

# Audit Highlights



Highlights of Legislative Auditor report on the Division of State Parks issued on May 15, 2013. Report # LA14-06.

## Background

The Nevada Division of State Parks was established in 1963, within the Department of Conservation and Natural Resources. The Division's mission is to acquire, plan, develop, interpret, operate, and maintain a system of parks and recreational areas and to preserve areas of scenic, historic, and scientific significance for the use and enjoyment of residents and visitors.

The Division is organized into five sections: park operations; administration; construction and major maintenance; fiscal, personnel and payroll; and grants and planning. There are 22 parks in the State Parks system that serve over 3.3 million visitors per year.

The Division's main office is located in Carson City with regional offices in Las Vegas and Fallon. In fiscal year 2012, about 60% of the Division's 229 employees were seasonal. Of the 93 permanent positions, 29 were commissioned Nevada peace officers. The Division has eight budget accounts with total expenditures of \$12.5 million in fiscal year 2012.

## Purpose of Audit

The purpose of this audit was to: (1) determine if retail outlets at state parks had sufficient controls and processes in place to ensure efficient and effective operations, (2) evaluate the Division's financial and administrative controls over concession contracts, and (3) determine if the Division had adequate inventory controls over firearms to ensure compliance with applicable state laws, regulations, and policies and procedures.

This audit focused on the Division's activities for the period from July 1, 2011, through November 30, 2012. In some instances our audit period included earlier dates back to 2007.

## Audit Recommendations

This report includes 14 recommendations to strengthen controls over retail operations, improve monitoring of concession contracts at state parks, and enhance inventory controls over firearms.

The Division accepted the 14 recommendations.

## Recommendation Status

The Division's 60-day plan for corrective action is due on August 9, 2013. In addition, the six-month report on the status of audit recommendations is due on February 10, 2014.

# Division of State Parks

## Department of Conservation and Natural Resources

### Summary

Stronger controls are needed over the Division's retail outlets to help ensure successful operations. For example, problems with the point-of-sale (POS) system hindered the Division's ability to monitor sales at retail outlets. In addition, the POS system did not maintain records needed to track merchandise inventory. The Division can take steps to ensure the POS system provides accurate management information for proper monitoring of the retail operations. Furthermore, better oversight of the cashier function will reduce the Division's risk that theft could occur and go undetected.

The Division can improve its monitoring of concession contracts to ensure revenues from concessionaires are accurate and timely. For example, the Division did not properly adjust concession fees for annual Consumer Price Index (CPI) increases required by two contracts. In addition, the Division did not perform periodic audits of revenues reported by entities that pay fees based upon a percentage of revenues.

The Division needs to strengthen inventory controls over surplus firearms to ensure compliance with state requirements. For example, the Division conducted unauthorized sales of surplus firearms to state employees. Furthermore, controls were circumvented when the Division failed to ship surplus firearms removed from state accounting records that were designated for trade-in. The guns were found improperly secured at the Division 3 years after they were presumed traded-in.

### Key Findings

Problems with the POS system hindered the Division's ability to monitor sales at retail outlets in state parks. Specifically, sales reports we examined for the two largest outlets for the quarter ended September 30, 2012, contained significant errors. For example, the report for the Valley of Fire outlet incorrectly showed total deposits were short by over \$3,000 for the quarter ended September 30, 2012. By changing some report parameters in the system, the difference between sales and total deposits was reduced to \$89 for the quarter. In addition, most of the sales reports for fiscal year 2012 were not submitted to management timely. As a result, management did not receive accurate or timely sales information important for evaluating results of operations and making operating decisions. (page 7)

The Division did not have adequate controls in place to properly monitor merchandise inventory at retail outlets. Significant problems with the quarterly inventory reports used by management were noted. In particular, the POS system did not maintain accurate inventory records that the Division needed to prepare the quarterly inventory reports. These errors affected the inventory variance calculations. When inventory variance information is not correct, management cannot determine the amount of inventory lost to damage, theft, or other irregularities. (page 9)

The Division did not have sufficient oversight of the cashier function to help prevent potential fraud. Areas with weak oversight included cash variances and certain non-revenue transactions conducted at the cash registers. Best business practices in fraud prevention include monitoring cash variances, looking for patterns, and investigating large or unusual discrepancies. (page 11)

The Division can improve its monitoring of concession contracts to help ensure revenues from concessionaires are accurate and timely. For both contracts with inflation adjustments, the Division did not properly adjust concession fees for CPI increases according to the terms of the agreements. First, the Division lost nearly \$7,700 in unbilled concession fees that the Lake Tahoe Shakespeare Festival at Sand Harbor should have paid from 2008 through 2010. Second, the Division did not adjust performance fees for a cultural arts concession at Spring Mountain Ranch State Park for CPI increases from 2007 through 2010. Additionally, the Division did not perform periodic audits of revenues reported by the three concessionaires that pay fees based upon a percentage of revenues. (page 15)

Controls over surplus firearms were not adequate to prevent unauthorized sales to state employees. In 2009, 61 surplus firearms, designated for trade-in to a firearms manufacturer, were instead offered for sale to state employees without involving the Purchasing Division. Of these, the Division sold 22 surplus firearms to state employees and failed to trade in the other 39 surplus firearms to the firearms manufacturer. Documentation submitted to Purchasing indicated the firearms would be shipped to the manufacturer to complete the trade-in for new pistols. However, in August 2012 we found instead of shipping the additional 39 surplus firearms, staff stored them improperly in cardboard boxes in an office. We reported this circumvention of controls over the 39 surplus firearms to management and verified none were missing. (page 18)