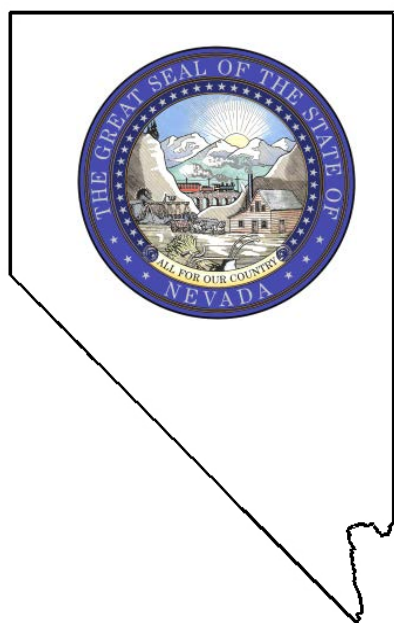


STATE OF NEVADA

Performance Audit

State Department of Conservation and Natural Resources
Division of State Parks

2018



Legislative Auditor
Carson City, Nevada

Audit Highlights



Division of State Parks

State Department of Conservation and Natural Resources

Highlights of performance audit report on the Division of State Parks issued on October 29, 2018. Legislative Auditor report # LA18-22.

Background

The Division of State Parks (Division) was established in 1963, within the State Department of Conservation and Natural Resources. The Division's mission is to provide safe outdoor recreation opportunities for the use, enjoyment, and education of current and future generations, while providing economic benefit to the state and local communities. The Division also preserves and protects scenic, historic, and scientifically significant areas in Nevada.

Nevada state parks are divided into three regions: northern, eastern, and southern. The Division operates 28 state parks that serve over 3.5 million visitors each year.

The Division's main office is located in Carson City with regional offices in Fallon, Las Vegas, and Panaca. In fiscal year 2017 about 43% of the Division's 185 employees were seasonal. Of the 106 permanent positions, 31 were commissioned Nevada peace officers. The Division has seven budget accounts with total expenditures of \$14.9 million in fiscal year 2017.

Purpose of Audit

The purpose of this audit was to evaluate the Division's processes relating to the collection of park fees, and the administration of fuel cards and concessions contracts. Our audit focused primarily on the Division's fiscal year 2017 activities; although, we also reviewed fee collection processes in fiscal year 2018, and prior years' concession revenue relating to current concession contracts.

Audit Recommendations

This audit report contains seven recommendations to strengthen administrative processes over fee collections, fuel card oversight, and concessionaire payments.

The Division of State Parks accepted the seven recommendations.

Recommendation Status

The Division of State Parks' 60-day plan for corrective action is due on January 29, 2019. In addition, the six-month report on the status of audit recommendations is due on July 29, 2019.

Summary

The Division can strengthen certain administrative processes over collecting park fees, tracking fuel card use, and reviewing concessionaire payments. Division policies and procedures over the fee collection process are inadequate and leave the Division vulnerable to theft. Additionally, diversifying payment methods and enhancing compliance controls and enforcement could increase revenue to Nevada state parks. We estimate the Division did not collect over \$1.2 million in fiscal year 2017 due to visitor noncompliance with required fees. The Division also needs to improve its oversight of fuel card use. The lack of fuel card policies and procedures lead to important administrative controls not occurring, such as accurately tracking fuel card assignments, reconciling mileage with fuel consumption, and monitoring vehicle mileage. Furthermore, the Division can improve its review of concessionaire payments to ensure accuracy in accordance with contract terms.

Key Findings

The Division can improve upon its park fee collection efforts. In fiscal year 2017, the Division collected over \$4.3 million in park user fees. We determined the Division has an opportunity to generate additional revenues by strengthening its processes to improve visitor compliance with required fees. We analyzed park visitation and revenue data to estimate the impact of uncollected fees due to visitor noncompliance. We conservatively estimated 30% of park visitors did not pay the required day-use fees in fiscal year 2017, which amounted to over \$1.2 million in uncollected revenue. (page 6)

The Division's cash collection from self-pay stations leaves the Division vulnerable to theft from employees and volunteers. Management has identified several methods for detecting theft, but not necessarily preventing theft. Although these methods for theft detection are helpful, stronger controls are needed over the collection of park fees. Division policies and procedures lack specific guidance over park fees collected at the self-pay stations. The procedures require a separation of duties when staffing allows, but do not require two employees present when handling cash, nor do the procedures detail the fee collection process for self-pay stations. (page 9)

By offering visitors different methods for paying park fees, the Division could increase fee revenue. Currently, Nevada state parks collect fees using one or more of three payment methods: self-pay cash stations, staffed fee booths, and self-pay electronic fee stations. Installation of an electronic fee station at Sand Harbor State Park contributed to a 70% increase in entrance fee revenues between October 2017 (when station was installed) and February 2018, compared to fee revenues for corresponding months in the prior year. (page 10)

The Division can strengthen its fee enforcement processes to ensure visitors comply with required park fees. With about 30% of visitors not paying required day-use fees, the Division's enforcement efforts could improve when conveying to park visitors fee expectations and the consequences for not paying. (page 13)

Controls over the administration of fuel cards are weak. We determined the Division's administrative controls over fuel cards do not adequately safeguard against misuse. Fuel card documentation was either incomplete or did not exist. Due to the weaknesses noted in the control system and the lack of policies and procedures over fuel cards, the Division cannot accurately account for all fuel cards and has limited assurance that the cards are being appropriately used for park activities. (page 14)

The Division is unable to effectively monitor fuel card use. Reconciling vehicle mileage to fuel card invoices would help identify improper fuel card use. However, vehicle mileage logs are not consistently tracked throughout the state parks. Additionally, fuel cards are assigned to employees instead of vehicles, making an accurate comparison of vehicle mileage to fuel consumption a challenge. (page 16)

The Division can improve its review of concessionaire payments to ensure the accuracy of fees collected. One of the Division's four concessionaires overpaid the Division about \$21,900 between calendar years 2011 and 2017. Although staff indicated payments and supporting documentation are reviewed, no evidence existed documenting this review to identify fee inaccuracies. (page 17)

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This report contains the findings, conclusions, and recommendations from our performance audit of the State Department of Conservation and Natural Resources, Division of State Parks. This audit was conducted pursuant to 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.

This report includes seven recommendations to strengthen administrative processes over fee collections, fuel card oversight, and concessionaire payments. We are available to discuss these recommendations or any other items in the report with any legislative committees, individual legislators, or other state officials.

Respectfully submitted,



Rocky Cooper, CPA
Legislative Auditor

October 2, 2018
Carson City, Nevada

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Introduction

Background

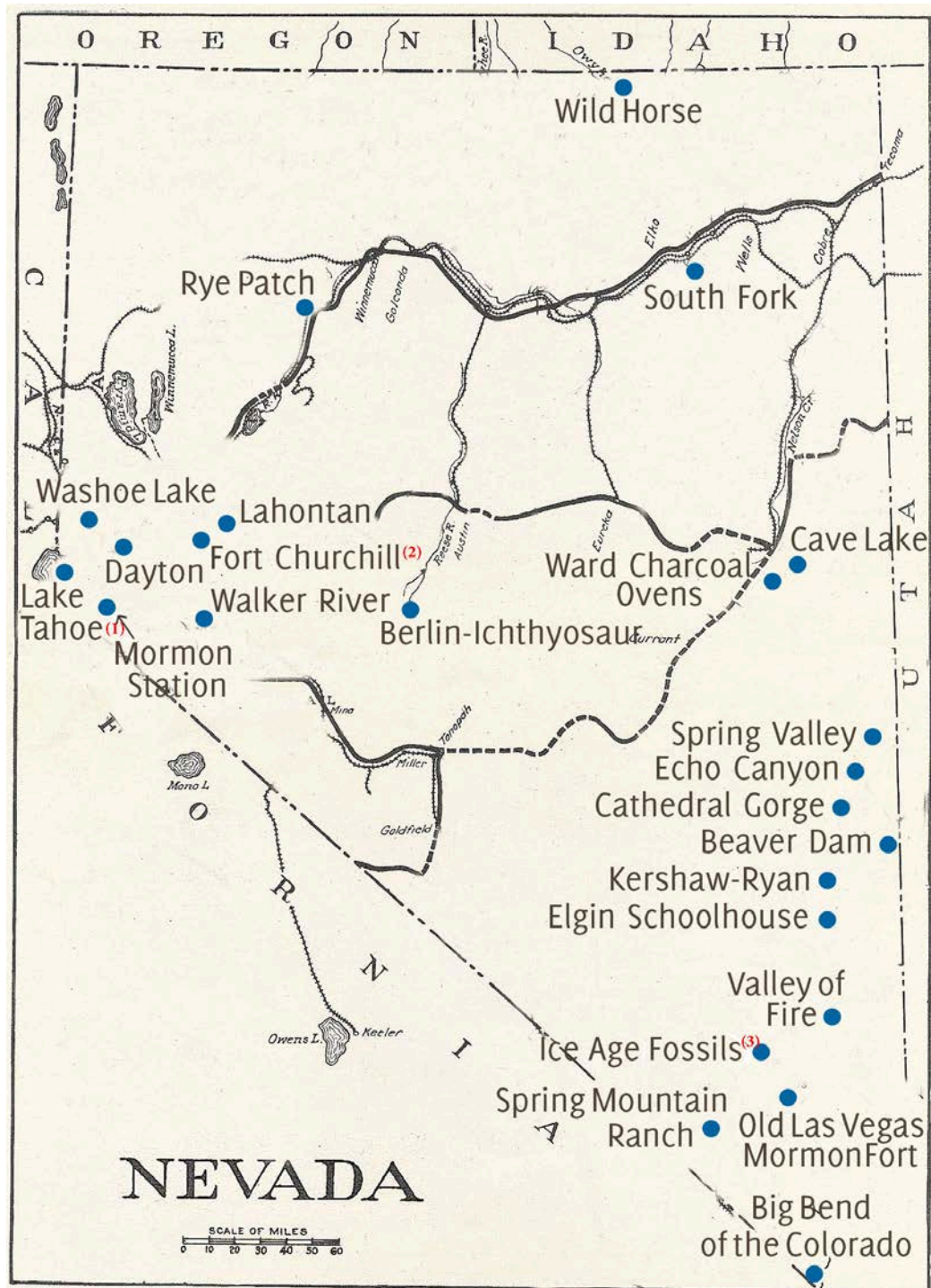
The Division of State Parks (Division) was established in 1963, within the State Department of Conservation and Natural Resources. The Division's mission is to provide safe outdoor recreation opportunities for the use, enjoyment, and education of current and future generations, while providing economic benefit to the state and local communities. The Division also preserves and protects scenic, historic, and scientifically significant areas in Nevada.

The Division's primary activities include: 1) develop, operate, and maintain parks, trails, and historic sites; 2) administer federal grant programs; and 3) provide administrative support. The Division is charged with administering two federal parks and recreation grant programs: the Land and Water Conservation Fund and the National Recreational Trails Program. The Land and Water Conservation Fund provides matching grants to states and local governments for acquisition and development of outdoor recreation areas and facilities. The National Recreational Trails Program helps states provide and maintain recreational trails for both motorized and non-motorized recreational trail use. For fiscal year 2017, the total federal funding for these grants exceeded \$1.2 million.

Nevada state parks are divided into three regions: northern, eastern, and southern. The Division operates 28 state parks that serve over 3.5 million visitors a year. Exhibit 1 lists the parks and shows their locations.

Map of Nevada State Parks

Exhibit 1



Source: Division of State Parks.

(1) Includes Cave Rock, Sand Harbor, Spooner Lake, and Van Sickle State Parks.

(2) Includes Buckland Station State Park.

(3) Also known as Tule Springs State Park.

The 2017 Legislature approved the Governor's Explore Your Nevada initiative, which aimed to expand and strengthen Nevada state parks. The initiative created the Walker River State Recreation Area and Tule Springs State Park. The initiative also provided existing state parks with additional amenities and staff, and improvements to strengthen organizational capacity.

The Division's main office is located in Carson City with regional offices in Fallon, Las Vegas, and Panaca. Regional managers oversee operations of the parks in each region. In fiscal year 2017, about 43% of the Division's 185 employees were seasonal. Of the 106 permanent positions, 31 were commissioned Nevada peace officers.

The Division has seven budget accounts with total expenditures of \$14.9 million in fiscal year 2017. The Division's operating account is the primary budget account for park operations. Exhibit 2 shows the Division's revenues and expenditures for the operating account in fiscal year 2017.

**State Parks Operating Account
Revenues and Expenditures
Fiscal Year 2017**

Exhibit 2

Revenues	Amount
Beginning Cash	\$ 2,160,946
Appropriations	8,214,832
Park User Fees	4,346,146
Marina Development Gas Taxes	1,094,539
Transfer From Commission on Tourism	509,131
Bond Proceeds	304,988
Interagency Transfers	198,196
Federal Funds	185,296
Miscellaneous Revenues ⁽¹⁾	133,806
Total Revenues	\$17,147,880
Expenditures	
Personnel	\$ 8,830,328
Operating	991,941
Equipment	500,682
Utilities	440,582
Facilities Maintenance	370,218
Miscellaneous Expenses ⁽²⁾	335,672
Interfund Transfers	123,998
Information Services	83,852
State Trails	66,990
Agricultural Lands and Facilities	61,622
Uniforms	44,365
Total Expenditures	\$11,850,250
Difference	5,297,630
Less: Reversion to General Fund	(30,952)
Ending Funds	\$5,266,678

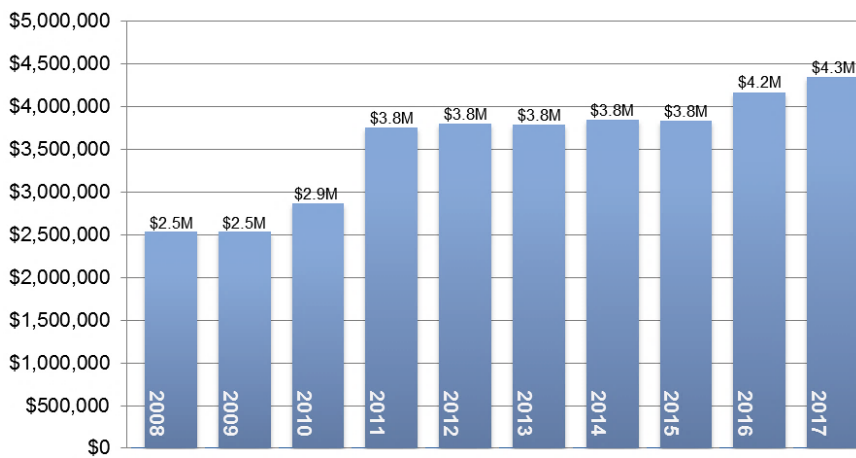
Source: State accounting system.

⁽¹⁾ Includes grazing lease fees, reimbursements, prior year refunds, and other miscellaneous revenues.

⁽²⁾ Includes brochures, training, travel, State Department of Conservation and Natural Resources cost allocations, purchasing assessments, statewide cost allocations, and other miscellaneous expenditures.

Exhibit 3 shows the amount of user fees collected over the last 10 fiscal years. Park user fees have increased from \$2.5 million in fiscal year 2008 to \$4.3 million in fiscal year 2017.

Park User Fees Collected Fiscal Years 2008 to 2017

Exhibit 3


Source: State accounting system.

Scope and Objective

The scope of our audit focused primarily on the Division's fiscal year 2017 activities; although, we also reviewed fee collection processes in fiscal year 2018, and prior years' concession revenue relating to current concession contracts. Our audit objective was to:

- Evaluate the Division's processes relating to the collection of park fees, and the administration of fuel cards and concession contracts.

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 218G.010 to 218G.350. 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.

Certain Administrative Processes Can Be Strengthened

The Division of State Parks (Division) can strengthen certain administrative processes over collecting park fees, tracking fuel card use, and reviewing concessionaire payments. Division policies and procedures over the fee collection process are inadequate and leave the Division vulnerable to theft. Additionally, diversifying payment methods and enhancing compliance controls and enforcement could increase revenue to Nevada state parks. We estimate the Division did not collect over \$1.2 million in fiscal year 2017 due to visitor noncompliance with required fees. The Division also needs to improve its oversight of fuel card use. The lack of fuel card policies and procedures lead to important administrative controls not occurring, such as accurately tracking fuel card assignments, reconciling mileage with fuel consumption, and monitoring vehicle mileage. Furthermore, the Division can improve its review of concessionaire payments to ensure accuracy in accordance with contract terms.

Opportunities for Improvement of Fee Collections

The Division can improve upon its park fee collection efforts. Currently, the Division's policies and procedures over the fee collection process are inadequate and leave the Division vulnerable to theft. Additionally, diversifying payment methods and enhancing compliance controls and enforcement could increase revenue to Nevada state parks.

In fiscal year 2017, the Division collected over \$4.3 million in park user fees. We determined the Division has an opportunity to generate additional revenues by strengthening its processes to improve visitor compliance with required fees. We analyzed park visitation and revenue data to estimate the impact of uncollected fees due to visitor noncompliance. We conservatively estimated

30% of park visitors did not pay the required day-use fees in fiscal year 2017, which amounted to over \$1.2 million in uncollected revenue. Visitor compliance varied among the individual parks. Exhibit 4 shows the results of our analysis of state parks' day-use fees, and the estimated uncollected fees and visitor compliance rates for fiscal year 2017. Because of conservative assumptions made in estimating expected revenue, actual revenue exceeded expected revenue in some instances.

**Analysis of State Parks' Day-Use Fees
Estimated Uncollected Fees and Visitor Compliance Rates
Fiscal Year 2017**

Exhibit 4

State Park ⁽¹⁾	Vehicle Count	Expected Revenue	Actual Revenue ⁽²⁾	Estimated Uncollected Fees ⁽³⁾	Estimated Compliance (100% Max)
Beaver Dam	618	\$ 3,088	\$ 3,459	\$ -	100%
Berlin-Ichthyosaur	2,036	10,180	23,854	-	100%
Big Bend	20,628	144,396	143,760	(636)	99%
Cathedral Gorge	11,524	57,618	79,047	-	100%
Cave Lake	17,718	88,588	89,180	-	100%
Cave Rock	33,549	178,612	40,769	(137,843)	23%
Dayton	5,286	26,430	10,821	(15,609)	41%
Echo Canyon	17,536	87,680	31,140	(56,540)	36%
Fort Churchill	16,886	84,428	33,228	(51,201)	39%
Kershaw Ryan	3,539	17,695	16,934	(761)	96%
Lahontan	58,838	294,192	158,237	(135,955)	54%
Rye Patch	25,556	127,780	59,706	(68,074)	47%
Sand Harbor	145,028	1,296,196	975,070	(321,126)	75%
South Fork	21,378	106,891	101,722	(5,168)	95%
Spooner Lake	27,843	189,563	102,905	(86,658)	54%
Spring Mountain Ranch	51,098	357,687	192,164	(165,523)	54%
Spring Valley	29,311	146,556	60,363	(86,193)	41%
Valley of Fire	174,533	1,396,261	1,520,358	-	100%
Ward Charcoal Ovens	2,532	12,660	10,791	(1,869)	85%
Washoe Lake	39,249	196,244	80,130	(116,114)	41%
Wild Horse	2,303	11,514	26,123	-	100%
Totals/Average Percentage	706,989	\$4,834,259	\$3,759,761	\$(1,249,270)	70%

Source: Auditor analysis of Division park visitation and revenue data.

⁽¹⁾ Only 21 of the 28 state parks are included in our analysis. Buckland Station, Elgin Schoolhouse, Mormon Station, and Old Las Vegas Fort were not included as these parks charge only a museum fee. Visual counts are used instead of vehicle counts to account for the number of visitors in the park, and not all visitors included in the visual counts actually enter the museum and pay a fee. Van Sickle does not charge a day-use fee, and the other two parks (Walker River and Tule Springs) are new with no fees collected in fiscal year 2017.

⁽²⁾ Includes only day-use fees comprised of day-use permits, photos fees, disability permits, multi-use envelopes, and utility surcharges.

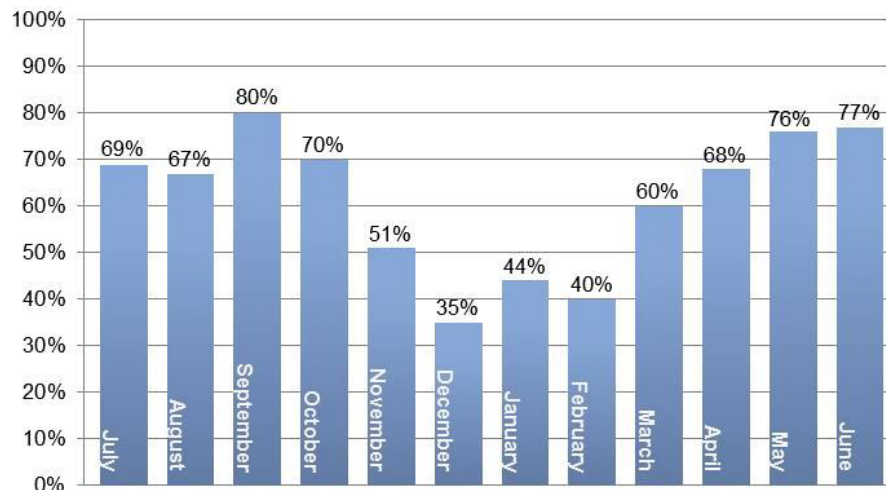
⁽³⁾ In some instances, actual revenue exceeded expected revenue due to the conservative assumptions made in estimating expected revenue. Additionally, some actual revenue may include other types of user fees included in the multi-use fee envelopes.

Our analysis was based on a conservative approach. The vehicle count data was adjusted for counts in areas that do not collect fees, percentage of visitors with annual passes, and vehicles attending free events. We surveyed park supervisors to obtain these estimates. The expected revenue was also calculated using the fiscal year 2017 park fees including a \$2 Nevada resident discount. We discussed our analysis with Division management, and they agreed with our methodology stating we used a logical approach.

Park visitors may not comply with fee requirements due to ignorance or willful intent. Based on our discussions and observations, park staff are diligent in posting and collecting fees. However, with the public having 24-hour access to most parks and the Division's limited staffing, visitor compliance is often based on the honor system. As shown in Exhibit 5, our analysis revealed visitor compliance was significantly higher in months where seasonal staffing allowed for fee booths to be staffed a greater percentage of time to collect fees upon entry.

**Estimated Visitor Compliance Rates
Monthly Day-Use Fees
Fiscal Year 2017**

Exhibit 5



Source: Auditor analysis of Division park visitation and revenue data.

Note: Percentages represent the average estimated visitor compliance rates among all Nevada state parks.

Nonetheless, the Division can improve fee collection and increase revenue by strengthening controls over fee collection practices, diversifying payment options, and enhancing compliance expectations and enforcement.

Strengthen Controls Over the Collection of Park Fees

The Division's cash collection from self-pay stations leaves the Division vulnerable to theft from employees and volunteers. We surveyed 22 parks and found 7 experienced staff or volunteer theft in the past. Although management believes the amount is minimal and a rare occurrence, the total amount of funds lost due to employee theft is unknown.

Management has identified several methods for detecting theft, but not necessarily preventing theft. Theft can occur by employees gathering envelopes from a self-pay station and either keeping the entire envelope or a portion of the cash in the envelope. Our survey found that six parks place marked envelopes or cash into the self-pay stations to ensure the funds are properly retrieved from the self-pay station and deposited. Three parks also monitor visitation and revenue data to identify unusual fluctuations. For example, when visitation continued to increase at one park while revenue began decreasing, management suspected a loss of funds. Additionally, two parks have found used self-pay envelopes in employee lunch boxes, jackets, and vehicles.

Although these methods for theft detection are helpful, stronger controls are needed over the collection of park fees. Our survey revealed no parks have 2 employees present when permanent staff collect fees from self-pay stations, while 4 of the 22 parks indicated 2 seasonal employees are present when seasonal staff collect fees. Management believes that creating a culture of integrity and hiring honest employees is the best method for theft prevention.

Division policies and procedures lack specific guidance over park fees collected at the self-pay stations. The procedures require a separation of duties when staffing allows, but do not require two employees present when handling cash, nor do the procedures

detail the fee collection process for self-pay stations. While we recognize that staffing limitations will not always allow for two staff to be present, additional efforts should be made to allocate resources to increase the frequency of having two staff collect and open fee tubes.

NRS 353A.020 requires each agency to develop written procedures to carry out a system of internal accounting and administrative controls. This includes a system of practices to be followed in the performance of duties and the functions of the agency.

The Government Accountability Office's Standards for Internal Control outline fraud risk factors as: 1) incentives and pressure, 2) opportunity, and 3) attitude and rationalization. Management has the responsibility to analyze and respond to identified fraud risks so that they are effectively mitigated, and design specific actions for responding to these risks. While some parks have developed methods for detecting theft, specific written guidance from Division management will ensure park practices are consistent in implementing prevention theft measures.

Diversifying Payment Methods Could Increase Fee Revenue

By offering visitors different methods for paying park fees, the Division could increase fee revenue. Currently, Nevada state parks collect fees using one or more of three payment methods: self-pay cash stations (a.k.a. iron rangers or fee tubes), staffed fee booths, and self-pay electronic fee stations (Sand Harbor State Park pictured in Exhibit 6).

Sand Harbor State Park's Electronic Fee Station

Exhibit 6



Source: Auditor observation picture.

This is the Division's first electronic fee station placed at Sand Harbor State Park in October 2017. We analyzed the park's revenue between October 2017 (when the station was installed) and February 2018 and found fee revenues increased significantly compared to the corresponding months in the prior year. Exhibit 7 shows the increase in revenue by month.

**Analysis of Sand Harbor State Park's
Electronic Fee Station**

Exhibit 7

Month	Day-Use Fee Revenue		Difference
	No Electronic Fee Station Fiscal Year 2017	With Electronic Fee Station Fiscal Year 2018	
October	\$28,681	\$ 45,072	\$16,391
November	10,797	20,867	10,070
December	11,201	25,626	14,425
January	6,531	25,399	18,868
February	5,901	18,124	12,223
Totals	\$63,111	\$135,088	\$71,977

Source: Auditor analysis using Division revenue data.

Note: Exhibit shows 5 months of day-use fee revenue for October 2017 (when the electronic fee station was installed) to February 2018 compared to the corresponding months in the prior year. A portion of increased fees are attributed to additional visitors in 2018.

We did note that an extra 3,750 vehicles entered the park during the months tested compared to the prior year. After adjusting for these additional vehicles, the Division experienced a 70% increase in fee revenues, which amounted to an adjusted average increase of \$8,900 per month or \$44,500 for the five months tested. The additional revenues covered the one-time \$8,500 electronic fee station purchase price, and monthly maintenance and credit card fees.

Sand Harbor State Park has benefited significantly from the installation of an electronic fee station. Although we realize not all Nevada state parks would receive similar revenue increases, having another payment option available to park visitors would help improve fee compliance. We surveyed other states and found similar electronic fee stations being used, including on-line payments being made on tablets, cell phones, and through campground reservation systems.

Electronic fee stations also decrease the amount of cash on hand at the park. By limiting the availability of cash, the opportunity for theft is minimized. Additionally, visitors increasingly rely on debit/credit cards as a form of payment. Offering electronic payment options enables visitors who do not traditionally carry cash the opportunity to pay. Furthermore, park staff indicated that some visitors may not speak or read English; therefore, may not

recognize or understand the self-pay cash stations' instructions as easily as electronic fee stations.

Enhancing Compliance Expectations Could Increase Fee Revenue

The Division can strengthen its fee enforcement processes to ensure visitors comply with required park fees. With about 30% of visitors not paying required day-use fees, the Division's enforcement efforts could improve when conveying to park visitors fee expectations and the consequences for not paying.

State regulations authorize the Division to charge a noncompliance fee. Nevada Administrative Code 407.050 states that if a user of a park does not deposit the required fee in the available self-service devices, the Division will charge the user a fee of \$10. If the visitor fails to pay the noncompliance fee, the Division may file criminal charges.

Division policies and procedures do not mention noncompliance fees. Compliance procedures only discuss the use of self-pay cash station envelopes. Systematic checks are required comparing a fee envelope to a vehicle receipt. If a receipt is not present, then park staff must collect the fee due from the visitor. When the visitor is not available, staff must fill out an envelope with the fee stated and place the envelope on the vehicle. Although this process for notifying visitors of noncompliance establishes fee expectations, it does not state the consequences for not paying.

We visited 6 of Nevada's 28 state parks and found these compliance procedures not being thoroughly and consistently followed. Based on our observations, we found:

- Staff at all six parks performed checks of vehicles for evidence of fee compliance, but we did not observe staff verifying dates or correct vehicle license numbers on fee stubs in vehicle windows.
- Staff at two of the six parks filled out a fee envelope to notify noncompliant visitors of required fees. Although, one park did not reconcile cash in each envelope to the fee

stated on the envelope to ensure the correct amount was received. Also, the other park did not bring envelopes or a log of paid visitors on vehicle compliance checks to verify payment.

- Staff at two of the six parks issued a Courtesy Notice in place of filling out a fee envelope. The notice clearly explained the fees due, applicable state law or regulation, and any noncompliance fees. Both parks charge a \$10 noncompliance fee if the park fee is not paid, while one of the two parks will issue an additional \$200 citation if they can determine the visitor did not intentionally pay. However, such citations are rare and have not been issued for years.

Park staff are hesitant to issue noncompliance fees. They would like to give visitors every opportunity to pay before charging an additional fee. However, by not following Division compliance procedures and enforcing noncompliance fees, some visitors may be only inclined to pay when approached by park staff.

Oversight of Fuel Cards Needed

The Division needs to develop a process for monitoring fuel card use. The lack of policies and procedures lead to important administrative controls not taking place and ensuring the proper use of fuel cards. For instance, the Division is not reconciling fuel use in Division vehicles with vehicle logs and fuel invoices. Additionally, vehicle mileage is not being consistently tracked throughout the state, limiting the Division's ability to effectively monitor fuel card use.

Division staff obtain fuel for state vehicles used in conducting park activities through bulk fuel tanks located within certain state parks or by purchasing at a fuel retailer using an agency issued fuel card. In fiscal year 2017, the Division had 103 fuel cards with fuel costs amounting to over \$164,000 used to operate about 200 vehicles.

Weak Controls Over Fuel Administration

Controls over the administration of fuel cards are weak. The Division lacks policies and procedures over the use of fuel cards. Fuel cards are issued to employees at the request of a supervisor.

When staff receive a fuel card, they are required to sign a fuel card agreement requiring them to return the card upon leaving employment. Employees receive no other written guidance pertaining to the fuel card and its acceptable use.

During our audit, we determined the Division's administrative controls over fuel cards do not adequately safeguard against misuse. Fuel card documentation was either incomplete or did not exist. Our review of the Division's fuel card listing and other available fuel card documentation revealed:

- 22% of fuel cards did not have signed fuel card agreements.
- 28 of 103 fuel cards were not used during fiscal year 2017.
- Six fuel cards used in fiscal year 2017 were not included on the Division's fuel card listing.
- In two instances, multiple fuel cards were assigned to the same vehicle number.
- Four fuel cards had unknown employee assignments, two of which were assigned to a job title, one had no assignment, and one was assigned to "?."
- One employee had two fuel cards with different numbers.
- One fuel card was listed as in the possession of another employee because staff suspect it was used by an employee other than the original assigned employee.
- One former employee was included on the Division's fuel card listing. Our review of fuel card purchases revealed no transactions relating to this card were made after termination.

Due to the weaknesses noted in the control system and the lack of policies and procedures over fuel cards, the Division cannot accurately account for all fuel cards and has limited assurance that the cards are being appropriately used for park activities.

Since fuel cards are similar to cash in their negotiability, a good control system is needed to account for each card.

Inability to Effectively Monitor Fuel Card Use

The Division is unable to effectively monitor fuel card use. Reconciling vehicle mileage to fuel card invoices would help identify improper fuel card use. However, vehicle mileage logs are not consistently tracked throughout the state parks. Additionally, fuel cards are assigned to employees instead of vehicles, making an accurate comparison of vehicle mileage to fuel consumption a challenge.

Each park region has a different process for tracking vehicle mileage and fuel use. During fiscal year 2017, the Division had only a northern and southern region. The southern region tracked fuel use and mileage by vehicle each month, compiling a monthly vehicle mileage report. The northern region no longer maintains vehicle logs, as a result of misinterpreting communication received from Division management. Furthermore, neither region tracks bulk fuel tank usage by vehicle.

Our testing also revealed that for reconciliations to be useful, fuel cardholders must enter the correct vehicle information when purchasing fuel. Cardholders are required to enter the vehicle number and mileage of the vehicle upon fueling. However, upon reviewing fiscal year 2017 fuel card invoices, we found several instances where cardholders enter the vehicle number but do not always enter the correct mileage. For example, the mileage entered is either less than the beginning monthly mileage or previous transaction, or the same mileage as the previous fill-up.

Without policies and procedures over the monitoring of fuel use, the Division is vulnerable to the misuse of fuel. We found that Division staff match individual fuel receipts to fuel invoices for allocating fuel use to each park and for budgetary purposes. However, this type of comparison may not identify unusual fuel purchases. Reconciling mileage to fuel consumption would ensure the appropriateness of fuel purchases.

After communicating to Division management the control weakness identified over fuel card use, management stated that a policy will be drafted to implement a procedure for logging mileage, tracking fuel use, and payment of invoices. This will include the reconciliation between the invoice, fuel receipts, and mileage logs of agency vehicles.

Review of Concessionaire Payments Can Be Improved

The Division can improve its review of concessionaire payments to ensure the accuracy of fees collected. One of the Division's four concessionaires overpaid the Division about \$21,900 between calendar years 2011 and 2017. Although staff indicated payments and supporting documentation are reviewed, no evidence existed documenting this review to identify fee inaccuracies.

The Division contracts with private entities to operate concessions within the state parks. During the audit, the Division had contracts with four concessionaires. Two concessionaires pay monthly fees calculated as a percentage of gross revenues, while the other two pay a flat rate annually or per event. During fiscal year 2017, the Division received over \$240,000 in concession fee revenue.

Concessionaire Overpaid Division Fees

One of the Division's concessionaires that pay fees based on a percentage of revenues overpaid the Division during its current contract term. The contract states the concessionaire shall pay the Division a percentage of all annual gross receipts, excluding imposed sales or excise taxes. Our testing revealed the fees paid were based on total revenue without deducting taxes. During the current contract, the concessionaire overpaid the Division about \$21,900. Exhibit 8 shows the amount of fees overpaid during the current contract term.

**Concessionaire Overpayments
Calendar Years 2011 to 2017**

Exhibit 8

Calendar Year ⁽¹⁾	Amount Paid ⁽²⁾	Amount Due	Overpayment
2011	\$ 25,139	\$ 23,255	\$ 1,884
2012	30,483	28,007	2,476
2013	36,122	33,409	2,713
2014	44,805	41,061	3,744
2015	48,378	45,299	3,079
2016	59,004	54,446	4,558
2017	62,064	58,580	3,484
Totals	\$305,995	\$284,057	\$21,938

Source: Auditor compiled based on Division of State Parks' records.

⁽¹⁾ Current contract period for concessionaire is June 2010 to June 2020. Audit testing included those calendar years within our audit scope.

⁽²⁾ Excludes additional amounts paid for assessed penalties.

After discussing the concessionaire's overpayment with management, the Division refunded the calendar year 2016 and 2017 overpayments. Management agreed with our calculations and will be refunding the remaining amounts overpaid.

Enhanced Procedures Could Improve Payment Accuracy

The Division could improve the accuracy of concessionaire payments by clarifying the fee review process in its policies and procedures. Current procedures require the concessionaire's federal tax return and combined sales and use tax return to be compared to profit and loss statements to ensure the accuracy of reported revenue and fees paid. Clearly defining this review process to include how it should be documented and reviewed will help ensure the accuracy of concessionaire payments.

The Division's monitoring of concession contracts has improved, as the prior audit in 2013 recommended that the Division develop procedures for performing periodic audits of revenues reported by concessionaires. Although the Division updated its policies and procedures, additional controls are needed to increase payment accuracy.

State law and policy requires agencies to document and review policies and procedures, updating those as needed. After discussing our testing of concession contracts with the Division, management indicated that policies and procedures over

concessions will be updated to include supervisory review and the calculation of fees based on the gross receipts of the organization.

Recommendations

1. Develop policies and procedures to strengthen controls over the collection of park fees, including retrieving money from self-pay fee stations and reconciling monies to fee envelopes. Consider requiring two employees be present for collecting and reconciling fees whenever multiple staff are available.
2. Perform a cost-benefit analysis to identify parks where installing an electronic fee station would increase fee compliance.
3. Revise policies and procedures over park visitor fee compliance to ensure noncompliance fees are consistently administered among all state parks and to encourage park visitors to pay required fees.
4. Establish and implement policies and procedures for monitoring fuel use, including documenting acceptable employee fuel use, tracking vehicle mileage, and reconciling mileage to fuel consumption.
5. Improve fuel monitoring controls by assigning fuel cards to vehicles rather than employees.
6. Refund calendar year 2011 to 2015 concessionaire overpayments.
7. Enhance concession policies and procedures to include a detailed process for reviewing concession fee revenue, including supervisory review.

Appendix A

Audit Methodology

To gain an understanding of the Division of State Parks (Division), we interviewed staff and reviewed statutes, regulations, and policies and procedures significant to its operations. We also reviewed financial information, prior audit reports, budgets, legislative committee minutes, and other information describing the activities of the Division. Furthermore, we documented and assessed the adequacy of the Division's internal controls over the collection of park fees, fuel card use, and concession contracts.

To determine if internal controls provide reasonable assurance to minimize the risk of uncollected park fees, we performed a conservative analysis of park visitation and revenue data for all state parks to estimate the uncollected revenue due to visitor noncompliance with required day-use fees. Additionally, we analyzed visitation and revenue data for Sand Harbor State Park to evaluate the revenue impact of installing a self-pay electronic fee station. We also observed fee collection processes and visitor compliance checks at six state parks, noting physical controls over self-pay stations, location and condition of vehicle counters, and fee compliance signage. Finally, we surveyed park management and 10 other states to identify current and best practices in the collection of park fees.

To determine if controls over fuel cards adequately safeguard against misuse, we evaluated the administrative controls over fuel use by comparing the Division's fuel card listing to fuel invoices, including detecting if former employees have access to active fuel cards. Since vehicle mileage information was not consistently maintained within the Division, we were unable to compare vehicle mileage to fuel consumption to identify unusual transactions and unusually low mileage rates, which can be an indicator of misuse. Control weaknesses identified in our fuel testing were discussed with Division management and staff.

To determine if the Division's controls relating to concession contracts are adequate, we discussed with staff the concessionaire fee payment and review process. We then reviewed the Division's four concessionaire contracts and calendar year 2016 payments for accuracy. Based on inaccurate 2016 payments noted for one concessionaire, we expanded our review to include all payments received during the concessionaire's contract period. We also surveyed 10 other states to identify best practices relating to concession contracts.

For our observation of state parks' fee compliance, we used nonstatistical audit sampling, which was the most appropriate and cost effective method for concluding on our audit objective. Based on our professional judgment, review of authoritative sampling guidance, and careful consideration of underlying statistical concepts, we believe that nonstatistical sampling provides sufficient, appropriate audit evidence to support the conclusions in our report. Since our audit sampling included a judgmental selection of parks to visit, we did not project our results to the population. The entire population was reviewed during our analysis of state parks' day-use fees, and testing of fuel cards and concession contracts.

Our audit work was conducted from October 2017 to May 2018. We conducted this performance audit 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

In accordance with NRS 218G.230, we furnished a copy of our preliminary report to the Administrator of the Division of State Parks. On September 20, 2018, we met with agency officials to discuss the results of the audit and requested a written response to the preliminary report. That response is contained in Appendix B, which begins on page 23.

Contributors to this report included:

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Audit Supervisor


Daniel L. Crossman, CPA
Chief Deputy Legislative Auditor

Appendix B

Response From the Division of State Parks

BRIAN SANDOVAL
Governor

STATE OF NEVADA



DEPARTMENT OF CONSERVATION AND NATURAL RESOURCES
DIVISION OF STATE PARKS

10/1/2018

BRADLEY CROWELL
Director
Department of Conservation and Natural Resources

ERIC M. JOHNSON
Administrator

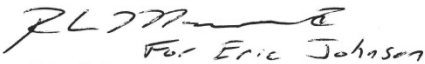
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Rocky Cooper, CPA, Legislative Auditor
Legislative Council Bureau
401 S Carson St
Carson City, Nevada 89701

Dear Mr. Cooper,

The following is the Corrective Action Plan related to the findings of the Legislative audit report submitted on September 12, 2018 titled Division of State Parks, Response to Audit Recommendations. Per section 1(c) of NRS 218G.230, the corrective action plan is to be submitted to you within 10 days after receipt of the report, October 1, 2018.

Sincerely,


For Eric Johnson
Eric Johnson
Administrator

EJ/ji
Cc: Bradley Crowell, Director, Department of Conservation and Natural Resources
Robert Mergell, Deputy Administrator, Division of State Parks
Jen Idema, ASO, Division of State Parks

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Division of State Parks (NDSP) Corrective Action response to Audit Recommendations

- 1. Develop policies and procedures to strengthen controls over the collection of parks fees, including retrieving money from self-pay fee stations and reconciling monies to fee envelopes. Consider requiring two employees be present for collecting and reconciling fees whenever multiple staff are available.**

This recommendation is a requirement currently outlined in the Division Fee Manual. This requirement was not followed at parks with only one full time employee and when seasonal staff are not present. See the response to finding #2 for further plans to resolve the issue.

- 2. Perform a cost-benefit analysis to identify parks where installing an electronic fee station would increase fee compliance.**

Parks intent is to put self-pay machines at all the parks where they will function (remote locations may not have adequate cell or satellite service). This will largely eliminate the need for staff to double count deposits as the fees collected from the self-pay stations will be directly deposited to the state's bank account. The agency is also pursuing an on-line reservation system, which would further reduce the amount of cash collected.

- 3. Revise policies and procedures over park visitor fee compliance to ensure noncompliance fees are consistently administered among all state parks and to encourage park visitors to pay required fees.**

Parks plans to modify the Fee Manual to make it less discretionary in the enforcement of the noncompliance fees. The Emphasis will be that there is only minimal discretion in imposing noncompliance fees when visitors neglect to use the self-pay stations.

- 4. Establish and implement policies and procedures for monitoring fuel use, including documenting acceptable fuel use, tracking vehicle mileage, and reconciling mileage to fuel consumption.**

See response to #5 as it relates to #4 finding. A policy will be developed in the coming months to require the parks and regions to submit monthly reports to the Division office with the mileage of each vehicle. With this, these reports will need to be reviewed and signed off by the park supervisor and/or regional manager. This will then be reconciled to the monthly

fuel invoices and backup documentation. Any discrepancies will be reported to the appropriate supervisor for research and investigation if necessary.

5. Improve fuel monitoring controls by assigning fuel cards to vehicles rather than employees.

Parks has already begun the process of assigning cards to vehicles instead of employees. With this process, all cards will be logged at the Division office for tracking. A policy and procedure will then be established for reconciling mileage to fuel consumption as each fuel bill is paid. Completion of this task is estimated to be done at the end of October.

6. Refund calendar year 2011 to 2015 concessionaire overpayments.

The refunds to the concessionaire were processed on 8/2/18 in the amount of \$3,482.32 and \$4,558.00 on 5/18/18.

7. Enhance concession policies and procedures to include a detailed process for reviewing concession fee revenue, including supervisory review.

The Administrative Services Officer has started reviewing and initialing the fee calculations quarterly. The policy will also be updated to reflect this review requirement.

Division of State Parks' Response to Audit Recommendations

<u>Recommendations</u>	<u>Accepted</u>	<u>Rejected</u>
1. Develop policies and procedures to strengthen controls over the collection of park fees, including retrieving money from self-pay fee stations and reconciling monies to fee envelopes. Consider requiring two employees be present for collecting and reconciling fees whenever multiple staff are available.....	<u> X </u>	<u> </u>
2. Perform a cost-benefit analysis to identify parks where installing an electronic fee station would increase fee compliance.....	<u> X </u>	<u> </u>
3. Revise policies and procedures over park visitor fee compliance to ensure noncompliance fees are consistently administered among all state parks and to encourage park visitors to pay required fees	<u> X </u>	<u> </u>
4. Establish and implement policies and procedures for monitoring fuel use, including documenting acceptable employee fuel use, tracking vehicle mileage, and reconciling mileage to fuel consumption.....	<u> X </u>	<u> </u>
5. Improve fuel monitoring controls by assigning fuel cards to vehicles rather than employees.....	<u> X </u>	<u> </u>
6. Refund calendar year 2011 to 2015 concessionaire overpayments.....	<u> X </u>	<u> </u>
7. Enhance concession policies and procedures to include a detailed process for reviewing concession fee revenue, including supervisory review.....	<u> X </u>	<u> </u>
TOTALS	<u> 7 </u>	<u> </u>