Legislative Commission
Legislative Building
Carson City, Nevada

We have completed an audit of the Division of State Parks. This audit is part of the ongoing program of the Legislative Auditor as authorized by the Legislative Commission. The purpose of legislative audits is to improve state government by providing the Legislature, state officials, and Nevada citizens with independent and reliable information about the operations of state agencies, programs, activities, and functions. The results of our audit, including findings, conclusions, recommendations, and the Division's response, are presented in this report.

We wish to express our appreciation to the management and staff of the Division of State Parks for their assistance during the audit.

Respectfully presented,

Paul V. Townsend

Paul V. Townsend, CPA
Legislative Auditor

April 14, 2003
Carson City, Nevada

STATE OF NEVADA
DEPARTMENT OF CONSERVATION AND NATURAL RESOURCES
DIVISION OF STATE PARKS

AUDIT REPORT

Table of Contents

EXECUTIVE SUMMARY

DEPARTMENT OF CONSERVATION AND NATURAL RESOURCES DIVISION OF STATE PARKS

Background

The Nevada State Park System was established in 1961. In 1963, the Park System became a division of the Department of Conservation and Natural Resources. The purpose of the Division of State Parks is to acquire, protect, develop, and interpret a well-balanced system of areas of outstanding scenic, recreational, scientific, and historical importance for the inspiration, use, and enjoyment of the people of the State of Nevada. Such areas are to be held in trust as irreplaceable portions of Nevada's natural and historical heritage. There are 24 parks in the State Park System.

The Division is responsible for eight budget accounts, with expenditures totaling $11 million in fiscal year 2002. The Division's principal operating budget account is its State Parks Account. Actual expenditures for this account totaled $9.7 million in fiscal year 2002, supporting 100 full-time equivalent positions, along with approximately 100 seasonal employees assigned to individual parks. Funding for this account included a general fund appropriation, and revenues from marina development gas taxes, park user fees, transfers from the Commission on Tourism, and other miscellaneous sources.

Purpose

The purpose of this audit was to evaluate the Division of State Parks' financial administration practices, including whether transactions were carried out in accordance with applicable state laws, regulations, and policies. Our audit included a review of the Division's financial activities for the fiscal year ended June 30, 2002.

Results in Brief

The Division of State Parks lacks sufficient controls to ensure all revenues are collected and property and equipment is adequately safeguarded. Specifically, inadequate concession contract management and accounting procedures resulted in uncollected fees, insufficient verification of the results of concessionaires' financial operations and insurance requirements, and incorrect recording of concession fee revenues. In addition, the Division has an opportunity to recover direct costs incurred administering the Land and Water Conservation Fund federal grant program. Finally, the Division did not conduct timely inventories of its property and equipment. As a result, property and equipment records were unreliable, increasing the risk of loss or theft of those assets.

Principal Findings

- One concessionaire did not remit fees totaling $105,000 collected for the maintenance of a performing arts stage facility located at the Sand Harbor unit of Lake Tahoe Nevada State Park. The Division holds title to this $1.8 million stage facility and is responsible for its repair and maintenance. Without these fees, the Division may be forced to use state funds to maintain the facility. (page 10)

- Concessionaires did not always provide the Division with required information on the results of their financial operations, such as financial statements prepared by certified public accountants. Since concession fees are based on concession revenues, it is critical the Division receive adequate financial information from their concessionaires. Without such information, the Division cannot be sure it has collected all of the concession fees that are due. (page 10)

- The Division's accounts receivable reports for fiscal year 2002 were inaccurate. For example, as of June 30, 2002, the Division reported accounts receivable totaling $1,554. However, this report only reflected amounts for returned checks and did not include $22,000 due from a concessionaire. Accurate accounts receivable information is essential for the effective pursuit of delinquent accounts and the accuracy of the state's financial records. (page 12)

- Although the Division's concession lease agreements require the payment of late fees when concession fees are delinquent, the Division did not consistently enforce this requirement. If the Division had consistently assessed late fees on delinquent concession fee payments during fiscal year 2002, it may have collected an additional $5,700. Furthermore, assessing late fees will encourage concessionaires to make prompt fee payments. (page 13)

- The Division commingled $69,000 of concession fee revenues with park user fee revenues in calendar year 2001. However, concession fee revenues should be accounted for separately. Properly accounting for concession fees would have resulted in the Division reverting at least $2,300 more to the General Fund at the end of fiscal year 2002. (page 14)

- The Division has an opportunity to recover direct costs incurred through its administration and oversight of the Land and Water Conservation Fund federal grant program. Although federal program rules support the Division's recovery of its direct costs, the

Division has not obtained reimbursement. Division records indicate it should be able to recover at least $46,000 annually from the federal program. (page 15)

- The Division has not maintained accurate property and equipment records. For example, 50 of the 140 equipment items we selected for testing were not where they were reported to be or were not included in the inventory records. Furthermore, only 1 of 81 firearms was properly reported on the Purchasing Division's inventory records. Although the missing equipment was subsequently accounted for, and the Division's internal firearms inventory report showed the correct location of the weapons, the Purchasing Division's inventory records should reflect the actual location of all inventory items. (page 16)

Recommendations

This report contains six recommendations to improve the Division's financial administration practices. Specifically, the Division should improve its concession contract monitoring and accounts receivable procedures. In addition, the Division should continue to pursue reimbursement of costs incurred from the administration of the Land and Water Conservation Fund grant and ensure property and equipment inventory records are reliable. (page 25)

Agency Response

This agency, in its response to our report, accepted all six recommendations. (page 21)

Introduction

Background

The Nevada State Park System was established in 1961. In 1963, the Park System became a division of the Department of Conservation and Natural Resources. The purpose of the Division of State Parks is to acquire, protect, develop, and interpret a well-balanced system of areas of outstanding scenic, recreational, scientific, and historical importance for the inspiration, use, and enjoyment of the people of the State of Nevada. Furthermore, such areas are to be held in trust as irreplaceable portions of Nevada's natural and historical heritage.

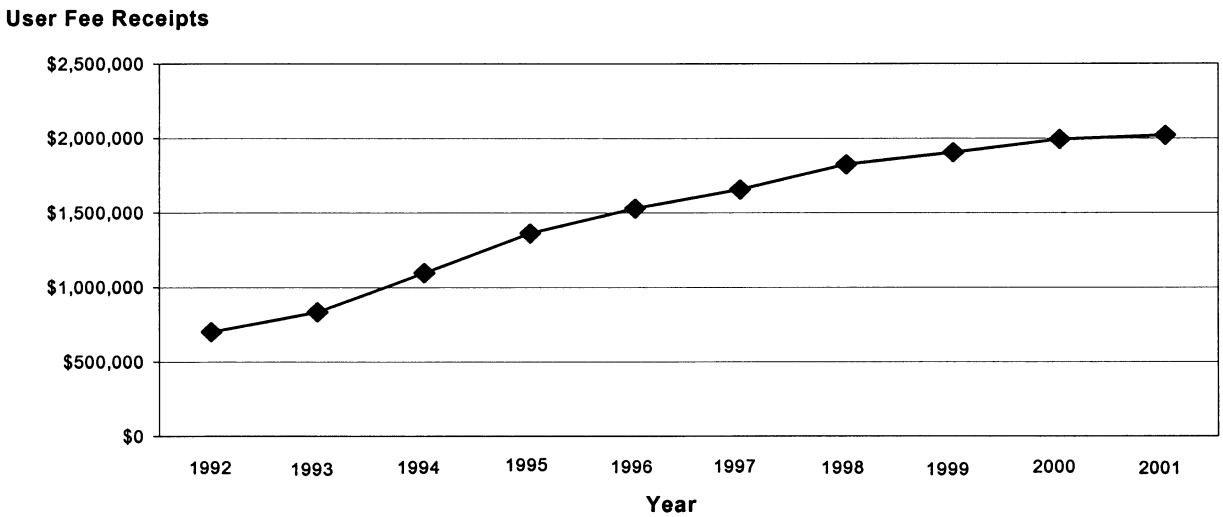
The Division is also responsible for the administration of federal grant programs, including the Land & Water Conservation Fund (L&WCF) and the National Recreational Trails Program. The L&WCF program provides matching grants to states and local governments for the acquisition and development of outdoor recreation areas and facilities. The recreational trails program is a federal-aid assistance program to help states provide and maintain recreational trails for both motorized and non-motorized recreational uses.

The State Park System is divided into four regions: Western Nevada, Central Nevada, Eastern Nevada, and Southern Nevada. A regional manager is responsible for overall management of the parks in each region. There are 24 parks in the State Park System, each managed by a park supervisor. The Division office is organized into four sections: administration, accounting and personnel, park planning and development, and park operations and maintenance.

Exhibit 1 shows the amount of user fees collected during the ten-year period ended December 31, 2001. Park user fee receipts increased from $700,000 in calendar year 1992 to $2 million in calendar year 2001. The increase in user fee receipts is primarily the result of increases in user fee rates and park visitation.

Exhibit 1

Annual User Fee Collections
Nevada State Park System
1992 – 2001



Source: Division of State Parks.

The Division is responsible for eight budget accounts, with expenditures totaling $11 million in fiscal year 2002. Exhibit 2 shows the total expenditures for each budget account during fiscal year 2002.

Exhibit 2

Actual Expenditures
Division of State Parks
Fiscal Year 2002

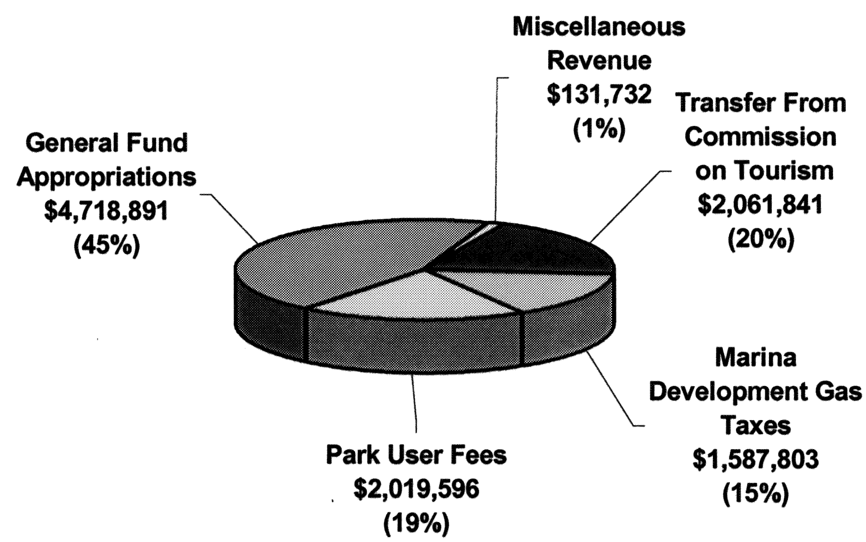
Budget Account	Actual Expenditures
State Parks (operating budget)	$9,670,814
Parks Federal Grant Programs	$745,650
Maintenance of State Parks	$264,147
Performance Guarantees	$0
Parks Bond Issue	$4,374
Park Improvements 1998/1999	$50,035
Park Improvements 2002/2003	$236,109
Parks Gifts & Grants	$41,425
Total	**$11,012,554**

Source: State accounting records.

The Division's principal operating budget account is its State Parks Account. Actual expenditures for this account totaled almost $9.7 million in fiscal year 2002, supporting 100 full-time equivalent positions, along with approximately 100 seasonal employees assigned to individual parks. Funding for this account included general fund appropriations, and revenues from marina development gas taxes, park user fees, transfers from the Commission on Tourism, and other miscellaneous sources. Exhibit 3 shows actual fiscal year 2002 funding sources for the State Parks operating budget account.

Funding Sources
State Parks Budget Account
Fiscal Year 2002

<u>Exhibit 3</u>



Source: State accounting records.

Note: Funds carried forward from fiscal year 2001 are included in the applicable funding source.

The Division's Administrator and chief assistants are located in Carson City. The central administrative office also houses the Division's accounting unit and planning and development staff. The Division's regional offices are located in Carson City, Fallon, Las Vegas and Panaca.

Scope and Objective

This audit is part of the ongoing program of the Legislative Auditor as authorized by the Legislative Commission, and was made pursuant to the provisions of NRS 218.737 to 218.893. The Legislative Auditor conducts audits as part of the Legislature's oversight responsibility for public programs. The purpose of legislative audits is to improve state government by providing the Legislature, state officials, and Nevada citizens with independent and reliable information about the operations of state agencies, programs, activities, and functions.

This audit included the financial activities of the Division of State Parks for the fiscal year ended June 30, 2002. The objective of our audit was to evaluate the Division's financial administration practices, including whether transactions were carried out in accordance with applicable state laws, regulations, and policies.

Findings and Recommendations

The Division of State Parks lacks sufficient controls to ensure all revenues are collected and property and equipment is adequately safeguarded. Specifically, inadequate concession contract management and accounting procedures resulted in uncollected fees, insufficient verification of the results of concessionaires' financial operations and insurance requirements, and incorrect recording of concession fee revenues. In addition, the Division has an opportunity to recover direct costs incurred administering the Land and Water Conservation Fund federal grant program. Finally, the Division did not conduct timely inventories of its property and equipment. As a result, property and equipment records were unreliable, increasing the risk of loss or theft of those assets.

Concession Contract Management Needs Improvement

The Division of State Parks has not collected more than $100,000 due from a concessionaire, hindering its ability to maintain park facilities. In addition, concessionaires did not always provide required information on the results of concessionaire financial activities, thus limiting the Division's ability to verify the amounts of fees owed. Further, the Division did not always maintain evidence concessionaires obtained appropriate insurance, increasing the risk the State will incur unanticipated liabilities.

The Division contracts with public and private entities to operate concessions within the state parks. These concessions provide services and facilities not normally provided by the Division. The contracts are usually long term and the fees are based on factors such as market value of the asset leased or the concessionaire's gross profits. During fiscal year 2002, the Division had contracts with five concessionaires and collected fees totaling approximately $110,000.

Some Concession Fees Have Not Been Collected

One concessionaire did not remit $105,000 in fees it collected for the maintenance of a performing arts stage facility. Furthermore, the Division did not request payment until after we inquired about the status of the fees. Without these fees, the Division may have to use state funds to maintain the facility.

In 1998, the Division executed a lease agreement with the concessionaire to provide outdoor cultural performances at the Sand Harbor unit of the Lake Tahoe Nevada State Park. The lease agreement authorizes the concessionaire to construct a new stage facility, without cost to the Division. The agreement also requires the concessionaire to establish a maintenance surcharge after the stage is constructed and to donate all surcharge revenues to the Division.

The concessionaire completed construction of the new stage facility in July 2000, and included a $2 "NV State Parks Surcharge" in tickets sold during the 2001 and 2002 summer seasons. As a result, the concessionaire collected $49,000 for the 2001 performance season and approximately $56,000 during the 2002 season. However, as of December 2002, the concessionaire had not remitted these collections. According to State Parks management, the failure to collect the surcharge was an oversight in management of the concession lease.

Division records indicate the concessionaire has spent approximately $1.8 million for construction and site improvements. Because the lease agreement states the title of the stage facility will remain with State Parks, the Division could be facing significant repair and maintenance costs without these fees.

Critical Financial Information Not Always Provided

Concessionaires did not always provide the Division with required information on their financial activities or provide evidence of liability and workers compensation insurance. As a consequence, the Division cannot be sure it has collected all of the concession fees it is due or that its concessionaires are appropriately insured.

Concessionaires' Financial Information

Three of the concession lease agreements we examined contained specific provisions relating to financial information that must be provided regarding the results of their financial operations. However, two concessionaires did not provide the required information. For example, a concessionaire at Floyd Lamb State Park is required to submit a profit and loss statement prepared by a certified public accountant verifying all revenues reported agree with the concessionaire's federal income tax return. The concessionaire did not provide the statement for calendar year 2001. Instead, the Division received a revenue statement prepared by the concessionaire's bookkeeper showing a decline of almost $290,000 (33%) in revenue from the prior year. Despite this significant drop in revenues, the Division did not ensure the concessionaire submitted the required statement.

Since the amount of fees paid by these concessionaires is based on their revenues, it is critical the Division enforce its financial reporting requirements. Without the required financial information, the Division has limited assurance concessionaires have paid the correct fees.

Insurance and Performance Sureties

Six concession lease agreements we reviewed required concessionaires to obtain liability insurance and a certificate confirming they have obtained workers compensation insurance. In addition, two of the concessionaires were required to submit a certificate of deposit as a performance surety. These certificates help ensure the performance of all terms and conditions of the lease agreement including payment of fees. However, the Division did not ensure all concessionaires complied with these requirements. Specifically, we found one concessionaire had not complied with both insurance requirements, one had not provided a certificate of liability coverage, and two other concessionaires did not provide a certificate of workers compensation insurance. In addition, the Division could not provide evidence the two concessionaires' certificates of deposit were current at the end of fiscal year 2002.

If concessionaires do not provide evidence of liability insurance coverage, the State may not have adequate protection against unanticipated liabilities. Similarly, if concessionaires do not carry workers' compensation coverage, onsite job injuries could increase claims on the uninsured employers' claim fund. Finally, without performance sureties, the Division is at risk of losing concession revenues in the event a concessionaire ceases operations.

Inadequate Concession Contract Procedures Contributed to Problems

Weaknesses in concession contract administration can be attributed to inadequate policies and procedures. For instance, the Division's procedures place most of the contract administration responsibilities on the park supervisors. As a result, oversight provided by staff in the Division's central office is inadequate. Central oversight responsibilities do not include ensuring concessionaires' lease payments are in compliance with their contracts or that all required financial information is submitted. Instead, the oversight only includes monitoring termination dates and insurance requirements. Furthermore, only one concession contract was monitored.

Similar concession contract administration problems were noted in our prior audit. Accordingly, we recommended the Division provide for adequate management of concession contracts. While some procedures were implemented, additional steps are needed to ensure the Division properly manages and enforces its concession lease agreements.

Recommendation

1. Revise concession contract monitoring procedures to ensure all fees are collected and required financial information is obtained.

Accounting Procedures Need Improvement

The Division's accounting procedures did not ensure financial transactions were properly recorded and collection efforts were effective. Specifically, accounts receivable reports were inaccurate, late payment fees were not consistently assessed, uncollectible accounts were not written off, and concession fee revenues were improperly recorded as park user fee revenues. Improperly recording receivables and fees distorts the results of the Division's financial operations while ineffective collection procedures can result in lost revenues and additional expenses.

Accounts Receivable Reports Were Inaccurate

The Division's accounts receivable reports for fiscal year 2002 were inaccurate. For example, as of June 30, 2002, the Division reported accounts receivable totaling

$1,554. However, this report only reflected amounts for returned checks and did not include $22,000 due from a concessionaire. Similarly, the Division's accounts receivable report for the period ending March 31, 2002, did not include the $22,000 and an additional $22,877 due from another concessionaire.

NRS 353C.120 requires each agency submit to the State Controller periodic reports of the debts owed to the agency. In order to meet this requirement, State Parks must maintain accurate and complete records of its accounts receivable. Accurate accounts receivable information is essential if the Division is to effectively pursue receivables due from its concessionaires and others.

Late Payment Fees Not Consistently Assessed

Although the Division's lease agreements with its concessionaires require the payment of late fees when concession payments are delinquent, the Division did not consistently enforce this requirement. If the Division had consistently assessed late fees on delinquent concession fee payments during fiscal year 2002, it may have collected an additional $5,700. Furthermore, assessing late fees will encourage concessionaires to make prompt fee payments.

We examined the lease payments from four concessionaires to determine if they made timely payments during fiscal year 2002. Each of the concessionaires failed to submit their payments by the due dates, with delinquencies ranging up to one year in length. The lease agreements require the payment of late fees, unless waived by the Division for unusual or extenuating circumstances. However, only one concessionaire was required to pay late fees. Further, the Division did not document that the late fees had been waived.

Contracts and lease agreements contain late payment fee provisions to serve as an incentive for concessionaires to pay on time. When such provisions are not enforced, the motivation for concessionaires to pay by the due date is reduced.

Uncollectible Accounts Should Be Written Off

The Division has not written off older accounts receivable, although it is reasonable to conclude some of these accounts are uncollectible. For example, $807 of the $1,554 reported in the Division's June 30, 2002, accounts receivable report were accounts older than one year. Not writing off uncollectible accounts results in the misstatement of the Division's receivables. It can also result in the misuse of the Division's resources used to pursue uncollectible accounts. For example, Division staff prepare and send certified letters to park users for returned checks. However, about half of the bad checks reported on the June 30, 2002, accounts receivable report were for amounts of $10 or less.

NRS 353C.220 authorizes agencies to write off uncollectible debts with the approval of the State Board of Examiners. In addition, the State Controller's accounting procedures provide guidance to agencies with outstanding receivables, suggesting delinquent accounts greater than 90 days old be reviewed and considered for write down or write off. These procedures also suggest the establishment of a minimum-billing amount to ensure collection actions are cost effective.

These weaknesses in the reporting and collection of past due accounts are the result of inadequate procedures. Although procedures require staff to prepare a quarterly accounts receivable report, they do not address past due concession fee payments. Furthermore, the procedures do not address the enforcement of late payment fees or the write off of bad debt.

Concession Fees Commingled With Park User Fees

The Division commingled $69,000 of concession fee revenues with park user fee revenues in calendar year 2001. However, concession fee revenues should be accounted for separately. Properly accounting for concession fees would have resulted in the Division reverting at least $2,300 more to the General Fund at the end of fiscal year 2002.

Park user fees are required to be deposited in the State Parks budget account in the General Fund. Once the amount of user fees deposited in this account reaches the amount authorized by the Legislature, the fees must then be deposited in the Account for Maintenance of State Parks (Maintenance Account). The Division does not have the statutory authority to deposit concession fees in the Maintenance Account.

Because the Division commingled the two fees, it deposited $33,600 in user fees and $2,300 in concession fees in the Maintenance Account during fiscal year 2002. However, the amount of user fees that should have been deposited in the Maintenance Account is unknown since they are not separately accounted for in the Division's budget. Until the Division accounts for these fees correctly, it will not have records supporting when it has the authority to deposit user fees in the Maintenance Account.

Recommendations

2. Revise collection procedures to ensure:
   a. all accounts receivable are properly accounted for and reported;
   b. late payment fees are consistently assessed; and
   c. uncollectible accounts are periodically written off.
3. Establish procedures to ensure concession fees are properly recorded.

Opportunity Exists to Recover Grant Administration Costs

The Division has an opportunity to recover direct costs incurred through its administration and oversight of the federal Land and Water Conservation Fund (L&WCF) grants program. Division records indicate it should be able to recover at least $46,000 of these costs. Without these reimbursements, the State will continue to fund the entire cost of administering this program.

The Land and Water Conservation Fund Act, passed by Congress in 1965, provides matching grants to state and local governments for the acquisition and development of public outdoor recreation areas and facilities. Approximately $1.7 million in L&WCF assistance was awarded to Nevada in FY 2002. Half of this award was for the Division's projects and half was allocated to local governments within Nevada. L&WCF assistance is provided on a 50/50 matching basis.

The L&WCF program has placed a significant amount of responsibilities on Division staff, necessitating the recovery of allowable costs. The Division's L&WCF responsibilities include:

- implementation of an ongoing statewide comprehensive outdoor recreation planning process;
- evaluation and selection of all projects in accordance with an open project selection process;

- assuring state and local projects comply with the requirements of the L&WCF grants manual;
- preparation and submission of state and local applications, amendments, and billings; and
- inspection of projects to ensure proper completion, operations and maintenance.

During the 12-month period from December 2000 to November 2001, the Division recorded approximately $92,000 in labor costs for the L&WCF program. If the Division had recaptured 50% of those costs, it would have received $46,000.

The L&WCF Grants Manual supports the Division's recapture of certain direct administrative costs. The manual indicates L&WCF assistance will be available for a wide range of administrative and supporting expenses incurred directly or indirectly on behalf of a project, consistent with the standards stated in OMB Circular A-87. In addition, correspondence from the U.S. Department of the Interior's Office of Inspector General indicates the Division's administrative costs should be classified as direct costs, deserving of an equitable recovery.

The Division has not received reimbursements for these costs primarily because staff were informed they could only charge indirect costs. Staff also indicated the National Park Service may be reluctant to approve these administrative costs as direct costs.

Recommendation

4. Continue to pursue reimbursement of direct costs associated with the administration and oversight of the Land and Water Conservation Fund federal grant program.

Property and Equipment Records Should Be Updated

As of August 2002, the Purchasing Division reported State Parks had an inventory of approximately 1,500 property and equipment items with a total purchase cost of $5.7 million. However, the Division has not maintained accurate property and equipment records. For example, 50 of the 140 items we selected for testing were not where they were reported to be or were not included in the equipment records.

Furthermore, only 1 of 81 firearms was properly reported on the Purchasing Division's inventory records. Although the equipment was subsequently accounted for, and the Division's internal firearms inventory report showed the correct location of the weapons, the Purchasing Division's inventory records should reflect the actual location of all inventory items.

NRS 333.220 requires agencies to conduct an annual physical count of all personal property assigned to it and to reconcile the count with the inventory records maintained by the Purchasing Division. The State Administrative Manual section 1544 also requires agencies to process transfers and corrections to the Purchasing Division's inventory records. In the case of State Parks, property and equipment inventory records can be kept current through an online process.

We found two reasons why State Parks has had difficulty maintaining current property and equipment records. First, the Division did not always conduct annual inventories. Five parks did not conduct an inventory during fiscal year 2002, and no parks conducted an inventory during fiscal year 2001. Second, new procedures requiring agencies to input inventory information directly into the Integrated Financial System contributed to State Parks' difficulties developing an accurate inventory. Staff members are still learning this new system.

Recommendations

5. Conduct an annual property and equipment inventory, as required by NRS.
6. Ensure property disposition reports are processed timely.

Appendices

Appendix A
Audit Methodology

To gain an understanding of the Division of State Parks, we interviewed management and staff, and reviewed laws, regulations, and policies and procedures significant to its financial administration. We also reviewed the Division's strategic plan, financial reports, budgets, and other information describing the Division's activities. In addition, we documented and assessed the adequacy of the Division's control environment.

To accomplish our objective, we randomly selected 70 revenue transactions to ensure cash receipts were deposited timely and to the proper accounts, and in compliance with statutory and regulatory requirements. We also documented and assessed the control environment over the collection of revenues at the following parks: Lake Tahoe Nevada State Park, Lahontan State Recreation Area, Washoe Lake State Park, Fort Churchill State Historic Park, Floyd Lamb State Park, Spring Mountain Ranch State Park, Valley of Fire State Park, and Big Bend of the Colorado State Recreation Area. We also tested a random sample of 50 non-payroll expenditure transactions for compliance with applicable laws, regulations, and procedures. In addition, we tested contracts to determine if they were properly approved, expenditures were appropriate, revenues were collected, and key contract provisions enforced. We also randomly selected a total of 20 expenditure and 20 revenue transactions from fiscal years 2001, 2002, and 2003 to verify they were recorded in the proper fiscal year. To test property and equipment, we judgmentally selected a sample of 140 equipment items and 29 firearms to verify their existence and the completeness of inventory records.

Our audit work was conducted from May 2002 to December 2002, in accordance with generally accepted government auditing standards.

In accordance with NRS 218.821, we furnished a copy of our preliminary report to the Director of the Department of Conservation and Natural Resources and the

Administrator of the Division of State Parks. On April 3, 2003, we met with agency officials to discuss the results of our audit and requested a written response to the preliminary report. That response is contained in Appendix C, which begins on page 21.

Contributors to this report include:

Ian J. Allan
Deputy Legislative Auditor

James R. Gray, CPA
Deputy Legislative Auditor

Michael O. Spell, CPA
Audit Supervisor

Stephen M. Wood, CPA
Chief Deputy Legislative Auditor

Appendix B
Prior Audit Recommendations

In 1995, we issued an audit of the Division of State Parks containing four recommendations. Three of the four recommendations were within the scope of the current audit. We evaluated the status of these recommendations and found that two were fully implemented and one was partially implemented. The recommendation partially implemented was to provide adequate management of concession contracts. We have modified and repeated this recommendation in this audit report.

Appendix C

Response From the Division of State Parks

R. MICHAEL TURNIPSEED, P.E.
Director
Department of Conservation and Natural Resources

WAYNE R. PEROCK
Administrator

KENNY C. GUINN
Governor

STATE OF NEVADA

Address Reply to:
1300 S. Curry Street
Carson City, Nevada 89703-5202

Phone: (775) 687-4370
Fax: (775) 687-4117
stparks@parks.nv.gov
http://parks.nv.gov

DEPARTMENT OF CONSERVATION AND NATURAL RESOURCES
DIVISION OF STATE PARKS

April 11, 2003

Paul V. Townsend, CPA
Legislative Auditor
Legislative Counsel Bureau
401 South Carson Street
Carson City, NV 8970-4747

Dear Mr. Townsend:

RE: Response to Division of State Parks Audit Report

The Division of State Parks has reviewed the Draft copy of the recent Legislative Counsel Bureau Audit Report and accepts all six-audit recommendations (Attachment 1). Division staff will do their utmost to fully implement corrective actions.

Although the recommendations are fully accepted, the following response and comments are offered:

Page 2, Results in Brief Section

In the of the Executive Summary under principal finding it is noted that "one concessionaire did not remit fees totaling $105,000 collected for the maintenance of a performing arts stage facility located at the Sand Harbor unit of Lake Tahoe Nevada State Park. It should be noted, that the preliminary finding report was used to assist this agency as leverage to secure the required payment. On February 2, 2003, Lake Tahoe Shakespeare Festival submitted payment of $104,530. The amount was reduced to account for the cost of stage maintenance incurred by the Festival. The Division is currently negotiating a contract amendment that will resolve future issues with the stage maintenance fund.

Page 12, Recommendations.

"1. Revise concession contract monitoring procedures to ensure all fees collected and required financial information is obtained."

The Division accepts and agrees with the recommendation that increased monitoring and revised procedures will improve compliance with concession contracts and leases. Staff has worked closely with the Attorney General's office in resolving contract noncompliance issues. Both the Las Vegas Gun Club and the Shakespeare Festival have received official written notifications directing compliance with written contract terms and conditions.

We have also reorganized several regions and have converted one field position into a full time Concession Contract Manager. The position reports directly to Division Headquarters and is

(NSPO Rev. 1-03) (O) 252

under the direction of the Chief of Operations and Maintenance. The position will coordinate all aspects of contract administration, including financial compliance by concessionaires and lessees, compliance with terms and conditions of contracts and leases, that payments are made in a timely manner, and that late payments are assessed fairly and consistently.

Currently, the Concession Contracts Manager is in the process of reviewing all contracts, setting up monitoring controls and checklists to assure payments are made on schedule, and assuring that insurance, certificate of deposits and other requirements of the contract are met.

Page 15, Recommendations.
"2. Revise Collection procedures to ensure:
- *a. All accounts receivable are properly accounted for and reported;*
- *b. Late payment fees are consistently assessed; and*
- *c. Uncollectible accounts are periodically written off."*

The Division's Concession Policy will be revised to specifically indicate all amounts due from concessionaires will be placed on the accounts receivable report, which in turn, will be reported to the Controller's Office on a quarterly basis.

It is our intention to review and revise current written procedures to assure all future late fees are consistently applied and are collected when owed. Concession procedures will be revised to address under what special circumstances late fees will be waived.

The Division has received approval from the Board of Examiners to write off all uncollectible accounts dated December 31, 2002 and before. This was approved at the March 2003 Board of Examiners meeting. The accounts receivable report will now reflect outstanding receivables from March 2003 and forwarded.

A written policy will be formulated and written to address the need to establish minimum billing amounts to ensure collection efforts are cost effective. The written policy will also formulate a plan for requesting Board of Examiner's approval to write off debts that cannot be collected in a reasonable timeframe.

Page 15, Recommendation.
"3. Establish procedures to ensure concession fees are properly recorded."

The Division has historically classified and deposited concession fees as user fees. When NRS 407.065 was revised to include user fee overages to be deposited in to the Maintenance Account, inclusion of concessions was overlooked.

Senate Bill 401 has been introduced to the 2003 Legislature with assistance from and concurrence of the Budget Office, as a "clean up bill" to the language of NRS 407.065. The proposed language will allow concessions to be deposited as user fees. If this legislation is unsuccessful, new procedures will be implemented whereby concession payments will be deposited into a dedicated revenue general ledger separate and apart from user fees.

Page 16, Paragraphs 2 & 3
"The L&WCF Grants Manual supports the Division's recapture of certain direct administrative costs. The Manual indicates L&WCF assistance will be available for a wide range of administrative and supporting expenses incurred directly or indirectly on behalf of a project, consistent with the standards stated in OMB Circular A-87. In addition, correspondence from the U.S. Department of the Interior's

Office of Inspector General indicates the Division's administrative costs should be classified as direct costs, deserving of an equitable recovery."

"The Division has not received reimbursements for these costs primarily because staffs were informed they could not charge indirect costs. Staff also indicated the National Park Service may be reluctant to approve these administrative costs as direct costs."

The Land &Water Conservation Fund (L&WCF) Grants Manual does support recapture of direct costs that can be specifically identified with and charged directly to a particular project (Chapter 670.3(E)(1)). Furthermore, the Department of Interior's Western Region Inspector General's Office supports recapturing administrative costs attributed to specific projects, but not all administrative costs. Where possible and appropriate, the Division will attribute administrative expenses directly to individual projects, thereby correctly identifying those costs.

Page 17, sentence 1 and 2
"Furthermore, only 1 of 81 firearms was properly reported on the Purchasing Division's Inventory records. Although the equipment was subsequently accounted for, and the Division's internal firearms inventory report showed the correct location of the weapons, the Purchasing Division's inventory records should reflect the actual location of all inventory items."

Corrective action has been taken to ensure all equipment, including firearms, is properly reconciled to Purchasing Division's inventory records, and is reflective of correct location identification.

Page 17, 2nd paragraph, sentence 2, 3, 4
"First, the Division did not always conduct annual inventories. Five parks did not conduct an inventory during fiscal year 2002, and no parks conducted an inventory during fiscal year 2001. Second, new procedures requiring agencies to input inventory information directly into the Integrated Financial System contributed to State Parks difficulties developing an accurate inventory."

In previous years, State Purchasing remitted an annual "reminder" to conduct an annual physical inventory. Attached to the "reminder" was the official inventory list, according to their records. Due to changes in the State Financial System, the Division, along with most all other state agencies, did not receive either the "reminder" or the official inventory listing. Admittedly, the Division did not take the necessary steps to perform this task as required, even in the absence of the notification.

We would like to add, however, that during October-November 2001, a physical inventory was conducted. As a result of that inventory, corrections were made to the Division's internal equipment listing. This listing was provided to the LCB Auditors.

In March 2002, the Division went online with the new State accounting system (called "IFS") and the initial IFS Fixed Asset Training was received.

Page 17, Recommendations.
"5. Conduct an annual property and equipment inventory, as required by NRS."

It should be noted that the dates encompassed in the audit included a period when IFS was new and errors were problematic to the system. The errors and problems were not unique to State Parks—all agencies were experiencing similar problems. The IFS was introduced during the time frame of FY 2001-2002. And, as stated above, the Division didn't go online until March 2002.

The Division has procedures and policies in place for monitoring, reporting, and safeguarding equipment statewide. Staff will review internal inventory transfers within the regions to insure that equipment is properly accounted for at all times. The State Parks Policy #71-3 was revised to include a section on loaning equipment and maintaining records of loans. Additionally, the policy will be revised to assign a specific month to complete annual inventories in all parks.

Note: Records from FY 97, 98, 99 did show that an annual inventory of equipment had been conducted and documented per NRS 333.220.

"6. Ensure property disposition reports are processed timely."

Even though State Parks Equipment Policy #71-3, Rules 2, 3, and 5, states that reporting is done monthly on the State Parks Monthly Property Report, the policy will be revised. The revision will give specific dates for reporting transfers of all equipment listed. Also, field staffs will not dispose of equipment items of without proper authorization from State Purchasing and the Division Headquarters. Staff will continue to stress the importance of submitting timely property disposition reports on all equipment that is transferred from another agency and between regions to the Division Equipment Inventory Clerk.

I wish to extend my complements to your auditors, Mike Spell, Ian Allan, James Gray, and Stephen Wood for their professional approach to the audit project. Their research was thorough and their findings appropriate, identifying important areas in need of improvement. Accordingly, we at State Parks have developed and begun to take corrective action as noted above. This will lead to greater compliance with NRS, NAC, contract conditions and other requirements.

Sincerely,

Wayne Perock
Administrator

/avc
097.1

Attachment

cc: R. Michael Turnipseed, Department of Conservation & Natural Resources
Lucy Zeier, Department of Conservation & Natural Resources

Division of State Parks
Response to Audit Recommendations

Recommendation Number		Accepted	Rejected
1	Revise concession contract monitoring procedures to ensure all fees are collected and required financial information is obtained.	X	
2	Revise collection procedures to ensure: a. all accounts receivable are properly accounted for and reported; b. late payment fees are consistently assessed; and c. uncollectible accounts are periodically written off..	X	
3	Establish procedures to ensure concession fees are properly recorded	X	
4	Continue to pursue reimbursement of direct costs associated with the administration and oversight of the Land and Water Conservation Fund federal grant program	X	
5	Conduct an annual property and equipment inventory, as required by NRS	X	
6	Ensure property disposition reports are processed timely	X	
	TOTALS	6	0