



Washington State Auditor's Office

Troy Kelley

Integrity • Respect • Independence

Accountability Audit Report

Washington State Parks and Recreation Commission

For the period July 1, 2012 through June 30, 2013

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Washington State Auditor Troy Kelley

October 9, 2014

Mr. Don Hoch, Director
Washington State Parks and Recreation Commission

Report on Accountability

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The State Auditor's Office takes seriously our role of providing state and local governments with assurance and accountability as the independent auditor of public accounts. In this way, we strive to help government work better, cost less, deliver higher value and earn greater public trust.

Independent audits provide essential accountability and transparency for Commission operations. This information is valuable to management, the governing body and public stakeholders when assessing the government's stewardship of public resources.

The attached comprises our report on the Commission's compliance and safeguarding of public resources. Our independent audit report describes the overall results and conclusions for areas we examined. We appreciate the opportunity to work with your staff and we value your cooperation during the audit.

Sincerely,

TROY KELLEY
STATE AUDITOR

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AUDIT SUMMARY

Results in brief

In most areas we audited, Commission operations complied with applicable requirements and provided adequate safeguarding of public resources. The Commission also complied with state laws and regulations and its own policies and procedures in the areas we examined.

However, we identified areas in which the Commission could make improvements.

We recommend that the Commission develop and follow effective internal control procedures over purchases made with fuel cards. We also recommend that the Commission develop and follow effective internal control procedures over cash receipting and the related Discover Pass inventory process. These procedures will allow it to detect errors and losses in a timely manner. These should include:

- Written policies and procedures over fuel card usage.
- Reconciliations over monthly fuel card statements to individual receipts and vehicle mileage logs.
- Written policies and procedures over the inventory process for Discover Passes.
- Reconciliations over the number of passes issued and sold.
- Reconciliations over amounts deposited and sold during the day.
- Issued receipts that show the mode of payment from customers.
- Segregation of duties to ensure amounts collected at decentralized secured boxes, used to collect payments at park locations, are deposited intact.
- Written policies and procedures for the collection of amounts from secured boxes.
- Procedures to ensure timely deposit of funds.

These recommendations were included in our report as findings.

We also noted certain matters that we communicated to Commission management in a letter dated September 30, 2014, related to purchase cards. We appreciate the Commission's commitment to resolving those matters.

About the audit

This report contains the results of our independent accountability audit of the Washington State Parks and Recreation Commission from July 1, 2012 through June 30, 2013.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, loss or abuse. This includes the design, implementation and maintenance of internal controls relevant to these objectives.

Our audit involved performing procedures to obtain evidence about the Commission's uses of public resources, compliance with state laws and regulations, and its own policies and procedures, and internal controls over such matters.

In keeping with general auditing practices, we do not examine every transaction, activity or area. Instead, the areas examined were those representing the highest risk of fraud, loss, abuse or noncompliance. The following areas were examined during this audit period:

- Cash receipting and revenue
- Purchase cards
- Travel expenditures
- Fuel card expenditures
- Safeguarding of assets

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

1. The Commission lacks adequate controls to safeguard and account for fuel card purchases.

Background

The Washington State Parks Commission has more than 120 parks and retreat centers located throughout the state. From July 2012 to July 2013, the Commission spent more than \$1 million to purchase fuel; \$660,000 of this was spent on individual fuel cards.

Some of the state parks also have bulk fuel storage containers located onsite for use as needed. From July 2012 to July 2013, more than \$385,000 of bulk fuel was purchased. Bulk fuel logs are kept at the individual state park.

Description of Condition

We examined fuel transactions at Financial Services, a department of the Commission, and at seven state parks including Belfair, Dash Point, Deception Pass, Jarrell Cove, Millersylvania, Saint Edward and Saltwater. Our audit found the Commission:

- Has no written policies or procedures on the usage of fuel cards.
- Does not compare or reconcile individual receipts kept by the state park locations to the monthly fuel card statements received by Financial Services.
- Does not compare the vehicle usage and mileage logs, which describe the miles driven and purpose of the trip, to the actual statements.

Cause of Condition

The Commission experienced a reduction in staff during the past several fiscal years. As a result, remaining staff took on new tasks that were not previously assigned. The reduction in staff contributed to the Commission's lack of policies, procedures and monitoring.

Effect of Condition

The lack of reviews and reconciliations of fuel card purchases increase the risk that inappropriate use of fuel would occur and not be identified in a timely manner. This also leaves the Commission at risk and vulnerable to misappropriation, misuse or loss.

Recommendation

We recommend the Commission:

- Develop written policies and procedures on fuel card usage.
- Reconcile monthly fuel card statements to individual receipts and vehicle mileage logs.

Commission's Response

State Parks concurs with the State Auditor's finding on fuel card purchases. We appreciate the auditor acknowledging the impact that significant staffing cuts have had on the lack of procedures, policies and monitoring of fuel card purchases. State Parks takes very seriously the need to have appropriate internal controls to safeguard the State's assets. To ensure we put into place effective controls with limited staff resources, we have started an assessment to determine what monitoring processes and procedures are needed. We expect to complete our review and begin implementing changes no later than January 2015.

Auditor's Remarks

We appreciate the Commission's commitment to resolving the issues noted. We will review the status during the next audit.

Applicable Laws and Regulations

The Office of Financial Management's *State Administrative and Accounting Manual* (SAAM), states in part:

Section 20.15.30. Who is responsible for internal controls?

The agency head or authorized designee is ultimately responsible for identifying risks and establishing, maintaining, and reviewing the agency's system of internal control. If the agency head delegates this responsibility, the designated person should have sufficient authority to carry out these responsibilities.

SAAM 20.15.40.c. Control activities.

Control activities help ensure risk responses are effectively carried out and include policies and procedures, manual and automated tools, approvals, authorizations, verifications, reconciliations, security over assets, and segregation of duties. These activities occur across an agency, at all levels and in all functions, and are designed to help prevent or reduce the risk that agency objectives will not be achieved.

SAAM 20.15.40.e. Monitoring.

Things change and, by monitoring the risks and the effectiveness of control measures on a regular basis, an agency can react dynamically to changing conditions.

Monitoring evaluates the effectiveness of an agency's internal controls and is designed to ensure that internal controls continue to operate effectively. Monitoring is effective when it leads to the identification and correction of control weaknesses before they materially affect the achievement of the agency's objectives. An agency's internal control is most effective when there is proper monitoring, results are prioritized and communicated, and weaknesses are corrected and followed up on as necessary.

There are two types of monitoring: ongoing and periodic. Ongoing monitoring occurs in the course of operations. It includes tasks such as supervisory reviews of reconciliations, reports, and processes. Periodic monitoring includes tasks such as periodic internal audit sampling and annual reviews of high-risk business processes. Internal control deficiencies uncovered by monitoring should be reported to higher levels of management.

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

2. The Commission lacks adequate internal controls over cash receipting, which increases the risk that undetected errors or losses could occur.

Background

The Commission is funded through state general fund dollars and the Discover Pass. This pass allows users to access any state-managed park by paying an annual fee. This is the first audit of the Commission since the state instituted the pass.

During the 2013 fiscal year, the Commission receipted more than \$34 million in revenue, of which \$11.6 million was collected at state parks and \$5.5 million through the Discover Pass program.

Description of Condition

We reviewed the Commission's cash receipting procedures at Financial Services and at seven state parks including Belfair, Dash Point, Deception Pass, Jarrell Cove, Millersylvania, Saint Edward and Saltwater.

Discover Passes:

Our audit found the Commission:

- Does not have any written inventory procedures to ensure the proper tracking of passes printed or distributed.
- Does not maintain a daily log stating the number of passes that were sold.
- Does not reconcile the number of passes sold to deposit slips to ensure that all revenues receipted were deposited.

Cash Receipting:

Our audit found the Commission:

- The mode of payment is not shown on the cash receipt.
- Has no control to ensure all funds collected through secured boxes are deposited.
- Has only one individual collecting cash from the secured boxes at the decentralized park locations.
- Does not consistently make deposits in a timely manner.

Cause of Condition

The Commission experienced a reduction in staff during the past several fiscal years. As a result, the Commission no longer has an internal audit department. This department was previously responsible for the monitoring of the decentralized cash receipting locations. Additionally, remaining staff were unaware that they needed to monitor both Discover Passes and receipts at the decentralized park locations.

Effect of Condition

The lack of monitoring, reviews and reconciliations over cash receipting at the decentralized park locations increase the risk that revenue collected could be misappropriated and that misappropriation would be not identified quickly.

Recommendation

We recommend that the Commission:

- Develop written policies and procedures for how Discover Passes will be inventoried, tracked, and managed
- Reconcile the number of passes issued to the number sold to ensure all passes are accounted for
- Perform daily reconciliation procedures to ensure the amounts deposited account for all sales made during the day
- Ensure receipts issued show the mode of payment from customers
- Establish internal controls to ensure funds collected through secured boxes at decentralized locations are properly deposited intact
- Establish written policies and procedures for the collection of secured box receipts to ensure all funds due to the park are received
- Ensure that deposits are made within the required timeframe

Commission's Response

State Parks concurs with the State Auditor's finding on cash receipting. We appreciate the Auditor acknowledging the impact of significant staff reductions over the last few years, including the absence of an internal audit function. State Parks takes very seriously the need to have appropriate internal controls in place to safeguard the State's assets. We recognize the need for an internal auditor and have requested funding for a position in our 2015-2017 budget request. State Parks has taken steps to ensure deposits are made within required time frames, and have started conducting reviews of financial activity in individual parks on a

limited basis. We are also currently engaged in assessing the control environment for cash receipting, including controls over the Discover Pass. We expect to further develop and begin implementing strategies to improve controls considering both available resources and risk no later than January 2015.

Auditor's Remarks

We appreciate the Commission's commitment to resolving the issues noted. We will review the status during the next audit.

Applicable Laws and Regulations

The Office of Financial Management's *State Administrative and Accounting Manual* (SAAM), states in part:

Section 20.15.30.a. Who is responsible for internal control?

The agency head or authorized designee is ultimately responsible for identifying risks and establishing, maintaining, and reviewing the agency's system of internal control. If the agency head delegates this responsibility, the designated person should have sufficient authority to carry out these responsibilities. Normally, this person is a senior agency manager who does not serve in the internal audit function.

Section 20.15.40.c. Control Activities.

Control activities help ensure risk responses are effectively carried out and include policies and procedures, manual and automated tools, approvals, authorizations, verifications, reconciliations, security over assets, and segregation of duties. These activities occur across an agency, at all levels and in all functions, and are designed to help prevent or reduce the risk that agency objectives will not be achieved. Managers set up control activities to provide reasonable assurance that the agency and business unit objectives are met. An example of a control activity is something as simple as listing tasks assigned to staff members and then periodically checking the list to verify that assignments are completed on time. Refer to Section 20.25 for further discussion of control activities.

Section 20.15.40.e. Monitoring.

Things change and, by monitoring the risks and the effectiveness of control measures on a regular basis, an agency can react dynamically to changing conditions.

Monitoring evaluates the effectiveness of an agency's internal controls and is designed to ensure that internal controls continue to operate effectively.

Monitoring is effective when it leads to the identification and correction of control weaknesses before they materially affect the achievement of the agency's objectives. An agency's internal control is most effective when there is proper monitoring, results are prioritized and communicated, and weaknesses are corrected and followed up on as necessary.

There are two types of monitoring: ongoing and periodic. Ongoing monitoring occurs in the course of operations. It includes tasks such as supervisory reviews of reconciliations, reports, and processes. Periodic monitoring includes tasks such as periodic internal audit sampling and annual reviews of high-risk business processes. Internal control deficiencies uncovered by monitoring should be reported to higher levels of management.

Section 85.50.40 requires daily reconciliation of cash receipts and deposits and monthly reconciliations of associated bank accounts. Specifically,

- a. Daily, cash is to be counted and reconciled with the appropriate records reflecting the day's transactions. All differences are to be investigated to ascertain the reason for the discrepancy.
- b. Agencies are to review the GL Code Series 71XX "In-Process" report timely. To aid in this reconciliation, agencies receive AFRS report DTR9002 - Unbalanced In-Process Reconciliation Report. Report DTR9002 shows in detail outstanding in-process transactions for both the agency and the OST.
- c. Accounts maintained in commercial institutions (e.g., banks, savings and loan associations, etc.), including petty cash accounts, are to be promptly reconciled with agency records on a monthly basis. The balance shown on the bank statement may not agree with the agency's book balance.
- d. Variances can occur because of outstanding checks, deposits in transit, bank service charges, or other adjustments. Adjusting entries may be required when entries appear on the bank statement without corresponding entries in the agency's books. Adjusting entries, if necessary, are to be promptly prepared and recorded in the agency's records."

Section 85.50.20 requires timely deposits of local receipts . . . cash receipts for deposit should be made within 24 hours of receipt . . . unless: A specific written waiver is granted by OFM or total cash receipts on hand (exclusive of change accounts) are under \$500.

RELATED REPORTS

Financial

We perform an annual audit of the statewide basic financial statements, as required by state law (RCW 43.09.310). Our opinion on these financial statements is included in the Comprehensive Annual Financial Report (CAFR) prepared by and available from the Office of Financial Management.

The CAFR reflects the financial activities of all funds, organizations, institutions, agencies, departments and offices that are part of the state's reporting entity. That report is issued by the Office of Financial Management in December of each year and can be found at www.ofm.wa.gov.

A summary of the audit for the period ending June 30, 2013 can be found at: www.sao.wa.gov/generalinfo/Documents/2013_CAFR_Report_Final.pdf#search=CAFR

Federal programs

In accordance with the Single Audit Act, we annually audit major federal programs administered by the State of Washington. Rather than perform a single audit of each agency, we audit the state as a whole. The results of that audit are published in a report issued by the Office of Financial Management in March of each year.

INFORMATION ABOUT THE COMMISSION

The Washington State Parks and Recreation Commission manages a diverse system of 124 developed state parks and a variety of recreation programs. These statewide programs include boating, cross-country skiing and snowmobiling trails. The Commission has approximately 400 full-time and 500 seasonal employees who provide public access to significant natural, cultural, historical and recreational resources. There are also another estimated 1,000 volunteers across the state who contribute more than 280,000 hours to help provide parks and recreation services and protect resources under the Commission's care. The Commission had a total fiscal year 2013 operating budget of \$72 million.

The mission of the Commission is to care for Washington's most treasured lands, waters, and historic places. State parks connect all Washingtonians to their diverse natural and cultural heritage and provide recreational and educational opportunities that enhance their lives. As part of its mission to care for historic resources, the Commission cares for approximately 700 historic buildings and sites related to Native Americans and early settlers. Parks also reflect the state's geologic history, including the dramatic story of Ice Age Floods that carved much of the state's landscape.

A seven-member volunteer Board serves as the Commission – the policy-making body for the statewide park system. Board Members are appointed by the Governor to staggered, six-year terms and the Commission meets six times a year. The Commission hires a Director to oversee the management of the park system. There are regional offices in Tumwater, Burlington and Wenatchee, and the headquarters office is in Tumwater.

Contact information related to this report

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Information current as of report publish date.

Audit history

You can find current and past audit reports for the Washington State Parks and Recreation Commission at <http://portal.sao.wa.gov/ReportSearch>.

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

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