

# Audit Highlights



Highlights of Legislative Auditor report on the Division of State Parks, issued on April 21, 2003. Report #LA04-02.

## Background

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. There are 24 parks in the State Park System.

In fiscal year 2002, expenditures for the Division's principal operating account totaled \$9.7 million, supporting 100 full-time equivalent positions and approximately 100 seasonal employees. 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 of Audit

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 year ended June 30, 2002.

## Audit 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.

The Division of State Parks accepted all six audit recommendations.

## Status of Recommendations

The Division's 60-day plan for corrective action is due on July 16, 2003. In addition, the six-month report on the status of audit recommendations is due on January 16, 2004.

# Division of State Parks

## Department of Conservation and Natural Resources

### 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. [The Division noted in its response to the audit that based on this finding, it subsequently collected these fees.]

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.

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.

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.

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.

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.

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.