can only sell game lands to the Department of Conservation and Natural Resources for state forests or to the federal government for national forests or national wildlife refuges. The Commission stated that it sold no game lands during the three-year audit period.

⁹⁶ 34 Pa.C.S. § 705 establishes limits and exceptions to the price to be paid for acquisitions depending on certain attributes, such as lands known as indentures, etc. *See in particular* 34 Pa.C.S. § 705(a).

⁹⁷ *Ibid.* and 34 Pa.C.S. § 701(b).

⁹⁸ According to one Commission official, indentures refer to lands that have two or three sides that cut into existing game land. For purposes of this audit, we adopted the Commission’s definition of “indenture(s).”

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- Outstanding rights for timber, minerals, oil, gas or other purposes.
- The purchase or construction of buildings for administration, management or other purposes *and* land on which to construct the buildings.⁹⁹

The Commission's 45 land acquisitions executed during the audit period are broken down by type as follows:

Pennsylvania Game Commission Land Acquisitions Three Years Ending June 30, 2017		
Type of Acquisition	# Transactions	Total Property Size
Purchase ^{a/}	21	2,827 acres
Land-for-Land Exchange	11	1,908 acres
Donation	12	288 acres
Transfer	1	50 acres
Total	45	5,073 acres

^{a/}The term "purchase" refers to acquisitions using funds from either the Game Fund or Escrow Accounts.

Source: The data was compiled by the Department of the Auditor General from land acquisition records provided by the Pennsylvania Game Commission.

The 11 exchanges listed in the table above involved land-for-land exchanges with third parties and did not require the use of funds from either the Commission's Game Fund or its escrow accounts. Nor did the 12 donations and 1 transfer involve the use of Commission funds. The 21 purchases, however, included 12 purchases using resources from the Game Fund, 8 purchases using funds from its escrow accounts, and 1 purchase that used both resources from the Game Fund (exchange of timber for land) and escrow funds. The escrow funds used for these transactions had been provided by third parties in exchange for Commission game lands that were impacted or damaged by those third parties.

Results of Compliance Testing

We verified that all 45 land acquisitions that occurred during the three-year audit period were authorized by the Commission's Board in accordance with the Code. We excluded from further review those 24 land acquisitions acquired by donation, land-for-land exchange, and transfer because they did not involve the use of Commission funds. The following table provides highlights of the remaining 21 acquisitions by funding source and classification.

⁹⁹ 34 Pa.C.S. § 705(b) - (d). Section 705(c) of the Code states, in part, the Commission "...may pay what it considers a fair and reasonable price to purchase outstanding rights for timber, **minerals, oil, gas** or other purposes for lands which the commission owns or is about to acquire." (Emphasis added).

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Pennsylvania Game Commission Analysis of Land Acquisitions by Game Fund and Escrow Funds July 1, 2014 through June 30, 2017						
Classification	# of Purchases	Total Acres	Total Dollars	Lowest \$/Acre	Highest \$/Acre	Avg. \$/Acre
Funding Source – Game Fund:						
\$400/acre	4	57.4	\$ 22,959	\$ 400	\$ 400	\$ 400
Over \$400/acre	8	155.7	457,800	840	484,375 ^{a/}	2,940
<i>Subtotal</i>	<i>12</i>	<i>213.1</i>	<i>\$ 480,759</i>			<i>2,256</i>
Funding Source – Escrow Accounts:						
Over \$400/acre	8	742.7	1,327,500	1,073	8,333	1,787
Funding Sources – Game Fund (via timber-for-land exchanges) and Escrow Accounts:						
Over \$400/acre	1	1,870.8	2,651,220	1,417	1,417	1,417
Total	21	2,826.6	\$4,459,479			\$1,578

^{a/} One 0.32 acre tract was purchased for \$155,000 as an indenture property and resulted from a settlement of a legal dispute. The property had a house, pool, and outbuildings. It was purchased for the value assigned by an independent appraisal. The next highest per acre price paid by the Commission using Game Funds was \$2,614/acre.

Source: The data was compiled by the Department of the Auditor from land acquisition records provided by the Pennsylvania Game Commission.

We reviewed 17 of the 21 purchases, including all 12 acquisitions purchased from the Game Fund, 4 of the 8 using escrow funds, and 1 purchase that exchanged timber for land and used funds from escrow accounts. For these 17 transactions, we reviewed the Commission's documentation to support its process of examination and valuation of the land, which occurs prior to the presentation to the Commission's Board for authorization of the purchase. The documentation included examination reports, narrative descriptions, option agreements, sales and cooperative agreements, deeds, surveys, and titles. We found that all of the required documentation was in place for each of the 17 acquisitions.

Analysis of Compliance with \$400/Acre Price Limit & Allowable Exceptions

Purchases Exclusively Using Game Funds

For all 12 acquisitions exclusively purchased with Game Funds, we reviewed supporting documentation to determine whether the purchases were made in accordance with the \$400/acre limit established by the Code or, if the price exceeded the limit, whether the land appeared to meet one of the allowable exceptions listed above. Only 4 of the 12 purchases were made at the \$400/acre price limit set forth in the Code.

To determine whether the remaining eight acquisitions purchased with Game Funds appeared to meet one or more of the allowable exceptions to the \$400/acre price limit, we reviewed

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supporting documents, such as Commission meeting minutes, land examination reports, sales agreements, deeds, and maps, which contained references to the type of land and the relationship to nearby or adjacent game lands. In some cases, the deed explicitly referred to the land acquired as an indenture, and the map indicated that two or more sides of the acquired land bordered existing state game land. In other cases, the Commission's examination report and the maps indicated the land would connect two or more existing parcels of game land or provide right-of-way access to existing game land. We concluded that all of the remaining eight parcels purchased with Game Funds appeared to have met at least one of the allowable exceptions to the \$400/acre limit.

We also found, however, that although the Commission maintained documentation to support whether those acquisitions in excess of the \$400/acre limit met allowable exceptions, the minutes authorizing the approval of such acquisitions did not consistently address in explicit terms how these acquisitions complied with the allowable exceptions to the price limit. The Commission has a "duty to take all actions necessary for the administration and enforcement" of the Code.¹⁰⁰ Before it votes to approve land acquisitions, the Board should be informed of acquisitions using Game Funds that exceed the \$400/acre price limit, and it should review documentation to support why such acquisitions are allowable and in compliance with the Code.

Purchases Exclusively Using Escrow Funds

The Code does not explicitly include or exclude from its \$400/acre price limit the use of funds from escrow accounts for purchasing game lands. Further, Subchapter B of the Code, which addresses exchanges appears to refer to land-for-land exchanges. It does not address funds paid by oil and gas producers and placed in escrow *in exchange* for damaged lands.¹⁰¹ Therefore, the section's requirement to exchange land for land having an equal or greater value may not appropriately apply to *funds* placed in escrow accounts, at least in terms of price constraints. In addition, the condition described in *Issue Area 3* with regard to the comingling of escrow funds raises further concern about land acquisitions using escrow funds and compliance with all relevant sections of the Code. Commission management indicated that it agreed that the Code predated the existence of oil and gas revenues at modern levels and it would be beneficial to receive additional statutory guidance as it pertains to the use of escrow accounts in the modern setting.

We acknowledge that the Code has not been updated in more than three decades with regard to the chapters relevant to land acquisitions. However, it was presumably the Pennsylvania legislature's intent to limit purchases of land to \$400/acre, unless otherwise exempted by an enumerated exception. Notably, the Code does not explicitly state that the Commission may pay any rate per acre that it wishes so long as it does not come from the Game Fund. Furthermore, as a Commonwealth public agency, the Commission should have instituted common best practices

¹⁰⁰ 34 Pa.C.S. § 322(b) related to *General powers and duties*.

¹⁰¹ 34 Pa. C.S. § 723(b).

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to improve its public accountability and ensure it is acquiring lands appropriately using funds from escrow accounts. At a minimum, the Board could publicly conclude about how, with each acquisition using the Game Fund or escrow accounts, the Commission is complying with the Code, and it could conclude about whether the Commission is paying fair and reasonable prices for the game lands it plans to acquire, again, regardless of the funding source.

Likewise, the Commission should have updated its own regulations to establish requirements governing what its Chief Counsel refers to as “a reality in complex land acquisitions” involving “many conservation partners.” While the Code may have been adopted in 1986, the Commission enjoys the freedom and capability of drafting its own regulations at will and is not subjected to the independent regulatory review process almost like no other administrative agency.¹⁰² The supposed complexity of the land acquisition environment should not preclude the Commission from updating its own regulations. Moreover, such complexities necessitate clear and comprehensive practices which are established through regulation. The Commission should do so to ensure it is using Game Fund monies and any of its other *public* resources, including funds from escrow accounts, in accordance with the Code, as a minimum standard, but also in accordance with best business practices. Updated regulations and Commission policies and procedures should ensure transparency, appropriate oversight, and public accountability about how the agency is using its public resources, including all funding sources for acquisitions.

Although the Commission believes that purchases made using escrow funds were not bound by the \$400/acre limit, we judgmentally selected and reviewed four of the eight purchases made using escrow funds to determine whether the lands had any characteristics that would have qualified as exceptions to the \$400/acre limit. One of our selections was purchased at a price agreed upon as a result of a legal settlement, although characteristics of the land indicate it provided right-of-way access from existing game land to a public road, which might have met an allowable exception. The remaining three acquisitions also appear to have had characteristics that would have potentially qualified as exceptions to the limit. However, without established policies, procedures, or updated regulations governing purchases using escrow funds and other resources, the risk that such purchases could have an inadequate level of transparency exists.

Purchase Using Timber-for-Land Exchange and Escrow Account

One land acquisition involved the purchase of 1,871 acres of multiple parcels of land for \$2.65 million to be paid by the Commission in three installments, of which \$933,000 was paid from escrow funds and the remaining \$1,718,220 was paid in a timber-for-land exchange.¹⁰³ The price per acre for the acquisition was \$1,417. We noted that all three of the deeds on the land, each conferring one-third interest to the Commission, referred to the land as indenture, an allowable exception in the Code. However, because the acquisition did not use Game Fund monies, the Commission considered the land acquisition to be exempt from the \$400/acre price limit.

¹⁰² The Fish Commission is the only another exception. See 71 P.S. § 745.3.

¹⁰³ The timber-for-land exchange is allowable under the Code; see 34 Pa.C.S. § 723(2).

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Analysis of Acquisition Prices Greater Than \$400/Acre As “Fair and Reasonable”

Since exceptions to the \$400/acre limit in the Code still require the Commission to pay what it considers a “fair and reasonable price” for the acquisitions, we also compared the purchase price to the assessed value for all 17 transactions that exceeded the \$400/acre limit—regardless of what accounts or funds they were paid from.¹⁰⁴ For 13 of the 17 purchases, we concluded the price appeared to be reasonable based on the assessed value as noted in the respective county assessor’s office record of assessment of each acquisition.

We further reviewed four purchases where the price of the acquisition exceeded the assessed value of the property by more than \$10,000. Two purchases were made from the Game Fund and two were made from escrow accounts. The total cost of these four purchases was \$781,800. We obtained additional information and documentation, including independent appraisals, and considered whether the purchase price appeared to be fair and reasonable. We found that all four properties’ purchase prices were comparable to their respective appraisals.

We also reviewed the aforementioned transaction where the Commission paid for an acquisition of 1,871 acres with a combination timber-for-land exchange and funds from two escrow accounts. The per acre purchase price of \$1,417 was significantly lower than the appraisal of \$2,500/acre. The assessed value of the property was approximately \$1,371 per acre. We noted that a different company owned the rights to the property’s timber assets through 2028 and the oil and gas rights through 2055. Commission officials stated that since the acquisition by the Commission was part of a larger project by a conservation organization to acquire more than 10,000 acres from a corporation, the seller “was willing to offer the land to the [Commission] below appraised market value.” Based upon the information and documentation provided, we concluded the purchase price appeared to be fair and reasonable.

Chapter 7 of the Code not amended for more than 30 years.

It is vital to note that the Code, which was enacted in 1986, has not been amended with regard to Chapter 7, which establishes price limits and exceptions to the limits. As stated earlier, the Code is also silent on the matter of escrow accounts, and therefore, utilizing such funds for the described land purchases in this manner is not expressly prohibited.¹⁰⁵ However, given that the Code’s land acquisition and exchange provisions have not been updated in more than 30 years to meet current Commission practices and conditions, including the resurgence of the state’s oil and

¹⁰⁴ 34 Pa.C.S. § 705(b) and (d).

¹⁰⁵ While most of the Code has rarely been amended, its definitional section has been amended as many as eight times. *See* 34 Pa.C.S. § 102. Under the Statutory Construction Act, it can be surmised that the General Assembly could have easily prohibited escrow accounts when it amended the Code’s definitional section but chose not to. *See* 1 Pa.C.S. §1922 (Presumptions in ascertaining legislative intent).

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gas industry between 2008 to 2012 (which culminated in the enactment of Act 13), it is critical that the Code be amended accordingly.¹⁰⁶ While the General Assembly may have chosen not to address, for example, escrow accounts in its more recent amendments to the Code, we believe that it may wish to consider closely reviewing the Code's Chapter 7, Subchapters A and B, to determine whether its present intent is being carried out appropriately.¹⁰⁷ We also believe the Commission should promptly update its own regulations and internal policies and procedures to address current practices and conditions and that they should require full transparency related to all acquisitions by the Commission with regard to price, funding, and compliance with relevant sections of the Code.

Conclusion: We found that the Commission properly authorized all 45 land acquisitions in accordance with the Game and Wildlife Code. We also concluded that the Commission's documentation to support the 21 purchase transactions indicates that it abided by the \$400/acre limit for 4 purchases that used Game Fund monies and for the 13 remaining purchases that included Game Fund monies that we reviewed appeared to meet allowable exceptions. We also concluded that the Commission appeared to pay fair and reasonable prices for acquisitions that it purchased with Game Funds and other resources. We did find, however, that the Board did not appear to consistently and explicitly document its review supporting the allowable exceptions for acquisitions using Game Funds that exceeded the \$400/acre price limit. Doing so in the future will establish greater transparency by providing evidence that the Board is properly monitoring whether the acquisitions are purchased at prices that comply with the Code.

Recommendations for Issue Area 4

We recommend that the Commission:

1. Create formal policies and procedures which provide the reasoning and detailed justification to include or exclude each type of license related to the license revenue to be used exclusively on habitat improvement pursuant to Section 521(b) of the Game and Wildlife Code.

¹⁰⁶ See Act 13 of 2012 regarding Impact Fees. Please note that House Bill 752, P.N. 802 (which passed the House on March 18, 2019 and is in currently Senate Game and Fisheries Committee) in the current 2019-2020 session would amend the Code to allow for a higher capped at a purchase price through the Game Fund of \$400 per acre solely in Allegheny County.

¹⁰⁷ As noted in an earlier footnote, only one of these provisions was amended in 1990 and one other was added in 1996 and then amended in 2000. See 34 Pa.C.S. § 721 (relating to Control of property) as amended by Act 170 of 1990 and 34 Pa.C.S. § 730 (relating to Controlled goose hunting areas) as added by Act 19 of 1996 and amended by Act 170 of 2000.

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2. Ensure the license revenue to be used exclusively on habitat improvement pursuant to Section 521(b) of the Game and Wildlife Code in all public reports, including the *Game News*, is consistent with its formal policies and procedures.
3. Require all employees to track and record activities performed on timesheets in order to identify which activities and corresponding salary expenses are in compliance with the six habitat improvement areas mandated by Section 521(b) of the Game and Wildlife Code. This detailed record keeping should also be applied to other areas such as land management activities and the activities performed to attain its strategic goals.
4. Exclude paid leave, such as holiday, sick, annual, and personal leave, and any other ineligible expenditures from its Section 521 Payroll Expense Reports used to document its compliance with Section 521(b) of the Game and Wildlife Code.
5. Require its Board to explicitly document in the minutes its review and approval of each land acquisition that is purchased using Game Funds or other Commission resources, including escrow accounts, in compliance with the Code, including the price limit, allowable exceptions to the price limit, and the requirement that all purchases are made with what the Commission considers to be a fair and reasonable price.
6. Update its regulations in the near future to address the different resources, including escrow accounts, by which the Commission acquires lands through purchase so that it complies with the Code, as a minimum standard, clarifies its objectives, and improves public accountability for such acquisitions.
7. Make a concerted effort to pursue and support the General Assembly's efforts to modernize and enhance the Code's Chapter 7, Subchapter A and Subchapter B regarding land acquisition and exchange.

We recommend that the General Assembly:

8. Consider closely reviewing the Code's Chapter 7, Subchapters A and B, to ensure that its present intent is being carried out appropriately since the provisions enacted in 1986 are outdated and should be amended to meet current conditions, including the Commission's use of escrow accounts.
9. Given the general outdated nature of the Code, consider reviewing the Code as a whole for modernization and enhancement.

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Issue Area 5 – Pennsylvania Game Commission Expenditures - Compliance with the Commonwealth’s Vehicle Fleet Policy.

The Pennsylvania Game Commission must follow the Administrative Code of 1929, its associated regulations, and the Department of General Services’ policy directives regarding use of state vehicles.¹⁰⁸ As of June 30, 2017, the Commission owned and managed approximately 612 on-road vehicles, as well as 328 off-road vehicles.¹⁰⁹ With a filled complement of 633 salaried employees at that time, the Commission appeared to have a high ratio of vehicles to personnel. As part of our review of Commission expenditures, in which the Commission spent almost \$9 million in automotive-related costs between July 1, 2014 and June 30, 2017, we evaluated vehicle utilization.¹¹⁰

Part of our evaluation involved a detailed review of semi-annual vehicle usage reports prepared by the Department of General Services (DGS) and provided to the Commission. The DGS, however, only provided semi-annual vehicle usage reports on vehicles identified as passenger cars based on the weight of the vehicle. The passenger cars identified are a subset of the Commission’s fleet of on-road vehicles. Therefore, we limited our focus to on-road, passenger vehicles identified by DGS due to the specialized nature of specific off-road or non-passenger vehicles and the fact that specific off-road or non-passenger vehicles are not subject to the utilization criteria established by the *Commonwealth Fleet Policy* and *Commonwealth Fleet Procedures Manual* (fleet manual).¹¹¹

Based on our audit procedures, we found that the Commission had more than 100 underutilized vehicles and four times as many pool vehicles than were actually needed. The following finding explains how the Commission’s poor administration and inadequate oversight of vehicle utilization contributed to having such an excessive number of vehicles.

¹⁰⁸ 71 P.S. § 637 (Adm. Code § 2407); 4 Pa. Code §§ 39.91 *et seq.* (Chapter 39, Subchapter J. Use of State Automobiles). While the Commission is not subject to most policies of the executive branch under the Governor’s jurisdiction, this is one of just a couple of exceptions. For example, under the Game and Wildlife Code, the Commission is required to follow the policies of the executive branch under the Governor’s jurisdiction relating to personnel “classification and compensation plans”. See 34 Pa.C.S. § 303(b).

¹⁰⁹ According to the Commission, on-road vehicles require a license plate, while off-road vehicles do not, such as bulldozers and tractors. This data is of undetermined reliability; however, it is the best data available. Although this determination may affect the precision of the numbers we present, there is sufficient evidence in total to support our finding and conclusions.

¹¹⁰ Automotive costs include vehicle acquisitions, maintenance, etc.

¹¹¹ According to DGS classifications, passenger vehicles are vehicles weighing less than 11,000 pounds, and vehicles above that weight are non-passenger vehicles. According to the Commission, non-passenger vehicles include dump trucks, stake body trucks, etc. See Commonwealth of Pennsylvania, Governor’s Office, Management Directive 615.16, entitled *Commonwealth Fleet Policy*, dated November 10, 2011 and Commonwealth of Pennsylvania, Governor’s Office, Department of General Services’ (DGS) Manual (M) 615.3, entitled *Commonwealth Fleet Procedures Manual*, dated November 10, 2011.

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Finding 5.1 – Poor administration and lax oversight of Commonwealth fleet on-road, passenger vehicles resulted in the Commission having more than 100 underutilized vehicles and four times as many pool vehicles as were actually needed.

The sufficient utilization of Commonwealth vehicles is defined as follows:

6,000 official commonwealth business miles within a six-month period OR
official commonwealth business use of the vehicle for at least 80% of the
available work days within a six-month period.¹¹²

The minimum mileage or utilization standard (utilization standard) applies to both permanently-assigned vehicles to specific employees, as well as for agency pool vehicles. Pool vehicles are “general use vehicles available for temporary assignment to multiple individuals.”¹¹³

However, employees of permanently-assigned vehicles who meet the conditions noted below do not have to meet the minimum mileage or utilization standard:

The official or employee has commonwealth responsibilities either for law enforcement or for responding to emergencies involving public health or safety AND those responsibilities occur on a frequent basis outside normal duty hours requiring travel from a residence to a location; AND the assigned vehicle is equipped with tools, specialized equipment or other supplies required to perform those responsibilities.¹¹⁴

The fleet manual also indicates that agencies should review utilization of vehicles on a regular basis to ensure proper utilization and if vehicle utilization after any six-month period does not meet the utilization standard, the agency may be asked to eliminate the vehicle from its fleet.¹¹⁵

In general, government management entrusted with public resources are responsible for carrying out public functions and providing services to the public effectively, efficiently, and economically.¹¹⁶ Based on our audit procedures, however, we found that the Commission’s administration and oversight of its vehicle fleet, did not appear to meet these expectations. Specifically, we found the following:

¹¹² Management Directive 615.16(4)(m) – definition of “Minimum Mileage or Utilization Standard”.

¹¹³ DGS’ M615.3, Section 9(3)(b) (*Commonwealth Fleet Procedures Manual*).

¹¹⁴ DGS’ M615.3, Section 9(3)(a)(2) (*Commonwealth Fleet Procedures Manual*).

¹¹⁵ DGS’ M615.3, Section 9(4) (*Commonwealth Fleet Procedures Manual*).

¹¹⁶ GAO-12-331G Government Auditing Standards, 2011 Revision, paragraph 1.01.

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- The Commission had between 114 and 126 underutilized, non-law enforcement vehicles during the fiscal years ended June 30, 2015 and 2016.
- As of June 30, 2017, the Commission had 161 vehicles designated as pool vehicles.
- The Commission’s written procedure requires 15 positions to have permanently assigned vehicles.
- The Commission lacked adequate oversight and monitoring with regard to vehicle utilization.

The following sections describe these areas in more detail.

The Commission had between 114 and 126 underutilized, non-law enforcement vehicles during the fiscal years ended June 30, 2015 and 2016.

Every six months (up to and including June 30, 2016), DGS produced reports entitled *Active Vehicles Not Meeting Threshold – Commute Usage Report* (DGS underutilization report) to assist agencies in monitoring and managing their vehicles.¹¹⁷ Any passenger vehicles that did not meet the utilization standard as described above for any six-month period (January to June or July to December) were included on the report. The following table shows the number and type of vehicles noted on four DGS underutilization reports (adjusted for known errors) covering the FYE June 30, 2015 and 2016:

¹¹⁷ According to DGS, “due to implementing new technology”, it stopped producing these reports.

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Pennsylvania Game Commission Analysis of Semi-Annual Vehicle Underutilization in Fiscal Years 2015 and 2016								
6-Month Period Ended	Number of Passenger Vehicles ^{c/}	Number of Vehicles from DGS Underutilization Reports ^{a/}						
		Non-Law Enforcement Vehicles			Law Enforcement Vehicles ^{b/}			Total Vehicles
		Permanently Assigned	Pool	Total	Permanently Assigned	Pool	Total	
Dec. 31, 2014	464	47	79	126	36	10	46	172
June 30, 2015	458	35	80	115	25	11	36	151
Dec. 31, 2015	442	38	76	114	17	9	26	140
June 30, 2016	460	40	74	114	34	5	39	153

^{a/} As described later in this finding, we identified data entry errors that affected these DGS underutilization reports. As a result, the numbers reported here have been adjusted from what was originally reported by DGS to remove vehicles that met the utilization threshold and should not have been on these reports. Also, note that the same vehicle may be listed on more than one DGS underutilization report. This data is of undetermined reliability as noted in Appendix A. However, this data is the best data available. Although this determination may affect the precision of the numbers we present, there is sufficient evidence in total to support our finding and conclusions.

^{b/} Although law enforcement vehicles are on the DGS underutilization reports, these vehicles are not subject to the utilization standard.

^{c/} Per DGS underutilization reports. This data is of undetermined reliability as noted in Appendix A. However, this data is the best data available. Although this determination may affect the precision of the numbers we present, there is sufficient evidence in total to support our finding and conclusions.

As shown in the table above, between 114 and 126 non-law enforcement vehicles were listed on each of the four DGS underutilization reports for not meeting the utilization standard, as well as between 26 and 46 law enforcement vehicles (this is in spite of law enforcement vehicles not being required to meet the utilization standard). Additionally, approximately two-thirds of the underutilized non-law enforcement vehicles are pool vehicles and therefore, not permanently assigned to a particular person (discussed later). **Overall, during this two-year period, between 32 percent and 37 percent of the Commission's on-road passenger vehicles failed to meet DGS' utilization standard. As shown in the table above, non-law enforcement vehicles comprised more than 75 percent of the total underutilized vehicles. It is clear that a significant percent of non-law enforcement vehicles were underutilized pursuant to applicable standards set by DGS.**

With regard to non-law enforcement vehicles, we inquired as to what the Commission did with the information contained in these DGS underutilization reports. Commission officials indicated that upper management who were in charge of reviewing these reports and managing the vehicles during the audit period is no longer with the Commission and therefore, could not provide an answer, but did indicate that some vehicles were disposed of during the spring of 2017. Because the Commission could not provide information supporting its decision making, we compared the non-law enforcement vehicles that were on these four DGS underutilization reports (as noted in the above table) to the Commission's lists of vehicles disposed of between

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July 1, 2014 and June 30, 2017, to identify the number of vehicles from the DGS underutilization reports that were actually disposed.¹¹⁸ See results below:

Pennsylvania Game Commission Analysis of Commission's Vehicle Disposal Rates					
6-Month Period Ended	Total Non- Law Enforcement Vehicles ^{a/}	Applicable Vehicles Disposed of During the FYE ^{b/}			
		June 30, 2015	June 30, 2016	June 30, 2017	Total Vehicles
Dec. 31, 2014	126	4	4	2	10
June 30, 2015	115	0	8	3	11
Dec. 31, 2015	114	n/a	0	3	3
June 30, 2016	114	n/a	0	15	15

n/a – not applicable.

^{a/} *The same vehicle may be listed on more than one DGS underutilization report.*

^{b/} *These columns only include a count of disposed vehicles from the specific vehicles included in each DGS underutilization report. We included the disposed vehicles in the most recent DGS underutilization report period and did not include the vehicles in more than one DGS underutilization report period.*

Source: Produced by the Department of the Auditor General using data provided by the Game Commission. This data is of undetermined reliability as noted in Appendix A. However, this is the best data available. Although this determination may affect the precision of the numbers we present, there is sufficient evidence in total to support our finding and conclusions.

As shown in the above table, there were vehicles disposed of during the audit period that were included on the DGS underutilization reports. In particular, during the FYE June 30, 2017, the Commission disposed of 23 vehicles. We do not know, however, why the vehicles were actually disposed. They may have just had high mileage or were in a condition beyond repair instead of not meeting the utilization standard. As previously stated, Commission officials could not provide information as to whether the Commission reviewed the DGS underutilization reports and, based on the DGS underutilization reports, decided to dispose of any underutilized vehicles. It is important for the Commission to routinely monitor the utilization of its vehicles and reduce its vehicles that do not meet the utilization standard in order to reduce vehicle expenses. This is important now more than ever, since DGS no longer produces its underutilization reports.

As of June 30, 2017, the Commission had 161 vehicles designated as pool vehicles.

According to Commission records, as of June 30, 2017, it had 161 vehicles designated as pool vehicles throughout the state as shown in the below table.

¹¹⁸ Vehicles that are “disposed of” are returned to DGS for sale.

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Pennsylvania Game Commission Pool Vehicles by Region As of June 30, 2017	
Region	Total Number of Pool Vehicles
Headquarters	34
Northcentral Regional Office	19
Northeast Regional Office	20
Northwest Regional Office	20
Southcentral Regional Office	28
Southeast Regional Office	21
Southwest Regional Office	19
Total	161

Source: Produced by the Department of the Auditor General using data provided by the Game Commission. This data is of undetermined reliability as noted in Appendix A. However, this is the best data available. Although this determination may affect the precision of the numbers we present, there is sufficient evidence in total to support our finding and conclusions.

Based on our inquiry, Commission management acknowledged that it had too many pool vehicles. In fact, management estimated that it really only needs approximately 36 to 38 pool vehicles (for both law enforcement and non-law enforcement): 12-14 for headquarters and 4 for each of the six regions. **Therefore, with more than 160 pool vehicles on hand as of June 30, 2017, the Commission had more than four times the number it actually needed.** Commission management indicated that at the headquarters there were vehicles designated as pool vehicles that were waiting to go to the auction site. Additionally, it indicated:

Regions would retain vehicles and classify them as pool vehicles while waiting for a new class to graduate to transfer them to the new Game Wardens. Some regions would retain vehicles and had them listed as pool vehicles while waiting for an acquisition of a new vehicle.

Having too many pool vehicles is further demonstrated by the number of underutilized non-law enforcement pool vehicles identified on the DGS underutilization reports for the FYE June 30, 2015 and 2016, which ranged from 74 to 80 vehicles as noted in the first table in this finding. Failure to monitor and manage pool vehicles can lead to excessive vehicle expenditures.

A Commission's written procedure requires 15 positions to have permanently assigned vehicles.

In addition to pool vehicles listed on DGS underutilization reports as being underutilized for the FYE June 30, 2015 and 2016, there were between 35 and 47 non-law enforcement and between 17 and 36 law enforcement permanently assigned vehicles that were identified as being underutilized. As a result, we looked into how employees are permanently assigned vehicles.

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In essence, the Commission has a written procedure that dictates who are required to be issued permanently assigned vehicles. According to the Commission's Standard Operating Procedure No. 20.3 (SOP 20.3):

The duties and responsibilities of the following Game Commission positions require continuous access to a motor vehicle. Personnel assigned these positions shall have a vehicle permanently assigned.

Executive Director	Game Land Manager
Deputy Executive Director	Wildlife Biologist
Bureau Director	Game Farm Superintendent
Regional Director	Nursery Superintendent
Propagation Coordinator	Regional Forester
Regional Supervisor	Field Forester
Wildlife Conservation Officer	Wildlife Technician
Chief, Special Operations Division – Law Enforcement	

Personnel in the following positions will be permanently assigned a vehicle upon determination of need by the Executive Director.

Surveyor
Surveyor Technician
Forest Technician

Additions and deletions to the permanent vehicle assignment list, based on changes in position duties and responsibilities, shall be made by the Executive Office upon approval of written request by the appropriate Director.

Vehicles not permanently assigned shall be called as “pool” vehicles. Temporary assignments of Pool Vehicles may be made to the Director of Administrative Services by the appropriate Director upon determination of need.

Personnel with a permanently assigned vehicle shall use it in the performance of their official duties and shall retain the vehicle overnight and weekends at their residence, or at a location approved by the appropriate Director.

The appropriate Directors shall closely monitor vehicle use to insure compliance with Commonwealth Management Directives, Administrative Directives and Executive Orders.¹¹⁹

¹¹⁹ SOP 20.3, dated October 13, 2005, and signed by the then Executive Director, Vernon R. Ross.

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SOP 20.3 is dated October 13, 2005, and therefore, has not been revised or amended for more than 13 years. We evaluated whether the Commission was in compliance with SOP 20.3 by comparing the 15 positions that required vehicles to the Commission's listing of who were assigned on-road vehicles as of June 30, 2017, and found that of the 235 employees that had one of the 15 positions, 230 had vehicles and five did not. Based on the fact that SOP 20.3 allows the Executive Director to approve deletions to the permanent vehicle assignment list, it appears that the Commission is in compliance with SOP 20.3.

We do not, however, agree that the Commission should have a written procedure that identifies certain positions for which employees will be permanently assigned vehicles; rather, the need for permanently assigning vehicles should be determined on a case-by case basis for each employee and the justification for permanently assigning a vehicle must be documented and retained.

According to Commission officials, 6 of these 15 positions, including the Executive Director and Deputy Executive Director, are designated by the Commission as law enforcement.¹²⁰ By reviewing the job descriptions or other documentation, we were able to verify that these positions have law enforcement duties. As previously noted, law enforcement vehicles are not subject to the utilization standard. In fact, being designated as law enforcement should not automatically mean the employee has to be permanently assigned a vehicle. As previously noted, the Commission has law enforcement pool vehicles available that can be used when needed.

As part of our audit procedures, we also compared the 15 positions that are required to have a permanently assigned vehicle to the DGS underutilization report for the six month period ended June 30, 2016. We found that 42 of the 72 vehicles (for both non-law enforcement and law enforcement) or 58 percent that were included on the DGS underutilization report were, in fact, permanently assigned to one of these 15 positions. For example, 9 vehicles were permanently assigned to Wildlife Biologists. According to Commission management, Wildlife Biologists primarily use their vehicles in the summer, which explains why they are on the DGS underutilization report. As a result, we question why SOP 20.3 includes this position as needing a permanently assigned vehicle. Commission management indicated that they were removing permanently assigned vehicles from at least some of the Wildlife Biologists.

Furthermore, SOP 20.3 essentially creates an affirmative duty on the part of Commission management to provide vehicles where applicable. This thereby, at least to some degree, creates a property interest on the part of the expressed personnel whereby due process protections may be required before removing such an entitlement. It is unclear whether it is the Commission's intent to create such an expectation in SOP 20.3 but it should consider the consequence of such a broad policy creating property interests in employees. Additionally, removal of vehicles in certain cases may give rise to an employee's argument that they are being prohibited from

¹²⁰ Overall, the Commission identified 11 positions as law enforcement. These positions were not identified as law enforcement in SOP 20.3. Nor does the Commission explain or provide detail on how the duties of these positions qualify as law enforcement or define their meaning of "law enforcement positions" in general.

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performing their charged duties because they are required to possess and operate an assigned vehicle by Commission policy. We question whether the mandatory or expressed issuing of vehicles to certain employees creates unintended consequences and liabilities to the Commission beyond the original intent of SOP 20.3.

Overall, SOP 20.3 needs to be re-evaluated and amended accordingly. See additional policy and procedural concerns in the next section.

The Commission lacked adequate oversight and monitoring with regard to vehicle utilization.

Lack of adequate oversight and monitoring

We previously discussed that current Commission management indicated that former upper management who were responsible for monitoring and managing vehicle underutilization were no longer employed by the Commission, and therefore, could not explain what, if anything, was done regarding underutilization during the audit period. However, as noted above, according to SOP 20.3, the responsibility for monitoring vehicle use for compliance with various commonwealth policies is the responsibility of the “appropriate Directors,” but “appropriate Directors” is not defined. Regardless, there seems to be a contradiction between who were responsible per the written procedure (directors) and who the Commission indicated took responsibility in practice (upper management). There needs to be sufficient direction by Commission management as to who is responsible for the monitoring and managing of vehicle utilization and how the process will be performed.

According to Commonwealth Management Directive 325.12, Standards for Internal Control for Commonwealth Agencies, effective July 1, 2015, the Commonwealth adopted the internal control framework outlined in the United States Government Accountability Office’s (GAO) Standards for Internal Control in the Federal Government, commonly referred to as the Green Book, published in September 2014. Appendix I, in part, and Section 3.10, respectively, of the Green Book state:

Documentation is a necessary part of an effective internal control system. The level and nature of documentation vary based on the size of the entity and the complexity of the operational processes the entity performs. Management uses judgement in determining the extent of documentation that is needed.

Documentation is required for the effective design, implementation, and operating effectiveness of an entity’s internal control system.

Effective documentation assists in management’s design of internal control by establishing and communicating the who, what, when, where, and why of internal

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control execution to personnel. Documentation also provides a means to retain organizational knowledge and mitigate the risk of having that knowledge only to a few personnel, as well as a means to communicate that knowledge as needed to external parties, such as external auditors.

As a result, the Commission must develop a comprehensive written policy and detailed written procedures for monitoring and managing vehicle utilization. Although as of June 30, 2016, the DGS has ceased providing DGS underutilization reports to the Commission, and the Commission maintains automotive and mileage data independently that could be used to monitor its vehicle usage to ensure compliance with the utilization standard.

Lack of sufficient data entry oversight

We noted that we found data entry errors that affected the DGS underutilization reports for certain vehicles. Specifically, we found that mileage was entered incorrectly as commute/personal when it should have been entered as business for vehicles listed as business only.

We judgmentally selected five vehicles listed as business only on the DGS underutilization reports that had commute/personal mileage listed and compared the monthly totals to the actual monthly automotive reports.¹²¹ We found that all the commute/personal mileage recorded on the DGS underutilization reports should have been recorded as business mileage for these five vehicles. Commission management acknowledged that the mileage was incorrectly classified. As a result, for any vehicle listed as business only, we considered all mileage listed as business mileage and did not include any vehicles in the first table in this finding when total adjusted business mileage exceeded the 6,000 mile utilization standard.

Overall, we did not include 22 vehicles as being underutilized. In response to these discrepancies, Commission management stated that while there were procedures in place to ensure that mileage data was entered into DGS' system for each vehicle, there were no oversight procedures in place to ensure that the mileage was correctly entered. The failure to properly record mileage reduced the effectiveness of the DGS underutilization reports as a utilization monitoring tool and may have resulted in employees improperly having commute/personal mileage included as taxable earned income on their W-2 forms.

Conclusion: Lax administration and oversight of vehicles resulted in the Commission having more than 100 underutilized vehicles and four times the amount of needed pool vehicles. A lack of sufficient policy and procedures, inadequate supervisory oversight, lack of decision making documentation, and the decision to require 15 positions to be permanently assigned vehicles does not provide evidence of an effective and efficient system. Although Commission management

¹²¹ Known as the Pennsylvania Monthly Automotive Report (STD-554).

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has indicated that these deficiencies are being rectified, we question why Commission leadership, including the Commission's Board, allowed vehicle assignments and vehicle utilization during the audit period to be inefficiently and ineffectively monitored and managed, which, in turn, wasted some of its valuable resources. Additionally, the Commission should be doing all it can to ensure its resources are being utilized efficiently and effectively, including vehicle utilization, before considering such actions as proposing license fee increases as discussed in more detail in *Issue Areas 2* and *3* of this audit report.

Recommendations for Issue Area 5

We recommend that the Commission:

1. Immediately re-evaluate its administration and oversight of its vehicle fleet to ensure that its vehicles are assigned and utilized in an efficient and effective manner.
2. Routinely monitor the utilization of all non-law enforcement on-road passenger vehicles, including permanently assigned and pool vehicles, to ensure that its vehicles are meeting DGS' utilization standard and document this process.
3. For non-law enforcement on-road passenger vehicles that do not meet the utilization standard, formally evaluate and document whether the vehicles need to be reassigned or whether the vehicle is no longer needed.
4. Routinely monitor the utilization of all law enforcement on-road passenger vehicles, including permanently assigned and pool vehicles, to determine whether the vehicles are utilized sufficiently or whether the vehicles need to be reassigned or whether the vehicle is no longer needed and carefully document this process.
5. Amend Standard Operating Procedure No. 20.3 and/or create additional policy and written procedures to reflect how the Commission will prospectively administer and oversee its vehicle fleet.
 - a. Consideration needs to be given for eliminating the requirement of certain positions automatically being permanently assigned.
 - b. Establish responsibilities for managing and monitoring vehicle assignments and utilization.
 - c. Describe in detail how vehicles will be managed and monitored, including when to perform the procedures, how often, and how it is to be documented and retained.
 - d. Describe the process of how vehicles are permanently assigned and document and retain such justification.

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- e. Establish the process, including supervisory oversight, over the recording of the monthly automotive reports.
- 6. Establish a process for ensuring that policy and procedures for administering vehicle assignments and utilization are being properly performed and documented.
- 7. Formally document who is considered law enforcement and include justification.
- 8. Establish annual training for personnel responsible for implementing all of the new policies and procedures discussed above.

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Agency's Response and Auditor's Conclusion

We provided copies of our draft audit issue areas and related recommendations to the Pennsylvania Game Commission (Commission) for its review. On the pages that follow, we included the Commission's response in its entirety. Following the agency's response is our auditor's conclusion.

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Audit Response from the Pennsylvania Game Commission

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Audit Report Recommendations

The table on page 3 does not reflect the correct numbers as noted in the documentation for Distinct hunters. 2015=944,528; 2016=936,395; 2017=915,497. This was submitted to Scott King and Chris Corbo with supporting documentation on 5/8/19 at 2:12 p.m.

Issue Area 1 – Pennsylvania Game Commission Revenues

Finding 1.1 – Although the Commission collected bonus revenue in compliance with lease agreements, it did not adequately track royalty revenue from oil and gas producers, thereby increasing the risk of lost revenue.

Finding 1.2 – The Commission complied with the relevant sections of the Forestry Manual and the Game and Wildlife Code in conducting and accounting for timber sales transactions.

Finding 1.3 – The Commission’s amount of license revenue collected appears reasonable; however, it must explore ways to increase the number of licenses sold.

The statement made in the top bullet point on page 27 and the bolded header on page 29 is misleading when it states, “Between reporting years 2014 and 2018 Pennsylvania’s number of hunters has increased slightly; however, the number of licenses sold has decreased, contrary to the national trend.” Pennsylvania has not experienced an increase in hunters for these license years. See information on page 3 (which needs updated-see above) in the audit report where it shows that they decrease each year. The national trend in hunting participation is decreasing in every state as well as Ontario.

The graph on page 30 should not be used, for a more accurate comparison, most states include their active license sales on their website. The footnote under the graph states “This data is of undetermined reliability as noted in Appendix A. However, this data is the best data available.” This data is used throughout the Performance Audit Report and does not adequately represent the hunting climate in Pennsylvania (or other states). The formula used for these numbers is for grant funding purposes and follows the guidelines for submission to USFWS and includes thousands of inactive hunters. Anywhere “sold” licenses is referenced should be represented as “paid license holders.” There is a reason that USFWS uses that phrase. The word “sold” indicates that it was for those particular years. Every state has inactive license holders that are represented in the same manner that PA is represented.

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Page 31 should have added that while Pennsylvania's license only costs \$19 it is the second lowest priced license in the US comparable only to Hawaii.

Recommendations for Issue Area 1

We recommend that the Commission:

1. For oil and gas producers with lease agreements during and subsequent to the audit period, immediately dedicate staff to verify whether these producers have accurately remitted royalty payments.

Agree, PGC has recently added a new position to the OGM section. One of the primary functions and duties of the person is to focus on oil/gas royalty payment remittance and accuracy.

2. For oil and gas producers with lease agreements during and subsequent to the audit period, immediately dedicate staff to verify whether these producers have, in fact, remitted all royalty payments due to the Commission.

Agree, and it is noted that this recommendation is redundant with recommendation #1, see answer to #1.

3. Invoke the lease agreement's default clause for any producers that failed to make royalty payments as required.

Agree, although the audit did not find producers that failed to make royalty payments, the OGM section staff will enhance the review process to determine if a royalty payment may not have been received from an Operator.

4. Update its revenue tracking system, as needed, to ensure its royalty payments are accurate and royalty payments due are received.

Agree. It should be noted that the Commission's OGM revenue database contains over 50,000 records documenting royalty payment information on individual wells from the 3-year audit period. The OGM section's effort to track and document the revenue payments and associated well production data for each check contradict the finding that the Commission does not verify the appropriateness, or the accuracy of the royalty payments received from producers. The Commission is investigating the potential to subscribe to an oil/gas revenue reporting service to track royalty payments and production or to enhance its existing oil/gas revenue tracking system utilizing in-house computer application developers.

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5. Create board-approved, comprehensive, and detailed policies; and implement corresponding standardized, written procedures governing the timely receipt, deposit, and accounting for OGM revenue to ensure that a strong internal control system is in place. This process should include date stamping remittance documents and creating a log for incoming checks and periodically reconciling the log to the payments deposited.

Agree. The OGM section staff pulled and reviewed 184 checks from the 3-year audit period and found that 176 (96%) of the checks were date stamped. It is interesting to note that the auditors never requested, nor did they review the actual paper records. To the same extent, the average lag time between the date stamped and date deposited for the checks reviewed was 9.67 calendar days. The OGM section staff will strive to improve on its current 96% date stamping compliance rate by developing an improved check date stamping and logging process. The Commission has already added a date received field to its OGM revenue tracking database. The database now documents four dates for each check, the date of the check, the date the check was received, the date the check was deposited, and the date the check was swept to the game fund. The Commission will review its current reconciliation process with the goal of improving the process. It is worthy to note that each deposit from the OGM section is reconciled with both the Commission's Fiscal Management Division and the State Treasury. The OGM section has been documenting the date, the amounts, and the revenue code for each deposit swept since 2010. The documentation is through email between the Fiscal Management Division and the OGM Section as well as recorded in the OGM revenue database.

6. Review the organization of staff charged with processing OGM revenue payments from producers and make changes as needed to ensure sufficient, competent staff are available to achieve adequate internal controls, including segregation of duties.

Agree. The recommendation implies that the staff handling checks within the OGM program are not competent. The Commission disagrees with this statement and agrees that additional staff may be needed to segregate duties and ensure adequate internal controls are met. The organizational structure and classifications of the staff charged with handling checks will be reviewed to ensure segregation of duties. The revenue receiving, and handling processes will be updated to achieve adequate internal controls.

7. Evaluate the need for Commission staff to perform audits or other on-site compliance reviews of producers to monitor and ensure compliance with the lease agreements and dedicate staff to these responsibilities.

Agree. The OGM staff routinely conducts reviews of oil and gas operations that occur on State Game lands. The OGM section concurs that the OGM section can improve by fully documenting each site visit and noting whether or not terms of the Agreement have been complied with. The OGM section will implement a schedule for conducting an annual review and audit for each Agreement.

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8. Consider the feasibility of requiring producers to remit payments via electronic transmittals.

Agree. This is an area the Commission needs to investigate. However, a completely new process addressing all the concerns outlined in the Auditors findings will need to be developed to track the electronic trail of revenues of unknown amounts and SAP coding, being transmitted to a bank, then to the Treasury and then to the Game Fund.

9. Develop and implement a process for ensuring that all producers provide the *Annual Well Production Report* and use such reports as a reconciliation and monitoring tool for comparison to its monthly revenue records, as well as to the DEP's data.

Agree, a Draft Annual well production report has been created and will be implemented immediately.

10. Continue to conduct surveys, focus groups, marketing campaigns, and/or other initiatives to identify various ways to increase the number of hunting licenses sold and consider implementing suggestions or initiatives that result from these efforts.

Agree.

11. Identify successful programs to increase the number of hunting licenses sold as implemented in other states and consider whether the Commonwealth should implement similar programs.

Agree.

12. Develop a standard set of hunter and license demographics to track on an annual basis in order to identify areas in license sales that could be targeted for improvement.

Agree.

Issue Area 2 – PA Game Commission Expenditures

Finding 2.1 - The Commission failed to track and compile costs associated with specific objectives to determine the cost effectiveness of meeting its core goals.

Recommendations for Issue Area 2

We recommend that the Commission:

1. Design and implement procedures to plan the funding of the projects needed to complete its strategic plan goals in detail during its budgeting process.

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Agree in concept to your recommendation but will evaluate for operational feasibility and efficiencies.

2. Design and implement procedures to track and compile costs associated with specific projects and objectives.

Agree in concept to your recommendation but will evaluate for operational feasibility and efficiencies.

3. Design and implement procedures to reconcile actual costs to the expected budgeted costs in order to understand and evaluate the cost of implementing its strategic core goals and ensure resources are used efficiently, effectively, and in order of priority.

Agree in concept to your recommendation but will evaluate for operational feasibility and efficiencies.

4. Design and annually update information in a prominent location on its website regarding its overall program, financial performance, and expenditures to improve transparency and accountability to interested parties such as hunters, interest groups, and taxpayers.

Agree, the PGC will design and annually update information in a prominent location on its website regarding its overall program, financial performance, and expenditures, to improve transparency and accountability to interested parties such as hunters, interest groups, and taxpayers.

Issue Area 3 – The Commission’s full financial position, including the Game Fund’s reserve balance and monies held in escrow accounts, should be transparent and considered when making critical financial decisions with the administration and oversight of escrow accounts needing particular improvement.

The first bullet point on page 42 states that the Commission does not include the Game Fund balance in its decision making. This comment is not accurate since the Commission uses the Game Fund balance in decision making which is represented in the budget’s financial statement submission (budget and rebudget) and used to forecast out four years required by GBO.

Finding 3.1 – In its budget and key financial decision-making processes, the Commission neglected to consider its full financial position, including the Game Fund’s balance and

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monies in escrow. Further, the Commission failed to sufficiently coordinate its processes with the GBO.

Page 44 states that the Chief of Fiscal Management stated he had no knowledge of the seven escrow accounts that exist or their respective balances. This may be true. However, his Supervisor, the Director for the Bureau of Administrative Services, Dot Derr, was given periodic reports, most notably around the time of the House Legislative Budget and Finance Committee hearings, and that such information was shared with the Committee. The substantive comment is still applicable in that the Chief of Fiscal Management may not have been informed by Ms. Derr about this information and that does seem, at the very least, restrictive. As stated in RFI 38, this information has been discussed and shared outside the agency. This could not have happened if the escrow account information was tightly held and not clear to a wide variety of persons in the PGC. Just because one person, perhaps a person who should have been aware but was not, did not have access to that information does not mean the information was not widely known and available.

Finding 3.2 - Escrow accounts are held outside of the Pennsylvania Department of Treasury, and therefore, lack transparency and independent oversight. Further, the Code has not been updated to consider the utilization of escrow accounts and the Commission's related practices since the development of increased natural resource-based revenue.

Finding 3.3 – Three Commission escrow accounts included comingled funds for different purposes beyond that of the original escrow agreements. Further, there was no Board approval for certain questionable disbursements from the escrow accounts.

Finding 3.4 - The Commission's management controls are not adequate to ensure proper oversight and monitoring of escrow accounts, increasing the risk of error, misuse, or potential fraud.

Recommendations for Issue Area 3

We recommend that the Commission:

1. Consult with the GBO to ensure a consistent and thorough understanding of the Commission's annual budgeting process (including requesting a process flow chart) and needed steps for placing the escrow accounts under Treasury in the interest of improving government accountability and transparency.

Agree. The Commission welcomes discussion with Treasury about this issue, and believes it is necessary to take steps to have external (to the Commission), formal reviews, of escrow activity and balances. Because this is complicated, the Commission

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has no formal position on how this should or could be accomplished pending the outcome of any discussions.

2. Develop a comprehensive understanding of its full financial position, including the Game Fund's reserve balance and escrow accounts' balances, in its annual budgeting and financial decision-making processes.

Agree. The Commission agrees there needs to be a comprehensive understanding of the Commission's full financial position. Although the Commission believes that key management employees did, and do, have such an understanding, the Commission also believes it should take steps to further this understanding and utilize the same in its annual budgeting and financial decision-making process.

3. Ensure that all parties involved in financial decisions, such as proposals for hunting license fee increases, understand the Commission's full financial position.

Agree.

4. After closely evaluating the extent to which it continues to have an operational need for each of its escrow accounts, ensure that independent oversight of the escrow accounts exists, preferably through the transfer of its accounts to Treasury or close the accounts altogether whenever appropriate.

Agree.

5. Establish regulations to comprehensively explain and dictate established procedural steps, including internal controls, in the management of escrow accounts.

Agree. The Commission agrees with this recommendation, with the caveat that there should be some regulation, but more importantly established procedural steps, including, but not limited to, internal controls.

6. If there is an operational need for an escrow account, ensure that:
 - a. There are proper procedures and official protocols in place to ensure fiscally sound practices in creating and managing such an account.
 - b. The account is established for a specific purpose.
 - c. Funds for different purposes are not comingled within the same account.
 - d. After the purpose per the escrow agreement is fulfilled, close the account.

Agree.

7. Refrain from utilizing escrow accounts for general purposes such as land management services personnel costs, which should more appropriately flow through the Game Fund.

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Agree. This item will be discussed with appropriate staff and the Commissioners. As a general matter, the Commission agrees with this recommendation, although it needs to be reviewed by staff and the Board.

8. Ensure board decisions in meeting minutes involving significant escrow transactions are sufficiently specific and establish the clear intention of the board, including board approval in accordance with Sunshine Act.

Agree. The Commission believes it has met this recommendation and does not note any established deficiencies in the report. However, the Commission agrees that it will redouble efforts (in conjunction with recommendation 5, 6, 7, and 9 to meet this recommendation).

9. Implement an effective system of management internal control over the administration and oversight of the Commission's escrow accounts, as per the Green Book, including but not limited to:
 - a. Developing formal written policies and procedures.
 - b. Assigning appropriate staff to ensure proper segregation of duties for authorizing, transactions, processing and recording transactions, reviewing transactions, and handling related assets.
 - c. Utilizing the Commission's Chief Counsel as an advisor regarding these accounts, rather than for administering the accounts and the related transaction work.
 - d. Maintaining documentation for all transactions and other significant events.

Agree.

We recommend that the General Assembly:

10. Consider closely reviewing the applicable provisions of the Code to determine whether its present intent is being carried out appropriately by the Commission's current use of escrow accounts.

Issue Area 4 – PA Game Commission Expenditures - Compliance with Chapters 5 and 7 of the Game and Wildlife Code.

Finding 4.1 – The Commission appears to have complied with the Game and Wildlife Code regarding using a portion of certain license sales revenue for habitat improvement activities; however, it questionably included employee leave towards the mandated amount and failed to require all employees to complete timesheets to sufficiently evidence its compliance.

Page 60 states that the habitat transfer for default coded employees includes the holidays, sick leave, and vacation time. This time is part of the related benefit costs of doing habitat work and

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should be included in the transfer for habitat. There is nothing in section 521 that excludes these costs.

Page 61 states the Commission did not maintain adequate documentation to accurately validate its compliance with section 521. This statement is not accurate since all time sheets are documented with grant internal orders and non-grant internal orders that specify the activities that are being performed. Some employees documented notes in addition to the coding in our Dashboard Timesheet system, and additionally the activity codes house the description of the activity. The PGC has an elaborate coding manual with more detail for transparency than other agencies.

Finding 4.2 – The Commission’s 45 land acquisitions were properly authorized in accordance with the Game and Wildlife Code. However, the Code’s land acquisition and exchange provisions, established 30 years ago, do not correlate to current Commission practices and other conditions, including the use of escrow accounts.

Recommendations for Issue Area 4

We recommend that the Commission:

1. Create formal policies and procedures which provide the reasoning and detailed justification to include or exclude each type of license related to the license revenue to be used exclusively on habitat improvement pursuant to Section 521(b) of the Game and Wildlife Code.

Agree.

2. Ensure the license revenue to be used exclusively on habitat improvement pursuant to Section 521(b) of the Game and Wildlife Code in all public reports, including the *Game News*, is consistent with its formal policies and procedures.

Agree.

3. Require all employees to track and record activities performed on timesheets in order to identify which activities and corresponding salary expenses are in compliance with the six habitat improvement areas mandated by Section 521(b) of the Game and Wildlife Code. This detailed record keeping should also be applied to other areas such as land management activities and the activities performed to attain its strategic goals.

Agree.

4. Exclude paid leave, such as holiday, sick, annual, and personal leave, and any other ineligible expenditures from its Section 521 Payroll Expense Reports used to document its compliance with Section 521(b) of the Game and Wildlife Code.

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Disagree, page 69 recommendation # 4 should be removed since these costs are benefits related to the cost of doing the habitat work and should be included in the transfer for habitat. There is nothing in section 521 that excludes these costs. Note that the Auditor General stated that they were going to remove this recommendation at the exit conference with the PGC but reversed their decision.

5. Require its Board to explicitly document in the minutes its review and approval of each land acquisition that is purchased using Game Funds or other Commission resources, including escrow accounts, in compliance with the Code, including the price limit, allowable exceptions to the price limit, and the requirement that all purchases are made with what the Commission considers to be a fair and reasonable price.

Agree. The Commission believes it has complied with this recommendation and notes no deficiencies were found in the report. However, the Commission commits to redoubling its efforts, in conjunction with the steps being taken pursuant to the previous Recommendations for Issue Area 3 to meet this recommendation.

6. Update its regulations in the near future to address the different resources, including escrow accounts, by which the Commission acquires lands through purchase so that it complies with the Code, as a minimum standard, clarifies its objectives, and improves public accountability for such acquisitions.

Agree. The Commission believes it has complied with this recommendation and notes no deficiencies were found in the report. However, the Commission commits to redoubling its efforts, in conjunction with the steps being taken pursuant to the previous Recommendations for Issue Area 3 to meet this recommendation.

7. Make a concerted effort to pursue and support the General Assembly's efforts to modernize and enhance the Code's Chapter 7, Subchapter A and Subchapter B regarding land acquisition and exchange.

Agree.

We recommend that the General Assembly:

8. Consider closely reviewing the Code's Chapter 7, Subchapters A and B, to ensure that its present intent is being carried out appropriately since the provisions enacted in 1986 are outdated and should be amended to meet current conditions, including the Commission's use of escrow accounts.
9. Given the general outdated nature of the Code, consider reviewing the Code as a whole for modernization and enhancement.

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Issue Area 5 – PA Game Commission Expenditures - Compliance with the Commonwealth's Vehicle Fleet Policy.

Finding 5.1 – Poor administration and lax oversight of Commonwealth fleet on-road, passenger vehicles resulted in the Commission having more than 100 underutilized vehicles and four times as many pool vehicles as were actually needed.

Page 74 shows a bolded statement and a chart stating that the PGC had 161 total pool vehicles as of June 30, 2017. This information is inaccurate and misleading. The PGC classifies the automotive fleet into three categories; pool vehicles, work vehicles, and home-based vehicles. Pool vehicles are assigned to Regional Offices, Bureaus, and Headquarters. These vehicles are used by multiple staff who are not permanently assigned a vehicle for travel or by employees who have a permanently assigned vehicle that is out for repair. Work vehicles can be further categorized as work vehicles and large work vehicles. A work vehicle is a vehicle assigned for a specific task or function specific to a location and meets the needs of a local group. A large work vehicle is a vehicle assigned for a specific task or function which is specific to a location to meet the needs of a local group but are also vehicles larger than the 3500 series trucks. A home-based vehicle is permanently assigned to an employee. The PGC had 67 true pool vehicles as of June 30, 2017 but 94 vehicles were notated incorrectly in our asset management system as pool vehicles instead of work vehicles. PGC asked Chris Corbo if he would like us to manually count each pool vehicle as of June 30, 2017 and he stated that was not necessary. If the AG would like a copy of our report, we will provide. The chart stated in bold that the Commission had four times the number of pool vehicles it actual needed. The PGC explained the above information to the Auditor General staff at our exit conference. This statement should be removed since there is no basis for this claim other than to propose a false and misleading accusation of true pool vehicles.

Recommendations for Issue Area 5

We recommend that the Commission:

1. Immediately re-evaluate its administration and oversight of its vehicle fleet to ensure that its vehicles are assigned and utilized in an efficient and effective manner.
2. Routinely monitor the utilization of all non-law enforcement on-road passenger vehicles, including permanently assigned and pool vehicles, to ensure that its vehicles are meeting DGS' utilization standard and document this process.

Agree.

Agree.

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3. For non-law enforcement on-road passenger vehicles that do not meet the utilization standard, formally evaluate and document whether the vehicles need to be reassigned or whether the vehicle is no longer needed.

Agree.

4. Routinely monitor the utilization of all law enforcement on-road passenger vehicles, including permanently assigned and pool vehicles, to determine whether the vehicles are utilized sufficiently or whether the vehicles need to be reassigned or whether the vehicle is no longer needed and carefully document this process.

Agree.

5. Amend Standard Operating Procedure No. 20.3 and/or create additional policy and written procedures to reflect how the Commission will prospectively administer and oversee its vehicle fleet.
 - a. Consideration needs to be given for eliminating the requirement of certain positions automatically being permanently assigned.
 - b. Establish responsibilities for managing and monitoring vehicle assignments and utilization.
 - c. Describe in detail how vehicles will be managed and monitored, including when to perform the procedures, how often, and how it is to be documented and retained.
 - d. Describe the process of how vehicles are permanently assigned and document and retain such justification.
 - e. Establish the process, including supervisory oversight, over the recording of the monthly automotive reports.

Agree.

6. Establish a process for ensuring that policy and procedures for administering vehicle assignments and utilization are being properly performed and documented.

Agree.

7. Formally document who is considered law enforcement and include justification.

Agree.

8. Establish annual training for personnel responsible for implementing all of the new policies and procedures discussed above.

Agree.

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Auditor's Conclusion to the Pennsylvania Game Commission's Response

Note: The page numbers referred to by the Pennsylvania Game Commission (Commission) in its response are from a draft report of the findings and recommendations and do not correspond to the page numbers in this final report; therefore, in this conclusion, we will refer to the respective issue areas and subsections in this report as necessary.

We acknowledge the Commission's agreement with 39 of the 40 recommendations we offered to the Commission to improve its operations and correct the deficiencies identified in the 11 findings contained in this audit report.¹²² With regard to the Commission's response, the following items require further clarification:

With regard to the Commission's comment related to the correct number of hunters, based on evidence provided by the Commission, we have changed the table within the Introduction and Background Section to agree with the numbers reflected in its response.

Issue Area 1

With regard to Finding 1.3, the Commission disagrees with the auditor's use of data from the United States Fish and Wildlife Service (USFWS) because it "does not adequately represent the hunting climate in Pennsylvania." For comparison purposes with other states, however, the USFWS data was the best available consistent data across all states that allowed us to compare Pennsylvania's license data from year-to-year to that of other states and to the nation. We clearly provide background information on USFWS data in the body and footnotes of this report, including timing differences in data reported and the inclusion or exclusion of certain license types by the USFWS not considered to be distinct hunting license holders by the Commission.

With regard to the Commission's claim in its response to Recommendation 3 that "the audit did not find producers that failed to make royalty payments," we want to emphasize that we did not perform audit procedures to identify missing royalty payments. Rather, as discussed in Finding 1.1, we evaluated the Commission's procedures for processing royalty payments and identified the following weaknesses in the design of the Commission's controls:

- The Commission did not verify the appropriateness and accuracy of the royalty payments received from producers.
- The Commission did not ensure that all royalty payments due were actually received.

¹²² We also offered three recommendations to the General Assembly.

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We are pleased that the Commission plans to enhance its royalty payment review process to correct these control weaknesses.

With regard to the Commission's comment in its response to Recommendation 4 about the report not giving the Commission credit for OGM staff's efforts to track royalty payment information on individual wells, we do note in Finding 1.1 that the Commission uses a revenue tracking system that records the information contained in the remittance documents. Inputting data into a database, however, does not in and of itself constitute a control to ensure that all royalty payments are accurate and all royalty payments due are actually received. We are encouraged by the Commission's comments regarding implementing this recommendation.

With regard to the Commission's response to Recommendation 5:

1. The Commission is questioning the results of our audit procedures related to the lack of date-stamping checks received and the untimely depositing of checks. Further, the Commission implies that because the auditors did not review the actual paper records, our results and conclusions are inaccurate. We cannot comment on the review results that the Commission performed; however, we disagree that the auditors' results are in any way inaccurate. The Commission provided us with clear scanned copies of checks and remittance documentation to review timeliness of deposits. Further, this disagreement was not presented to us by Commission management either verbally at the exit conference or in its draft comments to the draft findings and no supporting documentation for this claim was provided by the Commission. Overall, however, the Commission agreed that improvements were needed.
2. The Commission still does not appear to understand the importance of maintaining a separate receipts log by the staff person opening the mail; this log is a critically important accounting record that should be routinely reconciled to Treasury records and the revenue tracking system. The Commission's response indicating that it has added a date in its revenue tracking log for when the check was received does not eliminate the need for a separate receipt log for the person opening the mail. The receipts log supports the internal control attribute of segregating duties between custody of and accounting for receipts/revenue in order to safeguard assets.

Issue Area 3

With regard to the Commission's response to Finding 3.1, the Commission states that we inaccurately represent that the Commission does not consider its full financial position, including the Game Fund's balance and monies in escrow, in its budget and key financial decision-making processes. This comment is based on the following: 1) the fund balance number is located on the budget documentation; and 2) the existence of escrow accounts and related balances was known by other Commission personnel as well as shared outside the agency. Although we acknowledge that the Game Fund's balance was located on the budget form, reporting this amount does not

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provide evidence that the amount itself was considered as to whether any portion of it should be used to finance Commission operations. Further, as noted in the finding, according to the Chief of Fiscal Management who prepares the annual budget, the Commission's annual budget proposal was based on expected revenue for the budget year and did not consider the Fund balance. The second basis refers to the comment that the Chief of Fiscal Management was not aware of the escrow accounts, but other individuals were aware. Regardless of whether other Commission employees or outside agencies were aware of the escrow accounts, the fact that the Chief of Fiscal Management was not even cognizant of the accounts, which the Commission does not deny, would preclude the escrow monies from being considered as part of the annual budget process. Again, we emphasize the Commission should consider all funds available to conduct its operations, including budgeting and other financial decision-making, such as proposing hunting license fee increases.

Issue Area 4

With regard to Finding 4.1 and Recommendation 4, the Commission disagrees with the auditor's conclusion that questions whether the cost of non-working hours including holiday, vacation, and sick leave should be included when assessing compliance with Section 521(b) of the Code. The Commission argues that this paid leave is related to the personnel benefit costs of doing habitat work and nothing in Section 521 of the Code excludes these costs. As we noted in the report and reiterate here, however, the Code explicitly and expressly states that the license revenues in question must be used **exclusively** to cover the specific permitted costs of habitat work defined in the Code in six differentiated areas of natural propagation of game and wildlife. None of these six areas include the cost of personnel benefit time, such as leave or administrative time indirectly related to habitat improvement. In addition, while the Commission claims in its response that it maintained sufficient timesheet documentation, we re-emphasize from our finding that it did not require all employees, including one administrative employee (clerk typist), to complete timesheets to provide evidence that their work related directly to the six habitat improvement activities as outlined in the Code.

With regard to Recommendation 5 related to requiring its Board to explicitly document its review and approval of each land acquisition, although the Commission agrees with the recommendation, it claims that "no deficiencies were found in the report." However, this statement is not accurate. Based on our audit procedures as noted in Finding 4.2, we found that "the Board did not appear to consistently and explicitly document its review supporting the allowable exceptions for acquisitions using Game Funds that exceeded the \$400/acre price limit." Therefore, we again encourage the Commission to improve transparency about funding sources used for land acquisitions and, when applicable, disclosing the allowable exceptions to the per acre price limit will go a long way in improving the Board's public accountability and oversight.

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Issue Area 5

With regard to Finding 5.1, the Commission states that the number of pooled vehicles noted in the finding is inaccurate and misleading; however, our results are based on the information provided by the Commission itself during audit execution. Further, and more importantly, after receiving a draft report of our audit findings, and as noted at the exit conference, the Commission was in the process of re-classifying its pool vehicles. The Commission used the terms “work vehicle” and “large work vehicle” at the exit conference. Additionally, based on its final response, the Commission has now added “home-based vehicles” as another vehicle classification.

No matter how the Commission wants to classify its vehicles, any vehicle that is not permanently assigned to an employee is, according to the Department of General Services (DGS), which is the controlling authority on Commonwealth vehicles, a pool vehicle. “All Commonwealth Fleet vehicles . . . are classified as permanently-assigned vehicles or agency pool vehicles.”¹²³ Creation of subsets of vehicles based on the whim of individual agencies and outside the official definitions set by the DGS could potentially camouflage relevant information or enable selective presentation of statistical data. Therefore, we did not revise the number of pooled vehicles as presented in the finding. Finally, the Commission states that our conclusion of the Commission having four times the number of pool vehicles is false and misleading. In addition to the terminology issue discussed above, the number of pool cars needed (36-38) came directly from the Division Chief of Offices Services that is in charge of the Commission’s vehicle fleet. If the Commission provided us inaccurate or incomplete information regarding the number of pool cars needed and the ratio is less than our finding states, we still found and the Commission acknowledged that the Commission has a vehicle pool that exceeds its needs. Therefore, we stand by our conclusion.

The Game Commission findings and recommendations remain as stated.

¹²³ DGS’ M615.3, Section 9(3) (*Commonwealth Fleet Procedures Manual*).

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Appendix A

Objectives, Scope, and Methodology

The Department of the Auditor General conducted this performance audit of the Pennsylvania Game Commission (Commission) under the authority of Sections 402 and 403 of The Fiscal Code of the Commonwealth of Pennsylvania.¹²⁴ We conducted this audit in accordance with applicable *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 believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Objectives

Our audit objectives were to:

- For each fiscal year:
 - Identify and analyze all sources of Commission revenue.
 - Identify and analyze all Commission expenditures.
 - Determine each fund's year-end balance, including any and all money held in escrow or restricted accounts.
- Determine if expenditures, including the acquisition of property, were in compliance with applicable laws, including but not limited to Chapter 5 (relating to Fiscal Affairs) and Chapter 7 (relating to Property and Buildings) of the Game and Wildlife Code, 34 Pa.C.S. §§ 501 and 701 et seq., and any associated regulations.

Scope

The audit objectives covered the period July 1, 2014 through June 30, 2017.

Commission management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance of compliance with applicable laws, regulations, contracts, grant agreements, and administrative policies and procedures. In conducting our audit, we obtained an understanding of the Commission's internal controls, including any system controls, if applicable, that we considered to be significant within the context of our audit objectives.

¹²⁴ 72 P.S. §§ 402 and 403.

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For those internal controls that we determined to be significant within the context of our audit objectives, we also assessed the effectiveness of the design and implementation of those controls as discussed in the *Methodology* section that follows. Any deficiencies in internal controls that were identified during the conduct of our audit and determined to be significant within the context of our audit objectives are included in this report.

Methodology

All of the items selected for testing within this audit were based on auditor's professional judgment. Consequently, the results of our testing cannot be projected to, and are not representative of, the corresponding populations.

To address the audit objectives, we performed the following procedures:

- Reviewed the following laws, policies, and procedures applicable to the Commission operations and related standards and best practices to determine legislative, regulatory, and policy requirements related to our audit objectives:
 - The Game and Wildlife Code, 34 Pa.C.S., especially Chapters 1, 3, 5, and 7.
 - The 2012 Oil and Gas Act, 58 Pa.C.S. § 3222, and 25 Pa. Code § 78a.121(a) of the Oil and Gas Regulations.
 - The Pennsylvania Game Commission's "Strategic Plan 2015-2020" and the May 2018 audit report, entitled "PA Game Commission Compliance with Its Strategic Plan," issued by the Legislative Budget and Finance Committee of the Pennsylvania General Assembly (conducted pursuant to Act 1998-166).
 - "Procedure for OGM Check Handling" document, "Directions for Tracking Database for OGM Revenue" document, and job description documents pertaining to the OGM staff's processes for receiving, depositing, and accounting for the collection of revenue from OGM producers.
 - Government Finance Officers Association, "Essential Components of an Organization –Wide Cash Handling Policy," May 23, 2017.
 - Best practices in internal accounting controls applicable to government agencies, including the U.S Government Accountability Office's, "Standards for Internal Control in the Federal Government," commonly known as the Green Book.
 - The Forestry Manual of the Commission's Forestry Division, dated January 1, 2010, the "OGM Development Timber Damage Value Assessment process" document, and "Minimum Bid Guidelines" document.

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- “Instructions For Issuing Agents Manual for the Sale of Hunting and Furtaker Licenses, Permits and Special” document and “Revenue Reporting System User Manual.”
- The Commission’s “PGC License Sale Distribution Reports.”
- The “Federal Aid in Wildlife Restoration Act, 16 U.S.C. 669-669i; 50 Stat. 917,” commonly known as the Pittman-Robertson Act.
- Title 50, Wildlife and Fisheries, 50 CFR §80.30, pertaining to the requirement for states to annually certify the number of paid license holders and the number of licenses sold to the U.S. Fish and Wildlife Service.
- Senate Bill 1148, P.N. 1577 of the 2015-2016 legislative session, which was never called up for a vote and Senate Bill 1166, latest P.N. 2062 of the 2015-2016 legislative session, which passed the Senate, but not the House.
- “Land Acquisition Process” document provided by the Commission’s Chief Counsel.
- The Commission’s Standard Operating Procedure (SOP) 20.3 to determine which employee positions were required to have permanently assigned vehicles.
- Commonwealth Fleet Procedures Manual, Section 9, and Management Directive 615.16.
- Interviewed the following Commission personnel and representatives:
 - Chief of Fiscal Management, currently Director of Bureau of Administrative Services
 - Chief of Environmental and Habitat Protection Division
 - Oil, Gas, and Mineral Land Leasing Manager
 - Chief of Environmental Planning and Habitat Division of the Forestry Division
 - Real Estate Division Chief
 - License Division Chief
 - Director of Information and Education
 - Research and Education Division Chief
 - Chief Counsel
 - Commission staff from the Bureau of Information and Education
 - Division Chief of Office Services
- Performed a limited review of an independent consulting firm’s audit of an OGM producer’s (and two affiliate producers’) records and payments to the Commission.

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- Obtained the Commission's revenue tracking system records, sorted and filtered data to identify the following: (1) OGM revenues per fiscal year, including the total number of records per year, (2) the number of producers that made payments during the three-year audit period, (3) the type of producers, e.g., oil, gas, coal, etc., and (4) total number and dollar amount of payments by producer for each year in the audit period.
- Judgmentally selected 18 of 66 producers that made OGM payments to the Commission during the three-year audit period based on the dollar amounts and number of OGM payments made. Of the 18 producers, 16 were oil and gas producers, and 2 were coal producers.
 - Reviewed corresponding lease agreements for proper authorization and notarization.
 - Reviewed meeting minutes of the Board of Commissioners to determine whether the leases were approved by the Board.
 - Reviewed terms of the agreements such as lease agreement dates, game land numbers, lease agreement numbers, acreage, per acre bonus rates and total bonus amounts, and agreed the data and amounts to what was recorded in the revenue tracking system.
 - Reviewed certain accountability clauses for consistent inclusion in each of the corresponding lease agreements.
- Determined through review of check copies, deposit records, and board meeting minutes and agendas whether bonus payments on oil and gas lease agreements were fully and timely collected by the Commission in accordance with the lease agreement terms.
- Reviewed a judgmental selection of 5 royalty payments made by 14 oil and gas producers that made payments throughout the three-year audit period for a total of 70 oil and gas payments. The selection was based on check dates and dollar amounts. (Two of the 16 oil and gas producers did not make royalty payments during the audit period, and we verified through interviews that one lease agreement was cancelled and drilling on another one had not yet begun.) We reviewed a judgmental selection (also based on check dates and dollar amounts) of 5 payments made by one of the two coal producers, and 1 payment made by the second coal producer, since it only made 1 payment during the audit period. In all, we reviewed 76 royalty payments for the following.
 - Compared the royalty check amount, date, and check number per the check copies to the Commission's revenue tracking system record.
 - Determined whether the producer provided supporting documentation for each royalty payment in accordance with lease agreement terms.

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- Compared the total royalty paid per the check copies to the total royalty per the supporting remittance documentation.
- Footed and cross-footed the data provided on the supporting remittance documentation for one royalty payment per each of the 14 oil and gas producers reviewed and the 2 coal producers reviewed.
- Obtained a listing of all wells under the lease agreements that were in effect at any time during the three-year audit period. For one haphazardly selected payment per each of the producers, we compared the number of wells associated with the lease agreement to the number of wells listed on the payment documentation. For two haphazardly selected payments per each of the 14 oil and gas producers reviewed, we compared the production dates on the wells for each producer per the remittance documentation to evaluate the timeliness of the royalty payments in relation to production.
- Reviewed the number of payments on the 14 oil and gas leases to evaluate whether the Commission appeared to have received all of the royalty payments due from producers.
- Compared the check date, stamped receipt date, and the bank deposit date for the 70 oil and gas royalty payments to determine timeliness of deposits.
- Reviewed documentation, including lease agreements, and conducted interviews with management to determine whether and how management implemented three accountability clauses in the oil and gas lease agreements that addressed audits, interest charges for delinquent payments, and annual well production reports.
- Obtained and reviewed the Monthly Timber Receipts records and Timber Revenue Summaries for each year in the audit period. We sorted and filtered the payments received by harvester, fiscal year, region, total dollar amount of payments, and total number of payments. We then judgmentally selected 17 of the 88 timber harvesters with whom the Commonwealth executed 159 agreements during the three-year audit period. The harvesters were selected based on a combination of highest dollar amounts and highest number of payments made annually without duplicating harvesters and to ensure that we selected at least one from each of the six geographical regions. Then, if the selected harvester had more than one timber agreement with the Commission in that fiscal year, we selected the first sales agreement executed in that year for review, resulting in a selection of just over 10 percent of total timber sales agreements.
- Obtained and reviewed sales agreements for the 17 selected timber harvesters. We performed the following for each agreement: (1) reviewed for proper signatures by Commission officials, (2) determined whether a request for bids had been issued, whether the bid tabulation sheet was on file, and whether the bid was awarded to the highest qualified bidder, (3) determined whether a performance bond or bond release was on file,

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and (4) determined whether all payments were received in accordance with the sales agreements.

- Recalculated license revenue based on fees charged per the PGC License Sale Distribution Report for the fiscal year ended (FYE) June 30, 2015, 2016, and 2017. Performed an analytical review of licenses and permits issued over the three-year period, identifying any significant increases or decreases in each fiscal year. Judgmentally selected license types, based on the number of licenses sold and the dollar amounts, to identify trends in license sales and types of licenses issued.
- Performed an analytical review using data from the U.S. Fish and Wildlife Services and compared Commonwealth trends to six states and the nation for five years from 2014 through 2018. We selected the three states that had the closest number of paid license holders to Pennsylvania (Texas, Michigan, and Wisconsin) and the three states with the highest number of paid license holders that border Pennsylvania (New York, Ohio, and West Virginia).
- Reviewed Commission documentation supporting surveys and marketing programs conducted during the audit period to verify what actions the Commission had taken to increase license sales through recruitment and retention of hunters.
- Performed an analytical review of operational area expenditures over the three-year audit period identifying any significant increases or decreases in each of those fiscal years.
- Attempted to compare the accounting for expenditures with the Commission's 2015-2020 Strategic Plan to determine whether there were measurable cost/benefit data for assessing the efficiency and effectiveness of achieving core goals and objectives.
- Interviewed the Commission's Chief of Fiscal Management to obtain his understanding of the Game Fund balance and monies held in escrow, including how these funds are taken into consideration during the annual budgeting and other key financial decision-making processes.
- Interviewed management from the Governor's Budget Office regarding their role in the Commission's annual budgeting and other key financial decision making processes.
- Obtained and reviewed the Commission's financial statements reported in its *Game News* publication along with supporting modified accrual reports for revenues, expenditures, and fund balance from the Commonwealth's SAP accounting system for the fiscal years ended June 30, 2015, 2016, and 2017.

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- Reviewed escrow agreements for the Commission's seven escrow accounts to obtain an understanding of the terms, conditions, and specific uses of each account.
- Interviewed the Commission's Chief Counsel to obtain an understanding of each of the seven escrow accounts including the Commission's administration of these accounts.
- Obtained and reviewed quarterly escrow account statements for the three-year period July 1, 2014 through June 30, 2017 for each of the Commission's seven escrow accounts, which included a total of 57 deposits and 46 disbursements.
- Judgmentally selected 30 transactions (14 deposits and 16 disbursements) from six of the seven escrow accounts to obtain a more detailed explanation and understanding of the Commission's activity within these accounts. We did not select transactions from one of the seven accounts, the Duck Marsh Project, due to it being dormant during the audit period. Of the 30 selected transactions, we further requested supporting documentation for 6 deposits and 5 disbursements. Judgement in selection was utilized to select a variety of types of transactions from each of the six accounts.
- Reviewed board minutes to determine the Board's involvement and approval of certain escrow transactions including approval or lack thereof.
- Compiled the number of licenses sold for resident, nonresident, and antlerless deer licenses in order to determine the amount of license revenue collected that was required to be spent on specific habitat improvement areas each year and verified that the proper amount was transferred (intra-fund) from general license revenues to a special set-aside account in the Commonwealth's SAP system each year.
- Verified whether the expenditures that were transferred (intra-fund) from the habitat improvement personnel costs to the special set-aside account during our audit period were sufficiently supported by the Commission's Section 521 Payroll Expense Report each year. From the Commission's Section 521 Payroll Expense Report covering pay dates from July 17, 2014 to January 6, 2015, January 30, 2015 to April 24, 2015, July 17, 2015 to December 18, 2015, January 15, 2016 to April 8, 2016, July 15, 2016 to January 13, 2017, and January 27, 2017 to April 7, 2017, we judgmentally selected 40 employees (based on questionable job titles, higher payroll costs dedicated to habitat improvement, and a representation of salary and wage employees) and obtained the corresponding timesheet and/or employee job description to support one unique biweekly pay period for each employee to verify whether the personnel costs were directly related to at least one of the six specific habitat improvement areas required by law.
- Obtained and reviewed the Commission's listing of 45 land acquisitions for the audit period, which included acquisition approval date, acquisition type (purchase, donation,

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exchange, transfer), purchase price, if applicable, size of property, and funding sources, if applicable. Compared all acquisitions to the board minutes to determine authorization.

- Judgmentally selected 17 purchase acquisitions from all 21 purchase transactions based on the funding sources and dollar amounts and reviewed each to determine whether the following documents were on file and in compliance with purchase acquisition procedures: land examination report, narrative description, map(s), land purchase option agreement, signed contract, title, survey, and deed. Also, reviewed for the following:
 - Determined whether purchases using Game Funds met the \$400/acre limit or whether the characteristics of the land appeared to meet one or more of the allowable exceptions.
 - Determined whether land purchases using escrow funds or timber-for-land exchanges appeared to have characteristics that would have met one or more of the allowable exceptions.
 - Compared the purchase price to the assessed value of the land. For those purchases where the purchase price exceeded the assessed value by more than \$10,000, reviewed the appraised value of the land to determine whether the purchase appeared to be fair and reasonable in accordance with the Code.
- Compared the listing of employee positions that should have been assigned vehicles according to Standard Operating Procedure (SOP) No. 20.3 to the Commission's listing of on-road vehicles as of June 30, 2017.
- Reviewed the Commission's complement report as of June 30, 2017 to determine which employees should have been permanently assigned vehicles according to SOP No. 20.3.
- Reviewed the employee position job descriptions for those requiring permanent assignment of a vehicle per SOP 20.3.
- Analyzed the four semi-annual *Active Vehicles Not Meeting Threshold – Commute Usage Reports* for the period July 1, 2014 through June 30, 2016, prepared by the Department of General Services (DGS).
 - Reviewed the vehicle mileage and utilization data contained in the DGS reports for reasonableness and inquired about data that appeared to be incorrectly reported.
 - Summarized the number of vehicles under the DGS thresholds by vehicle type, e.g., law enforcement, non-law enforcement, permanently assigned, and pool vehicles.

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- Reviewed the Commission's acquisitions and surplus of vehicles for the FYE June 30, 2015, 2016, and 2017. Compared the Commission's listing of surplus vehicles with underutilized vehicles reported by DGS.
- Judgmentally selected 5 of 78 vehicles that had excessive commute mileage recorded on the DGS reports and traced to monthly mileage reports for these vehicles. The basis for selection was one vehicle selected per each of the four semi-annual reports issued during the audit period plus one extra vehicle in a report with the highest number of vehicles.
- Compared the number of pool cars contained in the Commission's fleet as of June 30, 2017 to management's determination of pool cars necessary to meet its daily operational needs.

Data Reliability

Government Auditing Standards require us to assess the sufficiency and appropriateness of computer-processed information that we used to support our findings, conclusions, or recommendations. The assessment of the sufficiency and appropriateness of computer-processed information includes considerations regarding the completeness and accuracy of the data for the intended purposes.

- To assess the completeness and accuracy of the Commission's revenue tracking system that produced the file of OGM payments received by producers for the period July 1, 2014 through June 30, 2017, we conducted audit procedures as follows:
 - Interviewed Commission management to gain an understanding of how OGM payments from producers are received, deposited, and recorded.
 - Reconciled the total annual OGM payments to the revenues recorded in the Commonwealth's SAP accounting system. The SAP accounting system is an independent source that is evaluated as part of the annual audit of the Commonwealth's Comprehensive Annual Financial Report. These annual audits are conducted jointly by the Department of the Auditor General and a certified public accounting firm.
 - Reconciled the total annual OGM payments to the Commission's financial statements as reported in the *Game News*.
 - Traced 70 of the over 1,200 oil and gas royalty payments received by the Commission to source documents, including copies of checks and remittance documents.

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- Traced 14 of the 53 oil and gas producers in the file to authorized lease agreements.

Based on our assessment of the Commission's procedures for receiving, depositing, and recording OGM payments from producers, we found the Commission lacked adequate controls to ensure all payments due to the Commission were properly received and recorded as further explained in *Finding 1.1*. In accordance with *Government Auditing Standards*, we concluded that the OGM revenues recorded in the Commission's revenue tracking system for the three-year period July 1, 2014 through June 30, 2017 were sufficiently reliable regarding completeness and accuracy for the purposes of this engagement with the above limitation.

- To assess the completeness and accuracy of the Commission's Monthly Timber Receipts Reports for the period July 1, 2014 through June 30, 2017, we conducted audit procedures as follows:
 - Interviewed Commission management to gain an understanding of how timber payments from buyers are received, deposited, and recorded.
 - Reconciled the Monthly Timber Receipts Reports to the Commission's annual Timber Revenue Summaries.
 - Reconciled the Monthly Timber Receipts Reports to the timber revenue recorded in the Commonwealth's SAP accounting system. The SAP accounting system is an independent source that is evaluated as part of the annual audit of the Commonwealth's Comprehensive Annual Financial Report. These annual audits are conducted jointly by the Department of the Auditor General and a certified public accounting firm.
 - Traced 17 of the 159 timber sales agreements and corresponding 134 payments listed on the Monthly Timber Receipts Reports to the authorized sales agreements and copies of checks for accuracy.

Based on the procedures performed, we found no limitations on using the data for our intended purposes. In accordance with *Government Auditing Standards*, we concluded that Monthly Timber Receipts Reports for the period July 1, 2014 through June 30, 2017, were sufficiently reliable regarding completeness and accuracy for the purposes of this engagement.

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- To assess the completeness and accuracy of the PGC License Sale Distribution Reports for the FYE June 30, 2015, 2016, and 2017, we conducted audit procedures as follows:
 - Interviewed Commission management to gain an understanding of how license sales are processed and recorded through the Pennsylvania Automated License System.
 - Multiplied the number of each type of license sold by the sales price and reconciled the total annual revenue to the license revenue recorded in the Commonwealth's SAP accounting system. The SAP accounting system is an independent source that is evaluated as part of the annual audit of the Commonwealth's Comprehensive Annual Financial Report. These annual audits are conducted jointly by the Department of the Auditor General and a certified public accounting firm.

Based on the procedures performed, we found no limitations on using the data for our intended purposes. In accordance with *Government Auditing Standards*, we concluded that PGC License Sale Distribution Reports for the FYE June 30, 2015, 2016, and 2017, were sufficiently reliable regarding completeness and accuracy for the purposes of this engagement.

- The number of paid license holders and total hunting licenses obtained from the U.S. Fish and Wildlife Service National Hunting License Reports for reporting years 2014-2018 were of undetermined reliability; however, this was the best data available to consistently compare state and national trends. Although this determination may affect the precision of the numbers we present, there is sufficient evidence in total to support our findings, conclusions, and recommendations.
- To assess the completeness and accuracy of the Commission's expenditures and Game Fund balances recorded in the Commission's financial statements reported in the annual February edition of the Commission's *Game News*, we reconciled to the expenditures and the Game Fund balances recorded in the Commonwealth's SAP accounting system. The SAP accounting system is an independent source that is evaluated as part of the annual audit of the Commonwealth's Comprehensive Annual Financial Report. These annual audits are conducted jointly by the Department of the Auditor General and a certified public accounting firm. Based on the procedures performed, we found no limitations on using the data for our intended purposes. In accordance with *Government Auditing Standards*, we concluded that the expenditures and Game Fund balances recorded by the Commission for the three-year period July 1, 2014 through June 30, 2017 were sufficiently reliable regarding completeness and accuracy for the purposes of this engagement.

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- To assess the completeness and accuracy of the Commission's escrow account balances as stated in the Commonwealth's SAP accounting system for the FYE June 30, 2015, 2016, and 2017, we conducted audit procedures as follows:
 - Interviewed Commission management and officials from the Governor's Budget Office to gain an understanding of how escrow accounts are utilized and the types of transactions for each of the seven escrow accounts. As discussed in *Finding 3.3*, due to inadequate oversight and monitoring of escrow accounts, the Commission's Chief Counsel who administers the escrow accounts was not aware that an escrow account for a project completed in 2016 remained open.
 - Obtained and reviewed the seven escrow agreements to gain an understanding of the nature of the agreements.
 - Reconciled independent quarterly bank statements for each of the seven escrow accounts including all receipt and disbursement transactions during the audited fiscal years to the Commission's year-end balances.
 - Obtained further explanation of 30 specific transactions (14 of the total 57 deposits and 16 of the total 46 disbursements) from the Commission's Chief Counsel who administers the escrow accounts.
 - Reviewed supporting documentation for six deposits and five disbursements; however no documentation could be provided for two deposits as noted in *Finding 3.3*.

In accordance with *Government Auditing Standards*, we concluded that the escrow account balances, receipts and disbursements recorded by the Commission for the three-year period July 1, 2014 through June 30, 2017 were sufficiently reliable regarding completeness and accuracy for the purposes of this engagement with the limitations noted above.

- To assess the completeness and accuracy of the Commission's Section 521 Payroll Expense Reports for the fiscal years ended June 30, 2015, 2016, and 2017, we conducted audit procedures as follows:
 - Interviewed Commission management to gain an understanding of the payroll reports and how they were used to support compliance with the law.
 - Traced the total payroll expenses from each report to the SAP intra-fund transfer document.
 - Verified that all employees listed on the payroll expense report were included in the Commission's employee complement reports during the same time period.

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- Obtained corresponding timesheets and/or job descriptions for 40 employees to support the accuracy of the payroll expenses.

Based on the procedures performed, we found no limitations on using the data for our intended purposes. In accordance with *Government Auditing Standards*, we concluded that the Commission's Section 521 Payroll Expense Reports for the three-year period July 1, 2014 through June 30, 2017 were sufficiently reliable regarding completeness and accuracy for the purposes of this engagement.

- To assess the completeness and accuracy of the Commission's record of land acquisitions during the period, we conducted audit procedures as follows:
 - Reviewed all Board meeting minutes from the audit period to verify that all 45 acquisitions authorized by the Commission were recorded by the Commission in its acquisition record. Compared all acquisitions listed per the Commission's acquisition record to the minutes.
 - Traced all 9 land acquisitions that used escrow funds from the escrow account bank statements to the land acquisition records.
 - Traced acreage and funding sources for 17 of the 45 acquisitions to source documents such as deeds, sales agreements, consummation records, etc.

Based on the procedures performed, we found no limitations on using the data for our intended purposes. In accordance with *Government Auditing Standards*, we concluded that the Commission's record of land acquisitions was sufficiently reliable regarding completeness and accuracy for the purposes of this engagement.

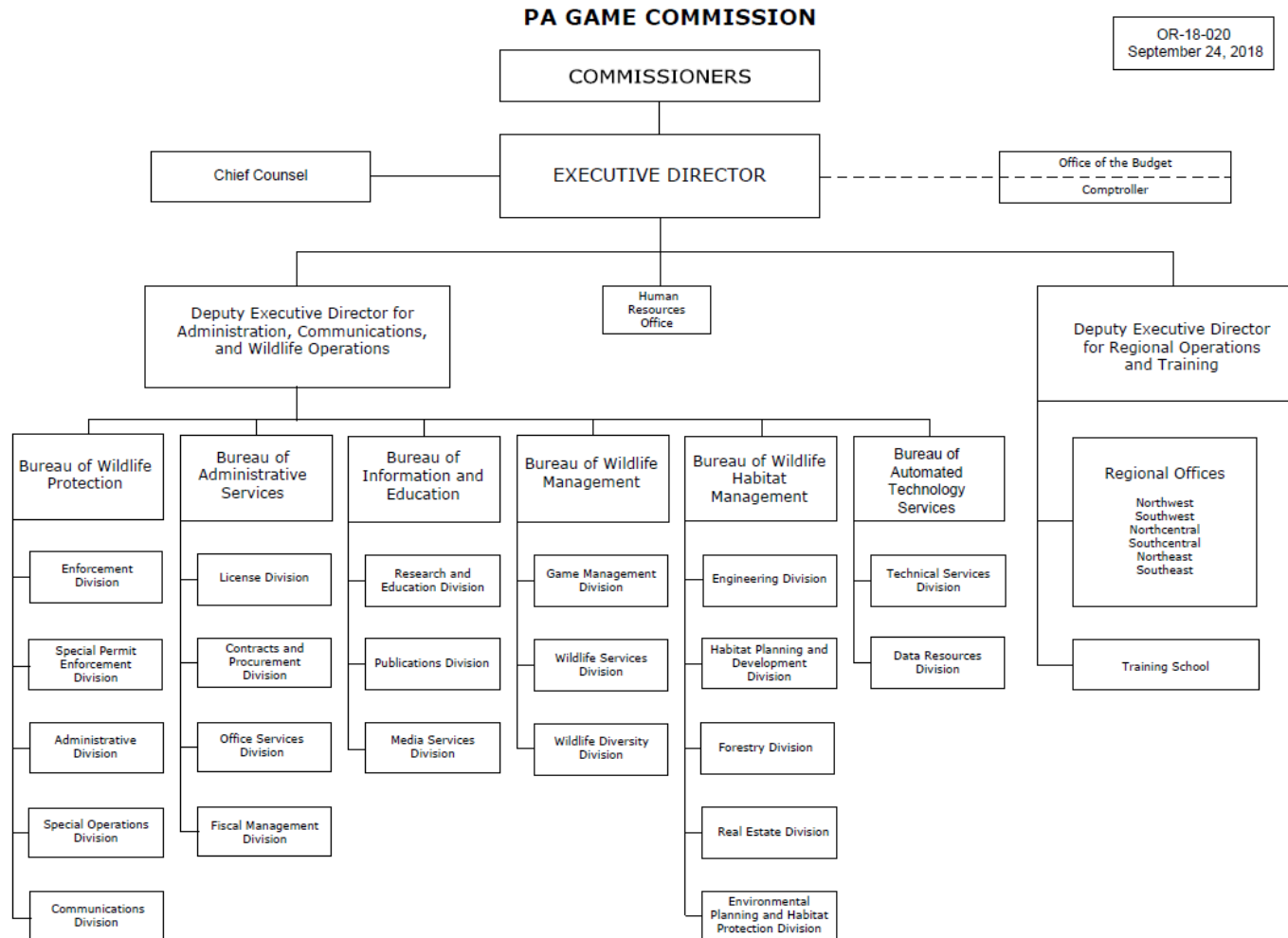
- We determined the Commission's listing of total vehicles as of June 30, 2017, which included categorizations that we used to identify the number of pool vehicles as of June 30, 2017, the Commission's listings of vehicles disposed of during fiscal years ended June 30, 2015, 2016, and 2017, and the information within the Pennsylvania Department of General Services' semiannual *Active Vehicles Not Meeting Threshold – Commute Usage Reports* for July 1, 2014 through June 30, 2016 were of undetermined reliability. This, however, was the best data available. Although this determination may affect the precision of the numbers we present, there is sufficient evidence in total to support our findings, conclusions, and recommendations.

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Appendix B

Pennsylvania Game Commission Organizational Chart as of September 24, 2018



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Appendix C	Pennsylvania Game Commission Revenues by Account		
Account	2014-15	2015-16	2016-17
Adult Resident Furtaker License	\$ 823,883	\$ 812,205	\$ 797,389
Antlerless Deer Licenses	\$ 3,825,830	\$ 3,671,890	\$ 3,676,095
Archery Licenses	\$ 4,812,960	\$ 4,921,325	\$ 4,934,890
Elk License Application	\$ 255,250	\$ 275,910	\$ 306,380
Hunting License Issuing Agents' Application Fee	\$ 14,061	\$ 14,508	\$ 14,506
Junior Resident Furtaker License	\$ 445	\$ 400	\$ 395
Landowner Hunting License	\$ 3,010	\$ 2,943	\$ 2,870
Migratory Game Bird License	\$ 200,054	\$ 192,336	\$ 185,562
Muzzleloading Hunting License	\$ 1,633,220	\$ 1,592,770	\$ 1,534,705
Nonresident 7-Day Hunting License	\$ 73,240	\$ 71,925	\$ 66,690
Nonresident Antlerless Deer License	\$ 429,855	\$ 383,650	\$ 399,790
Nonresident Archery License	\$ 329,510	\$ 341,160	\$ 351,530
Nonresident Bear License	\$ 207,265	\$ 213,263	\$ 197,845
Nonresident Hunters' Licenses	\$ 4,625,735	\$ 4,611,655	\$ 4,595,593
Nonresident Junior Combination License	\$ 44,825	\$ 44,325	\$ 42,345
Nonresident Junior Furtaker License	\$ 120	\$ 360	\$ 160
Nonresident Junior Hunting License	\$ 56,080	\$ 52,910	\$ 51,390
Nonresident Migratory Game Bird License	\$ 19,085	\$ 18,020	\$ 18,040
Nonresident Muzzleloader License	\$ 120,005	\$ 115,785	\$ 114,980
Nonresident Adult Furtakers License	\$ 30,740	\$ 31,085	\$ 31,130
Resident Bear License	\$ 2,520,995	\$ 2,546,870	\$ 2,528,040
Resident Elk License	\$ 12,050	\$ 2,725	\$ 3,000
Resident Hunters' Licenses	\$ 12,138,032	\$ 12,025,764	\$ 11,699,250
Resident Junior Combination License	\$ 448,121	\$ 438,454	\$ 419,679
Resident Junior Hunting Licenses	\$ 154,515	\$ 142,475	\$ 125,485
Resident Senior Lifetime Combination License	\$ 607,189	\$ 622,498	\$ 640,529
Right-of-Way License	\$ 3,398,685	\$ 4,042,856	\$ 4,885,475
Senior Lifetime Furtaker License	\$ 285	\$ 589	\$ 229
Senior Resident Furtaker License	\$ 5,295	\$ 5,038	\$ 4,611
Senior Resident Hunting License	\$ 221,813	\$ 214,516	\$ 207,030
Senior Resident Lifetime Hunting License	\$ 210,442	\$ 220,434	\$ 201,595
Special Game Licenses	\$ 144,186	\$ 133,165	\$ 150,167
Transfer to General Habitat Improvement	\$ (7,470,715)	\$ (7,500,000)	\$ (7,500,000)
Nonresident Elk License	\$ 2,250	\$ 1,750	\$ 1,000
DMAP Harvest Permit (Residents)	\$ 272,765	\$ 261,428	\$ 283,261
Resident Military Personnel Hunting	\$ 3,278	\$ 2,996	\$ 2,596
DMAP Harvest Permit (Non-Residents)	\$ 52,070	\$ 47,485	\$ 49,821

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Account	2014-15	2015-16	2016-17
Resident Special Wild Turkey	\$ 349,565	\$ 383,070	\$ 396,505
Non-Resident Special Wild Turkey	\$ 25,790	\$ 28,935	\$ 31,925
Agent Fee for Fishing Licenses	\$ 154,756	\$ 157,335	\$ 100,933
Mentor Youth Permit License	\$ 35,004	\$ 33,014	\$ 31,642
PALS Transaction Fee	\$ 1,798,552	\$ 1,781,993	\$ 2,269,878
Fisher Permit	\$ 33,400	\$ 33,010	\$ 33,585
Range Permit	\$ 323,220	\$ 379,380	\$ 433,990
Mentored Resident Hunt Permit	\$ 11,178	\$ 7,013	\$ 5,606
Mentored Non-Resident Hunt Permit	\$ 3,705	\$ 2,015	\$ 2,610
DMA 2 Antlerless Permit	\$ 81,640	\$ 91,341	\$ 100,699
Bobcat Permit	\$ 86,290	\$ 84,555	\$ 81,895
eDuck	\$ -	\$ 453,124	\$ 581,278
Otter	\$ -	\$ 5,270	\$ 5,030
Total Licenses and Fees	\$ 33,129,529	\$ 34,017,523	\$ 35,099,629
Game Law Fines	\$ 1,494,607	\$ 1,524,207	\$ 1,560,797
Game Law Fines - Poaching Hot-Line	\$ 75,905	\$ 91,256	\$ 61,974
Game Law Fine F75	\$ 637	\$ 125	\$ 300
Total Game Law Fines	\$ 1,571,149	\$ 1,615,588	\$ 1,623,071
Timber Damage Fees	\$ 382,317	\$ 5,893	\$ 11,410
Game Land Map Sales	\$ 2,048	\$ 2,120	\$ 1,687
Game News Subscriptions-1 Year	\$ 284,580	\$ 276,866	\$ 258,091
Game News Subscriptions-2 Year	\$ -	\$ -	\$ 8,435
Game News Subscriptions-3 Year	\$ 337,037	\$ 344,422	\$ 316,915
Game News Subscriptions-Foreign	\$ 501	\$ 480	\$ 456
Game News Subscriptions-Miscellaneous	\$ 2,019	\$ 2,805	\$ 2,183
Gas and Oil Leases-Ground Rentals	\$ 12,514,948	\$ 16,058,871	\$ 204,169
Gas and Oil Leases-Royalties	\$ 9,337,568	\$ 11,551,869	\$ 19,199,109
Miscellaneous Revenue	\$ 284,195	\$ 133,747	\$ 22,262
Miscellaneous Revenue-License Division	\$ (41,019)	\$ 805	\$ 2,132
Oil & Gas Recovery Support	\$ 318,960	\$ 90,337	\$ 404,347
Refunds Not Credited to Appropriations	\$ 95	\$ 13	\$ 3
Rental of State Property	\$ 44,750	\$ 46,410	\$ 45,538
Sale of Coal	\$ 662,868	\$ 584,003	\$ 1,197,047
Sale of Grain and Hay	\$ 25,126	\$ 90,909	\$ 43,763
Sale of Nonusable Property	\$ 67,753	\$ 107,555	\$ 35,700
Sale of Skins and Guns	\$ 31,475	\$ 23,920	\$ 27,065
Sale of Stone, Sand, Gravel, and Limestone	\$ 105,157	\$ 197,527	\$ 159,176

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Account	2014-15	2015-16	2016-17
Sale of Wood Products	\$ 5,225,976	\$ 5,877,441	\$ 8,864,447
Sale of Wood Products - P-R Tracts	\$ 352,258	\$ 655,809	\$ 1,392,484
Sport Promotional Publications & Materials	\$ -	\$ 129	\$ 35
Waterfowl Management Stamp Sales	\$ 8,192	\$ 6,487	\$ 6,995
Wildlife Promotional Publications and Materials	\$ 138,613	\$ 113,487	\$ 82,893
Working Together for Wildlife-Non Game	\$ 68,032	\$ 64,125	\$ 61,986
Shipping and Handling Fees	\$ 59,466	\$ 44,821	\$ 40,671
Mineral Recovery Support	\$ 2,000	\$ 181,719	\$ 291,411
Game News Newsstands Sales	\$ 38,603	\$ 37,262	\$ 35,622
Middle Creek Visitors Center	\$ 3,240	\$ 2,882	\$ 2,780
Seedling Sales - Howard Nursery	\$ 99,586	\$ 78,561	\$ 97,787
Sale of other Products - Howard Nursery	\$ 12,546	\$ 10,371	\$ 9,334
Sales of Waterfowl Mgmt Art	\$ 6,786	\$ 5,298	\$ 6,271
State Game Land Applications	\$ 18,527	\$ 4,881	\$ -
Sale of Autos Other	\$ 326,451	\$ 156,971	\$ 110,035
Total Miscellaneous Revenue	\$ 30,720,654	\$ 36,758,796	\$ 32,942,239
Treasury Investment Income	\$ 1,011,626	\$ 758,408	\$ 3,013,822
Treasury Gain/Loss	\$ 727,137	\$ 424,337	\$ -
Total Interest Revenue	\$ 1,738,763	\$ 1,182,745	\$ 3,013,822
Donations	\$ 30,951	\$ 27,466	\$ 30,479
Hunter Trapper Education Replacement Card	\$ -	\$ 16	\$ -
Advanced Hunter Education Course Fee	\$ 20,713	\$ 17,166	\$ 12,517
Reimbursement for Services (Includes NRCS)	\$ 1,070,145	\$ 433,510	\$ 104,534
Black Duck Banding	\$ -	\$ 5,000	\$ 2,956
Wildlife Con Camp-HI	\$ 23	\$ 17	\$ 14
Middlecreek Exhibit Donation	\$ 3,250	\$ 5,713	\$ 6,146
Hunting Heritage Reg Plate	\$ 18,879	\$ 8,308	\$ 4,247
National Archery in the Schools Program	\$ 8,613	\$ 9,054	\$ 8,097
Total Augmentations - State	\$ 1,152,574	\$ 506,250	\$ 168,990
Resident License Fees - Natural Property	\$ 7,470,715	\$ 7,500,000	\$ 7,500,000
Total Restricted Revenue	\$ 7,470,715	\$ 7,500,000	\$ 7,500,000
Federal Reimbursements - Pittman Robertson Act and Other Miscellaneous Wildlife Grants	\$ 26,770,196	\$ 26,865,946	\$ 26,525,584

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Account	2014-15	2015-16	2016-17
Total Federal Reimbursements	\$ 26,770,196	\$ 26,865,946	\$ 26,525,584
Total Revenue	\$102,553,580	\$ 108,446,848	\$106,873,335

Source: Created by the Department of the Auditor General staff from data provided by the PA Office of Comptroller Operations from the Commonwealth's SAP accounting system (Basis of Accounting: Modified Accrual). Some numbers may vary due to rounding differences.

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Appendix D

Pennsylvania Game Commission Expenditures by Account

Account	2014-15	2015-16	2016-17
Salaries and wages	\$ 41,435,677	\$ 39,805,624	\$ 38,440,927
State share employee benefits and training costs	\$ 28,127,765	\$ 31,580,168	\$ 31,124,211
Land purchases and acquisition costs	\$ 466,000	\$ 92,759	\$ -
Printing and advertising	\$ 575,731	\$ 567,831	\$ 443,897
Automotive repairs, supplies, and transportation rentals	\$ 3,428,234	\$ 2,874,706	\$ 2,969,150
Payments to local municipalities in-lieu-of-taxes	\$ 1,792,844	\$ 1,796,455	\$ 1,798,320
Maintenance, rental and improvements of building, grounds, and machinery	\$ 1,736,060	\$ 1,796,419	\$ 1,642,933
Payments to other state agencies for specialized services	\$ 706,566	\$ 845,021	\$ 719,270
Agriculture and maintenance material supplies	\$ 3,300,284	\$ 2,770,956	\$ 1,911,349
Purchase of motor vehicles	\$ 368,532	\$ 380,930	\$ 29,492
Travel and special conference expenses	\$ 929,601	\$ 417,437	\$ 385,008
Telephone and radio communication expenses	\$ 916,421	\$ 851,965	\$ 1,006,892
Postage and freight expense	\$ 541,766	\$ 492,730	\$ 488,902
Heating, electric and water	\$ 580,973	\$ 488,371	\$ 499,710
Legal and specialized services	\$ 10,485,078	\$ 5,979,932	\$ 7,892,959
Other supplies and services	\$ 388,643	\$ 2,928,654	\$ 647,196
Uniforms for Game Commission personnel	\$ 322,845	\$ 283,058	\$ 143,279
Office equipment, maintenance, rentals, and supplies	\$ 620,493	\$ 529,813	\$ 614,166
Purchase of equipment and machinery	\$ 5,165,486	\$ 1,000,016	\$ 760,536
Electronic data processing contractual services, rentals, and purchases	\$ 4,133,780	\$ 4,445,068	\$ 4,441,819
Educational supplies, literature, memberships and classroom training equipment	\$ 520,513	\$ 312,232	\$ 327,416
Insurance - auto, liability, fidelity	\$ 139,816	\$ 100,836	\$ 103,961
Payments to institutions/individuals for research projects	\$ (7,158)	\$ 39,165	\$ 46,568
Payments to nonprofits and institutions of Higher Educations	\$ 162,700	\$ 148,744	\$ 40,800
Clinical services, laboratory and medical supplies	\$ 33,443	\$ 42,858	\$ 31,407
Purchasing card expenses	\$ 6,069	\$ 7,593	\$ 2,580
Total Expenditures	\$ 106,878,162	\$ 100,579,341	\$ 96,512,748

Source: Created by the Department of the Auditor General staff from data provided by the PA Office of Comptroller Operations from the Commonwealth's SAP accounting system (Basis of Accounting: Modified Accrual). Some numbers may vary due to rounding differences.

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Appendix E

Pennsylvania Game Commission Expenditures by Program Area

Program Area	2014-15	2015-16	2016-17
Executive Office	\$ 1,704,423	\$ 1,809,752	\$ 1,630,254
Assisting Other Agencies/ Organizations	\$ 297,337	\$ 142,646	\$ 129,823
Public Works Program	\$ 1,319	\$ -	\$ 244
Flood Related Costs	\$ 120,492	\$ 26,490	\$ -
General Administration	\$ 22,075,887	\$ 20,901,854	\$20,301,996
Personnel Costs	\$ 847,725	\$ 788,996	\$ 765,640
Warehousing	\$ 3,212	\$ 4,580	\$ 3,924
Agency Purchasing	\$ 352,421	\$ 395,150	\$ 360,873
Automotive Acquisition/Maintenance/CC Cost	\$ 657,210	\$ 844,338	\$ 491,326
Office Maintenance	\$ 988,944	\$ 926,172	\$ 828,835
Training Costs	\$ 3,990,724	\$ 1,872,227	\$ 1,582,916
Licensing Program	\$ 1,940,355	\$ 2,668,546	\$ 3,145,605
800 Telephone Service	\$ 208	\$ -	\$ -
Public Education and Information Services	\$ 2,560,704	\$ 2,579,429	\$ 1,981,637
Publications	\$ 1,176,153	\$ 1,120,117	\$ 963,827
Hunter-Trapper Education Program	\$ 922,466	\$ 856,552	\$ 712,005
Bowhunter Education Program	\$ 13,030	\$ 5,446	\$ 5,881
Remedial Hunter Education	\$ 3,707	\$ 4,338	\$ 3,817
Furtaker Education	\$ 18,872	\$ 18,457	\$ 10,118
Hunter-Trapper Recruitment & Retention	\$ 963,929	\$ 921,928	\$ 308,421
Turkey Hunting Education	\$ 3,671	\$ 1,026	\$ 174
Muzzleloading Education	\$ 6,879	\$ 83	\$ -
Audio-Visual Program	\$ 71,470	\$ 52,675	\$ 29,967
Conservation Reserve Enhancement Program	\$ 345,480	\$ 356,028	\$ 184,915
Game Farm Operations	\$ 4,743,936	\$ 4,597,407	\$ 3,714,332
Wildlife Health Activities	\$ 770,004	\$ 826,129	\$ 917,244
Wildlife Research Support Services	\$ 1,607,609	\$ 1,504,676	\$ 2,027,729
Forest Wildlife Research Program	\$ 2,506,930	\$ 2,881,860	\$ 2,479,431
Furbearer & Farmland Wildlife Research	\$ 977,145	\$ 616,077	\$ 349,893
Migratory Game Bird & Waterfowl Research	\$ 862,612	\$ 618,308	\$ 576,924
Endangered/Threatened/Nongame Wildlife Mgmt. Prog.	\$ 600,321	\$ 432,742	\$ 195,892
CARA Activities	\$ 10,623	\$ 3,793	\$ 8,528
State Wildlife Grants	\$ 1,264,242	\$ 1,285,649	\$ 1,348,019
Law Enforcement Program Management & Planning	\$ 92,993	\$ 126,568	\$ 251,604
General Law Enforcement	\$ 11,185,809	\$ 12,972,888	\$12,512,468
Endangered Species	\$ 45,714	\$ 39,733	\$ 41,078

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Program Area	2014-15	2015-16	2016-17
Data Center Operation	\$ 413,496	\$ 270,545	\$ 259,149
Computer Mainframe Applications	\$ 1,208,588	\$ 1,122,223	\$ 1,149,948
Data Communications Networking	\$ 303,182	\$ 333,229	\$ 280,136
Desktop Computing	\$ 1,409,512	\$ 1,149,307	\$ 1,052,199
GIS Administration and Support	\$ 182,598	\$ 149,751	\$ 133,426
Land Management Administration	\$ 6,244,361	\$ 5,567,580	\$ 6,272,630
Environmental Review Program	\$ 959,441	\$ 650,841	\$ 576,093
Land Acquisition	\$ 4,241,146	\$ 3,335,595	\$ 2,216,949
Howard Nursery Management	\$ 746,564	\$ 646,575	\$ 589,436
Wildlife Habitat Incentive Program	\$ 2,900	\$ 457	\$ -
Herbaceous Openings	\$ 5,596,077	\$ 5,089,601	\$ 4,358,330
Public Access Program	\$ 666,327	\$ 694,088	\$ 728,548
Forest Management	\$ 6,943,272	\$ 6,900,770	\$ 8,065,562
Food Producing Improvements	\$ 559,337	\$ 819,597	\$ 697,818
Game Lands Construction and Maintenance	\$ 12,645,249	\$ 10,356,270	\$ 10,120,116
Shooting Range Construction	\$ 274,018	\$ 408,070	\$ 310,967
VPA-HIP Monitoring and Performance Reporting	\$ 505,035	\$ 509,509	\$ 1,308,993
Wildlife Diversity Conservation Planning & Grants	\$ 56,494	\$ 255,253	\$ 181,250
Shooting Sports	\$ 186,009	\$ 117,420	\$ 345,858
Total Expenditures	\$106,878,162	\$100,579,341	\$96,512,748

Source: Created by the Department of the Auditor General staff from data provided by the PA Office of Comptroller Operations from the Commonwealth's SAP accounting system (Basis of Accounting: Modified Accrual). Some numbers may vary due to rounding differences.

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Appendix F

Escrow account activity for fiscal years end June 30, 2015, 2016, and 2017.

The tables below show the activity reported for the seven escrow accounts on four quarterly statements for fiscal years ending June 30, 2015, 2016, and 2017.

Combined Activity Reported on Quarterly Statements Fiscal Year Ending June 30, 2015							
	FNB Wealth Management	P and N Coal Escrow	Hartman Escrow Account	Duck Marsh Project	PA Coal Indiana Bat Escrow	Penn State University Escrow	PA Coal White Nose Escrow
Beginning Market Value	\$ 4,694,384	\$2,047,126	\$327,589	\$40,000	\$2,370,212	\$ 1,335,683	\$172,352
Total Receipts ¹²⁵	\$ 4,190,256	\$ 515,126	\$ 98,789	\$ -	\$613,770	\$ 3,203	\$ 15
Total Disbursements ¹²⁶	\$ (4,921,062)	\$(129,286)	\$ (1,976)	\$ -	\$(1,218,920)	\$ (6,869)	\$(47,678)
Interest	\$ 6,289	\$ -	\$ 1,135	\$ -	\$ -	\$ -	\$ -
Dividends	\$ 33,597	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Realized Gain/Loss	\$ (2,979)	\$ 150	\$ -	\$ -	\$ -	\$ -	\$ -
Unrealized Gain/Loss	\$ 3,228	\$ (1,041)	\$ -	\$ -	\$ 2,847	\$ 849	\$ -
Fees Expenses ¹²⁷	\$ (17,802)	\$ -	\$ -	\$ (25)	\$ -	\$ -	\$ -
Ending Market Value	\$ 3,985,911	\$2,432,075	\$425,537	\$39,975	\$1,767,909	\$ 1,332,866	\$124,689

¹²⁵ Includes Receipts, Deposits, and Contributions.

¹²⁶ Includes Disbursements, Withdrawals, and Disbursements to Beneficiary.

¹²⁷ Includes Fees Expenses and Activity Dormant Account Fee.

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Combined Activity Reported on Quarterly Statements Fiscal Year Ending June 30, 2016							
	FNB Wealth Management	P and N Coal Escrow	Hartman Escrow Account	Duck Marsh Project	PA Coal Indiana Bat Escrow	Penn State University Escrow	PA Coal White Nose Escrow
Beginning Market Value	\$ 3,985,911	\$ 2,432,075	\$ 425,537	\$ 39,975	\$1,767,909	\$1,332,866	\$124,689
Total Receipts	\$ -	\$ 2,890	\$ 146,100	\$ -	\$2,049,768	\$ 3,180	\$ 74
Total Disbursements	\$(1,000,000)	\$(1,526,811)	\$ (2,620)	\$ -	\$(319,845)	\$(328,112)	\$(48,597)
Interest	\$ 4,406	\$ -	\$ 1,564	\$ -	\$ -	\$ -	\$ -
Dividends	\$ 29,673	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Realized Gain/Loss	\$ 557	\$ 13	\$ -	\$ -	\$ -	\$ (167)	\$ -
Unrealized Gain/Loss	\$ 9,682	\$ 611	\$ -	\$ -	\$ 106	\$ (340)	\$ -
Fees Expenses	\$ (12,132)	\$ -	\$ -	\$ (59)	\$ -	\$ -	\$ -
Ending Market Value	\$ 3,018,097	\$ 908,778	\$ 570,581	\$ 39,916	\$3,497,938	\$1,007,427	\$ 76,166

Combined Activity Reported on Quarterly Statements Fiscal Year Ending June 30, 2017							
	FNB Wealth Management	P and N Coal Escrow	Hartman Escrow Account	Duck Marsh Project	PA Coal Indiana Bat Escrow	Penn State University Escrow	PA Coal White Nose Escrow
Beginning Market Value	\$ 3,018,097	\$ 908,778	\$ 570,581	\$ 39,916	\$3,497,938	\$1,007,427	\$ 76,166
Total Receipts	\$ -	\$ 3,035	\$ 25,000	\$ -	\$ 692,886	\$ 7,080	\$ 132
Total Disbursements	\$(2,000,000)	\$(810,618)	\$(414,587)	\$ -	\$ (8,350)	\$ (1,636)	\$(55,543)
Interest	\$ 3,226	\$ -	\$ 1,340	\$ -	\$ -	\$ -	\$ -
Dividends	\$ 21,262	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Realized Gain/Loss	\$ (26,306)	\$ (286)	\$ -	\$ -	\$ -	\$ -	\$ -
Unrealized Gain/Loss	\$ 4,899	\$ (186)	\$ -	\$ -	\$ (3,808)	\$ (45)	\$ -
Fees Expenses	\$ (7,866)	\$ -	\$ -	\$ (60)	\$ -	\$ -	\$ -
Ending Market Value	\$ 1,013,312	\$ 100,723	\$ 182,334	\$ 39,856	\$4,178,666	\$1,012,826	\$ 20,755

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Appendix G

Pennsylvania Game Commission Escrow Accounts

In addition to maintaining the Game Fund, the Commission is beneficiary to funds in privately held escrow accounts. Because the Commission relies on the revenue of leasing oil and gas rights and timber sales on state game lands, it makes every effort to find comparable game land to be used for hunting, trapping and fishing. If sufficient land cannot be identified immediately, an interest-bearing escrow account managed by a third party separate from the Commission is established, and monies are deposited by lessees or other parties for future purchase of wildlife habitats, lands or other uses incidental to hunting, furtaking, and wildlife resource management. During the audit period, the Commission maintained seven escrow accounts outside the Commonwealth's accounting system and control of the Commonwealth Treasury Department as follows:

FNB Wealth Management Escrow

The Commission entered into an agreement with the First National Bank of Nicholson (FNB), serving as the escrow agent, and two "Lessees" (Lessee 1 and Lessee 2) on June 4, 1992, to exchange five tracts of land totaling approximately 900 acres, which included 20 lots/cabins that were part of state game lands in Wyoming County for various tracts of land in Erie, Clarion, Venango, Mercer, Luzerne, and Wyoming Counties. The agreement was later amended in February 2001, stating that the acquisition of all said tracts of land was completed, but the escrow account still had funds. The agreement was amended not only to purchase further tracts of land using the residual funds, but also to allow the residual funds to be used for costs of management of lands for the protection and propagation of game and wildlife, including lawful hunting and trapping in accordance with the Code, as amended. As of June 30, 2017, the FNB account had an ending market value of \$1.013 million.

P&N Coal Escrow

The Commission entered into an agreement with the P&N Coal Company (P&N) and First Commonwealth Trust Company as the escrow agent on April 14, 1992. P&N was to provide \$259,245 for the Commission to use towards the purchase of various tracts of land in Elk, Chester, and Blair Counties in exchange for bituminous coal on portions of state game lands in Jefferson County. The agreement was later amended in 2002 stating that the acquisition of all said tracts of land was completed, but the escrow still had funds. The agreement was amended to not only purchase further tracts of land using the residual funds, but the residual funds could also be used for costs of management of lands to be used for the protection and propagation of game and wildlife, including lawful hunting and trapping in accordance with the Code, as amended. As of June 30, 2017, P&N had an ending market value of \$100,723.

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Hartman Escrow

The Commission entered into an agreement with a landowner (Hartman) and the Clearfield Bank and Trust Company, serving as the escrow agent, on September 9, 2010. Hartman agreed to deposit a total of \$100,000 in four \$25,000 deposits that was intended for purchase of land approved by the Commission. The agreement also allows the funds to be used for the costs related to management of lands to be used for the protection and propagation of game and wildlife, including lawful hunting and trapping in accordance with the Code, as amended. While the agreement has never been amended, the Commission has directed other third parties to deposit additional land impact payments into this account. As of June 30, 2017, the Hartman account had an ending market value of \$182,334.

Duck Marsh Escrow

The Duck Marsh account was established by the Commission in coordination with the River Hill Company, which was working with the Commission on the Duck Marsh Dam Removal project on State Game Land 34. In an agreement with the Pennsylvania Department of Environmental Protection, River Hill received contributed \$40,000 towards the completion of the dam removal and wetlands restoration project in lieu of credit for 0.06 acres of wetland mitigation. As of June 30, 2017, the balance in this account was \$39,856. This account was dormant and did not experience any activity during our three-year audit period July 1, 2014 through June 30, 2017, beyond incurring monthly dormant account fees from the account trustee. **After we brought this matter to the attention of the Commission, the account was closed** and the balance of funds remaining in the account totaling \$39,810 were deposited into the Game Fund on August 13, 2018.

PA Coal Indiana Bat Escrow

This agreement was entered into between the U.S. Fish and Wildlife Service (USFWS) and the Commission in August 2017 for the purpose of establishing and operating the Indiana Bat Conservation Fund (IBCF). The agreement establishes that the IBCF will be administered by the Commission to purchase or otherwise acquire real property interests to be retained and managed in perpetuity for the benefits of the Indiana bat and its habitat. In most cases, contributions to the IBCF come from project proponents or permit applicants as compensation for activities that are likely to adversely affect Indiana bats or their habitat. Distribution of funds from the IBCF are to be mutually agreed upon in writing by the USFWS and the Commission for the acquisition of specific land parcels or projects to protect and manage the species to achieve Indiana bat recovery and habitat protection. As of June 30, 2017, the IBCF had an ending market value of \$4.178 million.

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Penn State University Escrow

Penn State University (PSU) entered into an agreement with First Commonwealth Trust Company as the escrow agent in September 2003, depositing \$8.2 million into escrow pursuant to a land exchange agreement to be spent for the purchase of land approved by the Commission. The account is to be used for the acquisition of lands, including associated costs, for the protection and propagation of game and wildlife, including lawful hunting and trapping in accordance with the Code, as amended. The land exchange agreement was requested by PSU involving a 948-acre portion of state game land in Centre County. The purpose of this exchange is to provide for better public hunting access and better management of wildlife species by acquiring replacement lands for those lands impacted by the PSU's wastewater treatment activities on the said state game land. Acquisition of this state game land to be exchanged had been funded jointly by the Commission and the USFWS and therefore, the USFWS is also a partner in this agreement. As of June 30, 2017, the PSU escrow had an ending market value of \$1.012 million.

PA Coal White Nose Escrow

This agreement was entered into between the U.S. Fish and Wildlife Service and the Commission in May 2013 for the purpose of establishing and operating the White Nose Syndrome Fund (WNSF). The agreement establishes that the WNSF will be administered by the Commission and implement actions for the benefit of bat species that are under threat from the white-nose syndrome (WNS). In most cases, contributions to the WNSF are from entities that wish to further the conservation and recovery of bat species that are threatened by WNS, and in some cases contributions may come from project proponents or permit applicants as compensation for activities that are likely to adversely affect these bat species or their habitats. The Commission is to have written concurrence from the USFWS before directing the distribution of funds from the WNSF. As of June 30, 2017, the WNSF has an ending market value of \$20,755.

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Appendix H

Distribution List

This report was distributed to the following Commonwealth officials:

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