

December 2013



Pennsylvania Department of the Auditor General
Eugene A. DePasquale, Auditor General
Bureau of State and Federal Audits

**A SPECIAL PERFORMANCE AUDIT
OF THE
DEPARTMENT OF CONSERVATION AND
NATURAL RESOURCES**

**COMMUNITY CONSERVATION
PARTNERSHIPS PROGRAM**

December 2013



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**EUGENE A. DePASQUALE
AUDITOR GENERAL**

December 19, 2013

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

Dear Governor Corbett:

This report contains the results of the Department of the Auditor General's special performance audit of the Pennsylvania Department of Conservation and Natural Resources (DCNR) and the way in which it administers the Community Conservation Partnerships Program (C2P2) within the Commonwealth. The period under audit was July 1, 2008 through June 30, 2013, unless otherwise noted in the body of the report, including follow-up procedures performed and concluded as of August 23, 2013. It was conducted in two phases as described within the report. This audit was conducted pursuant to Sections 402 and 403 of the Fiscal Code and in accordance with 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.

We performed our audit to determine whether DCNR complied with applicable laws, regulations, internal policies and guidelines, relevant to the awarding of C2P2 grant monies. Also, we wanted to determine whether the C2P2 funds and grant expenditures are accurate, adequately supported, and used for their intended purpose.

Our auditors found that although the process of awarding C2P2 grants has improved since 2010, during 2012 DCNR circumvented the process and awarded a \$250,000 grant to a grantee who did not apply. Additionally, we found that DCNR failed to provide adequate oversight of post-completion site inspections for more than 1,400 Land and Water Conservation Fund projects. Finally, we found that DCNR should review grant expenditure documentation to ensure that grant monies are spent appropriately. We offer 14 recommendations to alleviate identified deficiencies and strengthen DCNR's policies, controls, and oversight of the C2P2.

We thank DCNR for cooperating fully with our auditors throughout the execution of the performance audit.

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". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Eugene A. DePasquale
Auditor General

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Results in Brief

The purpose of this report is to communicate the results of our special performance audit of the Pennsylvania Department of Conservation and Natural Resources’ (DCNR) administering the Community Conservation Partnerships Program (C2P2). Specifically, our objectives included determining whether DCNR complied with applicable laws, regulations, internal policies and guidelines, relevant to the awarding of C2P2 grant monies as well as determining whether the C2P2 funds and grant expenditures are accurate, adequately supported, and used for their intended purpose.

Our audit found that during the audit period DCNR had improved its process of awarding C2P2 grants; however, during 2012 DCNR circumvented the process and awarded a \$250,000 grant to a grantee who did not apply. We recommended that in future awarding cycles, DCNR should not award C2P2 funding to any entities that did not timely apply for funding and did not have the project evaluated and scored. DCNR strongly rejects this conclusion. See Finding No. 1, DCNR’s response, and auditors’ conclusion beginning on page 2.

Additionally, our auditors found that DCNR failed to provide adequate oversight of post-completion site inspections for more than 1,400 Land and Water Conservation Fund (LWCF) projects, including some C2P2 projects, as required by the National Park Service (NPS). Deficiencies included failing to submit reports to NPS, failing to maintain an accurate list of all LWCF projects in the Commonwealth and when each was last inspected, and failing to ensure that these inspections were performed every five years. Our recommendations were well received by DCNR, and its response, indicates what pro-active steps DCNR has taken. See Finding No. 2, DCNR’s response, and the auditors’ conclusion beginning on page 8.

Finally, our auditors found that DCNR should review grant expenditure documentation to ensure that grant monies are spent appropriately. We recommended that DCNR should require C2P2 grantees to submit actual invoices and other source documentation or perform on-site reviews of actual expenditure documents on at least a sample basis. DCNR’s response that it “agrees that sampling of grantees’ source documentation has value” is encouraging. See Finding No. 3, DCNR’s response, and the auditors’ conclusion beginning on page 16.

DCNR – Background

The Pennsylvania Department of Conservation and Natural Resources (DCNR) maintains and preserves 120 state parks and manages 2.2 million acres of state forestland throughout the Commonwealth.

DCNR also establishes community conservation partnerships through grants and technical assistance to benefit rivers, trails, greenways, local parks and recreation, regional heritage parks, open space and natural areas. In this capacity, DCNR administers the Community Conservation Partnerships Program (C2P2). All of DCNR’s funding sources are combined into one annual application cycle (generally early spring), and there is a single application format and process with one set of requirements and guidelines.

C2P2 provides grant funding to communities, land conservancies, and nonprofit organizations for projects such as developing recreational trails, rehabilitating athletic fields, building playgrounds, preparing watershed or greenways plans, protecting natural or open space areas, constructing snowmobile/ATV trails, and supporting heritage activities.

Various state and federal funding sources are used to support C2P2. Most grants are awarded competitively and are for multi-year projects. Per media releases, the following lists total projects awarded for the past five fiscal years ended June 30 :

<u>FYE</u>	<u>Number of Projects Awarded</u>	<u>Total Grant Dollars Awarded</u>
2013	198	\$ 26.5 million
2012	218	\$ 31.5 million
2011	189	\$ 23.0 million
2010	143	\$ 18.9 million
2009	316	\$ 44.0 million
Totals	<u>1,064</u>	<u>\$143.9 million</u>

Source: DCNR

Finding No. 1 – Although the Process of Awarding C2P2 Grants has Improved, During 2012 DCNR Circumvented the Process and Awarded a \$250,000 Grant to a Grantee Who Did Not Apply

Our auditors conducted this audit in two phases. With regard to the competitive awarding process, we initially reviewed the Department of Conservation and Natural Resources' (DCNR's) Bureau of Recreation and Conservation's (BRC) process of awarding Community Conservation Partnerships Program (C2P2) grants for grants awarded during the fiscal year ended (fye) June 30, 2011. We then extended the audit period and reviewed DCNR's process of awarding C2P2 grants for grants awarded during the fye June 30, 2013. Because C2P2 grant monies are awarded on a competitive basis (with the exception of Peer-to-Peer and Circuit Rider projects), it is critical for DCNR to implement a fair and equitable methodology to assess, rank, and approve projects. In addition to developing and implementing standard operating procedures, this process must include documentation to support the decisions made with respect to projects selected or rejected. Furthermore, documentation must be maintained to allow an outside entity to assess whether DCNR did, in fact, comply with its methodology.

During the fye June 30, 2011 awarding cycle, DCNR was in the process of improving its C2P2 awarding process. Specifically, DCNR had developed a rating/scoring system for C2P2 projects and had a tracking system in place. Of the 12 C2P2 project types, standard scoring criteria had been developed for three project types. However, DCNR did not have written standard operating procedures to evaluate and process C2P2 grant applications. Also, DCNR did not maintain adequate documentation to validate whether the projects recommended and approved for C2P2 funding were awarded on a competitive basis. However, we noted improvements when we evaluated these deficiencies for the fye June 30, 2013 awarding cycle.

For the fye June 30, 2013 awarding cycle, prospective grantees generally had to apply for C2P2 grant by the April deadline. Each application is evaluated and scored using the appropriate scoring sheet (depending on the type of project) by two or three parties, normally a regional evaluator and central office evaluator. For trail-type projects a member of the Pennsylvania Recreational Trails Advisory Board will also provide a score. DCNR has established criteria for scoring each of the 12 project types within the five categories. The scores from each party are entered into a spreadsheet and an average score for each project is produced. BRC utilizes these scores, along with some additional information to determine which projects to recommend to DCNR upper management for approval. Based on discussions, DCNR upper management may add or delete projects from the original recommended list before forwarding the list to the Governor's Office for final approval. Award notifications were sent to the prospective grantees in November 2012.

During the fye June 30, 2013, BRC had developed scoring sheets for all project types and utilized them to evaluate all applications that were submitted by the deadline. Additionally, written application review instructions were revised to include review process procedures. These procedures require evaluators to document their comments. Comments are limited to major issues and important project facets. However, based on our inquiry, review of documentation, and audit procedures, we identified the following deficiencies with regard to our review of the awarding process during the fye June 30, 2013:

- **DCNR circumvented the scoring and vetting process and awarded a \$250,000 grant to a non-profit that did not apply for funding.** By comparing projects awarded to projects scored, we identified one project that was not included in the population of projects to be evaluated and scored. Through inquiry, BRC management acknowledged that the applicant had not officially submitted its application by the established deadline and therefore was not part of the evaluation and scoring process. Furthermore, BRC management stated that in September 2012 the former Secretary of DCNR told BRC management to contact this non-profit and help them complete the C2P2 application. The e-grants system (used to apply for funding) identifies that the application was submitted on October 2, 2012. Given an applicant cannot submit after the deadline, BRC management acknowledged that it submitted the application on the non-profit's behalf.

When asked what allows DCNR to award C2P2 funding to projects that were not evaluated and scored, BRC management indicated that it is allowed per the following statement within the C2P2 Grant Program Requirements and Guidelines, "Contingency funds may be used for projects that address emergency situations, provide unique opportunities, are innovative in nature or help meet special DCNR/Commonwealth priorities." However, during several other interviews, BRC management was adamant that a project could not be considered unless the entity timely applied for C2P2 funding. Therefore, it would be reasonable that this sentence would only apply to the population of projects that submitted timely applications. BRC's response to this is that the former Secretary told us to add the project to the list of projects to be awarded.

Furthermore, when we asked if this project addressed emergency situations, provided unique opportunities, was innovative in nature or helped meet special DCNR/Commonwealth priorities as per C2P2 Grant Program Requirements and Guidelines, BRC management stated "a unique opportunity." No written justification was provided. Given the project was predominately to build a comfort station/shower house building we do not understand how this project could be a unique opportunity.

Although this project was awarded a \$250,000 grant in November 2012, because the project had several open issues that were not completed, including the lack of secured matching funds, DCNR had not yet provided any grant funds as of August 2013. It would appear reasonable that the non-profit could have just applied in the next application cycle (deadline April 2013). Furthermore, the \$250,000 grant from the fye June 30, 2013 awarding cycle could have been awarded to a different project that had timely applied and was evaluated and scored.

- **BRC's written review process procedures within the application review instructions should be improved.** As previously noted, when we compared the application review instructions for the fye June 30, 2011 awarding cycle to the review instructions for the fye June 30, 2013 awarding cycle, we found that the application had been expanded to include a section on review process procedures. We applaud BRC for developing these procedures; however, based on the results of our audit procedures, the following additions/improvements should be incorporated into future application review instructions:
 - Requirements should be added to retain the scoring sheets, to recalculate the scoring sheets, and to verify that the score is accurately entered onto the summary spreadsheet. BRC management acknowledged that scoring sheets were not required to be retained, but indicated that due to our inquiry, BRC has subsequently required scoring sheets to be retained. Failure to retain scoring sheets precludes an independent party from verifying that the scoring sheets were completed and the scores were accurately entered onto the summary spreadsheet accurately reflect those scores.

Although not required to be retained, DCNR was able to provide the auditors most of the scoring sheets requested. We randomly selected a sample of 25 projects from the population of awarded projects from the fye June 30, 2013 awarding cycle and requested the scoring sheets from both the regional and central office evaluators. Of the 50 possible scoring sheets, DCNR was not able to provide 8 (16 percent). Furthermore, of the 42 scoring sheets received, we noted the following discrepancies:

- Totals on 2 scoring sheets were not accurate. Therefore, the scores on the summary spreadsheet were not accurate; and
- Totals on 4 other scoring sheets were not accurately entered onto the summary spreadsheet.

Although the errors were minor, ranging from 1 to 5 point differences, given these scores are part of the final average that is ultimately used to determine which projects are awarded, it is important for the scores on the summary spreadsheet to be accurate.

- Requirement should be added to generate and retain written summaries or minutes for each project review meeting. Management indicated that its decision-making documentation, which includes the scoring spreadsheet, the comments noted in the Grants Management Database, and various hand written personal notes (that may be retained) is adequate documentation. We disagree in certain circumstances. For example, if the project has the highest score and the comments indicate “Ready to go. Fund at \$XXX,XXX,” documentation may be sufficient to support this initial recommendation. However, if the project has a mediocre score and the first comment reads, “Too low down on trail list; did not discuss at trail meeting,” and the next comment states, “Ready to go,” there is missing information that must be documented in order for an independent evaluator to understand and agree to that final conclusion. Management concurred with this statement. Furthermore, personal notes should not be utilized to document official decision making.
- **As the projects are vetted through senior management to the Governor’s Office, documentation needs to be maintained to validate which projects were recommended at each level.** As previously noted, projects that might not be initially recommended for approval through the project review meetings may eventually be selected for funding given this process can take several months. This could be for a variety of reasons including more money has become available or an emergency situation has arisen. As a result, it is necessary to document the decision making and the approval. For each level, there should be an audit trail that clearly shows which projects were recommended to the next level and why. This would include an actual signoff by each level identifying which projects they have approved. This would provide transparency and accountability at each level.

Recommendations:

We recommend that DCNR:

1. In future awarding cycles, not award C2P2 funding to any entities that did not timely apply for funding and did not have the project evaluated and scored.
2. For projects that are selected for special reasons, have written justification for the selection and establish a level of management that needs to approve such projects. This documentation should be maintained.

3. Revise the application review instructions for future awarding cycles for the following:
 - a. Retain the scoring sheets from each evaluator;
 - b. Recalculate each scoring sheet to ensure totals are accurate;
 - c. Verify that the scores from each scoring sheet are accurately entered onto the summary spreadsheet; and
 - d. Generate and retain written summaries or minutes for each project review meeting.
4. Generate and retain documentation to substantiate the decision making and approval of projects at each DCNR senior management approval level.

Agency Response:

DCNR strongly rejects the finding's conclusion that DCNR circumvented the process during the 2012 round of C2P2 grants. The award of \$250,000 to the grantee identified by the auditors was an executive priority and is clearly covered under the program guidelines providing that "Contingency funds may be used for projects that address emergency situations, provide unique opportunities, are innovative in nature or help meet special DCNR/Commonwealth priorities." The recognition that the process of awarding C2P2 Grants has improved is appreciated. Improvements have always been and will continue to be made as part of the annual grant round development process. The Bureau annually evaluates what worked well in the previous round, what modifications may improve process, and then makes enhancements that add value for prospective grantees and ensure that funds are spent effectively and appropriately.

Response to recommendations:

1. DCNR disagrees with this recommendation. The finding discusses one project out of the nearly 350 considered and 198 awarded in 2012. That project was covered under the program contingency guidelines. This exception does not provide a compelling reason to remove all Agency and Secretarial flexibility to identify and direct staff to work on projects that are such special cases or to adopt a blanket rule prohibiting funding to any entities that did not timely apply. The overwhelming majority of projects are applied for as part of the annual application process, reviewed, scored and awarded competitively.
2. DCNR does not agree that this recommendation is necessary for projects that are awarded consistent with program guidelines.
3. The scoring process for the next Grant Round (Round 20/2014) will be managed with a new grants management system ("Recreation and Conservation Electronic Records System - RACERS").
 - a. The score sheets are integrated into the electronic system ensuring that individual and combined scores will be retained.
 - b. The new system will ensure that mathematical errors are eliminated – All calculations/tabulations will be automatic.
 - c. The new system is designed to make the scoring summary spreadsheets obsolete. If supplemental spreadsheets are used it is agreed they should be retained.

- d. DCNR disagrees with this recommendation because it is unnecessary to retain minutes or summaries for every project review meeting. The number of meetings involved in any one project can be numerous and the documentation required would be voluminous and not add significant value in the determination of worthy projects or their successful completion.
4. Documentation of actions and decisions will be retained for the review meetings involving the Division Chiefs as a group, the Division Chiefs with the Bureau Director, the Bureau Director meeting with the Deputy, and the recommendations presentation meeting with the Secretary.

Auditors' Conclusion: DCNR management's disagreement with many of the points made in the finding is a concern to us and it should be a concern to entities who would like to obtain C2P2 grant funding in the future. Management's position that "an executive priority . . . is clearly covered under the program guidelines" is disturbing, especially when the grantee had not initially applied for the C2P2 funding. Furthermore, management justified its decision as acceptable because it occurred in only one instance of 198 approved grant awards. Although we are aware that this happened only once during this awarding cycle, the implications of management's comments create concern that this will occur again. In this type of control environment, what is to prevent this from occurring 5 or 10 times in a future awarding cycle? This precedent is bad business for government and clearly not equitable for entities who seek C2P2 funding by adhering to DCNR's generally prescribed policies.

Just to clarify, we are not opposed to DCNR's guidelines, which state, "Contingency funds may be used for projects that address emergency situations, provide unique opportunities, are innovative in nature or help meet special DCNR/Commonwealth priorities." Rather, we are opposed to this being interpreted that any project can be awarded a C2P2 grant, without the entity properly applying for the grant and without the project being properly vetted. Furthermore, if a project is awarded for one of these exceptions, management should have a documented justification for why this project was "moved up" in front of other projects that may now not be awarded a C2P2 grant.

Finding No. 2 - DCNR Failed to Provide Adequate Oversight of Post-Completion Site Inspections for More Than 1,400 LWCF Projects

Our auditors conducted this audit in two phases. We initially reviewed the Department of Conservation and Natural Resources' (DCNR's) policies/guidelines that were in place for projects that had payments during the period July 1, 2008 through June 7, 2010. We selected a sample of projects during that period and, for projects that required a final site inspection, we determined whether the inspection was performed and performed adequately. To follow up on this area for the second phase of the audit, which was performed during the spring and summer of 2013, we limited our procedures to the following: 1) evaluated the adequacy of DCNR's post-completion site inspections; 2) evaluated the adequacy of any related new or revised DCNR policies/guidelines, which became effective subsequent to our initial execution period; and 3) verified that final site inspections were adequately performed for any projects, selected as part of our initial sample, that required site inspections, but the project was not yet completed during our initial test work.

According to DCNR's Bureau of Recreation and Conservation (BRC) Site Inspection Policy, Effective October 5, 2009, and revised November 29, 2011 with minimal changes, there are four basic types of site inspections that DCNR may perform: pre-application/pre-award inspections, progress inspections, final site inspections, and post-completion site inspections (Land and Water Conservation Fund projects only). The policy provides guidance as to when each type of site inspection is required (or optional depending on the circumstance), who may initiate/request the inspection, and an itemized listing of each site inspection process and what documentation is to be maintained. DCNR management utilizes one site inspection report form to document most inspections. However, a separate form is utilized for post-completion site inspections.

Based on our review of the current guidelines, discussions with management, and our final site inspection test work and post-completion site inspection test work, we commend DCNR for the following:

- In April 2013, BRC management developed and implemented a new policy regarding the acquisition, tracking, maintenance and disposition of trail construction and maintenance equipment. Although we have not verified that DCNR is complying with this policy, based on our review of the policy, we believe the policy is adequate.
- With respect to our testing of the 15 projects that required final site inspections from our sample of 60 projects (see Finding 3 for more information), we verified that DCNR adequately completed these 15 inspections and properly notified the grantees of the results.

However, we also noted significant weaknesses related to post-completion site inspections and noted that BRC should revise its Site Inspection Policy as described below.

DCNR failed to provide adequate oversight to ensure that post-completion site inspections are performed as required by the National Park Service. Failure to comply jeopardizes public trust and may lead to the federal government withholding its approval of future projects.

When projects, including some C2P2 projects, receive federal grant money from the Land and Water Conservation Fund (LWCF), which is administered by the National Park Service (NPS), post-completion site inspections are required to be performed within five years after final billing and at least once every five years thereafter. The inspection should generally take into consideration retention and use of the property, the property's appearance, maintenance, management, availability, and proper signage.

According to DCNR management, since 1995 the governor has appointed a deputy secretary from DCNR as the LWCF Officer for the entire Commonwealth. As part of that responsibility, in accordance with the LWCF State Assistance Program Manual (manual), DCNR is required to ensure compliance and enforcement of post-completion and stewardship over LWCF-assisted sites and facilities. This would include ensuring that all sites within the Commonwealth are inspected every five years, even if DCNR is not responsible to conduct the inspection. Additionally, the manual requires DCNR to submit an annual report to NPS of all LWCF projects inspected by September 30. Also, the manual requires DCNR to submit, within 90 days, post-completion site inspection reports for projects that have compliance problems. Finally, the manual states that failure to comply with federal laws and regulations could result in NPS withholding payments, withholding approval of future projects, and taking other appropriate action as deemed appropriate.

To ensure compliance, DCNR must designate appropriate staff to oversee and manage this mandate. This would include directing and controlling the scheduling of the post-completion site inspections, ensuring that they were adequately completed, and timely submitting the required reports to NPS. However, DCNR had not done that during our audit period. Based on meetings with management, DCNR acknowledged that LWCF post-completion site inspections have generally not been a priority in the past 10 years because the federal government was lax in its efforts to ensure that states comply with this provision. Therefore, DCNR did not do the following:

- Submit any reports to NPS, including annual reports and reports of non-compliant projects required to be submitted within 90 days. However, subsequent to our inquiry, on May 2, 2013, DCNR submitted to NPS a list of 225 projects and their respective inspection dates, which occurred between 2008 and 2012;
- Maintain an accurate list of all LWCF projects in the Commonwealth and when the last inspection occurred;

- Reconcile DCNR’s list of LWCF projects to NPS’s list of projects; and
- Ensure that inspections were being performed every five years in compliance with the manual and DCNR’s Site Inspection Policy.

Management estimated that Pennsylvania had approximately 1,500 projects; whereas, as of April 23, 2013, NPS’s website reported Pennsylvania having 1,441 projects.¹ Management also stated that one of their regional offices (Region 1 - encompassing the five Philadelphia area counties) had consistently been conducting LWCF post-completion site inspections and had a current list. As a result, we performed procedures related only to Region 1 as summarized below.

- We compared the Region 1 list to DCNR’s central office list and to NPS’s list and noted that none of the lists agreed. NPS’s list had 20 projects that were not on DCNR’s central office list and 23 projects that were not on the Region 1 list, which indicates that DCNR’s lists were probably not complete, and therefore, these projects were not being tracked and inspected as required. Additionally, there were 2 projects included on DCNR’s central office list and 16 projects included on the Region 1 list that were not included on NPS’s list. Based on our inquiry, DCNR indicated that 10 of the projects on the Region 1 list were not LWCF projects and should not have been included. DCNR needs to ensure that it has a complete and accurate list of all LWCF projects in the Commonwealth.
- We selected 40 projects on the Region 1 list and requested the corresponding post-completion site inspection forms to verify that each inspection was performed. We replaced three projects within our sample because DCNR acknowledged that they were not LWCF projects, including one project (which was never built and was withdrawn) that had been inappropriately included on the list for over 20 years. The following are the results of our testing:
 - 4 projects did not have inspection forms on file to validate that the most recent inspections were performed. Therefore, we did not perform our other test work. Management acknowledged that the forms were not on file.
 - Of the remaining 36 projects:
 - Inspection forms for 25 were not signed by the inspector. Management indicated that DCNR recognizes that these are deficiencies and plans to mitigate them in the future.
 - Inspection forms for 19 were not completed in their entirety; either a question was not answered or an explanation was not present for a “no” or “N/A” response, which is required by the form. Management acknowledged that, although the inspection form states that comments are required for “no” or “N/A” responses, some questions are self evident and obvious. Management should consider revising the form to specifically identify when an inspector must comment on respective responses.

¹ <http://waso-lwcf.ncrc.nps.gov/public/>

- Emails from inspectors to verify that inspections were completed and their results were not found for 34 projects. The Site Inspection Policy requires email notification to be sent to central office as each inspection is completed. However, management was able to produce an annual summary report that was sent to central office summarizing the results of 9 of these inspections. Management indicated that the policy should be changed to require only a summary report. Although a summary report may be sufficient, management must receive the report on a periodic basis (i.e., monthly) in order to ensure that non-compliant project inspections are timely submitted to NPS (must be within 90 days). Furthermore, management must verify that the summary report accurately reflects the results of the inspection forms.
- DCNR indicated that it does not perform supervisory review and approval of post-completion site inspections because they are performed by professional staff. We disagree. Supervisory review and approval ensures that inspectors are adequately completing the inspection forms (i.e., properly signed, all boxes are checked, all necessary comments are present, and boxes are correctly marked) and ensures that the conclusions reached are reasonable and appropriate.

Based on the above deficiencies, DCNR must rectify the lax oversight of post-completion site inspections. Senior management must establish an effective and efficient process for tracking and managing all LWCF projects within the Commonwealth and their respective inspection due dates. Furthermore, management must assign responsibility for this mandate to appropriate staff and develop appropriate policy/guidelines and sufficient management controls.

DCNR should revise its Site Inspection Policy

Based on our review of BRC's Site Inspection Policy, revised November 29, 2011, and discussions with management, we noted the following concerns:

- For pre-application/pre-award inspections: The guidelines establishing when inspections are required are vague. Phrases, such as "large" landscape initiatives and "little knowledge" of the proposed applicant, are used to determine when inspections are required. Vague language allows one to use discretion which potentially generates different interpretations and, therefore, inconsistent results. The guidelines should define vague terms to ensure the guidelines are consistently applied. Management agreed that vague language should be eliminated from the policy.

- For progress site inspections: The guidelines state, “As a general rule, progress site inspections are not required.” The guidelines explain that there are situations that warrant a progress inspection, such as “if a project becomes problematic.” Furthermore, the guidelines encourage DCNR personnel to conduct progress inspections if they are in the project’s vicinity. However, with respect to development-type projects, we believe that progress reviews should be required. Underlying problems or scope deficiencies may be discovered if progress reviews are required. Management agreed that the policy should be amended to require progress reviews for high-risk grantees, such as first-time grantees or grantees with limited resources.

Recommendations:

We recommend that DCNR:

1. Immediately designate appropriate management to properly administer the LWCF Officer responsibilities appointed to DCNR by the Governor;
2. Immediately assess and develop a strategic plan to ensure that DCNR and the Commonwealth come into compliance with the National Park Service requirements within a reasonable timeframe;
3. Determine the population of all LWCF projects within the Commonwealth;
4. Reconcile the Commonwealth’s LWCF project list with NPS’s now and periodically thereafter;
5. Improve your process for tracking and managing LWCF projects and inspections, including projects that are to be inspected by other parties. This could include the following:
 - a. Establishing mechanism for obtaining all inspection forms and data timely;
 - b. Developing protocols for adding/deleting LWCF projects; and
 - c. Developing inspections schedules and a dissemination process for communicating with inspectors;
6. Implement management controls to include revising policy/written procedures for changes DCNR makes to processes; requiring supervisory review and approval of inspection forms; ensuring inspection data agrees to source documentation, ensuring all inspections are performed timely, signed by the inspector, conclusions reached are appropriate, and ensuring accurate information is submitted to the NPS timely;

7. Revise the Site Inspection Policy to remove/define vague terms to ensure that the policy is applied consistently; and
8. Consider requiring that progress site inspections be mandatory for all development-type projects.

Agency Response:

DCNR generally agrees with all of the findings and recommendations in Finding No. 2.

Response to recommendations:

1. Deputy Secretary Cindy Dunn served as the Governor's designated lead on the LWCF program (State Liaison Officer) during the period covered by this audit. With her recent departure, the Governor has designated Lauren Imgrund, Director, Bureau of Recreation and Conservation as the State Liaison Officer and Assistant Bureau Director, Darrel Siesholtz, as the Alternate State Liaison Officer. In addition, the Bureau of Recreation and Conservation has proposed consolidation of LWCF program coordination responsibilities within a single position.
2. DCNR has developed a solid strategic/operational plan and is well along in its implementation. The Department has established a 5 year inspection cycle that ensures at least 20% of the required LWCF site inspections are performed per year. The Bureau of Recreation and Conservation has worked closely with the DCNR Bureau of Information Technology and has developed and deployed a "collector app" that is being used on iPads and smart phones. This tool has significantly improved the efficiency of post-completion site inspections. This new tool was deployed in early summer 2013 and as of 11/15/13 our staff have inspected 335 sites which means we have already exceeded our annual goal of inspecting 20% of the projects/sites. In addition, at this year's National Association of State Outdoor Recreation Liaison Officers meeting, other states indicated that PA's new process could be a model for the nation.
3. It is agreed that it is important to have an accurate list of sites that fall under the LWCF inspection requirement. The Bureau of Recreation and Conservation has the official list of projects from the National Park Service and is working from it to derive the definitive universe of LWCF sites. The process includes the digitization of all project 6(f) boundaries which is nearing completion. To date, 883 site boundaries have been digitized. As part of this process, it has become apparent that multiple projects have been awarded and developed on the same site or adjacent sites. Sometimes these multiple projects are within the existing 6(f) boundary, and sometimes the project(s) results in an expansion of the boundary or an additional site 6(f) boundary that may not be connected to the original park site. This has contributed to some of the confusion between "project lists" and "site lists." These differences are being resolved as we work through the lists of sites and projects and through the project files. If corrections to the official NPS list are needed, DCNR will work with NPS to ensure that this occurs.
4. DCNR agrees that the development of an accurate list of projects and sites and the maintenance of these is important. See response to 3 above.

5. DCNR agrees that tracking and managing LWCF projects and inspections, including projects that are to be inspected by other parties, needs continuing improvement. The development of the collector app, the inspection database fed by the app in real-time, reengineering of the process and implementing the plan to inspect at minimum 20% of the sites annually have moved the Agency strongly towards this end. In regard to the inspections that need to be conducted by other parties, the State Liaison Officer coordinated an interagency meeting to discuss the LWCF program and to detail the inspection responsibilities. The Bureau of State Parks indicated that it will conduct LWCF inspections as part of their annual “park inspections” and the Bureau of Forestry has designated its Recreation Section to be tasked with the responsibility. Meetings with other state agencies that received LWCF money, communicating their responsibility to ensure the completion of inspections every 5 years, are in the process of being scheduled. As an outgrowth of these meetings the State Liaison Officer will be developing an MOU to clearly identify other agencies’ responsibilities and specify reporting requirements.
 - a. The collector app ensures that the inspection data and pictures collected at the time of inspection are available in a very timely manner – they can be reviewed as soon as the inspector saves the inspection data on the device. This data can then be used to generate complete electronic or printed inspection forms with the inspectors’ signature if a hardcopy is needed.
 - b. Official 6(f) boundary information and other project related information is transferred to the Bureau’s GIS specialist when LWCF projects are closed out. As stated in number 3 above, our specialist is working to resolve issues with historical data and identify projects and their relationships to sites.
 - c. The Bureau has developed inspection objectives which have already been met for 2013. The inspection application has been deployed and is continuing to improve as more inspections are completed. The site inspection policy has also been updated to reflect communication and action expectations and is being finalized for deployment with the other policy and standard operating procedure changes for Grant Round 20.
6. DCNR has implemented procedures and revised the site inspection policy to ensure that the most accurate and timely information is accessible to management and transmitted to NPS. The revised process ensures inspection data agree with “source documentation,” and that all inspections are performed timely, are signed by the inspector, conclusions reached are appropriate and accurate information submitted to the NPS.
7. The site inspection policy has been revised to provide clear and consistent direction in order to ensure compliance.
8. The Agency has considered the recommendation that progress site inspections be mandatory for all development-type projects. However, we have determined that this is not necessary in all cases. We have established criteria for when progress site inspections will be required and staff responsibilities have been defined more clearly.

Auditors' Conclusion: We commend DCNR for proactively addressing many of these deficiencies. Although we have not audited any corrective actions indicated in DCNR's response, we will follow up at an appropriate time to determine whether and to what extent all recommendations have been implemented.

**Finding No. 3 – DCNR Should Review Grant Expenditure Documentation
to Ensure that Grant Monies are Spent Appropriately**

As previously noted, this audit was completed in two phases. During the initial phase, the auditors focused on projects funded with Community Conservation Partnerships Program (C2P2) grant monies between July 1, 2008 and June 7, 2010. During the second phase, we limited our procedures to evaluating any changes management made to the process.

We initially selected 60 C2P2 projects (comprised of several project types) and reviewed the expenditure documentation maintained by the Bureau of Recreation and Conservation (BRC). The auditors found that, of the 60 projects totaling approximately \$45 million, only 19 had sufficient documentation maintained in the respective BRC files. BRC management indicated that it does not require grantees to submit invoices, payroll records, etc. (although in some cases the grantee does submit the documentation). Instead, the BRC requires grantees to each submit a listing of invoices or a summary spreadsheet to support project expenditures. According to management, BRC reviews these summary documents and, if something unusual comes to its attention, BRC will request additional documentation. Management indicated that summaries are sufficient because the project managers keep abreast of how the project is progressing. We disagree with management's explanation. Although project managers might keep abreast of projects, failure to obtain invoices or to go on-site to review invoices could allow the grantees to potentially use some grant funds wastefully, abusively, or fraudulently. Agencies administering grant programs should ensure that grantees are using the grant monies appropriately and for their intended purposes. Ongoing project monitoring, including reviewing the invoices from the project, should be implemented by management to reduce the risk of grantees inappropriately spending money provided by the Commonwealth.

Our review of the documentation for the 19 projects with sufficient documentation found that the expenditures were in compliance with the BRC's policies and were reasonable based on the projects purpose. However, for the remaining 41 projects, the auditors attempted to obtain documentation directly from the respective grantee through correspondence. BRC indicated that it could not provide assistance when requesting support from 26 of the 41 project grantees because BRC management did not have the necessary resources to devote to assisting the auditors due to current and routine obligations. As a result, we utilized contact information provided by BRC management and directly attempted to obtain the source documentation from the grantees. The following summarizes our results:

- Sufficient expenditure documentation was provided by the grantees for 17 projects. The auditors reviewed the documentation and found the expenditures to be reasonable and for their intended purpose.

- No documentation was provided by the grantees to the auditors for eight projects that were awarded a total of \$2.5 million, and insufficient documentation was provided by the grantees for 16 projects that were awarded a total of \$8.7 million. Documentation was insufficient because it did not include payroll records and/or invoices. Failure to provide this documentation calls into question whether the grant funds were used as intended and indicates a heightened risk of potential fraud or abuse.

We presented our results to DCNR in January 2013. Management disagreed that source documentation from grantees should be requested and reviewed to ensure that grant monies are appropriately spent and stated that obtaining summary invoices is sufficient for this purpose. Additionally, management indicated that this process is annually approved by the Comptroller's Office. Furthermore, management stated that they would follow up with the grantees who failed to provide any documentation to the auditors for the eight projects.

For phase two of the audit, we limited our follow up to making inquiry about any changes BRC made to the processing of grant payments and to what, if any, follow up occurred with respect to the projects for which insufficient or no expenditure source documentation was provided to the auditors.

Based on our follow up inquiry in the spring of 2013, management stated that it has not changed its grant payment process. BRC is not requiring source documentation (invoices, etc.) to be submitted to obtain reimbursement nor have they added any on-site review requirements of source documentation. However, BRC management did provide written procedures for how they process payments to grantees, including advance payments, partial payments and final payments. These procedures were not formal guidelines and were typed up prior to the meeting with the auditors. We reviewed these procedures and believe that these are a good step toward formalizing this process.

With regard to the grantees of the eight projects that did not provide any documentation to the auditors, in spring 2013, management contacted these grantees to ascertain whether the auditors had contacted them and why they did not respond. The grantees provided various responses, including "unsure why they didn't respond," "no recollection of being contacted or called," or "staff changes resulted in [the grantee] not responding to the auditors." Based on the grantees responses, BRC requested documentation from only four of the eight projects and received additional documentation for three projects. Management reviewed the support for one and determined it to be adequate. We also reviewed the additional documentation for that project and agreed that it was adequate.

Although management has continued to maintain that requesting and reviewing summary information is sufficient to adequately ensure that grant monies are appropriately spent, management has indicated that it is contacting other agencies to determine what documentation they require for processing grant payments. We applaud DCNR for reaching out to other agencies; however, without reviewing all the source documentation, DCNR cannot be assured that the all grant monies are being utilized appropriately. Alternatively, allowing grantees to submit summary documentation to support expenditures may be sufficient, if DCNR staff then goes on-site to review a sample of actual expenditure documents.

Recommendations:

We recommend that DCNR:

1. Require C2P2 grantees to submit actual invoices and other source documentation or perform on-site reviews of actual expenditure documents on at least a sample basis; and
2. Formalize its draft written procedures for processing C2P2 grant payments.

Agency Response:

DCNR agrees in part with the findings and recommendations in Finding No. 3.

Response to recommendations:

1. DCNR policies and procedures ensure that grant monies are spent appropriately. C2P2 grantees are required to submit source documentation. As was explained during the audit, the project management process requires that grantees submit for our review and approval the following documents: requests for proposals, bid documents, bid tabs, bid recommendations and awards, consultant contracts, construction contracts and change orders. The final payment request form financial summary information must match the information in these previously approved documents executed and submitted by the grantee. At the time of the Audit and currently, the processes used by DCNR follow Management Directive 305.20 and the C2P2 program manual and policies which are reviewed and approved by the Comptroller's Office in accordance with the management directive. The Comptroller-approved payment requirements are contractually established through the grant agreement and Bureau policies. Furthermore, the Bureau already requires submittal of actual invoices or equivalent expenditure verification information (i.e. settlement sheets for land acquisition projects and letters from consultants that they have been paid in full for planning work, etc.) The Bureau will review with the Comptroller the audit findings relative to payments and discuss with them any changes or improvements they believe are necessary for the grant program. DCNR agrees that sampling of grantees' source documentation has value and in coordination with our Bureau of Administrative Services, the Bureau of Recreation and Conservation will shortly begin doing so on a regular basis.
2. Written standard operating procedures (SOP's) already exist to document the payment processing steps for Advanced, Partial, and Final Payments. The SOP was developed in written form in 2009.

Auditors' Conclusion: We commend DCNR for its willingness to consider reviewing grantee source documentation on a sample basis. We will follow up at an appropriate time to determine whether and to what extent this recommendation has been implemented.

With regard to management's reference to standard operating procedures effective in 2009, these relate to how a grantee would request a payment. However, this finding and recommendation is addressing formalizing standard operating procedures on how DCNR internally processes C2P2 grant payment requests. During the audit, management provided these internal written procedures in draft form to address an auditor's inquiry. During the exit conference, the auditors explained this to management, who indicated that DCNR will address this in its corrective action plan.

Based on the agency's response, the findings and recommendations remain as stated.

Appendix A: Objectives, Scope and Methodology

Objectives

The objectives of this special performance audit were to:

- Determine whether the Department of Conservation and Natural Resources (DCNR) complies with applicable laws, regulations, internal policies and guidelines, relevant to the awarding of the Community Conservation Partnerships Program (C2P2) grant monies [See Finding No. 1 and 2]; and
- Determine whether C2P2 funds and grant expenditures are accurate, adequately supported, and used for their intended purpose [See Finding No. 3].

Scope

Our audit covered DCNR's duties and responsibilities with regard administering C2P2. This audit was completed in two phases. The first phase pertains to C2P2 for the period July 1, 2008 through June 7, 2010, unless otherwise noted in the body of the report. The scope was extended and the engagement period revised to July 1, 2008 through June 30, 2013, unless otherwise noted in the body of the report, including follow-up procedures performed and concluded as of August 23, 2013.

Methodology

The methodology in support of the audit objectives (separated into the two phases) included:

Phase #1

- Reviewing appropriate statutes, regulations, the State Recreation Plan, grant guidelines, Land and Water Conservation Fund (LWCF) State Assistance Program Manual, land related information from DCNR's website (www.dcnr.state.pa.us);
- Interviewing and corresponding with DCNR management and regional staff within the Bureau of Recreation and Conservation (BRC), conducting walkthroughs of the internal control environment, reviewing documentation to assess controls and gain and understanding of the policy and procedures used in administering the program, to include the grant award process, the grant payment process, and the inspection process;
- Assessing audit risk and significance within the context of the audit objectives;

- Using data provided by DCNR, we stratified the population of grants and judgmentally selected a sample of 60 C2P2 grants, encompassing all project types that had payments during the period of July 1, 2008 through June 7, 2010 for detail testing. We tested the grant by reviewing the grant files to ensure key documents were in place and were appropriately signed, and the purpose of the project complied with the C2P2 guidelines;
- Using the same sample of 60 projects, we selected up to four payments and reviewed the documentation maintained in DCNR's payment files to determine whether sufficient documentation existed and verified the information was accurate. For those projects that we determined were not sufficient, we requested or had DCNR request source documentation directly from the grantee and reviewed the documentation for appropriateness;
- Using the same sample of 60 projects, we determined which projects required final inspections and obtained the respective inspection form and verified that the inspection occurred prior to final payment; and
- We evaluated the related C2P2 policies and guidelines and determined adequacy.

Phase #2:

- Performing follow-up procedures, to include making inquiry and obtaining documentation, regarding changes DCNR made during or since the first phase of the audit to determine whether issues initially discussed were resolved;
- Obtaining the population of projects awarded during the fiscal year ended (fye) June 30, 2013 awarding cycle and compared that to the DCNR list of projects evaluated and scored to determine if all projects awarded were applied for, scored and vetted;
- From the population of projects awarded during the fye June 30, 2013 awarding cycle, we randomly selected 25 projects and performed procedures to assess whether the final scores were accurate and properly supported;
- We interviewed two members of the Pennsylvania Recreational Trails Advisory Board with regard to how they score trail projects and whether the score sheets are maintained;
- As part of our original sample of 60 projects (see phase #1), for any projects requiring inspections that were not completed during phase #1, we determined that a proper final inspection took place;
- Obtaining a list of all LWCF projects in DCNR Region #1, including the date the last inspection occurred and comparing it to the DCNR's headquarter Region #1 list, and to the National Parks Service (federal) list of projects in region #1 from the internet to ascertain completeness and accuracy;

- From the list of all LWCF projects in DCNR Region #1, we randomly selected 40 projects and requested and reviewed the respective inspection form to ensure the inspection occurred, the inspection form was signed and the form was fully completed; and
- Obtaining documentation on the project that was awarded, but not applied for, scored or vetted by DCNR during the fiscal year ended June 30, 2013 awarding cycle, to include discussing with DCNR management the circumstances and reasoning for this project being awarded.

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