



SUSQUEHANNA RIVER  
BASIN COMMISSION

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NY ■ PA ■ MD ■ USA

January 7, 2019

Mr. Brian Lyman, CPA  
Director, Bureau of Audits  
Office of Comptroller Operations  
9<sup>th</sup> Floor, Forum Place  
555 Walnut Street  
Harrisburg, PA 17101

The Honorable Eugene A. DePasquale  
Auditor General  
Department of the Auditor General  
Finance Building  
613 North Street, Room 229  
Harrisburg, PA 17120-0018

Dear Sirs:

This letter will constitute a response to the report issued on November 7, 2018 by the Pennsylvania Auditor General's office following the Performance Audit of the Susquehanna River Basin Commission ("SRBC") conducted for the SRBC Fiscal Year ending June 30, 2017. It is respectfully offered for your consideration by the Commissioners of the SRBC, and provides direction to SRBC staff leadership. It is our understanding that the Audit process in the Commonwealth of Pennsylvania requires this submission to be made on or before January 7, 2019. As Commissioners responsible for the oversight of the SRBC, we want to assure you that we are committed to providing direct oversight of the implementation of the recommendations contained in the report. We believe the report can serve as a tool to ensure not only management follow-up on the specific items included, but as a regular reference relative to the obligations and responsibilities of an agency charged with serving the public.

First, we appreciate the diligent effort by the Auditor General's office in conducting the audit. We understand from those interviewed that the staff was open with respect to SRBC activities and allowed ample opportunity for the SRBC staff to provide information and answer questions. We believe that approach makes for a thorough and constructive audit and report. Recommendations related to increased transparency; modernizing the Memorandum of Understanding (MOU) between the Pennsylvania Department of Environmental Protection (DEP) and the SRBC and clarification of roles and responsibilities of the two agencies in regulating certain entities; and pursuing full member contributions are well received.

We as Commissioners also want to state unequivocally that any organization which relies upon or is entrusted with managing public funds must be vigilant in its handling and expenditures of those funds. Taken in the context of the operating budget of the Commission, the dollar amounts discussed in the report for activities such as agency-sponsored events and employee incentives which raised some concerns may not be large. However, the Commissioners agree that an expenditure, in any amount, which gives the impression or causes a public perception that an agency is spending money inappropriately, is a legitimate concern. The mission of the SRBC, supported by the member jurisdictions, is critical in protecting the resources of the Basin and the SRBC strives to fulfill its mission established by the Compact in a professional and fiscally responsible manner. It is for this reason, to safeguard the mission and work of the Commission, that it becomes even more critical that any perceived missteps are quickly and publicly addressed.

*A water resource agency serving  
the Susquehanna River Watershed*

Actions to address recommendations of the Audit report have already begun. Attached to this letter you will find a document which responds to each of the findings and recommendations in the report. We note that actions related to many of the items detailed in the report which concerned the propriety of expenditures of funds for staff recognition, events, or quarterly meetings, have been implemented, with the remainder under active review.

Further, it is our understanding that under Pennsylvania's audit procedure there is a requirement for a second submission by SRBC, to be received by the Auditor General's office no later than 120 days after receipt of the Audit Report. The Commissioners commit to providing you with a status of the implementation of any recommendation contained in the report which is not fully addressed by this submission in accordance with this submission deadline.

With respect to the finding regarding the need to update the MOU between SRBC and Pennsylvania DEP, the Commissioners from outside Pennsylvania recognize that this is primarily an issue between DEP and SRBC. These commissioners want to be appropriately respectful of and deferential to that relationship. It is the understanding of these commissioners from prior quarterly meetings and recent discussions that the process to revise the dated MOU has begun, and a summary of actions related to developing the new agreement resulting from discussions between the two agencies is included in the attachment. These commissioners, with concurrence from the Pennsylvania commissioner, have also directed that a status on that effort be provided at each quarterly Commission meeting.

Finally, while all must recognize that the decision by each jurisdiction to pay the requested share to the SRBC is decided through its budget and appropriations processes, the Commissioners are committed to underscoring the importance of this issue to our respective decision makers.

Again, the Commissioners wish to thank you for your efforts in this process, and reinforce with you our ongoing commitment to transparent, responsive and responsible governance of this important interstate water resource management agency.

Sincerely,



Paul D'Amato, Chair  
New York State



Secretary Patrick McDonnell, Vice Chair  
Commonwealth of Pennsylvania



Secretary Ben Grumbles  
State of Maryland



COL John Litz  
U.S. Army Corps of Engineers

Enclosure

## ATTACHMENT

As referenced in the letter transmitting this attachment, and in accordance with Commonwealth of Pennsylvania Management Directive 325.10, the Susquehanna River Basin Commission and its Commissioners have reviewed the findings and recommendations of the November 7, 2018 audit report. The Commission has noted its concurrence or non-concurrence with individual findings and recommendations, along with the Commission's reasoning, actions implemented to date, planned actions and pertinent timetables of implementation. While the Commission provides the responses to recommendations below, these responses have been formulated under the direction of the Commissioners.

**Finding 1—Determination of the SRBC's costs of salaries, benefits, other compensation; expense reimbursements to the SRBC's officers and employees; and other fixed and variable SRBC costs; including certain questionable expenses.**

***Recommendation 1: Ensure annual audited financial statements are posted to the SRBC website to allow for transparency of SRBC operations, revenue, and expenses.***

The Commission concurs with this recommendation as it firmly aligns with the agency's commitment to transparency. The Susquehanna River Basin Commission's audited financial statements for the Years Ending June 30, 2014, 2015, 2016, 2017, and 2018 were placed on its website on December 6, 2018. The financial statements may be accessed at <https://www.srb.net/our-work/reports-library/>. The Commission will keep the most recent five years' statements posted on its website moving forward. Further information related to financial statements is available by utilizing the Commission's public access to records policy, which can be accessed at <https://www.srb.net/our-work/request-information/> and has been codified in 18 CFR §801.14.

***Recommendation 2: Ensure that itemized receipts are submitted and reviewed for all transactions prior to being processed for payment.***

The Commission concurs with this recommendation. While the requirement to present itemized receipts may not have been fulfilled during the time period of the audit, it is now being fully enforced. On October 29, 2018, the Commission's Director of Administration and Finance sent written direction to all Commission personnel to reinforce the requirements of the Commission's existing policy and to ensure that compliance is obtained from this date forward. The Commission has documented the chain of review of all submitted receipts for travel and other expenses in Section 3-3 of its Administrative Manual. All receipts are reviewed by the appropriate supervisor for review and approval and then sent to the Director of Administration and Finance for the Commission for final review and approval for reimbursement. Reimbursement requests without proper documentation will be returned. Documentation, such as receipts, etc., will be maintained by the Commission for the period of time required by its records retention schedule as it pertains to such information.



***Recommendation 3: Discontinue the practice of paying for alcoholic beverages at Commission meetings.***

The Commission concurs with this recommendation and has discontinued the practice of paying for alcoholic beverages at Commission meetings, as noted below and consistent with general expense reimbursement policies.

***Recommendation 4: Re-evaluate all costs, including but not limited to, employee awards, events, donations, catered meals, etc., ensuring not only that the costs are necessary, but also that they are reasonable and not extravagant.***

The Commission concurs with this recommendation and has already begun a re-evaluation process of all costs. As a part of that process, the Commission is examining the practices of its member jurisdictions, its past practices, the necessity and reasonableness of any cost, as well as the benefits of certain costs to both the institution and the morale of its employees. The Commission will complete that re-evaluation process by March 15, 2019 and implement any changes for the 2020 fiscal year beginning July 1, 2019.

In terms of the specific findings of the audit report, the Commission offers the following responses:

Catering for SRBC Meetings

For expenses associated with other Commission-related meetings, including technical advisory committee meetings and public workshops, in January, 2019 staff will implement measures to minimize the cost of catered lunches, including but not limited to:

- Limiting per person costs for meals to the per diem rates as established by the federal General Services Administration for the location of the meeting.
- Where feasible, scheduling meetings around lunch times to avoid the need for a catered lunch.
- Providing meals for meetings or training sessions only when such events are at least six (6) hours in length, or for meetings which involve a “working lunch”.
- For those attendees who, in accordance with their employer’s rules related to meal reimbursements, need to pay fair market value for lunches, providing for an itemized receipting process.
- Considering assessment of a registration fee for external attendees who attend a training session or workshop provided by the Commission.

Commission Meeting Expenses

The following practices were implemented for the December 2018 quarterly Commission meeting and will be continued in perpetuity for all quarterly business meetings:

- All Commission meeting expenses will be documented with itemized receipts.
- Meal costs will be limited to federal per diem rates as established by the General Services Administration for the location of the meeting.

- The Commission will not pay for alcohol.
- The Commission will pay for dinner for Commission staff only; commissioners and other representatives or guests of the member jurisdictions will pay for their dinner separately or through reimbursement to the Commission, which will be documented and an itemized receipt issued.
- Lunch expenses will follow the catering guidelines established as proposed above.
- For those attendees who, in accordance with their employer's rules related to meal reimbursements, need to pay fair market value for lunches, providing for an itemized receipting process.

#### Staff Events/Benefits

The Commission has a preliminary list of changes that will be effective January 1, 2019:

- The Commission will discontinue its public transportation reimbursement benefit.
- The Commission will discontinue congratulatory gifts.
- The Commission will discontinue bereavement gifts and donations.
- The Commission will discontinue the use of Commission funds for Administrative Professional's Day.
- The Commission will discontinue the Special Award of Merit program.

Commission staff will consider changes to other events and benefits noted in the report, such as an annual staff picnic, based on an evaluation of member jurisdiction practices and allowances, and upon recommendation of the Commissioners. Final decisions on the remaining events and benefits will be made by March 15, 2019.

In addition, for its next and all future annual expense budgets, Commission management will list the proposed employee awards program expenditures as an independent line item to allow better examination and oversight of those expenses by the Commissioners and the public prior to adoption of the expense budgets.

**Finding 2—A much needed overhaul of the almost 20-year-old Memorandum of Understanding and additional written operational guidance between the SRBC and the DEP would assist in the cooperative functioning between these entities.**

***Recommendation 1: Work with the DEP to update the outdated MOU by revamping it into an “intergovernmental agreement,” as provided for in the DGS’ Procurement Handbook, to not only modernize the MOU but also more clearly define and memorialize the current practices in place regarding work being performed for and in conjunction with the DEP.***

The Commission concurs with the recommendation as it aligns with the agency's commitment to efficient and effective regulatory practices that are clearly understood by the regulated community and the public. Coordination with DEP has begun for development of a new Administrative Agreement following the template provided in the aforementioned Procurement Handbook. In addition to general procedures for coordination, the administrative agreement will include Standard Operating Procedures defining each agency's role and the

coordination that occurs or will occur for each specific area of the Commission's regulatory authorities. Subject areas will cover surface and groundwater withdrawals, consumptive water use and the diversion of water into or out of the Susquehanna River Basin, permitting activities associated with oil and gas extraction, active and abandoned mine water withdrawals and groundwater remediation activities, and water quality monitoring.

Collaboration on development of the agreement will continue in earnest through the first half of 2019, with the goal of presenting a final or near-final draft to SRBC's Commissioners at their business meeting scheduled in September 2019, with progress reports at both the March and June Commission meetings. Following feedback from the Commissioners, SRBC will work with DEP to finalize the agreement and then present it to the SRBC Commissioners and DEP administration for final adoption and implementation.

***Recommendation 2: Organize all of the SRBC's criteria including Resolutions, Policies, Guidelines, etc. into one comprehensive manual.***

The Commission concurs with the recommendation and concurs that implementing such organization will benefit the regulated community through increased understanding of applicable regulatory documents. Because policies, resolutions and guidance documents are subject to change and revision, often on different schedules, placing all these items into one comprehensive manual would lead to a constantly changing manual that could cause confusion among the public and regulated community. As an alternative, the Commission proposes that a comprehensive library could be developed and maintained on the Commission's website that would serve as a one-stop clearinghouse for all of these items. The Commission believes that would achieve the same goal as the suggested comprehensive manual. The Commission will begin the process of designing and building this clearinghouse, along with descriptors of each document and information on where each applies, to be posted on the agency website no later than March 15, 2019.

***Recommendation 3: Create a detailed outline to be prominently posted on the SRBC's website of the responsibilities and procedures being performed by both the SRBC and the DEP and regularly update the outline as these responsibilities and procedures change.***

The Commission concurs with this recommendation and agrees that clarity of distinct roles of the two agencies would be beneficial to the regulated community and public. By September 2019, in conjunction with the administrative agreement, the Commission will post an outline by authority and docket type depicting these relationships.

***Recommendation 4: Improve media and communications with organizations to explain the different requirements of each agency and the inter-relationships and utilization of resources between the SRBC and the DEP, including periodically holding geographically dispersed information sessions.***

The Commission concurs with this finding and accepts the responsibility to disseminate explanatory information about its regulatory program to the public. The Commission will continue its popular Public Water Supply Assistance Program. In the past this program has been

held in Harrisburg and Williamsport, and the Commission will seek opportunities for other locations for future workshops.

The Commission will also include an item about this program and the information compiled for the previous two recommendations in its next quarterly newsletter to be published in early spring of 2019, as well as continue to regularly use the newsletter as a vehicle for delivering education on Commission policies, practices, activities, etc.

The Commission will conduct joint outreach and training programs with DEP during 2019 and 2020 to educate the regulated community on the authorities of both SRBC and DEP, as well as the requirements and coordination of both agencies. The Commission will also actively explore establishing a presence at the outreach and training sessions held by other organizations throughout the state to explain the Commission's mission and how its requirements differ from the DEP's, as it has in the past for annual meeting venues for the Pennsylvania State Association of Township Supervisors (PSATS), the Pennsylvania Municipal Authorities Association (PMAA), and the Pennsylvania Rural Water Association (PRWA). In addition, the Commission will conduct in-person meetings with various stakeholder groups (such as PSATS, PMAA, PRWA and others) to obtain feedback regarding regulatory programs and improvements to clarity and implementation thereof.

The Commission will also continue to devote substantial time and resources to engage in pre-application meetings with project sponsors to answer questions, including joint pre-application meetings with DEP.

The Commission believes that some of the actions taken in response to Recommendation 3 will also further this goal.

***Recommendation 5: Ensure that the SRBC defers to the DEP in all areas where the DEP performs the same functions.***

The Commission concurs that SRBC and DEP should ensure that the SRBC appropriately defers to the DEP when the DEP performs the same functions. The Commission believes the actions undertaken as outlined in the responses to Recommendations 1, 2, 3 and 4 will help achieve this goal, and that the revised Administrative Agreement will specify how the two agencies will coordinate and cooperate to best achieve deference to DEP as envisioned by the Compact.

**Finding 3—Signatory parties, including Pennsylvania, are not making agreed upon contributions to the Susquehanna River Basin Commission, with the federal government making no annual payments since 2009.**

***Recommendation 1: Work with the signatory parties to ensure that they include in their respective budget requests the full contribution amount as determined by the agreed upon equitable apportionment percentages.***

The Commission concurs that the agency has a responsibility to ensure equitable contributions from the signatory parties are included in their respective budget requests. With

the next budget approval process and continuing annually into the future, the Commission will work with each member jurisdiction to provide supporting information and clear justification for the importance of each signatory member to request the full agreed upon contribution in its annual budget.

***Recommendation 2: Emphasize to the signatory parties the need for each to contribute its equitable portion of the funds necessary for the SRBC's expense budget.***

The Commission concurs with this recommendation. With the next budget approval process and continuing annually into the future, the Commission will work with each member jurisdiction to provide supporting information and clear justification to emphasize the need for each signatory member to contribute its equitable portion of the funds necessary for the SRBC's expense budget.

In addition to the member contributions, the Commission wishes to recognize the efforts made by the member state jurisdictions and the United States Government to fund part of the Commission's mission through a variety of grants and partnerships that supplement annual appropriations. In the fiscal year subject to this audit, for example, the Commission received \$457,601 from the U.S. Environmental Protection Agency and entered into an agreement with the Baltimore District, U.S. Army Corps of Engineers, to conduct a partnered project under the Planning Assistance for States program that dedicated federal funding to a project beneficial to the water resources of the Susquehanna River Basin.

***Recommendation 3: Consider developing a new agreement among the signatory parties that will ensure full payment of each party's contribution amount in order to address the issue of signatory parties not making their annual required payments to the SRBC.***

The Commission concurs with the recommendation and commits to an ongoing discussion of alternatives to the present agreement between the signatory parties regarding annual member contributions. The Commission will adhere to the actions outlined in Recommendations 1 and 2 to help address this process. Any revisions adopted will be applied to budget requests for the 2021 fiscal year.

***Recommendation 4: Evaluate the current fee schedule to determine if the amounts assessed are required to cover the cost of necessary operations and if any changes can be made to fees to assist in alleviating the negative impact of fees on organizations.***

The Commission concurs with the recommendation and recognizes that frequent evaluation of fees is critical to ensure that revenue aligns with efforts expended. The Commission's current practice is to perform an annual review of the costs associated with each of its fees, compare them to the revenue generated by each fee, and make appropriate fee reductions when possible. The Commission intends to continue this practice and will use these principles to develop its next fee schedule for release no later than April of 2019 for public comment and final adoption in June of 2019.