



Transmitted via e-mail

July 27, 2016

Ms. Lisa Mangat, Director  
California Department of Parks and Recreation  
1416 9<sup>th</sup> Street  
Sacramento, CA 95814

Dear Ms. Mangat:

**Final Report—California Department of Parks and Recreation, State Parks Revenue Incentive Subaccount Internal Control Audit**

The Department of Finance, Office of State Audits and Evaluations, has completed its audit of internal control for the California Department of Parks and Recreation's (Parks) Revenue Generation Program, State Parks Revenue Incentive Subaccount for the period July 1, 2013 through March 31, 2015.

The enclosed report is for your information and use. Parks' response to the report findings are incorporated into this final report. Parks agreed with our findings and we appreciate its willingness to implement corrective actions. The findings in our report are intended to assist management in improving its program. This report will be placed on our website.

A detailed Corrective Action Plan (CAP) addressing the findings and recommendations is due within 60 days from receipt of this letter. The CAP should include milestones and target dates to correct all deficiencies.

We appreciate the assistance and cooperation of Parks. If you have any questions regarding this report, please contact Jon Chapple, Manager, or Angie Williams, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

Jennifer Whitaker, Chief  
Office of State Audits and Evaluations

Enclosure

cc: Mr. John Laird, Secretary, California Natural Resources Agency  
Mr. Patrick Kemp, Assistant Secretary for Administration and Finance, California Natural Resources Agency  
Ms. Helen Carriker, Deputy Director, Administrative Services, California Department of Parks and Recreation  
Mr. Will Schaafsma, Assistant Deputy Director, Administrative Services, California Department of Parks and Recreation

California Department of Parks and Recreation  
State Parks Revenue Incentive Subaccount  
Internal Control Audit  
July 1, 2013 through March 31, 2015



Prairie Creek Redwoods State Park

Prepared By:  
Office of State Audits and Evaluations  
Department of Finance

## **MEMBERS OF THE TEAM**

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Final reports are available on our website at <http://www.dof.ca.gov>

You can contact our office at:

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# EXECUTIVE SUMMARY

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In accordance with Public Resources Code section 5010.6(d), the Department of Finance, Office of State Audits and Evaluations, audited the internal controls relating to the California Department of Parks and Recreation's (Parks) Revenue Generation Program (Program), State Parks Revenue Incentive Subaccount (Subaccount). Our audit objective was to determine if Parks has appropriate internal controls over the activities, programs, and projects (Projects) funded from the Subaccount.

## Results Summary

Parks has developed and implemented processes and internal controls over Projects funded from the Subaccount, including:

- Management and oversight of the Subaccount.
- Project proposal and approval processes.
- Revenue collection procedures and Project expenditure processes.

We identified areas within the Subaccount's processes and internal control structure where improvements are needed to ensure the Subaccount operates as intended. Specifically, Parks management administers, operates, and evaluates the Program from a park district perspective, not on an individual Project basis. This has resulted in some processes not being fully developed and hinders or prevents the development and implementation of appropriate internal control. We provide the following recommendations which will improve the processes and internal controls of Parks' Subaccount. Parks should:

- Improve the operation and oversight of approved Projects by clearly defining which revenues may be coded to the Program to increase consistency in the Project reporting process, and periodically reviewing reported revenues by Project to improve oversight.
- Develop and implement a Project review process to evaluate the success of each Project, ensuring that the Subaccount funds the most viable revenue generating Projects in future years.
- Improve the Project selection process to increase transparency and objectivity, ensure all Subaccount Projects and amendments adhere to the standardized approval process, and maintain required supporting documentation from the Project proposal process.
- Document all key elements of the policies and procedures for the processes and internal controls related to Subaccount operations.

Our findings and recommendations are intended to strengthen the internal controls relating to the Subaccount and assist Parks in achieving the Program's intended goals and objectives. Parks must develop a corrective action plan to address the findings and recommendations noted in this report.

# BACKGROUND, SCOPE AND METHODOLOGY

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## BACKGROUND<sup>1</sup>

The California Department of Parks and Recreation's (Parks) mission is to provide for the health, inspiration, and education of the people of California by helping to preserve the state's extraordinary biological diversity, protecting its most valued natural and cultural resources, and creating opportunities for high-quality outdoor recreation. Parks manages a system of 280 parks that attract over 60 million visitors annually. California's more than 1.5 million acres of state park land includes scenic beaches, off-highway vehicle recreation areas, marinas, and trail systems.

Parks consists of 22 districts and a department headquarters responsible for managing and overseeing administrative and programmatic functions. While headquarters is ultimately responsible for the entire park system, each district has significant autonomy in managing itself due to the wide-ranging demands unique to each district. Districts rely on Parks headquarters for administrative assistance and guidance in establishing and implementing specific programs.

### Parks Revenue Incentive Program

Parks has faced many challenges in recent years, including budget cuts, threats of park closures, and service reductions. To help address these challenges, Chapter 39, Statutes of 2012 (Senate Bill 1018), required Parks to develop a revenue generation program (Program). The Program, which is part of the State Parks and Recreation Fund (Fund), requires Parks to employ sound business practices and financial incentives to reward performance. The Program will also improve park facilities to meet the expected increase in future demand for recreation and improve the visitor experience.

The Program consists of three main components:

- Funding for projects and programs that generate revenue.
- Annual revenue targets for each park district.
- Incentives for park districts to exceed revenue targets.

Key elements that combine to make up this Program are displayed in Figure 1 on the following page.

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<sup>1</sup> Selected excerpts from [www.parks.ca.gov](http://www.parks.ca.gov).

**Figure 1: Elements of the Revenue Generation Program**



Source: Parks Revenue Generation Program Website

### Parks Revenue Incentive Subaccount

Chapter 39, Statutes of 2012 (SB 1018) added Public Resources Code (PRC) section 5010.6 creating the continuously appropriated State Parks Revenue Incentive Subaccount (Subaccount) (see Figure 1).

- Monies from the Subaccount were to be used to create incentives for projects that were consistent with the mission of the department and that generated revenue.
- The State Controller's Office was required to transfer \$15.34 million<sup>2</sup> annually from the Fund to the Subaccount.
- Revenue earned by the projects was to be deposited into the Subaccount, with at least 50 percent of the revenue generated to be allocated for expenditure by districts that earned their assigned revenue targets.
- Funds were available for expenditure and encumbrance until June 30, 2014, and for liquidation until June 30, 2016.

<sup>2</sup> Per the Code, Parks made an allowable \$11 million transfer in fiscal years 2012-13 and 2013-14 from the Subaccount back into the Fund and allocated the remaining \$4.34 million to Subaccount revenue generation projects.

Chapter 35, Statutes of 2014 (SB 861) amended the PRC,<sup>3</sup> making several adjustments.

- The purpose of the Program (to generate revenue) remained, while clarification was added regarding funding of the activities, programs, and projects (Projects) to state specifically that these Projects were also to be used to implement the Program developed pursuant to PRC section 5010.7.
- Six criteria are established for the Projects to be funded by the Subaccount.
- The amount to be transferred from the Fund to the Subaccount annually was reduced from \$15.34 million to \$4.34 million.
- The revenue earned by the Projects is to be deposited into the Fund instead of the Subaccount.
- All excess revenues earned over the annual revenue targets established for the park districts is to be transferred into the Subaccount on or before June 1, annually.
- The allocation of the excess revenue was moved from PRC section 5010.6(e)(1) to PRC section 5010.7(d)(1)(A), but the distribution remains unchanged – 50 percent of the excess is to be distributed to park districts which exceeded their revenue generation targets.
- Clarification was provided regarding what types of expenditures were allowable and requirements for the Projects funded from the Subaccount were specified.
- Fund availability for expenditure and encumbrance was extended to June 30, 2019, and for liquidation until June 30, 2021.

The Subaccount is the mechanism the Legislature established to:

- Receive the annual:
  - transfer of funds (\$4.34 million) from the Fund to fund the Projects
  - deposit of the revenue generated in excess of the assigned revenue targets
- Disburse funds to park districts:
  - from the annual \$4.34 million for Projects approved by the Director to generate revenue
  - from the excess revenues generated by park districts to those park districts that exceeded their assigned revenue targets
- Disburse funds to Parks headquarters from the excess revenues for use by Parks management to further the Program's goals

Since its inception, and in accordance with Legislative intent, Parks management has selected Projects that increase revenue generation activities through the collection of entrance and parking fees at park facilities. Parks management has also funded the development of a Request for Proposal for the Recreation and Reservations Sales Service (R2S2) project at Parks headquarters, which will allow Parks to accept all payment types at park unit kiosk entrances in an effort to provide better services to the public. The table on the following page summarizes the amount of Subaccount funds allocated to park districts and the number of Projects funded during fiscal years 2013-14 and 2014-15.

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<sup>3</sup> PRC sections 5010.6 and 5010.7

## Summary of Subaccount Funds and Projects

Fiscal Year	Amount Allocated <sup>4</sup>	Projects Funded
2013-14	\$6.23 million	68
2014-15	\$4.50 million	44
<b>Total</b>	<b>\$10.73 million</b>	<b>112</b>

Additionally, for 2013-14 and 2014-15, Parks distributed \$4.22 million and \$4.66 million, respectively, to park districts exceeding their assigned revenue generation targets.

### SCOPE

In accordance with Public Resource Code section 5010.6(d), the Department of Finance, Office of State Audits and Evaluations (Finance), conducted this audit to determine if Parks has appropriate internal controls over the Projects funded from the Subaccount for the period July 1, 2013 through March 31, 2015.

Parks' management is responsible for establishing and maintaining an effective internal control system. We did not: (1) evaluate the effectiveness or efficiency of the Projects funded by the Subaccount, (2) assess the reasonableness of the Projects completed, or (3) determine the success of Subaccount Projects' revenue generation, including the R2S2 project.

### METHODOLOGY

To determine the appropriateness of internal controls over the Projects funded by the Subaccount, we performed the following procedures:

- Reviewed applicable state laws, regulations, and Parks' management policies, procedures, and program guidelines.
- Interviewed key personnel responsible for administering the Subaccount.
- Reviewed audit reports and other publications significant to the audit objective.
- Assessed key controls at Parks headquarters and selected district offices to ensure the controls over the Subaccount were properly designed, implemented, and working as intended utilizing the State Leadership Accountability Act (Government Code sections 13400-13407) and the Comptroller General of the United States Standards for Internal Control in the Federal Government (Standards for Internal Control) as criteria.
- Reviewed a sample of Parks' Project files and accounting records to determine the effectiveness of internal controls over the reporting process to include:
  - employee timesheets
  - Project proposal forms
  - labor information database reports
  - reports of collection
  - receipt accountability work sheets
  - deposit slips and deposit log books
  - vendor contracts and invoices

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<sup>4</sup> Amounts include unallocated funds from fiscal year 2012-13.

Except as discussed in the following paragraph, 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Finance and Parks are both part of the State of California's Executive Branch. As required by various statutes within the California Government Code, Finance performs certain management and accounting functions. Under generally accepted government auditing standards, performance of these activities creates an organizational impairment with respect to independence. However, Finance has developed and implemented safeguards to mitigate the organizational impairment so reliance can be placed on the work performed.

## **Revenue Generation Program Development and Implementation**

The California Department of Parks and Recreation's (Parks) management was charged with developing and implementing a multi-faceted program to increase revenue generation for Parks and included providing incentives for both the department and individual park districts. The statutes prescribing the revenue generation program (Program) require Parks management to focus on creating new revenue sources, building additional program capacity, and maintaining or expanding visitor services and amenities.

Parks management has assigned revenue generation targets for park districts and has published the first two years of those revenue generation targets on their website. Parks management has also administered the Program, including the recommendations for and supervision of the approved activities, programs, and projects (Projects) to generate those revenues.

Projects have been funded each year from the annual \$4.34 million transfer into the Subaccount. Parks management has created guidelines for the Project application process. Statutorily required criteria have been included in the Project proposal template. A Project selection process was established, including the creation of a review committee, the Project Coordination Team (Team), to evaluate Projects and make recommendations to the Director. Projects have been evaluated and approved since the Program's inception at the beginning of the 2012-13 fiscal year.

Revenues collected by the park districts have been deposited into the State Parks and Recreation Fund (Fund). Revenues in excess of assigned revenue generation targets have been deposited into the State Parks Revenue Incentive Subaccount (Subaccount) from the Fund.

Funds have been allocated to park districts for those approved Projects and park districts have hired temporary help to staff kiosks at park facilities. The monies collected by temporary help staff has been recorded and reported, as instructed by park superintendents. Funds have also been allocated from the Subaccount for the Recreation and Reservations Sales Service (R2S2) project.

## **Conclusion and Findings**

Parks management administers, operates, and evaluates the Program from a park district perspective, not on an individual Project basis. This has resulted in some processes not being fully developed and hinders or prevents the development and implementation of appropriate internal control. The lack of fully developed and implemented appropriate processes and internal control has impacted operations, compliance with statutes, and reporting.

## **Finding 1: Parks' Management Did Not Establish a Process or Controls for Recording or Monitoring Revenues by Project**

### ***Inconsistent and Untimely Revenue Coding***

Lacking a clear definition of revenue and direction from headquarters, park districts inconsistently coded revenue for approved Subaccount Projects. Parks' district staff were also directed to recode revenues related to funds expended from the Subaccount, as a result of delayed Project approvals and allocation of funds.

We tested revenues at three park districts and found all three recorded revenues differently. One park district recorded revenues to the Subaccount or Fund<sup>1</sup> only if the revenue was collected when a temporary help position from an approved Project was working. A second park district recorded those revenues and included revenues from "iron rangers," a passive collection method used when no one is on duty. The third park district recorded/coded all revenues collected at the park to the Subaccount or Fund because without this funding the park would have been closed.

Projects funded from the Subaccount begin incurring expenditures and earning revenues on July 1<sup>st</sup>. For 2013-14, most districts did not receive their approved Project allocations until April 2014, ten months after the Project start. The next year, initial notifications to submit Project proposals for 2014-15 were not communicated to the districts until July 25, 2014, and funds were not transferred to districts until January 2015, seven months after the Project start. As a result of the late notification, district and headquarters staff were required to perform extensive recoding of expenditures and revenues to the Subaccount.

The Standards for Internal Control section 14.01, states that "Management should internally communicate the necessary quality information to achieve the entity's objectives." Section 15.01 states that "Management should externally communicate the necessary quality information to achieve the entity's objectives."

Providing clear guidance and definitions of revenue would facilitate consistency in coding and ensure accurate reporting to executive management and outside the organization. Allocating funds timely would eliminate or reduce the need to recode revenues, decreasing the likelihood of errors and mistakes. Having accurate information will enhance Parks management's decision making and allow it to timely evaluate Subaccount operations.

### ***Lack of Periodic Review of Recorded Revenue***

We identified six districts in 2013-14 and four districts in 2014-15 that recorded either zero or minimal revenue as a result of approved Projects. While approved Projects' expenditures are monitored monthly by the headquarters budget unit and the responsible state historian to ensure park districts do not exceed their allocations, little monitoring of revenues related to Subaccount funding takes place.

According to Parks management, the recording of Program revenue was not designed to capture accurate information relating to each approved Project and/or the Subaccount. Parks management deemed that park districts were incentivized to meet the district-wide revenue generation target, making the results of an individual Project's operations and the Subaccount less significant.

The Standards for Internal Control section 12.01, states that "Management should implement control activities through policies."

The Standards for Internal Control section 14.01, states that "Management should internally communicate the necessary quality information to achieve the entity's objectives."

<sup>1</sup> Amendments to the statute changed where revenues would be deposited during the audit period.

Periodically reviewing information provided by park districts would allow Parks management to take corrective action quickly when its process or policies are not being followed consistently, efficiently use staff resources, ensure the availability of accurate information for funding decisions, and enable the monitoring of Project and Subaccount success.

**Recommendations:**

- A. Clearly define revenue attributable to the Subaccount/Fund to ensure consistency in recording and reporting.
- B. Establish and implement a methodology to record revenue by approved Project, similar to the methodology used to record Project expenditures.
- C. Establish and implement a process for periodically monitoring revenues, along with expenditures, as part of Project oversight; ensuring accurate information is readily available for funding decisions.
- D. Establish internal control over revenue reporting and review to ensure the process operates as intended.

**Finding 2: Parks Management Lacks Consistent Metrics to Evaluate the Success of Individual Projects Funded from the Subaccount**

All approved Projects funded from the Subaccount (except the R2S2 project) have a timeline of one year. Proposed Projects are required by statute to have critical elements included in proposals: revenue and cost estimates, and an estimated rate of return. As the end of the year approaches and the selection process begins for new projects, no evaluation is made to determine the success of an individual Project in meeting or exceeding its revenue or cost estimates. Consequently, no determination is made regarding the Project's return on investment and whether these types of projects should continue to be funded.

Coupled with the issues raised in Finding 1, Parks management is unable to evaluate the results of the approved Projects individually or in a consolidated aspect. Lacking an evaluation of a project's success puts Parks management at a disadvantage in evaluating future proposals and selecting the most viable Projects for implementation. Revenue generation is evaluated only in the context of park district totals in comparison to district-wide estimates that impact district incentive payments for the Program in its entirety.

In the initial two years of operation, having more funds than Project proposals, this informal review was adequate. However, beginning in 2014-15, Parks management began receiving more proposals than can be funded. As other aspects of the Program come on line, it will be critical for Parks management to have a process of evaluation in place to maximize the impact of Subaccount and other funding for the Program.

The Standards for Internal Control section 16.01, states that "Management should establish and operate monitoring activities to evaluate the results."

Evaluating approved Projects after operation will provide Parks management with the necessary information to select the types of more successful Projects for implementation within each district, thereby maximizing revenue generation on a broad basis. For example, the success of a project near a coastal region may be different than accomplishments of a project located in a rural area. Evaluations will also enhance Parks' reporting capabilities and provide the Governor's Office and Legislature with accurate, timely information to make productive budget decisions.

**Recommendation:**

- A. Parks management should develop and implement an assessment process near the end of each approved Project's timeline to evaluate its actual achievement and success.

**Finding 3: The Project Proposal Review Process Is Informal and Was Not Consistently Followed**

***Project Coordination Team Does Not Require the Submission of Project Estimate Support***

The Team reviews Project proposals after they are submitted to the state historian, who is responsible for Subaccount management. Although the Public Resources Code (PRC) requires Project proposals to include cost and revenue estimates, Parks does not currently require districts to document their estimate methodologies or submit that documentation supporting its calculations with the proposal. Of the 14 temporary staffing Project proposals selected for testing, 11 lacked sufficient expenditure estimate support and 12 lacked sufficient revenue estimate support. Additionally, several districts reported an anticipated decrease in revenues although the Subaccount funds are intended to generate revenues.

Public Resources Code (PRC) section 5010.6(c) prescribes six elements that must be included in each proposal. These include a clear description of the proposed use of funds, a timeframe for implementation, a projection of revenues, a projection of costs, a market analysis demonstrating demand, and the projected rate of return on the investment.

Documentation supporting Project proposal cost and revenue estimates enables the Team to make more informed decisions regarding Projects selected for funding and provides Parks headquarters and districts with realistic metrics to measure success.

***Parks Management Has Not Developed a Documented Methodology for the Evaluation of Project Proposals***

Since inception, Project evaluation and selection for recommended funding has been done informally through email and meeting discussions. Neither a documented methodology for the use of the six statutorily required criteria nor a mechanism for weighting these requirements during the evaluation and selection process has been developed.

The Standards for Internal Control section 13.01, states that "Management should use quality information to achieve the entity's objectives."

With a documented methodology and weighting mechanism for scoring and prioritizing Projects, Parks management can ensure the most viable Projects are consistently identified and recommended for implementation. In addition, the Team can demonstrate its evaluation and selection process for recommending specific Projects for any particular fiscal year.

### ***The R2S2 Project Received Subaccount Funding without Team Review***

Parks management did not subject the R2S2 project to the established Project selection process, which requires a review of the project proposal by the Team. The R2S2 project was:

- Not supported by a Project proposal that detailed estimated costs, revenues, or a scope of work to be performed.
- Not reviewed by the Team to determine its qualification or eligibility as a Subaccount Project prior to being awarded \$275,000.
- Awarded additional funding (totaling \$725,000) during 2013-14, without formal documentation justifying the additional funding.

PRC section 5010.6(c) allows for expenditures to be made from the Subaccount to implement the Program. Therefore, the R2S2 project funded from the Subaccount should have adhered to the established processes relating to the Subaccount to ensure the judicious use of the Subaccount's funds.

While this is an allowable project, Parks management did not follow the established process and essentially overrode controls to fund this Project from the Subaccount. As this Project was funded during the period when Subaccount funds were available and all Project proposals could be funded, there was no fiscal impact.

Following established processes enhances Parks management's integrity and credibility. Transparency is also increased and confidence in operations is improved when the process is followed by all divisions within the department.

### ***Project Recommendation Documentation Not Maintained***

While operating on an informal basis, the Team did not receive or retain documentation supporting the submitted Project proposals. Additionally, the Team did not generate or retain documentation supporting its funding recommendations to the Director. As a result, the Team cannot demonstrate how projects were selected and loses transparency related to the Project evaluation and selection process.

As noted in Finding 2, beginning in 2014-15, Parks management now receives more Project proposals than it can fund. Formalizing the use of supporting documentation, generating documentation from each selection cycle, and maintaining documentation for each fiscal year's recommendations is beneficial for Parks' operations. These efforts will facilitate the review of recommendations, provide park district superintendents with valuable information regarding successful Project proposals, allow Parks executive management to monitor the selection process, provide a basis for accurate reporting, and further the Program's mission.

The State Leadership Accountability Act (Government Code section 13401a. (4)) states that effective systems of internal control are necessary to ensure that state resources are adequately safeguarded, monitored, and administered.

### **Recommendations:**

- A. Require and include in the Team's evaluation and selection process documentation from park districts supporting their estimates.
- B. Develop and implement a formal methodology for evaluating and prioritizing Project proposals using elements required by statute as criteria.
- C. Ensure all Projects funded by the Subaccount follow established review and approval processes.
- D. Maintain Project selection and recommendation documentation in accordance with departmental record retention policies.

- E. Establish internal control over Project applications and review to ensure the process operates as intended.

#### **Finding 4: Key Processes and Internal Controls Have Not Been Documented**

While several aspects of the processes and internal control related to the Subaccount's operation are documented, several important aspects of processes and internal control (e.g., timely allocation of funds, defining and timely recording Subaccount/Fund revenue, monitoring and evaluating Projects) are not. With the Subaccount's operations becoming an integral part of Parks revenue generation program capabilities, formal documentation should support that operation.

The Standards for Internal Control section 14.01, states that "Management should internally communicate the necessary quality information to achieve the entity's objectives."

Such documentation provides a roadmap of operations as management and staff retires or rotates to other positions. Creating a procedures manual for current staff and a training manual for new staff ensures continuity and consistency in operations and management oversight.

#### **Recommendation:**

- A. Parks management should document key aspects of the processes and internal control related to the Subaccount's operations, including:
- Team Project review and selection process.
  - Definition and recording of revenue by Project at the park district level.
  - Process and internal controls related to the timely allocation of Subaccount funds.
  - Ongoing monitoring of Projects at the headquarters and/or park district level.
  - Project evaluation or assessment process.

# RESPONSE

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July 19, 2016

Ms. Cheryl L. McCormick, CPA  
Assistant Chief, Office of State Audits and Evaluations  
Department of Finance  
915 L Street  
Sacramento, CA 95814

Dear Ms. McCormick:

California State Parks appreciates the findings and recommendations contained in, "Draft Report—California Department of Parks and Recreation, State Parks Revenue Incentive Subaccount Internal Control Audit (Draft Audit Report)." The Department learned a great deal through the audit process and has already begun to institute many of its findings to improve how we administer this important program. The findings and recommendations made in the Draft Audit Report will form the basis of all future adjustments to our process.

Since the Incentive Subaccount program's inception in 2012 the Department has strived to refine its control structure, working to establish best practices in evaluating the performance of our revenue generation programming. The California State Parks Incentive Subaccount Program continues to test modes of evaluation, analyses, and applications of its revenue generation measures throughout the state parks system.

Several recent organizational changes will help improve the Incentive Subaccount program's oversight capacity. The newly formed Park Operations Administrative Services group has been tasked with providing direct support to the Incentive Subaccount program as it identifies projects, produces and reviews revenue analyses, and tracks ongoing expenditures and revenue growth.

Along with this new support group within Park Operations, the Incentive Subaccount program will benefit from new leadership and re-visioning of the Marketing and Business Development Division. Realignment of this important group will improve the quality of revenue generating projects considered by the Incentive Subaccount program and grow the Department's business competencies. A strong Marketing and Business Development Division will contribute to better business analysis which in turn leads to better performance evaluation.

Ms. Cheryl L. McCormick, CPA  
July 19, 2016  
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The input and corrective guidance that occurred through the audit process will continue to reshape the Incentive Subaccount program as we build more effective methods and greater performance. In particular, recent organizational and process changes have already begun to correct oversight and control process weaknesses as identified in Findings "1" and "2." The Department will continue to adopt the best practices recommended in the Draft Audit Report to improve the effectiveness of this critical program. We appreciated the professional and cooperative manner in which this work was done and are happy to discuss our comments at your convenience.

Sincerely,

Original signed by:

Lisa Ann L. Mangat  
Director