

## **Recommendations for Issue Area 1**

We Recommend the Commission:

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

***Pennsylvania Game Commission (PGC) has dedicated an additional staff member to verify whether producers have accurately remitted royalty payments.***

- 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 payment due to the Commission.

***PGC has dedicated an additional staff member to verify whether producers have accurately remitted royalty payments***

- ***Reference to: that a payment was received for each well for each month. OGM Staff has completed and verified approximately 77% of the 685 PGC royalty wells***
  - ***Reference to: If a payment was not received for a well on any given month, staff needs to determine if the well was shut in or determine why royalty not paid for that month. A small number of discrepancies (less than 10) have been found and the companies have been contacted to resolve.***
  - ***Reference to: Check DEP records to determine if production was reported in that month-QA/QC on OGM Revenue database production records is ongoing.***
- 3.) Invoke the lease agreement's default clause for any producers that failed to make royalty payments as required.

***Review of items identified in #1 and #2 is ongoing. If it is determined that a default has taken place, appropriate action will be taken.***

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

***Additional data fields have been added to assist in more effective queries of data. Staff is also reviewing commercially available royalty tracking software from two vendors.***

- 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.

***A comprehensive written procedure has been put in place and is detailed to include strengthening our internal control system. A review of the OGM desk manual is ongoing and expected to be completed by 10/1/2019. At this time, it will be provided to the Executive Office and Board of Commissioners.***

- 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.

***PGC staff is highly competent and have implemented several procedures to strengthen its internal control processes. There are multiple areas throughout the reconciliation process that ensures segregation of duties and review of revenue payments.***

- 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.

***Environmental Planner position filled with the primary purpose to conduct review and auditing of lease performance. Field inspections have been completed on 10 gameland leases.***

- 8.) Consider the feasibility of required producers to remit payments via electronic transmittals.

***PGC has considered the feasibility and for various reasons, including oversight and potential for error, will not be requiring producers to remit payments electronically.***

- 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.

***Standard Agreement revised to require form be submitted by March 31 of each calendar year. Follow up to occur with all producers annually.***

- 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.

***The PGC will 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.

***The Game Commission has recently hired several individuals with professional marketing experience who have developed campaigns to increase license sales. As a result of these personnel additions, in the past six months the Commission has sold the highest number of special spring gobbler licenses and the highest number of elk license applications.***

- 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.

***The Commission's human dimension personnel and marketing personnel monitor and track license buyer demographics to evaluate the success of marketing sales campaigns and identify other areas for potential growth.***

## **Recommendations for Issue Area 2**

We Recommend 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.

***We are in the process of designing and implementing a new strategic plan to implement this recommendation which will be completed by July 1, 2020. We have currently hired one contractor and are in the process of hiring an additional contractor to complete our strategic plan.***

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

***See answer above for Issue Area 2, #1***

- 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.

***See answer above for Issue Area 2, #1***

- 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.

***The information listed in this recommendation has been historically contained within the PGC's annual reports, which are posted on the PGC website. The PGC will ensure that its annual reports are contained in a more prominent location on its website to increase visibility and promote transparency.***

### 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.

***Bryan Burhans Executive Director, Rich Palmer Deputy Executive Director, Brad Bechtel Chief Counsel, Kevin Kayda Fiscal Management Division Chief and Dan Dunlap Bureau Director for Administrative Services met with Ben Lukens Director of Budget and Mike Coates Budget Analyst within the Governor's Budget Office (GBO) on 7/24/19. We officially requested a flow chart per your recommendation to Mike Coates with GBO on 6/26/19 in an email at 8:01 a.m. with a cc to Dave Harris Division Manager for GBO. We discussed the AG's recommendation to ensure a consistent and thorough understanding of the Commission's annual budget and steps to place the escrow into Treasury. GBO and PGC concluded that we have a consistent and thorough understanding of our budget process and GBO was aware of the escrow accounts which should not be part of our budgeting process.***

- 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.

***GBO and PGC concluded that we have a consistent and thorough understanding of our budget process and GBO was aware of the escrow accounts which should not be part of our budgeting process.***

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

***The PGC will continue to as we have done in the past to ensure that all parties making financial decisions, such as proposals for hunting license fee increases, will understand the Commission's full financial disposition.***

- 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. <sup>83</sup>

***The Commission has evaluated the extent to which it continues to have an operational need for escrow accounts and has opened discussions with the Governor's Budget Office and Comptroller's Office concerning independent oversight, including transfer of such accounts to Treasury. Discussions remain to be had with Treasury to understand the role Treasury might play and whether the needs of the PGC, the stakeholders and the public can be accommodated and how. These discussions are anticipated to take place before the end of the year and result in some operational plans.***

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

***The PGC has drafted a resolution calling for a report at the next regularly scheduled Board meeting about possible regulation. Because there is not a Commission meeting until January 2020, this resolution is anticipated to be finalized and presented at that point, with regulations possible before September of 2020. The PGC strongly feels that regulation promulgation should not take place until after both the Wildlife Management Institute Report due in October of 2019 and the outcome of discussions with Treasury. This is due to the fact that all regulations should take place at the same time. Otherwise, regulations proposed in January and approved in April would be possibly proposed to be changed by April, and finally adopted by June, resulting in a very confusing scenario for the PGC and the public.***

- 6.) If there is an operation 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 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.

***The PGC has begun writing procedures and official protocols. Currently, the PGC has implemented a protocol which calls for the Executive Director or a Deputy Executive Director to sign off on all check requests from escrow prior to a request actually being made. The resolution prepared for the Board will address co-mingling of funds for land acquisition and habitat, as well as a change to the way Board approvals is sought. Escrow accounts will continue to be closed when the purpose(s) of the escrow are fulfilled, such as occurred with the Duck Marsh 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.

***The PGC is refraining from utilizing escrow accounts for general purposes such as land management services and personnel costs. The Board resolution which is being sought will formalize this restraint and it is anticipated regulations will further proscribe the circumstances, if any, when this would be allowed.***

- 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.

***PGC will ensure that the 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 administrating the accounts and the related transaction work.
  - d. Maintaining documentation for all transactions and other signification events.

***The PGC has begun writing procedures and official protocols. Currently, the PGC has implemented a protocol which calls for the Executive Director or a Deputy Executive Director to sign off on all check requests from escrow prior to a request actually being made. Regulations, where appropriate and necessary are expected in 2020, as set forth in the response to Number 5, above.***

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

#### **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.

***A procedure has been developed, implemented and will be maintained in Fiscal Management's Procedure folder to address the above recommendation.***

- 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.

***A procedure has been developed, implemented and will be maintained in Fiscal Management's Procedure folder to address the above recommendation.***

- 3.) Require all employees to track and record activities performed on timesheets in order to identify which activities are 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.

***A procedure has been developed, implemented and will be maintained in Fiscal Management's Procedure folder to address the above recommendation.***

- 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.

***The PGC disagrees with this recommendation. 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. Title 2 Part 200.431 Compensation-fringe benefits in the Code of Federal Regulations states that "Fringe benefits are allowances and services provided by employers to their employees as compensation in addition to regular salaries and wages. Fringe benefits include, but are not limited to, the costs of leave (vacation, family-related, sick or military), employee insurance, pensions, and unemployment benefit plans."***

- 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.

***The PGC will ensure that 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 the Sunshine Act.***

- 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.

***The PGC has drafted a resolution calling for a report at the next regularly scheduled Board meeting about possible regulation. Because there is not a Commission meeting until January 2020, this resolution is anticipated to be finalized and presented at that point, with regulations possible before September of 2020. The PGC strongly feels that regulation promulgation should not take place until after both the Wildlife Management Institute Report due in October of 2019 and the outcome of discussions with Treasury. This is due to the fact that all regulations should take place at the same time. Otherwise, regulations proposed in January and approved in April would be possibly proposed to be changed by April, and finally adopted by June, resulting in a very confusing scenario for the PGC and the public.***

- 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.

***The PGC will continue 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.***

### **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.

***The PGC evaluated and will continue to 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.

***The PGC has implemented a written procedure to ensure and document that its vehicles are meeting DGS utilization standards.***

- 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.

***The PGC has implemented a written procedure to 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.

***The PGC has implemented a written procedure to evaluate and document whether the vehicles need to be reassigned or whether the vehicle is no longer needed.***

- 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 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.

***Standard Operating Procedure No. 20.3 was updated August 6, 2019. The PGC has implemented a written procedure to address the administration and oversight to document its vehicle fleet.***

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

***The PGC has implemented a written procedure to evaluate and document whether vehicles need to be reassigned or if the vehicle is no longer needed.***

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

***All Commission Wildlife Conservation Officers who have graduated from the Ross Leffler School and completed the annual officer skills training as required per SOP 10.7, is considered a Law Enforcement Officer.***

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

***The PGC is in the process of hiring a non-law enforcement training full time employee and project that this annual training will be implemented by December 2020.***