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**An Audit Report on the
Texas Parks and Wildlife Department's
Management of the State Park System**

September 1998

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Overall Conclusion

Available resources of $41.4 million cover only 80 percent of the $51.5 million needed to run the state park system. Although the Parks and Wildlife Department (Department) has increased park revenue by 85 percent since 1991, other strategies are needed to reduce this $10.1 million operating shortfall. To address the State Parks Division's (Parks Division) current financial dilemma, management should (1) reallocate existing resources by streamlining headquarters operations; (2) reduce costs by restructuring the inventory of state parks or by changing the operations of existing parks; and (3) curtail the new park program until the shortfall is significantly reduced.

Key Facts and Findings

The Department needs to do a better job of determining where to cut costs. To reduce expenditures, the Parks Division has cut core services at parks. These cuts have been made without sufficient data on where to make selective cuts, and much of the reduction has been achieved by deferring basic maintenance, limiting equipment replacement, and reducing field staff.

- Management reports that 31 parks were "operationally profitable" in fiscal year 1997. However, management's calculation does not include all relevant costs. Including these costs means that only six parks are profitable.

- A number of Parks Division central office support functions and activities could be eliminated without significant negative impact to either customers or park operations. The salaries associated with these activities total $770,000 per year.

- Parks Division management has not comprehensively defined the financial and non-financial information it needs to plan and manage the park system. In addition to a lack of service level information, the Parks Division lacks accurate data on park visitation. Visitation numbers could be overstated by as much as 5 million visits (or 25 percent of reported figures). The lack of accuracy or completeness of these data affect performance measure reports to the Legislative Budget Board, and impede analysis that might be undertaken for internal management purposes.

- The Department will need to develop formal, written plans to effectively manage its repair and construction program. The Legislature has authorized $60 million of bonds to meet critical repair needs. The Department plans to spread the use of the bond funds over a five- to six-year period. Management based this schedule on its estimate of potential workload capacity; the schedule does not ensure that critical repairs are addressed as quickly as possible.

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Executive Summary

Available resources of $41.4 million cover only 80 percent of the $51.5 million needed to run the state park system. Although the Texas Parks and Wildlife Department has increased park revenue by 85 percent since 1991, other strategies are needed to reduce this $10.1 million shortfall.

The State Parks Division (Parks Division) receives operating revenues from the Sporting Goods Sales Tax (currently capped at $15.5 million) and from entrance and use fees paid by park visitors. Fee based revenues increased from $11.7 million in fiscal year 1991 to $21.6 million in fiscal year 1997. However, during the same period, new parks and facilities were added to the state park system. Other items, such as funding employee pay raises, also serve to reduce the pool of available resources.

To bring expenditures in line with available resources, Parks Division management has cut core services at existing parks. From 1993 to 1997, field operating expenditures (regional and park) fell from $26.5 million to $26.0 million, or 1.9 percent. These cuts have been made without sufficient data on where to make selective cuts, and much of the reduction has been achieved by deferring basic maintenance, limiting equipment replacement, and reducing field staff. As of 1997, Department staff estimated parks' deferred maintenance at $123 million and deferred equipment replacement at $10 million[1]. Field employees reached a

five-year low in fiscal year 1998 with 941 classified and hourly employees.

Section 1 of this report presents the financial condition of the park system from a total cost perspective. Section 2 details to how park budgets are prepared and identifies opportunities for improvement.

To address the Division's current financial dilemma, management should:

- Reallocate existing resources by streamlining headquarters operations. A number of Parks Division central office support functions and activities could be eliminated without significant negative impact to either customers or park operations. Of the 26 positions assessed, activities equivalent to 19 full-time employee do not adding value to current operations of the park system. The salaries associated with these activities total $770,000 per year. (Section 3-B provides more detail on our analysis.)

- Reduce costs by changing the operations of existing parks or by restructuring the inventory of state parks. In the past, staff members have proposed eliminating some state parks, changing how some parks are operated, and transferring management of some parks to other entities. Such changes could result in cost savings—staff members estimate that changing the Texas State Railroad from a working steam train to a static exhibit and making Matagorda Island a wildlife management area could save $1.34 million. However, because management has not adopted criteria or developed a systematic approach to evaluate whether

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[1] The estimate of parks' deferred maintenance is from the Department 1997 Infrastructure Task Force report (it includes park repairs, water/waste water system repairs, and Americans with Disabilities repairs). This figure was calculated using only known needs. As discussed in Section 5-D of this report, many parks' repair needs have not been reported; therefore, this figure is likely understated. Similarly, reported deferred equipment replacement is an estimated amount and may not reflect current equipment needs.

Executive Summary

existing parks are of statewide significance or whether adequate resources exist to operate and maintain the site, these changes have not been made. To implement such changes, management will need to work with the State's leadership and the Department's many users and stakeholders to develop criteria and methods to assess existing sites and proposed new sites.

- Curtail the new park program until the shortfall is significantly reduced. Ten new parks have opened since 1992; 18 since 1990. Approximately $1.48 million in new facilities within existing parks were added between fiscal years 1996-1998. As new parks and programs become continuing funding obligations in the following fiscal year, the overall pool of resources available for existing parks is further diminished.

To effectively manage these changes, Parks Division management will also need to improve its decision-making processes and clarify what specific data is required for operational and analytical purposes. (Sections 3 and 4 provide recommendations in these areas.)

Lastly, the Department will need to develop formal, written plans to effectively manage its repair and construction program. The Legislature has authorized $60 million of bonds to meet critical repair needs. The Department plans to issue these bonds in four separate issues (one issue per year beginning in 1998) which will spread the use of the bond funds over a five to six year period. Management based this schedule on its estimate of potential workload capacity; the schedule does not ensure critical

repairs are addressed as quickly as possible.

In addition, by dividing the $60 million bond authorization into four issues, the Department may also incur additional bond issuance costs ($95,000 per issue) and has subjected itself to market risk. (Section 5 details the areas in the Department's infrastructure management that need strengthening.)

We also reviewed the Parks Division's management of the Texas Recreation and Parks Account Program. The Parks Division's Recreation Grants Branch has developed many of the basic controls needed to effectively administer this program.

Summary of Management's Response

Department management generally agrees with this report's findings and recommendations. The full text of the Department's response begins on page 39.

Summary of Objectives, Scope, and Methodology

Our audit objective was to analyze and assess the key management control systems with the State Parks Division at the Department to ensure that the systems are in place to enable the Parks Division to achieve its mission and goals in an efficient and effective manner. Our audit evaluated the control systems in place for the fiscal year ended August 31, 1998.

The scope of this audit included consideration of the Department's overall management control systems: policy management, information management, resource management, and performance management.

Section 1:
Use A Total Cost Approach to Analyze and Manage the Park System's Financial Position

The cost framework used by the State Parks Division (Parks Division) provides an incomplete picture of the financial position of the park system. The Parks Division's analysis of percentage of operating costs recovered from revenues and its index of profitable parks exclude some relevant costs. Costs not addressed in either of these scenarios are unfunded needs such as deferred maintenance and equipment replacement. For example:

- While the Parks Division reportedly attained its fiscal year 1997 performance measure goal of "percent of operating cost recovered from revenues," this measure does not include relevant operating costs such as fringe benefits, repairs, and agencywide support costs. Including these costs would reduce the percentage of costs recovered in fiscal year 1997 from 68 percent to 45 percent.

- Management reports that 31 parks were "operationally profitable" in fiscal year 1997. However, the calculation of operational profitability does not include relevant costs such as maintenance, divisional and departmental support services, or equipment purchases. Including these costs results in only six profitable parks. The 31 "profitable parks" realized a collective $2.4 million loss.

Parks Division management operates with the understanding that the Texas Parks and Wildlife Department (Department) cannot close parks or significantly change operations at existing parks. Operating all parks while also opening new parks and facilities and funding employee raises has stretched the park system's funds to the point that the Department has deferred basic maintenance, limited equipment replacement, and reduced staff. Staff members estimate parks' deferred maintenance at $123 million and deferred equipment replacement at $10 million.[1]

With state parks' appropriation from the Sporting Goods Sales Tax capped at $15.5 million, the Department has made commendable efforts to increase the resources available to run parks:

- In May 1996, park entrance fees changed from per vehicle to per person pricing. In fiscal year 1997, Parks collected $21.6 million in fees compared with $20.3 million in fiscal year 1995.

Funding State Park Operations

Before fiscal year 1995, state parks were funded by a percentage of the state cigarette tax and park entrance and facility use fees. The cigarette tax ranged from a high of $19 million in fiscal year 1984 to a low of $13.5 million in fiscal year 1993. The funds allocated from the proceeds of the cigarette tax were to be used to 'plan, develop, acquire, maintain, and operate state parks and historic sites. Beginning September 1, 1995, funding from the sale of cigarettes stopped and taxes collected from the sale, storage, or use of sporting goods became available to parks. This funding is capped at $15.5 million.

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[1] The estimate of parks' deferred maintenance is from the Department's 1997 Infrastructure Task Force report (it includes park repairs, water/wastewater system repair and Americans with Disabilities Act repairs). This figure was calculated using only known needs. As discussed in Section 5-D of this report, many of the parks' repair needs have not been reported; therefore, this figure is likely understated. Similarly, reported deferred equipment replacement is an estimated amount and may not reflect current equipment needs.

- Parks has worked to increase the number of park concessions to increase visitors' discretionary spending. Some concessions are operated by park staff and some are operated by contractors.

- In 1997, the Parks Division used approximately $4.4 million worth of volunteer and inmate labor to supplement its ongoing operations.

- Aside from the Parks and Wildlife Foundation that raises donations for various purposes, the Parks Division has assisted in the creation of stakeholders across the State for parks and historic sites. These groups raise funds for the benefit of the state parks. The various parks also have donation boxes where visitors can contribute money for the operations of the parks system.

Entrance fee revenues have increased from $11.7 million in fiscal year 1991 to $21.6 million in fiscal year 1997, but park operating budgets have remained essentially flat for the last five years. From 1993 to 1997, field operating expenditures fell from $26.5 million to $26.0 million, or 1.9 percent. In addition, the Parks Division may have reached the upper limits of at least some of its customers' willingness to pay increased fees to access the parks. While revenues have gradually increased since 1994, the system also experienced a downward trend in reported visitation.

Section 1-A:
Use a Total Cost Framework to Analyze the Park System's Financial Condition

The Department does not consider all costs when analyzing the cost of operating the park system. Costs for preventive maintenance, repairs, equipment replacement, volunteer and inmate-labor, and agencywide support services are not considered when management assesses financial self-sufficiency or calculates an individual park's profitability. Excluding these costs presents an incomplete picture of the financial health of the park system. Looking at the financial condition of the park system from a total cost perspective finds that available resources cover only 80 percent of the current cost of running the park system.

- Park preventive maintenance has not been adequately funded. (Also see Section 2-A). The Department's Infrastructure Task Force estimated that the Department would need to spend $2.5 million annually to fund all park preventive maintenance. However, because preventive maintenance has not been funded, management does not include this cost when assessing the financial position of the park system or the profitability of an individual park.

- The reduction in routine maintenance has contributed to an estimated backlog of $123 million in major repair needs at the parks. Funds for these repairs are included in the Department's capital budget, and these costs are not considered in profitability calculations.

- In recent years, the Parks Division has not allocated sufficient funding for equipment replacement. While not replacing or upgrading equipment may yield short-term savings, it also skews the picture of actual park costs. Parks Division staff estimates that it would need to spend $10 million to bring all current equipment up-to-date and another $500,000 annually to meet replacement schedules.

- Volunteers and Texas Department of Criminal Justice inmates contributed an estimated $4.4 million of free labor to the park system in fiscal year 1997. The value of these hours are direct costs incurred at parks but are not included in management's cost framework.

- Agencywide support costs or indirect costs are not considered by the Parks Division when calculating system cost recovery or individual park profitability. Being the largest division within the Department, the Division Parks uses a proportionately higher percentage of support services such as human resources, information resources, and infrastructure. Costs of division, as well as agencywide services, need to be included when establishing the cost of operating parks.

Using fiscal year 1997 expenditure data and estimates for costs not currently funded, we developed an estimate of the total cost to operate the park system. Our estimate includes the cost of agency wide support services provided to the Division, $500,000 for annual equipment replacement, and $2.5 million for preventive maintenance. Figure 1 shows that the park system's current revenues do not cover $10.1 million of costs needed to run the park system. (This table does not include the $10 million needed to bring equipment up-to-date or the cost associated with completing the $123 million of identified critical park repairs.)

Table 1

Park System Revenues and Expenditures for Fiscal Year 1997		
Revenues		
Fees	$	19,954,195
Sporting Goods Tax		15,500,000
Texas Conservation Passport Sales		1,650,000
Value of Volunteer & Inmate Labor		4,339,000
Total Revenue	$	41,443,195
Costs		
Special	$	523,008
Operating		26,045,745
Division Support Services		7,943,653
Agency Wide Support Services		9,712,453
Equipment Replacement		500,000
Annual Preventative Maintenance		2,500,000
Value of Volunteer and Inmate Labor		4,339,000
Total Cost to Operate the Park System	$	51,563,859
Difference	($	10,120,664)

Revenues:

Fees - Revenues collected by the park system from visitation and facility use fees

Sporting Goods Sales Tax - The Parks Division was appropriated $15.5 million from this tax in fiscal year 1997

Value of Volunteer and Inmate Labor - This is the estimated value of labor performed at parks by volunteers and inmate labor.

Costs:

Special - This expense category is used by the Department for items other than construction and acquisition and is budgeted as a part of the capital budget process.

Operating - This expense category includes items necessary to operate a park on a day-to-day basis (such as salaries, utilities, and fuels).

Divisional Support Services - This figure is the Parks Division's overhead cost.

Agencywide Support Services - This is the estimated cost of agency wide support services used by the State Parks Division (such as Human Services, accounting, infrastructure, and a communications). This allocation is based on staff members' estimates of the actual amount of support services used by the Parks Division as a percentage of all divisions.

Equipment Replacement – The Department's estimate of the dollar amount that would be required to replace equipment that is past its useful life or is outdated and worn out.

Annual Maintenance - This figure is based on a study done by the Infrastructure Task Force. This study found that the Department needed $3 million annually to do routine preventative maintenance. $2.5 million is the Park Division's estimated share.

Consider All Costs When Calculating Individual Park Profitability

To assess park managers' ability to raise revenue and control costs, management reviews the "operational profitability" of individual parks. Profitability is calculated by subtracting park operating expenses from revenue collected at each park. Management reports that 31 parks were operationally profitable in fiscal year 1997. This information has been reported externally as an indicator of the financial condition of individual parks. While this information may provide useful information for internal management purposes, it provides an incomplete picture of parks' financial position. The calculation of operational profitability does not include costs for maintenance (funded from budgets other than the operating budget), equipment purchases, and Parks Division and agencywide support services.

Figure 1 shows the impact of allocating maintenance expenditures (from the "M" maintenance budget) and divisional and agency support costs to individual parks.[2] Based on our analysis, six parks profitable in fiscal year 1997 is six. The 31 "profitable parks" realized a collective $2.4 million loss. (Appendix 2 provides detailed information for all 31 parks included in this analysis.)

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[1] We allocated agency overhead based on staff members' estimates of the percentage of time spent on Parks Division matters versus other divisions' matters. Agency and division overhead was then allocated based on the number of full-time, classified employees reported at each park.

Figure 1
The Effect of Allocating All Relevant Costs to "Operationally Profitable" Parks
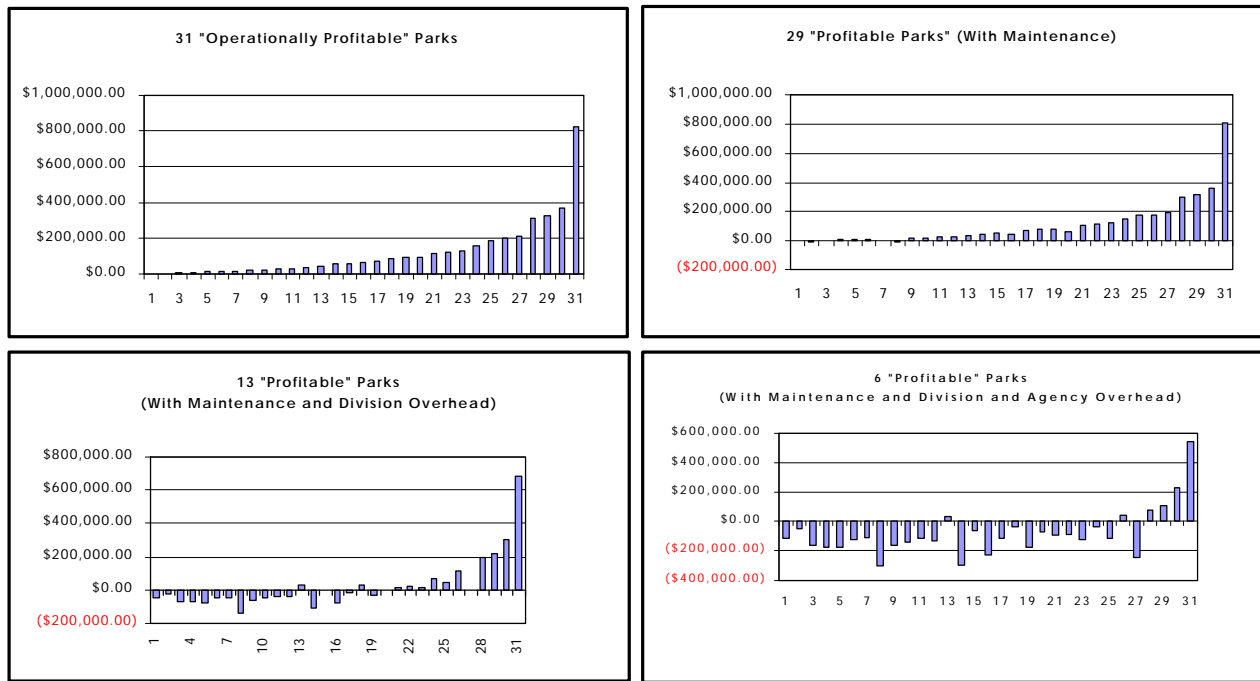
Source: Department expenditure data (allocations based on staff estimates)

Recommendation:

- The Department should account for all costs when assessing the financial condition of state parks. While some of the costs are direct and can be easily identified, it is important to account for related indirect costs to assess the condition of the park system. The Department should develop a data-based method to assign or allocate indirect costs incurred by other divisions on behalf of the Parks Division

- When assessing individual park profitability, the Department should account for all divisional and agencywide support services to present a complete picture of individual park profitability. This information should be shared with the Parks Division's internal and external customers.

- The Parks Division should reassess its goal of operational cost-recovery. While the Parks Division should strive towards recovering as much of its cost of operations as possible, a realistic target that includes all operational costs will help the Parks Division better manage its funding requests. A total cost picture will also help management make more informed program prioritizing and budgeting decisions.

- The performance measure percentage of operating costs recovered provides an incomplete picture of the park system's financial performance. Costs such as preventive maintenance should be included in operating budgets and considered when calculating the measure. The fact that these items are either

not funded or are not included as separate budget items provides an incomplete picture of the Park's Division's efforts to recover costs from user fees.

Review Current Inventory of Parks for Alignment With Mission

The State Parks Division is charged with recovering costs while also protecting, interpreting, and managing Texas' cultural and natural resources. However, as discussed in Sections 1-A and 1-B, the park system's financial resources are not currently sufficient to adequately operate and maintain all existing sites. Options to address the Parks Division's financial dilemma include reducing costs through restructuring the current inventory of parks, seeking new partnerships with other entities to manage current state parks, changing the level of current park operations, or seeking additional increases in park funding.

In 1992, Department staff proposed closing 7 parks and reducing or consolidating operations at 18 others. This proposal was based on an evaluation of visitation, cost per visit, economic impact, and intrinsic value. However, management reports that concern by interest groups and others ultimately prevented the Department from closing any parks. After this, a rider was added to the Department's appropriations. The General Appropriations Act for the 1994-1995 biennium included a rider requiring the Department to hold a hearing whenever the Department planned to close a facility that directly served the public or reduced that facility's regular operating hours by 50 percent or more. The rider was not included in subsequent General Appropriation Acts.

Since 1992, the Parks Division has continued to review options for restructuring its inventory of parks and historic sites:

• In June 1997, Division staff prepared a cost-benefit analysis to identify parks for changes in operational strategies, reversion to other entities, closure, or divestiture.

• In April 1998, the Department contracted with the Texas Historical Commission to assess the historical significance of selected Department historic sites with recommendation for system-wide focus.

• In June 1998, staff prepared data on the statewide significance and on alternative management opportunities of existing state parks.

• Park staff proposed cuts in operations at Matagorda Island and the Texas State Railroad state parks in 1997, 1998, and 1999 budget preparations. Matagorda Island had revenues of $55,765 and operating expenses of $339,252 the railroad generated only $673,756 against operating expenses of $1,346,547. Implementing changes proposed by the Parks Division (such as making Matagorda a state wildlife area and the Texas State Railroad a static exhibit) would have resulted in savings of $1.34 million per year.

However, because executive management believes that the Department cannot close any existing parks, official criteria for making such assessments have not been adopted, and management has not approved changes to the current inventory of parks.

Lastly, the Parks Division's Recreation Grants Branch administers grant programs that provide matching funds to develop new recreational opportunities in local communities. Some of these grants have funded parks that compete directly with state parks. This could reduce entrance fee revenues.

Recommendation:

- To ensure that existing sites are conserved for the use and enjoyment of present and future generations, management, in conjunction with state leadership and user groups, should develop consensus on criteria and methods to systematically assess existing sites and proposed new sites. This assessment should be made to determine whether the site is of statewide significance and whether adequate resources exist to operate and maintain the site. Sites that do not meet established criteria should be considered for changes in operations, transfer to other entities, or closure. The new park program should be curtailed until this assessment is complete.

- The Parks Division needs to reconcile its goal of increased cost-recovery with continued operation of parks that lack statewide significance and are extremely costly to operate and maintain. The Parks Division should explore the possibility of providing grants and or contracts to local entities to assume management of parks that do not fit management's defined criteria.

- When considering alternatives to address its current financial position, management will need to consider the impact of local parks grants on state park revenue. Information on local parks that will compete directly with state parks should be given to the Parks and Wildlife Commission with staff's funding recommendation.

Section 2:

Incorporate Prioritization Mechanisms Into the Budgeting Process

While the Parks Division faces a $10.1 million annual operating shortfall, opportunities exist to make better use of current resources. To bring expenditures in line with available resources, Parks Division management has cut park operating budgets. However, these cuts have been made without a clear policy on how to prioritize funding or sufficient data on where to make selective cuts. Little consideration has been given to reducing or eliminating operations of individual park's non-strategic facilities, programs, or activities. For example, Parks Division management could more systematically target underutilized facilities at parks for reduced operations or closure or defer opening new facilities and parks. In addition, as noted in Section 3-B, there are opportunities to reallocate resources from some central office functions to the field.

Operating expenditures for the field (parks and regional offices) have decreased in real terms over the last five years. Operating budgets for the field are comprised of salaries and funds for items such as utilities, fuels, and consumable supplies. From 1993 to 1997, field operating expenditures fell from $26.5 million to $26.0 million, or 1.9 percent.

During the same period, the Parks Division continued to add new parks and programs. Ten new parks have opened since 1992; 18 since 1990. Approximately $1.48 million in new facilities within existing parks were added between fiscal years 1996 and 1998. As new parks and facilities become continuing funding obligations in the following fiscal year, the overall pool of resources available for existing parks and programs is further diminished. Static funding levels, rising personnel and operating costs, and an increased number of parks and facilities combine to diminish the ability of the park system to provide basic services and maintain its resources.

Section 2-A:
Preventive Maintenance and Equipment Replacement Budget Priorities

Routine preventive maintenance and essential equipment replacement are not components of state park operating budgets. Each region was allocated $25,000 for preventive maintenance in fiscal year 1998. However, these monies were allocated from a non-recurring funding source.

While some parks perform preventive maintenance, the funds and staff to do so must be squeezed out of limited budgets. A number of managers indicate that they lack funds for basic materials to perform routine maintenance and that staffing levels are too low to spare personnel for these activities. The ultimate effect of this approach is to defer maintenance until it becomes a more expensive repair or capital replacement expense.

Analysis of the Parks Division equipment replacement schedule reveals that 45.8 percent of equipment is older than its useful life. At the end of fiscal year 1997, parks were on average 13 years behind in their replacement schedules. While precise data is unavailable, staff members estimate that the Parks Division needs $10 million to become current on replacement schedules.

Recommendation:

Management should identify the amount of funds needed for annual preventive maintenance and equipment replacement. The Parks Division should reinstitute preventive maintenance and equipment replacement as integral components of park operating budgets. Policies should be formulated to limit transfers of funds for preventive maintenance and equipment replacement to other operating expenditures.

Section 2-B:
Develop and Use Service Level Data in the Budget Process

The Parks Division lacks policies and data to effectively prioritize budget resource allocation decisions. Although the Parks Division is heavily reliant on revenues from user fees, management does not systematically analyze visitation trends, costs, and revenues to target underutilized facilities for budget cuts. In addition, management has not defined acceptable levels of service or identified current baseline levels of service. Without this type of information, management lacks a clear picture of the current state of park operations, and of the impact that reductions in number of staff and funds have on park services. In the absence of service level data, the budget process has generally imposed across-the-board cuts at the regional level.

As operating expenses such as utilities are either fixed or increasing, expenditures are increasingly reduced through cuts in the number of FTEs. There was a reduction in seasonal part-time employees in fiscal year 1997, and 40 classified field positions were cut in fiscal year 1998. Total field FTEs reached a five-year low in fiscal year 1998 with 941 classified and hourly employees. This is down from a peak total staffing level of 1,079 FTEs in fiscal year 1996. Reduced staffing levels leave fewer park personnel to provide basic services.

As high visitation and revenue generating parks generally share equally in the Parks Division's approach to budget cuts, their ability to maintain services and facilities and retain paying customers is stretched thin. Revenue losses also arise from a lack of staff to collect entrance fees. A number of park managers indicate that early closing of park headquarters allows visitors to enter the park without paying. Input from field staff members regarding their overall ability to generate revenues under the proposed 5 percent cut in the fiscal year 1999 budget estimated a system-wide revenue loss. While the estimates of revenue losses are imprecise, they do illustrate the risk associated with across-the-board reductions as opposed to making more selective cuts in operations when necessary.

Park service levels would include basic unit output information such as hours of operation, frequency of grounds and facility maintenance, and public safety activities. The Minnesota state park system, for example, defines the levels of service provided during peak-, moderate-, and low-use periods of visitation. These standards address how frequently, for example, restrooms are cleaned, safety patrols are conducted, and grass is mowed. The standards can also be used as a budgeting tool by defining the outputs associated with these activities and the FTEs needed to complete them.

While some parks track the number of hours it takes to complete activities such as cleaning restrooms and mowing grass this type of information is not comprehensively defined, tracked, summarized, and reported. The Department's automated timekeeping system is not presently configured to link activities performed with service level outputs.

The Parks Division solicited data from the regions on the impact of a proposed 5 percent budget reduction for fiscal year 1999. While this is a first step in collecting this type of information, it still does not provide executive management with baseline

data on current services. The process for establishing service level categories, capturing baseline data, and identifying acceptable levels of service needs refinement.

<u>Recommendation:</u>

- Management should establish service level definitions for park activities such as grounds and facility maintenance, public safety, and park headquarter hours of operation. Standard service level definitions should be used to establish a baseline of the current level of service provided. The Parks Division should realign its timekeeping system to capture employee time spent on different service level activities.

- The Parks Division should establish targets for acceptable levels of service provision. Management should identify gaps between existing service levels and targeted service levels. Management should use this information to identify the resources needed to achieve targeted levels of service.

- Management should distinguish between core or primary activities essential to operate a park and secondary activities. This information should be used to help prioritize funding requests and to guide park managers in allocating resources. Only those services and activities essential to operate the parks should be classified as a core or primary activity.

- Management should establish budgetary policies to prioritize resource allocation for both central office and field operations. Budgetary policies should incorporate criteria to guide resource allocation between the central office, the regions, and the parks. Criteria should establish the relative weight assigned, for example, to funding core services at existing parks or to targeted service levels versus opening new parks or adding new facilities.

Section 3:
Establish a Consistent, Explicit Decision-Making Structure

The Parks Division's objectives are not clearly defined, and management has not established clear responsibility and authority for decision-making. As a result:

- The Parks Division had four different organizational structures in 1997.

- Central Office staff members perform inefficient or unnecessary activities.

- Staff members make decisions that affect resource allocation and information development without adequate consideration of their impact on overall operations. For example, regional staff installed terminals for the Department new financial system at the park level even though the system's capacity was not designed for the extra use.

Clarifying the goals of the Parks Division would provide management with direction for organizing and allocating resources and for defining the responsibilities and qualifications of staff.

In November 1997, the Department's Chief Operating Officer was given direct control of the Division. To address some of the Parks Division's weaknesses, the Chief Operating Officer has:

- Relieved the former Parks Division Director from operational responsibilities

- Improved communication between the field and headquarters through a series of regional meetings

- Reviewed staff members' performance plans to ensure all Parks Division staff had current plans

- Began to address the backlog of customer complaints and concerns

- Requested additional analysis by the State Auditor's Office of the Parks Division's central office support functions

Section 3-A:
Clarify Parks Division's Goals

Results of the 1996 Parks Division Organizational Assessment

In November 1996, the Parks Division Director hired a consultant to conduct an organizational assessment of the Parks Division. Among the study's conclusions were that management needs to:

- Develop a well-articulated vision and major goals for the future.

- Impose a higher level of goal discipline.

- Improve communication throughout the organization.

- Develop effective leadership.

- Achieve a real sense of teamwork and collaboration on goal attainment.

The Parks Division has not clearly charted its long-term objectives. Parks Division management has not developed a strategic plan, and the Department's strategic plan provides little direction to Parks' Division management. Although Parks Division management began developing its own vision and mission in February 1997, this work has not been completed. Without clear strategies for the Parks Division, management has been unable to devise a workable organizational structure. During 1997, the Parks Division had four different organizational structures:

- Prior to February 1997, the Parks Division was divided into four branches. Each of these branch heads, the 10 regional directors, the director of the San Jacinto Complex, and Parks Division administrative support reported directly to the Parks Division Director.

- In February 1997, the Division was reorganized to address concerns identified in a 1996 organizational assessment and to reduce the Director's span of control from 16 to 7 staff members. (See text box for a summary of the recommendation in the 1996 organizational assessment.) The new organization consisted of six branches, with all regional directors reporting to the Park Operations Branch.

- In August 1997, the Parks Division consolidated some of its regional offices. Two regional offices were eliminated (although the actual office space and some of the administrative staff from these offices remained). One of the former regional directors retired while the other regional director was moved to the central office to head the newly created Special Services Branch. The roles and responsibilities of this branch were never clearly defined or communicated to the Human Resources department, which resulted in the same work being performed twice.

- In November 1997, the Parks Division Director was relieved of his operational responsibilities. All branch heads and regional directors now report directly to the Department's new Chief Operating Officer. This change left two former branch heads with little direction as to what their new job responsibilities were.

The constant changes to Parks Division's central office structure has led to confusion among field staff about who has authority for making what decisions. It has also affected the Parks Division's ability to represent its interests to the Executive Director.

Recommendation:

- Develop a strategic and operational plan for the Parks Division. Once this plan is complete, review the Parks Division's organizational structure and key business processes for alignment with divisional goals and long-term objectives.

- Establish clear lines of authority and responsibility for all organizational units and staff.

Criteria Used to Assess Parks Division Support Functions

1. Can the activity be eliminated without impacting service?
2. Is the activity mandatory (that is, required by law or regulation)
3. Did the customer request the activity and was the request valid?
4. Does the activity have an output?
5. Does the activity improve efficiency or enhance the work product?
6. Is the activity performed to correct errors or mistakes?
7. Can technology render the activity unnecessary?
8. Is the activity required to operate the ParksDivision?
9. Can management of the activity be consolidated to reduce the number of supervisory positions?

Section 3-B:

Eliminate Duplication and Inefficiency in Central Office Processes

A number of Parks Division central office support functions and activities could be eliminated without significant negative impact to either customers or park operations. After sharing our preliminary value-added assessment of several Park Division support functions, management requested a similar review of staffing and processes in other work units. Of the 26 positions assessed, activities equivalent to 19 full-time employees were identified as not adding value to current operations of the park system. The salaries associated with these activities total $770,000 per year. (See text box for the criteria we used in making this assessment.)

Although the analysis represents an opportunity to improve operations and reallocate resources, care must be taken in interpreting the results of the assessment. The identification of non-value-added work does not necessarily equate a direct, one-to-one cost savings or a reduction in the number of staff members needed to accomplish the overall goals of the Parks Division. Approximately half of the work activities in one section, for example, could be eliminated without sacrificing the quality of the work product. This section, however, also suffered an approximate three-month processing backlog. Eliminating unnecessary activities in this section might not result in needing 50 percent fewer staff members. Rather, it might allow the section to eliminate its backlog and complete its work in a timely fashion.

In other cases, some functions were assessed as not adding value due to the lack of appropriate analytical technique. Analysis of the impact of fee changes, for example, is an important data tool that would benefit the Division if appropriately performed.

The activities in question possessed one or more of the characteristics noted below. Examples of these activities are provided under each topical heading:

- <u>Some staff members have unclear, vaguely defined job duties and responsibilities</u>. Pursuant to a reorganization, the Director of the Parks Division was removed from operational line responsibilities in November 1997. Employees in other senior positions with combined annual salaries of $131,376 stated in November 1997 that they were waiting on direction from executive management as to their job responsibilities. The lack of clearly defined roles and responsibilities was evident from initial interviews in November 1997 through follow-up interviews in March 1998.

- <u>Departmentwide support functions are maintained at the divisional level, creating unnecessary supervisory positions and duplication of effort</u>. The Parks Division maintains a number of functions that duplicate services provided by other divisions on an agencywide basis. Maintaining these support services at the division level creates a questionable need for supervisory positions with very limited spans of control. The human resources function in Special Services, for example, is overseen by a director-level position with a span of control ratio of 1:3. Similarly, director of the law enforcement function in the Park Operations Public Safety section has a span of control of 1:2. Duplication of support functions in the Parks Division also can result in a lack of consistency and control in following policies and procedures. In some cases, maintaining dual support functions at the department and division level resulted in the same work being performed twice.

- <u>Automated system capabilities are underutilized, resulting in unnecessary manual processing and tracking of information</u>. Full utilization of the Integrated Financial System (IFS) can eliminate the need for a number of activities staff members perform. Various staff manually track individual park revenues from donations, concessions, recycling, and Entrepreneurial Budgeting System holdover funds. Most of these activities could be automated through use of existing systems. Manual processing of payroll, personnel actions, and employee status reports are unnecessarily performed in

the Financial Branch. The outputs of these activities are accessible to end users through IFS.

Staff in the Reservation, Registration, and Reporting Accounting and Reporting section perform manual checks on automated data due to previous concerns with data integrity and reliability. Ensuring the accuracy of R3 data would eliminate the need for these activities.

- Unnecessary complexity, controls, and rework are built into current work processes. Five Parks Division FTEs are dedicated to budget activities. Optimum use of automated systems and simplification of the budget process could significantly reduce the need for this level of staffing. Roughly one half of the activities in the R3 Accounting and Reporting section could be streamlined to eliminate unnecessary work without sacrificing adequacy of controls.

- Staff members perform activities that add little or no value and lack substantive outputs. The Revenue Management section is staffed with five FTEs. The fee setting, revenue monitoring, and business plan development processes lack substantive outputs. These activities are comprised primarily of gathering and filing documents from the field and routing information to executive management. As noted in section 4-C, there is very little analysis performed on fee setting. Revenue monitoring consists primarily of compiling an annual report of park revenues. The development and updating of business plans was discontinued by some parks. Other parks sent virtually identical plans to Revenue Management in successive years.

Recommendation:

- The Parks Division should ensure that all positions have clearly defined job duties and responsibilities.

- In conjunction with department management, the Parks Division should review Central Office support functions for possible consolidation on a departmentwide level. The assessment should consider the cost implications of maintaining dual support functions at the divisional and departmental level. The consistency of support function controls under dual department and division management should also be considered.

- Resource allocation decisions for the central office should consider whether an activity supports a core service in the field.

- The Parks Division should conduct a thorough assessment of all Central Office support processes. The objectives of the assessment should include eliminating, streamlining, and automating activities where appropriate and feasible.

- The Parks Division should reexamine the Revenue Management section's functions pertaining to fee setting, revenue monitoring, and business plan development. Parks Division management should clarify the type of analyses, level of detail, and work products expected for these functions.

Section 3-C:
Provide Operational Policies to Guide Regional and Park Decision-Making

Regional directors indicate that executive management's goals and priorities are not clear. Although the Parks Division encourages initiative and entrepeneurship by park managers, management has not provided policies in some key areas to guide and prioritize decision making. There are no operational level policies to guide park managers, for example, in the decision to allocate resources among activities such as preventative maintenance, revenue generation, or resource protection.

The Division's policy and procedures manual is outdated, and some policies have not been reviewed for 18 years. The Division also lacks a standardized process for formulating, clarifying, and reviewing policies and procedures.

Without clear directives, policy decisions are left to field staff, resulting in an inconsistent approach to managing the Division's resources. For example:

- Some regions comprehensively inventory maintenance needs and track how frequently maintenance is performed, while others do not.

- Some regions still require park managers to formulate business plans, while others have dropped the requirement.

- Park managers lack operational guidance in the fee-setting process. Fee setting may be used to accomplish several potentially conflicting objectives such as resource protection, cost recovery, or accessibility/affordability of the parks. Without guidance, park managers do not have criteria to use to assess the reasonableness of proposed fees.

Recommendation:

- Clarify policies to reconcile potentially conflicting goals such as cost recovery and natural resource protection. Policies should be specific enough to provide guidance in decision areas such as resource allocation and fee setting.

- Establish a process for updating and monitoring compliance with the Parks Division's policy and procedure manual.

Section 3-D:

Define System Ownership to Ensure Optimum Development and Use of Automated Systems

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R3 Implementation Issues

A 1997 consultant's report on R3 found that the system suffers from several deficiencies including limited system functionality, weak user procedures and standards, and inadequate processing and capacity planning. While plans originally proposed R3 implementation at all parks, currently only 26 parks have on-line access to the R3 system. The 105 parks not on line to R3 use manual processes for reservations, registration, and reporting. The Parks Division currently spends over $1 million per year operating R3, and the system still fails to consistently deliver accurate, accessible, complete, and timely information.

Our analysis also noted the following:

- The Parks Division does not currently have a formal plan to expand R3 for all parks' use. The consultant recommended that the Parks Division do a cost-benefit analysis of rolling out R3 to additional parks, but this analysis has not been done.

- Manual processes continue within the R3 Accounting and reporting section due to data integrity concerns and within the Park Reports section of CFO because 75 percent of parks are not on line to the R3 system. Despite the fact that R3 is an automated system, R3 parks must mail in hard copies of their R3 information to the Reporting Section of R3 due to data integrity concerns. This dual process (manual and automated) results in reduced efficiency and an increase in time spent on reporting for both the parks and the Parks Division.

- The cost of R3 could exceed its benefits to parks. Parks generally have to pay for necessary hardware out of their own budgets to access R3. On-line parks complain of large telephone bills incurred in the transfer of data. Many calls are needed to transfer the revenue data because the system cuts off during transmission.

- Due to limited system capacity, access to the system can be difficult. While the Parks Division has made necessary changes to enhance the hardware of R3, users at headquarters and in the field still complain of its inaccessibility during the day when the Reservation Section is using the system. Users also complained of waiting for over three hours for a revenue report from the system.

- Systems Administration within R3 is under-staffed. There is only one systems administrator for R3. This lack of backup could adversely affect daily system administration should this person leave the Department.

- R3 functions independently of Information Resources. Centralized coordination and planning would ensure that processes are in place to assess how key programs relate to the Department's overall information technology plan.

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Authority for making decisions related to automated systems development has not been adequately defined. Information Resources, which is the information management department within the Chief Financial Officer, is charged with analyzing the Department's requirements for information and for developing the Department's information management plan. However, other divisions also have the flexibility to set up their own Information Management functions.

For example, the Infrastructure Division is currently implementing a new Facility Management System (FMS). Information Resources was not involved in the development of the system. The lack of Information Resources' involvement in the planning and design phase of the system has led to an incomplete contract for the system's development. The contract does not call for supporting documentation such as functional and technical specifications or programming documentation. Without this type of information, it will be difficult to expand and properly maintain the system. Although Infrastructure Division has attempted to bring Information Resources into the system development process, Information Resources staff members report they are still unclear as to their role and responsibility for this system.

Undefined process ownership and fragmented planning has resulted in problems in other systems' development. The text box at left details deficiencies in the development and implementation of the Reservation, Registration, and Reporting System (R3). The lack of planning in the area of system implementation, cost-benefit analysis of the rollout, and lack of clear definition of user needs has left the Parks Division with a system that

automates reporting only for a few parks while the majority still continue with manual revenue reports.

Lack of centralized authority and strict enforcement of information system guidelines have also led to the use of different hardware and software for common applications among parks and regions. Use of these different systems has resulted in inefficiencies.

<u>Recommendation</u>:

- Information Resources should have clear responsibility and authority to coordinate agencywide system development and management. This could be accomplished by centralizing or consolidating system management under Information Resources.

- The Department and the Parks Division should conduct a cost-benefit analysis of using R3 for financial reporting purposes.

- A better user-needs assessment and capacity planning should be done so that the necessary changes can be made to the R3 system. The system as it currently exists cannot be rolled out to all parks.

- Revenue data from R3 should be analyzed and tested for accuracy. This process should be undertaken prior to R3's interface with Integrated Financial System. Manual verification processes should be eliminated once the data is accurate.

- The Department should ensure that all management information system policies related to hardware and software are followed.

Section 4:
Obtain Accurate Management Data and Better Analyze Alternatives Before Making Decisions

Parks Division management has not established a comprehensive definition of the financial and non-financial information it needs to plan and manage the park system. In addition to the lack of service level information noted in Section 2-B, the division lacks accurate data on park visitation. The lack of accuracy or completeness of these data affects not only reporting on performance measures to the Legislative Budget Board, but also impedes analysis that might be undertaken for internal management purposes.

Section 4-A:
Clearly Define User Requirements of Revenue Reporting Data

The information needs of different users of revenue reporting data have not been systematically defined. While CFO, for example, may need only total revenues, Parks

Division management may need lower-level detail which captures amounts of revenue by type or location of facility. The Parks Division currently has two distinct revenue-reporting mechanisms (one for manual parks and one for automated parks). The level of detail and comprehensiveness of the manual and automated reporting mechanisms are different, and management has not reached consensus on the type of information needed for analytical purposes.

Recommendation:

Data requirements for the revenue reporting process should be reassessed against the needs of different users. The Department and the Parks Division should reconcile differing financial reporting and operational data needs in terms of timeliness, completeness, and accuracy of revenue data. The Parks Division should clarify what specific data is needed or required for operational and analytical purposes.

Section 4-B:
Develop Reliable Visitation Data

Day visitation data, which is the basis of two performance measures reported to the Legislative Budget Board (number of estimated park visits and rate of reported accidents/incidents per 100,000 visits), is significantly overstated. Estimates of the magnitude of overreporting day visitation data range from 12 to 25 percent. Thus, fiscal year 1997 reported daily visitation of 19.6 million more likely ranged from 17.3 million to 14.7 million. This significantly inflates the performance measure "number of estimated park visits," while also understating the measure "rate of reported accidents/incidents per 100,000 visits."

The park system relies on estimates of day visitation derived from car counter tallies due to the labor-intensive nature of performing head counts of the number of actual visitors. A primary weakness of the Parks Division's formula for estimating visitation is the assumption that vehicles entering the parks carry an average of 3.5 persons per vehicles. Over the past ten years, three external studies found the 3.5 multiplier to be erroneous. Other potential problems with the Parks Division's formula for calculating daily visitation have been identified by staff but also remain unchanged.

Given management's emphasis on cost recovery and the 1996 change from per-car to per-person entrance fees, unreliable visitation data represents a significant weakness in the Parks Division's management information system. The lack of reliable visitation data impedes accurate revenue forecasting for the Parks Division. It also makes it difficult to assess the effect of fee changes on park visitors' willingness to pay.

The Department is proposing changing its visitation measure to "paid visits." While this measure may be more accurate, some parks such as San Jacinto cannot charge admission. Therefore, additional methods for measuring visitation must be developed.

Recommendation:

The Parks Division should revise the methodology used to estimate park visitation to obtain more accurate data. The Parks Division should consider the use of surveys and statistical samples to identify more accurate methods of determining actual visitation.

Analyze the Impact of Fee Changes

The Parks Division performs limited analysis on proposed fee changes or on the impact of changes to park fees on visitation trends and revenues. Given the heavy emphasis by management to increase fee-based revenues and numerous changes to its fee structures, this lack of analysis undermines the Parks Division's ability to appropriately set fees, reliably predict revenues, or accurately determine customers' willingness to pay for park usage.

The Administrative Code outlines a number of criteria to consider in determining the appropriate level for fees. The Administrative Code stipulates that user fees should be:

> based primarily on comparisons of current fees for facilities and services of comparable character under similar conditions, with due consideration for length of season, provisions for peak loads, average percentage of occupancy, accessibility, availability, cost of labor, materials and supplies, type of patronage, and other such factors deemed significant.

There is limited evidence, however, of analysis against the criteria set forth in the Administrative Code in the fee-setting process. During the fee-review process for fiscal year 1997, for example, parks were asked to submit documentation showing the projected revenue and operational impacts of any fee changes as well as analysis of park competition and customer preferences. A review of the files, however, showed that only 8 out of 130 parks sent in their competitive analysis, and 14 of the parks requesting fee changes did not complete their Projected Revenue and Operational Impact Analysis. The Revenue Management Section's responsibilities in the fee-setting process appear limited to passing information and paperwork from the field to executive management.

Recommendation:

- The Division should ensure that proposed fee changes are adequately examined against established criteria. The Division should also establish a process to ensure that the impact of fee changes on visitation and revenues is monitored and adjusted when appropriate. Process ownership for monitoring and adjusting fees should be clearly assigned.

Develop Formal Plans to Address Known Infrastructure Deficiencies and Accomplish Long-Term Management Goals

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The Infrastructure Division's Responsibilities

The Infrastructure Division is responsible for providing planning, design, repair,and construction management services to all divisions of the Department. Infrastructure manages construction contracts and provides construction inspection, technical assistance, drafting support for the production of construction documents, and technical surveying services for field staff and facilities. Infrastructure has force account construction crews throughout the State that perform repair and capital improvement projects.

The Department maintains a diverse statewide system of public lands and facilities. The large inventory of infrastructure consists of: 130 state parks, historic sites, and natural areas; 51 wildlife management areas (WMAs), 10 fish hatcheries; and about 60 other field offices and facilities. These public lands and facilities have an estimated value of more than $441 million. Approximately 25 percent of today's state parks and fish hatcheries were constructed by the Civilian Conservation Corps during the 1930s and 1940s. In addition, some buildings on the WMAs also date back to those years. Many essential components of the state parks infrastructure has exceeded their expected life span. According to the Department, more than 60 percent of the sites have water and/or wastewater systems more than 20 years old, which is the expected life span for these systems. In addition, many sites also have electrical systems that are within a few years of their life expectancy.

Effective September 1, 1997, the Legislature passed House Bill 3189 authorizing $60 million in bond authority for the Department to finance the repair, renovation, improvement, and equipping of parks and wildlife facilities. The Department issued $12 million of those bonds in March 1998. The $12 million was allocated into two project areas: $6,247,000 to water/wastewater system renovations and $5,753,000 to facility renovations.

Two recent internal reports have recommended major changes to how the Infrastructure Division plans and manages construction and repair projects. While Infrastructure (Infrastructure) management has taken steps to address some of the deficiencies identified in these reports, management has not developed written plans to define tasks, assign responsibilities, or establish time frames for completing the steps required to address all deficiencies. Formal plans would ensure that staff members understand management's goals and the steps needed to accomplish them and would provide a mechanism for monitoring progress toward goals.

In November 1995, Department management estimated that its facilities required $186 million in repairs and improvements. Management's plan to address this "backlog" of repairs included implementing management changes to more "fully address the backlog as an institutional priority." Two studies were conducted to help management chart the course for these changes. Reports issued by the Department's Internal Audit Department and its Infrastructure Task Force identified numerous areas where improvements in facilities management were needed.

In 1996, the Infrastructure Division was created. Infrastructure assumed all responsibilities of the Construction Design Management branch of the Parks Division. In March 1997, a new Infrastructure Division Director was hired. To address the issues identified in these reports, management took action to:

- Organize Infrastructure staff members into regional teams. Instead of putting together a different team for each new project, one team now manages all projects for parks within a region. This change was made to reduce travel expenses and improve communication with field staff.

- Create and fill field-level "construction manager" positions to assist in project and contract administration.

- Begin developing a Facility Management System (FMS) and assessing the condition of its water and wastewater systems. A contractor will deliver a FMS with all the water/wastewater assessments in place. Infrastructure will be responsible for collecting, inputting, and developing any data or system forms needed for other facilities.

- Implement monthly project meetings with customers to enhance communication and directly involve customers in establishing project schedules and priorities.

- Draft a strategic plan for the Infrastructure Division and developed performance measures to report on Infrastructure performance to the Parks and Wildlife Commission and Legislature.

- Assumed responsibility for all maintenance and repair purchases and contracts (as of April 1, 1998).

- Begin researching different alternatives for developing a project management information system. Such a system would allow project managers to better manage, budget, and track projects and their status.

Section 5-A:
Analyze Alternative Bond Issues and Staff Workloads

In 1997, the Legislature provided the Department with $60 million in bonding authority. These funds are to be used to address the Department's estimated $72 million of critical backlogged facility repairs. In March 1998, the Department issued $12 million of bonds and plans to issue $18 million more in fiscal year 1999, $20 million in fiscal year 2000, and the final $10 million in fiscal year 2001. This issuance schedule will spread the use of the bond proceeds over a five-to six-year period. Although this schedule was developed based on management's estimate of potential workload capacity, it was not sufficiently analyzed to ensure the schedule addressed critical repairs as quickly as possible.

Infrastructure staff decided to split the $60 million into multiple issues because management believed Infrastructure lacked sufficient resources to manage all bond-funded projects at one time. While Infrastructure is experiencing staff shortages due to vacant engineer and inspector positions, management did not analyze current staff work loads or evaluate the number of additional projects that would be funded from the bond proceeds. Instead, the amount of each issue was set based on the dollar value of projects managed in fiscal year 1997 and management's assumption that this number could be exceeded because of planned changes to Infrastructure organizational structure and contracting processes.

By dividing the $60 million into four issues, the Department may also incur additional bond issuance costs ($95,000 per issue) and has subjected itself to market risk. If interest rates increase, the total interest on the debt will be greater than if the Department had issued all bonds at once or in fewer issues. The Legislature

appropriated $5 million in fiscal years 1998 and 1999 to pay the bonds' debt service. If interest increases, this appropriation could be insufficient to make the required bond payment in subsequent fiscal years.

Factors that the Department should consider in analyzing alternative bond schedules include:

- Treasury regulations on yield restrictions and arbitrage spending exceptions
- Potential changes in interest rates
- Bond issuance costs
- Infrastructure workloads and capacity
- The critical nature of planned repairs

<u>Recommendation</u>:

- Analyze alternatives for the remaining $48 million in bonding authority. Scenarios using different numbers of issues, different dollar amounts of issues, and different investment interest rates should be developed to determine if the Department could reduce issuance costs and to ensure that assumed market risk fits within management's risk tolerance.

- Such analysis will require management to evaluate Infrastructure's workload to ensure that it can effectively manage the number and type of projects funded with bond proceeds. To do this, Infrastructure will need to identify specific projects to be funded from bond proceeds, how each will be implemented (contract versus in-house), and estimates for length of time to complete each project.

- Management should consider contracting for project management services to expedite the completion of these critical repair projects. Management should also work with the Legislature to explore the possibility of gaining authority to use design-build contracts. Design-build contracts could enable the Department to implement its critical repair projects more quickly.

Section 5-B:
Formalize Project Management Processes and Define Information Needed to Monitor Projects

Management needs to better define how Infrastructure projects are to be directed and supervised. Currently, each project manager must develop his or her own strategies to plan, organize, and control project resources as well as the tools and techniques needed to monitor them. Our review of 31 projects found project management to be more reactive (circumstances ran the project) than proactive. For example, project managers did not use project schedules or develop milestone dates to manage any of the projects we reviewed.

Staff members do not consistently follow Infrastructure's project policies, and management has not developed effective mechanisms to monitor and enforce compliance. Infrastructure's current policies were developed in 1994 when the Construction Design Management Branch of the Parks Division was responsible for facility development and repair. These policies include many activities that a good project management process would include.[3] For instance, project managers are supposed to develop a Preliminary Task Directive that includes project priority, scope, preliminary budget, available funding, a project schedule, and definitions of the team members' responsibilities for all repair projects. None of the repair project files we reviewed had a Preliminary Task Directive.

Because the project management process is not yet defined, the information needed by project managers and Infrastructure management to implement and monitor all projects has not been identified. Project managers do not currently have the information needed to ensure projects are completed on time or within budget. Some information is available in meetings and various reports:

- Infrastructure staff members meet monthly to discuss projects' status and set project priorities for ongoing projects. During these meetings, staff members often make changes to target start or completion dates. These changes are made without adequate justification or consideration of the impact of these changes on the project or other projects.

- Management has developed 11 different reports that include information on project milestones, status, and budgets. Each of these reports was developed to provide specific information in response to staff needs. For example, the Expended Funds on Completed Projects report was developed to compile data for one performance measure. None of these individual reports includes sufficient information for management to plan and monitor project milestones.

Management has taken steps to begin to address this information void:

- In September 1997, Infrastructure's new Director developed a Project Status Report to consolidate funding and status information for all repair projects. Although this report includes many data fields, as of May 1998, the data has not been collected for all projects.

- Infrastructure management plans to purchase new project management software to consolidate all project-related data. Management wants to integrate project management, financial, and contract information to better track and report project status and is currently reviewing several software packages.

Infrastructure's project files may not include all data that an integrated system would require. Currently no one staff member is responsible for reviewing files to ensure that

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[3] The manual also includes a requirement for staff to review and revise the policies annually. This review has not taken place; therefore, some policies are out-of-date. For example, purchasing policies have not been updated to reflect changes state law.

they are organized, complete, and current. Project managers do not track project documents beyond their offices. During our project file testing we found missing files and paperwork, inadequately documented decisions, incorrectly completed paperwork, and confusion among Department staff as to the location of files and project paperwork. The Head of Contracting is proposing a new policy requiring every project to be organized the same way. Each project will have its own file in one central location, and each file will contain four separate folders: solicitation/bids, contract copy, modifications, and contract administration. Having organized project documentation will allow Infrastructure to better track and monitor its contracts and will ensure that the data needed for the planned project management information system is available.

Recommendation:

- Project management policies should be updated to reflect the new project management process and the new organization of Infrastructure. Procedures should include tools to implement these policies. Training on the approved project management process should be provided to all project managers and other process participants.

- Once the project management process is defined, management should identify and catalog the information needed by all stakeholders to implement and monitor the process. This catalog should be used in developing the planned Project Management Information System.

- Management should develop a mechanism to evaluate how well individual projects are managed. This information will allow management to assess the current process and gather information, such as successes and lessons learned, to share with other staff for future projects.

Section 5-C:
Complete Development of Infrastructure Contracting Policies and Procedures

Infrastructure management has not completed development of the controls or processes needed to properly administer facility-related contracts. On April 1, 1998, the Department transferred responsibility for facility-related contracts and purchases from Chief Financial Officer to Infrastructure. This change was recommended by the Department Infrastructure Task Force as a means to eliminate the delays and duplication in the previous contracting process.

A substantial percentage of Infrastructure's work is accomplished through contractors. Infrastructure staff members estimate (management could not provide us with exact figures) that 10 percent of park facilities' design work is typically contracted. Management plans to contract for more of these services in the future, and our review of 19 projects found that 10 projects included architect-engineer design contracts. The total amount of these contracts was $359,000 (of $3.4 million budgeted for all

projects). In addition, the projects we reviewed included 16 contracts for construction services. These contracts totaled $2.4 million. Because much of Infrastructure's work is accomplished through contractors, Infrastructure needs effective controls over contracts to fulfill its responsibilities.

We found that the contract management transition plan lacked the details needed to effectively facilitate the transition and ensure the development of adequate controls over the new contracting process. For example, the transition plan included broad steps such as "Develop guidelines for field staff on contracting authority, procedures." Such steps were not broken down into smaller tasks (such as, review prior contracting deficiencies, map Infrastructure's proposed new process, and obtain management approval). In addition, no one was specifically assigned responsibility for completing field procedures. (The plan only identified "Contracting staff" as "participants" to the action item.) As a result, staff members estimate the contract transition will not be complete until October 1998, six months after the planned completion date for the transition.

The Department should be commended for its willingness to improve the contracting system. The new Head of Contracting is proposing many new policies and is working to outline procedures to implement these policies. Our review of 28 architect/engineer and construction contracts found the following weaknesses that Infrastructure's new policies and procedures will need to address:

- Architect/Engineer Selection - Project file documentation used to evaluate the qualifications, experience, and ability of architects/engineers and contractors was either missing or not detailed enough to support their selection. Architects/engineers firms are selected based on a qualification form (Form 254). A selection committee reviews the Form 254, scores each candidate on an Architect/Engineer Evaluation Worksheet, and issues a Recommendation Memo listing the three firms with the highest scores. These Recommendation Memos do not state the reasons for the final selections, and the Evaluation Worksheets are not always retained.

- Negotiated Architect/Engineer Fees - In general, Section. 48, Title IX of the General Appropriations Act (75th Legislative), caps payments to architects and engineers for all professional services at between 6 percent to 8 percent of the total cost of the project work. Projects involving remodeling and alterations are allowed to exceed these caps by one-third. The Department does not uniformly apply these fee caps, and interpretation of applicable fee language among Department staff varies. For example, while project managers said in interviews that they used these ceilings, some projects tested appeared to exceed these limits. The Department does not have a clear policy to guide contracting staff in the appropriate or consistent interpretation of the General Appropriations Act.

- Monitoring - Project Managers and inspectors are responsible for reviewing work throughout the project to ensure that work complies with the contract and state laws. However, inspectors or project managers do not consistently monitor work performed, and inspection reports vary in their detail from well

documented to poorly documented. Some inspections are conducted by phone. Personal visits to project sites by project managers are sometimes infrequent. Consequently, it is difficult for project work quality and progress to be accurately assessed.

Recommendation:

- Develop agency policies and procedures that incorporate all pertinent federal and state laws governing contracting and contracting purchasing processes. Make sure that policies and procedures are comprehensive and current and that all contracting staff members understand them. Such policies should include:

    - Procedures for selecting project architects/engineers and contractors (including more detailed documentation of factors influencing selection) and for negotiating fees, including Department interpretation of Section. 48, Title IX, of the General Appropriations Act

    - Minimum guidelines for conducting and documenting inspections of work progress and conditions; policies should include factors to consider when deciding to limit the frequency of site visits

    - Procedures to ensure accurate documentation of purchasing decisions and compliance with state purchasing laws

    - Policies regarding change order approval, specifically defining the circumstances under which a project manager or a construction manager can approve change orders; finalize the change order forms

- Develop a detailed action plan with definable goals and a timeline for implementing the Department's planned changes to contracting procedures and policies. Share this plan and the timetable with all employees affected by Department contracting processes, and hold staff members accountable for meeting the deadlines set.

- Require project managers to justify and document decisions they make that have a substantial impact on the budget or the nature of the project (for example, explain why a contractor refused to complete a project or why the project focus was changed). For projects that have been delayed for significant periods of time or abandoned, document the dates and reasons for these events.

- Develop a formal process for timely, regular review of program files during and after the contracting process to ensure that they are efficiently maintained (for example, up to date, logically arranged) and they comply with state law and Department policies and procedures. Require these reviews, as well as all contracting documentation drafting tasks, to be done by a legal/paralegal professional or qualified contracting staff.

- Combine folders and their contents in a single, central place, such as the Contracting Department. Require each file to include documentation of current/latest project status.

Section 5-D:
Complete Implementation of the New Facility Management System to Better Plan and Prioritize Maintenance and Repairs

Infrastructure is working to develop an effective system to identify and scope repair and capital improvement needs. The Department's 1997 Infrastructure Task Force report estimated critical repair costs at $161 million (of which $123 was attributable to park and historic site repairs). This estimate is likely understated because:

- Most park managers and regional maintenance specialists report only those needs they believe will be funded.

- The cost estimating process relies too heavily on estimates by non-architect/engineers. Current costs are based primarily on estimates from the regional offices and Infrastructure Division administrative staff. Infrastructure architects/engineers have been able to estimate only 5 to10 percent of identified projects.

- Facilities and systems such as electrical or water systems are difficult to properly estimate without dismantling the system (doing a detailed review).

- Facilities continue to deteriorate.

This issue was reported in the Department 1996 Infrastructure internal audit report, and management is working to implement a Facility Management System (FMS) that will track and forecast repairs and maintenance. While management has hired a consultant to develop the basic system design and to collect some of the data the system will require, plans to expand the system to include all Department facilities have not been developed.

In January 1998, Infrastructure management contracted for the development of the basic structure for the FMS. (This contract also included an assessment of the condition of 116 Department water and wastewater systems.) The new FMS will include the water and wastewater system inventory, assessment, and life-cycle data. For the FMS to effectively track and forecast all of the Department's maintenance and repairs, management will need to inventory and assess the condition of all parks', historic sites', wildlife management areas', and fish hatcheries buildings, structures, and systems.

The FMS will also assist management in objectively and consistently prioritizing known needs. In the past, the process and criteria for setting priorities varied from year to year. For example, in fiscal year 1997, each region received $50,000 for small repairs. Funds were allocated to the regions but were not tied to specific needs. The

regional maintenance specialists allocated these funds based on their perceptions of the highest priorities at their parks. Specific criteria for setting priorities differed among the regions.

For fiscal year 1998 each region received $205,000 for small repairs. These funds were tied to specific, approved projects. These projects were approved after several different priority-setting processes. First, park managers prioritized needed critical small repairs. These repairs were reported to the Regional Maintenance Specialist who prioritized all critical repairs for the region. A panel of staff from Infrastructure, Chief Financial Officer, the Parks Division and executive management then prioritized all regions' repairs and made the final decision regarding the allocation of funds. With prioritization occurring at three levels within the organization, differing priorities could be used. Clear criteria would ensure projects are consistently ranked.

Recommendation:

- Develop a detailed action plan to guide the completion of the Facility Management System. Steps to identify, collect, and input data on all existing facilities and their current condition should be clearly laid out. In addition, the action plan should assign responsibility for completing the steps to specific staff members as well as set target dates for completion.

- Develop plans to conduct condition assessments of all existing facilities. Assessments should be standardized (to control cost of the program and ensure consistency of the results), performed by trained staff or contracted to competent professionals, and done on a regular basis. Ensure that the assessment addresses environmental factors such as asbestos abatement, Americans with Disabilities Act (ADA), and other issues requiring remediation.

- Develop clear definitions for each category of repair and establish criteria for how needs will be prioritized. Communicate these definitions and categories with all divisions and field staff.

- Assign responsibility for maintaining and updating the FMS to a specific staff person or work group.

Section 5-E:
Improve Controls Over Projects Managed by Other Divisions

The Infrastructure Division's responsibilities for monitoring and controlling facility repair projects managed by other Department divisions have not been defined. Infrastructure staff members monitor budgets for projects directly managed by other divisions and provide technical assistance as needed. Infrastructure staff members have developed checklists for other divisions to use, but they have not developed a mechanism to monitor whether the checklists are actually used or whether the steps are adequate. As a result, there are no assurances that these projects are well-managed or comply with state laws and construction codes.
The Infrastructure Division was created from the Construction Design Management (CDM) Branch of the Parks Division. The CDM Branch provided professional

services in planning, surveying and mapping, architectural and engineering design, cost analysis, technical assistance, contract document development, project management, and administration to all divisions. However, because CDM was part of the Parks Division, staff members in other divisions felt that Parks Division projects received more attention and priority. The Infrastructure Division was formed to ensure equal access to facility management resources.

Although a separate division was created to manage facility repairs and maintenance, other divisions still handle a lot of projects themselves. Of the 421 repair projects active as of May 1998, 228 were directly managed by staff in the Wildlife, Parks, and other divisions. (The budgets for these projects total $8.6 million). Of the 228 projects managed by other divisions, 49 (or 21 percent) were funded prior to fiscal year 1996 and are not yet complete. Staff members in these divisions may not have the time, training, or tools to effectively manage this workload. For example, the number of regional and park staff has been cut to a level where basic park services have been reduced. Such staffing shortages leave few resources available to manage and perform repair projects.

Recommendation:

- Seek clarification on the responsibilities of the Infrastructure Division.

- Develop policies and procedures that govern how other divisions should manage facility repair projects.

- Monitor implementation of approved policies.

Section 6:
Enhance Contracts, Monitoring, Budget Review, and Selection Criteria to Improve Local Park Grant Administration

The Department's Recreation Grants Branch has developed many of the basic controls needed to effectively administer its Texas Recreation and Parks Account program (TRPA). Administration of TRPA can be improved by:

- Incorporating proposed project scopes in project contracts
- Reviewing proposed budgets against historical cost information
- Closer monitoring of expense documentation and project progress
- Clearly defining all proposal scoring criteria

TRPA is funded from the Sporting Goods Sales Tax, and in fiscal year 1997, $15.5 million was set aside for this program. TRPA is divided into an outdoor and an indoor program. In fiscal year 1997, $12,775,143 was awarded for outdoor recreation programs. The TRPA indoor program began as a pilot project in 1996. Of TRPA's $15.5 million, $2.3 million is set aside for the indoor program. In fiscal year 1997, $2,161,173 was awarded for indoor programs.

Each year, far more dollars are requested for TRPA grants than are available. In fact, in fiscal year 1997, only 40 percent of the dollars requested were funded.

Section 6-A:

Incorporate Grant Applications in Project Contracts

The Parks Division's Recreation Grants Branch Administers Several Grant Programs

The Recreational Grants Branch administers four grant programs:

1. Texas Recreation and Parks Account program (TRPA)
2. Community Outreach Program
3. Boat Ramp Construction Program
4. Clean Vessel Act Boat Sewage Pumpout Program

TRPA is the largest program administered by Recreational Grants. Grants provide 50 percent matching funds (up to $500,000) to local governments throughout Texas for the acquisition and development of public recreation areas and facilities. Our review of the Recreational Grants Branch's contract administration focused on this program.

The Community Outreach Program provides grants to nonprofit, non-political, or local governments. These grants must be related to Department programs and used to buy outdoor recreational equipment, food, instruction, or transportation to introduce under-served persons to outdoor experiences offered by Department programs and facilities. The cap on the grant is $20,000. The source of funds for this program is the Sporting Goods Sales Tax of which $250,000 is appropriated annually for the program.

The Boat Ramp Construction and the Pumpout Programs provide 75 percent matching grant assistance to local governments and private marina operators (Pumpout Program only). The main source of these funds is federal aid. Grants for the Boat Construction Program are capped at $200,000. There is no cap for the Pumpout Program; however, only $208,813 was requested and funded in fiscal year 97. In contrast, about $765,000 was requested and awarded for the Boat Construction Program.

The statement of work in the grant application is not incorporated in the TRPA contract. To limit grant applicants' expenses, grants are awarded based on proposed development. Therefore, staff members approve projects based on general descriptions (for example, three baseball fields or a "wildlife observation" area). Once funded, professionally sealed plans and specifications must be submitted to the Recreational Grants Branch for review. (Plans and specifications are not required on items such as playground equipment, picnic tables, and benches to be purchased.)

These plans provide the details required to hold grant recipients accountable for delivering specific recreational opportunities with contract funds. However, because grants are awarded based on proposals, recipients must also be held accountable for completing the items included in their original proposal. Therefore, contracts should incorporate the scope of the work proposed in the grant application as well as the plans and specifications provided after funding.

Recommendation:

Incorporate (by reference) the grant application into the grant agreement.

Review Budgets Against Historical Costs

Proposed budgets should be analyzed against documented historical costs to ensure their reasonableness. Currently, project budgets are based on estimated costs included in grant applications. While experienced staff members review cost estimates, proposed costs are not reviewed against historical information or industry references. We found that grant recipients almost always received the full amount of the requested grant. All applicants awarded TRPA funds in fiscal years 1996 and 1997 received the full amount requested in their proposals.

In addition, while grant recipients cannot exceed the total project budget, they can exceed the line-item budget. These overruns can jeopardize project completion. For example, one grant recipient deleted a sand volleyball court, horseshoe pits, a soccer field, and walkways because some line items exceeded approved amounts, and the grant recipient did not provide additional funds to complete the full scope of the project. Of 23 completed projects, 5 had such reductions in scope. Staff members report that overruns are reviewed and approved if it is determined that the scope of the project will not be adversely affected, but this analysis is not documented.

Recommendation:

- Develop a database to track past project cost information. This information could be reviewed by region, by city, or by type of expense to provide a baseline against which to assess the reasonableness of proposed costs. Having such historical cost data could be critical should the only staff member experienced reviewing budgets leave the Department.

- Analyze line-item budget overruns to ensure that they will not adversely affect the project scope or limit planned recreational opportunities, and document the results of this review (and the items considered) in the grant files.

Section 6-C:
Enhance Monitoring of Grant Recipients' Compliance with Contract Requirements

The Recreation Grants Branch's monitoring can be improved. Grant recipients are required to have an annual financial audit, and these audit reports are reviewed and shared with the Department's Internal Audit. Other mechanisms for monitoring can be improved:

- Inspect all projects during development, and document inspection results. TRPA guidelines require on-site inspections to be made throughout the project—during the pre-approval phase, during development, and post completion. Recreation Grants staff documented pre-approval and post-completion site visits for the projects we reviewed. According to the head of

the inspection group, 25 percent of projects are inspected during development, but the results of these visits are usually not documented. None of the files we reviewed had development inspection reports. Also, there is not a check-list or prescribed format for these visits, and there is no mechanism to ensure problems are corrected. As a result, problems or reductions in project scope might not be detected or communicated to other Recreation Grants staff members until the project is too far along to effectively correct the problem.

- Ensure grant recipients submit project status reports. TRPA guidelines require grant recipients to submit quarterly status reports. These reports are to include the percentage of work complete, percentage of costs billed, whether or not the project will meet its target completion date, and any other pertinent information. We found, however, that status reports are not always sent, and when they are, some do not include all required information. Recreation Grants has developed a new tracking system to allow staff to track outstanding reports.

- Ensure documentation supports requests for reimbursement. Grant recipients are required to submit specific information to Recreation Grants before reimbursements can be approved. For example, when city employees work on the project, the grant recipient is required to submit a list of employees and their rate of pay to Recreation Grants staff before the project begins. We found that this list was not always in the project file or that the rate used to calculate the reimbursement amount was more that the rate on the payroll list submitted at the start of the project.

These conditions have led to improper reimbursement. For example, Recreation Grants reimbursed one grant recipient for land at a price in excess of the value established by two independent appraisers. One appraised value was $140,000, the other $125,000. The city paid $146,000 and was reimbursed 50 percent of this amount. Included in the land contract was a clause for the purchase of "an unspecified amount" of gravel for $25,000. Recreation Grants reimbursed the city for this expense (as part of the land purchase price) even though the amount of gravel and plans for its use were unknown. Recreation Grants will withhold these payments from future reimbursement requests.

Recommendation:

- Enforce the TRPA guidelines related to status reports. This information should be reviewed to identify projects with potential problems so that site visits can be made.

- Develop guidelines for development site visits and a mechanism to track noted deficiencies.

- Reimbursement should not occur until all TRPA requirements are met.

- Proposals and documentation submitted with reimbursement requests should be thoroughly analyzed before payment is made. This would help ensure that the sponsor is consistently performing well and that funds are spent effectively and efficiently

Section 6-D:

Provide Definitions for TRPA Grant Selection Criteria

Generally, the selection process appears to ensure that grant recipients are fairly and objectively selected. However:

- Some criteria used to evaluate proposals do not include clear definitions of how points are awarded.

- Documentation in the proposal files does not always support the score given.

Some scoring criteria are not clearly defined.

Proposal scoring criteria, or the Project Priority Scoring System, are included in the TRPA Grants Manual given to all prospective grant applicants. The Project Priority Scoring System includes 14 criteria, for a total of 206 points. While we found that Recreation Grants staff consistently scored proposals, the allocation of points was not always clearly defined in the Project Priority Scoring System.

For example, one criterion relates to how the proposed "project provides for the renovation of an existing obsolete park and recreation area, or facilities (1-5 points)." Recreation Grants staff members allocate points on a percentage basis (renovation costs to total construction costs X 5 points), but the Project Priority Scoring System does not include this or any other explanation on how points are allocated for this criterion.

Nine other criteria (or 10 of 14 total) did not clearly explain how reviewers would award points. This has resulted in some applicants not understanding their scores and contesting their proposal's rating.

Some documentation was missing or did not support the score given.

In the five proposals we reviewed, we found ten instances (of 70 possible) where the applicant should have received a higher or lower score than they actually received (based on information presented in the application). There were also two miscalculations that resulted in incorrect scoring. In all of the instances of incorrect scoring, however, the new scores differed only by a few points, and the new scores would not have affected the proposals final ranking.

How the TRPA Selection Process Works
TPWD awards TRPA grants every six months. Application proposals are reviewed by Recreational Grants staff, TPWD's Resource Protection Division, and, if necessary, the appropriate state historical agency. In addition, each proposed project must be reviewed by the applicable regional planning council of governments.
After an initial review of the application by Recreational Grants staff, an on-site visit is conducted. When the Department has received all of the information necessary to complete the application, and a site visit has been conducted, the project is scored according to the Project Priority Scoring System. After all the projects are scored, they are prioritized based on score and staff recommendations, and are presented to the Parks and Wildlife Commission . The Parks and Wildlife Commission has final approval over awarding of program funds.

Recommendation:

- Clarify the method for scoring for each criterion on the Project Priority Scoring System. Specifically, criteria 2, 5, 7, 8, 9, 10, 11, 12, 13, and 14 should be clarified to reflect how points are allocated. This would prevent confusion among applicants and allow them to better prepare high-quality proposals.

- Ensure that grant documentation is complete.

- Review all scores and calculations for accuracy.

Issue For Further Study

Review Human Resources Management

During the course of our work, we noted weaknesses in the Department's management of its human resources. As a result, we recommend that the Department or its Internal Audit Department conduct or contract for a review of the Department's controls over its human resource management function. Specific conditions noted include:

- Our testing of 24 personnel files found that 4 staff members did not meet the minimum qualifications set forth in the positions' job description. These staff members were originally hired to fill other positions but were later transferred or promoted into their current positions. However, their personnel files did not document how their qualifications aligned with their new positions' minimum qualifications. In addition, of the 24 positions reviewed, only 4 (17 percent) had job descriptions and minimum qualifications specific to the function of the position. As a result, the minimum qualifications stated in the job descriptions may not be adequate for screening applicants.

- Park Manager job functions as described by Park Managers and Parks Division management do not appear to align with the stated requirements for this position. While Park Managers are required to have a high school or GED diploma, Park Managers are currently responsible for:

  - Preparing and monitoring park budgets
  - Reviewing entrance and use fees
  - Developing and administering concession contracts
  - Providing interpretative services
  - Maintaining and repairing facilities
  - Hiring and managing park employees
  - Ensuring park resources are conserved

  To ensure that Park Managers are well-equipped to fulfill all their job responsibilities, a job analysis (which analyzes job duties, responsibilities, and tasks and determines the knowledge, skills, abilities, and tools/equipment required to perform each type of job) should be conducted for all levels of Park Manager.

- Some staff members' performance plans are not current. While staff members' recognized the importance of timely feedback on employee performance, several staff members reported they were behind in completing performance plans, and some of the plans we reviewed were not complete. This indicates a lack of monitoring of these plans and limits their effectiveness in helping employees achieve performance goals or evaluating training needs.

Management's Response

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EXECUTIVE DIRECTOR

To manage and conserve the natural and cultural resources of Texas for the use and enjoyment of present and future generations.

4200 SMITH SCHOOL ROAD
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September 14, 1998

Mr. Lawrence F. Alwin, CPA
State Auditor
Office of the State Auditor
Two Commodore Plaza
206 East Ninth Street, Ste. 1900
Austin, TX 78701

Dear Mr. Alwin:

The Management Audit conducted by your staff of the State Park System is particularly timely and appropriate in that this is the 75th Anniversary of that system. During this year's celebration, we've reached new visitors and celebrated the natural and cultural beauty of 123 state parks. All parks are open and visitors are pleased with their experiences. Critical repairs are being made at our facilities as a result of bond authority granted by the 75th Legislature.

However, the system is not perfect. Our financial resources are stretched very thin and we have reached the limit of what can be accomplished with those resources.

Many of the findings and recommendations in the auditors' report were pinpointed by Texas Parks and Wildlife management as needing objective analysis. The audit team was professional, hard working and has provided us with valuable information.

While there are issues in the body of the report with which we disagree, overall the audit has provided us with good information that will allow us to manage the state park system more efficiently and effectively. Thanks to prompt feedback towards the conclusion of the audit, our management was able to take appropriate action in a more timely fashion. For example, eleven positions in the state parks division central management have been or are scheduled to be transferred to the field by November 1, 1998. Other actions are delineated in the management response.

We appreciate the ongoing relationship that continues with the State Auditor's Office and look forward to improving our operations based on their recommendations.

Sincerely,

Andrew Sansom
Executive Director

AS:mk

CELEBRATING THE 75TH ANNIVERSARY OF TEXAS STATE PARKS IN 1998

AUDIT REPORT
STATE PARKS DIVISION
TEXAS PARKS AND WILDLIFE DEPARTMENT

Management Responses
September 14, 1998

- **SECTION 1–A & 1–B: Use a Total Cost Framework to Analyze The Park System's Financial Condition**

  Audit Recommendation: The Department should account for all costs when assessing the financial condition of Parks.

  Audit Recommendation: When assessing individual park profitability the agency should account for all divisional and agency wide support services to present a complete picture of individual park profitability.

  Response: The Department has indirect cost information and has used this information to allocate administrative funding for years. Additional efforts to capture and allocate indirect costs will be used this year to calculate the financial health of the state park system and as part of the individual park profitability analysis. Operational park profitability will also continue to be analyzed as a comparison of site revenue to site operating costs because it is an effective management tool.

  Audit Recommendation: Parks should reassess its goal of operational cost-recovery.

  Audit Recommendation: The performance measure percent of operating costs recovered provides an incomplete picture of the park system's financial performance.

  Response: The Department will reevaluate the goal of total operational cost recovery and develop individualized cost recovery goals for each site during the FY00 budgeting process. We will work with appropriate oversight agencies to modify the performance measure to include additional relevant operational costs in the calculation of the measure.

- **SECTION 1–C: Review Current Inventory of Parks for Alignment with Mission**

  Audit Recommendation: To ensure that existing sites are conserved for the use and enjoyment of present and future generations, management, in conjunction with state leadership and user groups, should develop consensus on criteria and methods to systematically assess existing sites and proposed new sites.

  Audit Recommendation: The Division needs to reconcile its goal of increased cost-recovery with continued operation of parks that lack statewide significance and are extremely costly to operate and maintain.

  Response: The Department has maintained a philosophy of keeping all parks in the system "open", regardless of the strain placed upon staff, infrastructure or operating funds. While previous efforts to review the inventory of properties have been made, we will implement this recommendation with a thorough process for review including the involvement of legislators and other interested parties. Over the next year, a system for assessing the sites currently in the state park system will be formalized. A complete

assessment of the state park system will be completed by the end of the next biennium in conjunction with our Sunset process.

Opportunities for alternative ownership or management of site operations will be carefully considered as they become available. For example, the Department is currently working with the local community on the transfer of Governor Hogg Shrine State Park at this time.

Audit Recommendation: When considering alternatives to address its current financial position management will need to consider the impact of local parks grants on state park revenue.

Response: Management will consider adding an element into the criteria used for scoring grant proposals that would encourage local sponsors to use existing park facilities or land. In addition, local sponsors may be approached regarding management and operation opportunities at a nearby state park as appropriate, rather than the local entity acquiring and/or developing an additional, competing park of the same type.

- **SECTION 2-A: Preventative Maintenance & Equipment Replacement Should Be Budget Priorities**

  Audit Recommendation: Management should identify the amount of funds needed for annual preventive maintenance and equipment replacement.

  Response: State Leadership has provided funds for preventive maintenance and minor repairs for this biennium. The Department has submitted an exceptional item request for continued funding in the next biennium. While management will update the equipment replacement and maintenance schedules, and increase efforts to devote resources to the same, stable funding is not possible within existing resources if all parks are to remain open.

- **SECTION 2-B: Develop And Use Service Level Data In The Budget Process**

  Audit Recommendation: Management should establish service level definitions for park activities such as grounds and facility maintenance, public safety, and park headquarters hours of operation.

  Audit Recommendation: The Division should establish targets for acceptable levels of service provision.

  Audit Recommendation: Management should distinguish between core or primary activities essential to operate a park, and secondary activities.

  Response: The first step in this process was taken this spring during the FY99 budget cycle with assistance from the State Auditors. These service level efforts will be continued and refined during future budget cycles. Further efforts to establish detailed service level information are dependent upon staffing and resources that are not available at this time. While this is a worthwhile recommendation, this is not as high a priority as development of standards and criteria for assessing the state park system.

  Audit Recommendation: Management should establish budgetary policies to prioritize resource allocation for both central office and field operations.

Response: While priorities have been communicated in the past, the guiding principles for resource allocation in state parks have not been in writing. The primary focus has been to keep all parks open to the public. Budget cuts have generally been targeted, not across-the-board. Information on service levels and utilization, including revenue, was used in the FY99 budget process and will continue to be used in future cycles.

- **SECTION 3-A: Multiple Reorganizations Indicate a Lack of Clarity on Division Goals**

  Audit Recommendation: Develop a strategic and operational plan for the State Parks Division.

  Response: Management agrees and will complete these plans during FY99.

  Audit Recommendation: Establish clear lines of authority and responsibility for all organizational units and staff.

  Response: The first steps in setting a firm organization for the division have already been taken. All regional directors report to the Acting Division Director as of November 1997. Organizational lines of authority and responsibility will be finalized within the next six months.

- **SECTION 3-B: Duplication and Inefficiency Consume a Significant Number of Central Office FTEs**

  Audit Recommendation: The Parks Division should ensure that all positions have clearly defined job duties and responsibilities.

  Response: "Job descriptions" are contained in the performance plans currently required for all employees. Over the past six months, greater emphasis has been placed upon ensuring that all employees have current plans and receive annual performance evaluations. Job descriptions on newly developed performance plans will be reviewed and revised as needed. As employees are considered for other positions within the agency, qualifications will be closely examined to make certain that they are consistent with the requirements of the position.

  Audit Recommendation: In conjunction with department management, the Parks Division should review central office support functions for possible consolidation on a department wide level.

  Audit Recommendation: Resource allocation decisions for central office should consider whether an activity supports a core service in the field.
  Audit Recommendation: Parks Division should conduct a thorough assessment of all central office support processes.

  Response: In actions effective September 1, 1998, eleven headquarters positions were identified for transfer to field operations no later than November 1, 1998. The affected positions were considered either duplication of function, or ones that performed functions that could be done in a field office, another division of the department, or that could be eliminated completely. Assessment of other headquarters functions will continue over the fiscal year to identify other areas for transfer of responsibility, consolidation, or elimination.

Audit Recommendation: The Parks Division should re-examine the Revenue Management section's functions pertaining to fee setting, revenue monitoring, and business plan development.

Response: During FY99 the functions of the Revenue Management Branch will be carefully reviewed. Areas of support will be prioritized and functions to be accomplished clearly identified. This review will be particularly important for establishing goals and performance responsibilities due to a significant reduction in program staff from 5 to 2 employees.

- **SECTION 3-C: Provide Operational Policies to Guide Regional And Park Decision-Making**

  Audit Recommendation*:* Clarify policies to reconcile potentially conflicting goals such as cost recovery and natural resource protection.
  Audit Recommendation: Establish a process for updating and monitoring compliance with the Division's policy and procedure manual.

  Response: Management agrees that more specific policies are needed in some areas, as well as a mechanism for monitoring compliance. In conjunction with the Commission's directive to "sunset" and update all agency policies, the State Parks Division will produce a revised state parks policy and procedure manual by the end of this fiscal year.

- **SECTION 3-D: Define System Ownership To Ensure Optimum Development and Use of Automated Systems**

  Audit Recommendation: Information Resources should have clear responsibility and authority to coordinate agency-wide system development and management.

  Response: Management agrees that Information Resources (IR) should have clear responsibility and authority to coordinate agency-wide system development and management.

  Audit Recommendation: The agency and the Parks Division should conduct a cost benefit analysis of using R-3 for financial reporting purposes.

  Response: Information Resources has authority to ensure that all systems meet standards. The Department continues to manage the benefits of decentralization with the efforts required for full coordination of system development.

  Management agrees that the accounting and reporting function of Park Reporting and R3 should be consolidated; and, that the R3 system should be the system of record for detailed financial information. Efforts are currently underway to address this finding.

  Audit Recommendation: A better user-needs assessment and capability planning should be done so that the necessary changes can be made to the R-3 system.

  Response: The R3 system is undergoing a throrough internal review and planning process and will report to the Director of Information Resources during this timeframe. This review will include external and internal user needs assessments, capacity review/planning and long-term full implementation planning. Equipment needs and communications expenses are being addressed with fifteen high priority parks scheduled to go online by February 1, 1999.

Audit Recommendation: Revenue data from R-3 should be analyzed and tested for accuracy.

Response: Coopers and Lybrand did review and analyze revenue data for accuracy and found no significant problems in that area. Some data may be incomplete due to end users not completing or entering transactions and/or correcting errors. Procedures were put in place to provide greater assurance that transactions are completed and errors are corrected. Manual verifications will be eliminated as parks become increasingly proficient at using the system.

Audit Recommendation: TPWD should ensure that all management information system policies related to hardware and software are followed.

Response: While decentralization has resulted in a few instances of non-compliance with agency standards, most systems and hardware are developed/purchased within standards. Shortages of information technology personnel have affected our ability to staff our quality assurance function to significantly review all projects.

- **SECTION 4-A: End User Requirements of Revenue Reporting Data Are Not Clearly Defined**

  Audit Recommendation: Data requirements for the revenue reporting process should be reassessed against the needs of different users.

  Response: Review of information needs and elimination of unused data reporting requirements are ongoing. The completion of the internal interface between R3 and the Integrated Financial System and the consolidation of the park related revenue reporting sections should clarify the financial information needs.

- **SECTION 4-B: Visitation Data Is Unreliable**

  Audit Recommendation: The Parks Division should revise the methodology used to estimate park visitation to obtain more accurate data.

  Response: The Department was aware of this issue and worked with the Legislative Budget Office and the Governor's Office of Budget and Planning for approval of a revised performance measure this spring, "Paid Park Visits". Additionally, efforts will be made to capture total visitation as a management tool.

- **SECTION 4-C: Analyze The Impact of Fee Changes**

  Audit Recommendation: The Division should ensure that proposed fee changes are adequately examined against established criteria.

  Response: Following the determination of Revenue Management goals and responsibilities, a review of proposed fee change procedures and criteria will be established to adequately provide an ongoing monitoring of fee impacts at individual sites. These procedures and criteria should be in place for the fee setting process to be implemented in spring of 2000.

- **SECTION 5: Develop Formal Plans to Address Known Infrastructure Deficiencies And Accomplish Long-term Management Goals**

- **SECTION 5-A: Analyze Alternative Bond Issues & Staff Workloads**

  Audit Recommendation: Analyze alternatives for the remaining $48 million in bonding authority. Scenarios using different numbers of issues, different dollar amounts of issues, and different investment interest rates should be developed to determine if the Department could reduce issuance costs and to ensure that assumed market risk fits within management's risk tolerance.

  Response: We will work with the Texas Public Finance Authority to ensure that the bonds are issued in a manner that maximizes the objectives of accomplishing critical repairs and prudent financial management.

  Audit Recommendation: Such analysis will require management to evaluate Infrastructure's workload to ensure that the Division can effectively manage the number and type of projects funded with bond proceeds. To do this, Infrastructure will need to identify specific projects to be funded from bond proceeds, how each will be implemented (contract versus in-house), and estimates for length of time to complete each project.

  Response: All design staff have workload schedules for all capital projects, technical assistance requests, and emergency projects. Once each design staff has a full workload, project managers are required to outsource all additional work to private-sector design firms. The majority of the division's design contracts are currently planned to be outsourced.

  At the beginning of each fiscal year's capital program, all projects are determined to be funded by bond or other funding sources. The projects are then assigned, by region, to a project manager for administration of design and construction. The Infrastructure division prepares a bond expenditure strategy report that management uses to ensure that schedules and budgets are managed efficiently. The Project Management Information System (PMIS) will integrate and automate all financial, contractual, and schedule data for our projects, thereby, significantly streamlining the management process.

  Audit Recommendation: Management should consider contracting for project management services to expedite the completion of these critical repair projects. Management should also work with the Legislature to explore the possibility of gaining authority to use design-build contracts. Design-build contracts could enable the Department to implement its critical repair projects more quickly.

  Response: The Department agree with this concept. Legislation which allowed the Texas school systems to use design-build contracts, effectively outsourcing project management of design and construction would significantly enhance our ability to manage a large number of construction projects.

- **Section 5-B: Formalize Project Management Processes & Define Information Needed To Monitor Projects**

  Audit Recommendation: Project Management policies should be updated to reflect the new project management process and the new organization of the Division. Procedures should include tools to implement and achieve these procedures. Training on the approved project management process should be provided to all project managers and other process participants.

Response: The primary categories in the PMIS contract, which will be completed by the end of FY99, will consist of assessment of current project management processes, refinement of these processes, publication of a process guide, hardware/software (tools) to manage these processes, and training for the entire division and its customers on these processes and tools.

Audit Recommendation: Once the project management process is defined, management should identify and catalog the information needed by all stakeholders to implement and monitor the process. This catalog should be used in developing the planned Project Management Information System.

Response: Management has identified and cataloged the information necessary to manage the agency's capital program, which is spelled out in the RFP for Project Management Systems that was published on August 28, 1998. The first phase of the PMIS project will require the consultant to confirm these needs and incorporate them into the project.

Audit Recommendation: Develop a mechanism to evaluate how well individual projects are managed. This information will allow management to assess the current process and gather information, such as successes and lessons learned, to share with other staff for future projects.

Response: Management has already identified, and begun incorporating, the design-build industry's "best practices" to aid the division in efficiently and effectively managing the agency's capital program. The PMIS will incorporate these practices and others into an automated project management system that will provide management with the tools to adequately assess the performance of the project teams. Lessons learned will be included the project management process, allowing team members, including our customers, to refine our processes as needed.

- **Section 5-C: Complete Development of Infrastructure Contracting Policies & Procedures**

    Audit Recommendation: Develop agency policies and procedures that incorporate all pertinent federal and state laws governing contracting and contracting purchasing processes. Make sure that policies and procedures are comprehensive and current and that all contacting staff understand them. Such policies should include:

    Response: The department contracting transition team evaluated the existing policies and procedures that guided the execution of contracts managed within the Administration Resources Division. Additional program staff have been employed, and the division has initiated a comprehensive revision of contracting policies and procedures that will be implemented by the end of FY99. TPWD has a comprehensive purchasing and contracting manual (Finance Procedure No. 1000-13.), which addresses federal and state law, governing contracting. The Infrastructure Contracting Section has adopted the TPWD manual as interim guidance.

    Audit Recommendation: Procedures for selecting project A/Es and contractors (including more detailed documentation of factors influencing selection) and for negotiating fees, including TPWD interpretation of Sec. 48, Title IX, of the Appropriations Act.

    Response: Selection of A/Es is handled in accordance with Texas Government Code, Title 10, Section 2254.021 et seq. Selection of contractors is handled in accordance with

competitive bidding procedures. All procedures will be included in the PMIS procedures guide.

Audit Recommendation: Minimum guidelines for conducting and documenting inspections of work progress and conditions. Policies should include factors to consider when deciding to limit the frequency of site visits.

Response: Project inspection is not the responsibility of the contracting program but rather a function of project management. Along with the construction manager, the project inspector is responsible for monitoring progress of work and conducting appropriate on-site inspections. As part of the PMIS contract, the Infrastructure division will develop standard inspection procedures no later than May 1, 1999 that can be applied consistently by all inspectors.

Audit Recommendation: Procedures to ensure accurate documentation of purchasing decisions and compliance with state purchasing laws.

Response: The procurement of commodities or the purchase of supplies and materials for construction projects is regulated by General Service Commission rules, which were established by the legislature. Purchasing procedures are strictly adhered to and purchasing decisions are fully documented within the agency's Integrated Financial System.

Audit Recommendation: Policies regarding change order approval, specifically defining the circumstances under which a project manager or a construction manager can approve change orders. Finalize the change order forms.

Response: Change order and contract approval authority for all planning, design, and construction projects was delegated to Infrastructure Division on May 1, 1998, which clearly established limits under which a project manager can approve changes to a project scope or cost. The contracting section is currently revising all contract forms as a part of their effort to redefine policies and procedures, and these revisions will be included in the new contracting procedures manual to be completed no later than September 1, 1999.

Audit Recommendation: Develop a detailed action plan with definable goals and a timeline for implementing TPWD's planned changes to contracting procedures and policies. Share this plan and the timetable with all employees affected by TPWD contracting processes, and hold staff accountable for meeting the deadlines set.

Response: The new contracting procedures manual presently being developed by the contracting staff will include an action plan that identifies specific goals, timelines, and individuals responsible. This action plan will be completed no later than November 1, 1998.

Audit Recommendation: Require project managers to justify and document decisions they make that have a substantial impact on the budget or the nature of the project (e.g. explain why a contractor refused to complete a project or why the project focus was changed). For projects that have been delayed for significant periods of time or abandoned, document the dates and reasons for these events.

Response: The Infrastructure division concurs that the need exists for consistent and more thorough documentation of project decisions. This is a recognized strategic goal for the division this fiscal year. The proposed new policies are a project management issue

and will addressed as part of the PMIS contract. Management has also taken immediate steps to require project managers to meet weekly with the division director to review project schedules and budgets. Monthly project progress meetings are held with management, project managers, and our customers.

Audit Recommendation: Develop a formal process for timely, regular review of program files during and after the contracting process to ensure that they are efficiently maintained (e.g. up to date, logically arranged) and they comply with State law and TPWD policies and procedures. Require these reviews, as well as all contracting documentation drafting tasks, to be done by a legal/paralegal professional or qualified contracting staff.

Response: The division recognizes the need to develop a formal process for the regular review of project files. Additional staff support will be considered in our FY 2000 operating budget. The PMIS will include procedural guidelines for project file maintenance. An expanded contact filing system has been established in the new contract section.

Audit Recommendation: Combine folders and their contents in a single, central place, such as the Contracting Department. Require each file to include documentation of current/latest project status.

Response: A central filing system for all auditable project files currently exists within the Division. With the implementation of the PMIS, these files will become automated. Files for field-managed projects are maintained in the field.

- **Section 5-D: Complete Implementation of the New Facility Management System To Better Plan and Prioritize Maintenance and Repairs**

  Audit Recommendation: Develop an action plan to guide the completion of the Facility Management System. Steps to identify, collect, and input data on all existing facilities and their current condition should be clearly laid out. In addition, the action plan should assign responsibility for completing the steps to specific staff as well as set target dates for completion.

  Response: Infrastructure division anticipates the completion of our existing contract with Camp, Dresser and McKee to provide the Facility Management System (FMS) to occur this fall. The Division is committed to working closely with the consultant to complete and fully implement the FMS by January 1, 1999. A fully developed action plan will be in place by December 31, 1998.

  Audit Recommendation: Conduct condition assessments of all existing facilities. Assessments should be standardized (to control cost of the program and ensure consistency of the results), performed by trained staff or contracted to competent professionals, and done on a regular basis. Ensure that the assessment addresses environmental factors such as asbestos abatement, Americans with Disabilities Act (ADA), other issues requiring remediation.

  Response: These are critical steps in the implementation of the FMS and will be regularly accomplished by competent professionals. Management will need to develop a strategy and adequate budget to ensure a long-term plan is implemented.   All environmental factors mentioned will be addressed in the long-term plan.

Audit Recommendation: Develop clear definitions for each category or repair and establish criteria for how needs will be prioritized. Communicate these definitions and categories with all divisions and field staff.

Response: Project category definitions and priority criteria were established by the Infrastructure Task Force and incorporated into the final report in January 1997. The report, along with the definitions, was shared with all divisions. Each division has reviewed the definitions and made comments on their appropriateness. These comments were incorporated into the FMS for automated capital needs identification.

Audit Recommendation: Assign responsibility for maintaining and updating the FMS to a specific staff person or work group.

Response: Responsibility for maintaining the FMS has been planned for since the conceptual stages of the Infrastructure reorganization effort that began in FY 97. A new FMS staff position was established and approved within our FY 99 operating budget. The management of the system will also depend on the involvement and input of all facility managers and maintenance staff to ensure information in the FMS is current, accurate, and viable.

- **Section 5-E: Improve Controls Over Projects Managed By Other Divisions**

    Audit Recommendation: Seek clarification on the responsibilities of the Infrastructure Division.

    Response: Management is committed to including customer divisions in the PMIS process to ensure all project team members understand their roles in the execution of the capital program.

    Audit Recommendation: Develop policies and procedures that govern how other division should manage facility repair projects.

    Response: Guidelines for managing projects were developed for other Divisions in October 1994 and were shared with all Divisions. These guidelines are updated and published annually with each capital program. Refining procedures for other divisions will be an integral part of the PMIS

    Audit Recommendation: Monitor implementation of approved policies.

    Response: The division strategic plan will have clear goals, objectives, and responsibilities which management will closely track, and update annually.

- **SECTION 6: Enhance Contracts, Monitoring, Budget Review, and Selection Criteria to Improve Local Park Grant Administration; Section 6-A: Incorporate Grant Applications in Project Contracts**

    Audit Recommendation: Incorporate (by reference) the grant application into the grant agreement.

    Response: Beginning with the grants approved by the Parks and Wildlife Commission on August 27, 1998, all future grant agreements will contain a provision that the grant application and all associated materials, will become a part of the executed grant agreement.

- **Section 6-B: Review Budgets Against Historical Costs**

  Audit Recommendation: Develop a database to track past project cost information. This information could be reviewed by region, by city, or by type of expense to provide a baseline against which to assess the reasonableness of proposed cost. Having such historical cost data could be critical should the only staff member experienced reviewing budgets leave employment.

  Response: An assessment of the feasibility and cost of implementing a project information database will be undertaken during this fiscal year. Funding will be requested in the FY 2000 budget to develop the database, depending upon the results of the assessment.

  Audit Recommendation: Analyze line item budget overruns to ensure that they will not adversely affect the project scope or limit planned recreational opportunities, and document the results of this review (and the items considered) in the grant files.

  Response: Beginning immediately, audit staff will advise managers when reimbursement requests indicate significant overrun of original cost estimates. This will result in a management conference to discuss the overrun, contact with sponsor if appropriate, and documentation of action taken. This review will also include an assessment of whether the change in project scope would have resulted in the project's score being less competitive in the review in which the grant was awarded. A complete record of budget overruns and/or changes in scope will be kept in the project file.

- **Section 6-C: Enhance monitoring of grant recipients' compliance with contract requirements.**

  Audit Recommendation: Enforce the TRPA guidelines related to status reports. This information should be reviewed to identify projects with potential problems so that site visits can be made.

  Response: By November 1, 1998, reminder letters will be sent to all project sponsors who are more than 60 days delinquent in submitting a status report. Reimbursement will be withheld from sponsors more than 90 days delinquent, and delinquency will continue to be reviewed before award of new grants.

  Audit Recommendation: Develop guidelines for development site visits and a mechanism to track noted deficiencies.

  Response: By November 1, 1998 a standardized form will be developed and implemented to document all progress inspections, and deficiencies will be monitored through a system similar to our current post completion inspection control. Progress site inspections will be accomplished as travel funds and staffing permit.

  Audit Recommendation: Reimbursement should not occur until all TRPA requirements are met.

  Response: By November 1, 1998 the audit staff will develop and implement a new audit checklist that includes the items noted as deficient, and no reimbursements will be made where requirements are not met.

Audit Recommendation: Proposals and documentation submitted with reimbursement requests should be thoroughly analyzed before payment is made. This would help ensure that the sponsor is consistently performing well and that funds are spent effectively and efficiently.

Response: Current audits include standard financial procedures to assure accuracy and documentation of payments to sponsors. By November 1, 1998 an additional step will be added to the current audit worksheet to review cost overruns and general compliance with program guidelines.

- **Section 6-D: While TRPA Grant Recipients are objectively selected, analyzing proposed budgets in more depth, clarifying selection criteria, and maintaining better grants documentation would improve the process.**

  Audit Recommendation: Clarify the method for scoring for each criterion on the Project Priority Scoring System. Specifically, criteria 2, 5, 7, 8, 9, 10, 11, 12, 13, and 14 should be clarified to reflect how points are allocated. This would prevent confusion among applicants and allow them to better prepare high-quality proposals.

  Response: We will begin implementation of this recommendation immediately. The changes to criteria will be published and should become effective beginning with the grant applications submitted for the July 31, 1999 deadline.

  Audit Recommendation: Ensure that grant documentation is complete.

  Response: Through the use of checklists, program staff will more closely monitor all aspects of the grant process to ensure that documentation is complete.

  Audit Recommendation: Review all scores and calculations for accuracy.

  Response: Score sheets will be calculated independently by each of the four members of the project review committee, and scores compared for accuracy. This process will be implemented immediately as the project applications currently under review are scored.

Objective, Scope, and Methodology

Objective

Our audit objective was to analyze and assess the key management control systems within the State Parks Division (Parks Division) at the Texas Parks and Wildlife Department (Department) to ensure that the systems are in place to enable the Parks Division to achieve its mission and goals in an efficient and effective manner. Our audit evaluated the control systems in place for the fiscal year ended August 31, 1998.

Management controls are policies, procedures, and processes used to carry out an organization's objectives. They should provide reasonable assurance that:

- Goals are met.
- Assets are safeguarded and used efficiently.
- Reliable data is reported.
- Compliance exists within laws and regulations.

Management controls, no matter how well designed and implemented, can only provide reasonable assurance that objectives will be achieved. Breakdowns can occur because of human failure, circumvention of control by collusion, and the ability of management to override control systems. However, monitoring established controls can assist in detecting and correcting weaknesses in a timely manner.

Scope

The scope of this audit included consideration of the Department's overall management control systems: policy management, information management, resource management, and performance management.

Consideration of the Parks Division's policy management system included review and testing of:

- Processes used to create, monitor, and adjust divisional plans

- Documents related to the development of strategic, operating, and work plans

- Processes used to create, monitor, and revise budgets

- Document and data from the Department for appropriated funds and expenses

- Processes used to develop, document, review, and revise policies and procedures

Consideration of Parks Division's information management system included a review of:

- Processes for identifying, collecting, classifying, evaluating, maintaining, and updating information
- Existing management reports

- Plans for system selection and implementation

- The availability, timeliness, accuracy, and communication of information needed to support the Parks Division's mission, goals, and objectives

Consideration of the Parks Division's resource management system included a review of:

- Processes used to select, train and evaluate Parks Division employees

- Processes used to identify, collect and report revenue

- Processes used to ensure that Parks Division funds used for local park development are protected against waste and abuse

- Processes used to ensure that park assets are properly tracked and adequately protected against waste and neglect

Consideration of Parks Division's performance management system included a review of:

- Processes used to develop, track, and use performance measures

- Processes used to capture, report, and evaluate actual performance in relation to true costs of services
-

A review of each control areas revealed some specific issues that were examined further.

Methodology

Information collected to accomplish our objectives included the following:

- Interviews with Department executive management, divisional (Parks and Infrastructure) management, park regional management, and field personnel.

- Documentary evidence such as:

  - Minutes of Parks and Wildlife Commission meetings

  - Department plans, goals, budgets, memoranda, policies, and procedures

  - Parks Division generated data on concession sales, equipment replacement, visitation, fee setting, and maintenance

- Unaudited revenue and expense data generated by CFO and the Parks Division

- Park manager and regional office memoranda

- Construction and maintenance project files maintained by the Infrastructure Division

- Employee personnel files, job descriptions, and postings

- Newspaper articles and reports relating to the Parks Division

<u>Procedures and tests</u> conducted:

- Walk through and direct observation of processes
- Direct observation of the condition, layout, and types of plant, property, and equipment at the parks
- Review of the Parks Division's budget process
- Comparison of park budgets to actual expenses
- Review of job posting, selecting, hiring, and promotion process
- Analysis of indirect cost allocation to park operations

<u>Analysis techniques</u> used:

- Control reviews
- Trend analysis
- Data comparison
- Work flow mapping
- Cost allocation
- Value added assessment
- Activity analysis
-
<u>Criteria</u> used:

- SAO Accountability Project Methodology general and specific criteria
- Texas Statutes and Administrative Code
- The General Appropriations Act
- Department plans, policies, and procedures
- Other standards and criteria developed through secondary research sources, both prior to and during fieldwork

Other Information

Fieldwork was conducted from December 1997 to June 1998. The audit was conducted in accordance with Generally Accepted Government Auditing Standards. There were no significant instances of noncompliance with these standards.

The audit work was performed by the following members of the State Auditor's staff:

- Julie L. Ivie, CIA (Project Manager)
- Thomas Byrnes, MBA
- Kathy Fiorillo, JD
- Vivek Katyal, MBA
- Virginia Riley, MBA
- Kimberlee N. McDonald
- Kishaunna Raven
- John Young, MPA
- Dennis O'Neal, CIA, Quality Control Reviewer
- Charles R. Hrncir, CPA, Audit Manager
- Deborah L. Kerr, PhD., Audit Director

Appendix 2:
Detailed Profitability Information on Selected Parks

> This table provides detailed information on the 31 parks classified as "operationally profitable" by Department management.

Table 2

Park	Profit (as Reported by the Department)	Profit (After Small repairs and Routine Maintenance)	Profit (After Small Repairs, Maintenance and Intra-Divisional Support Costs)	Profit (After Small Repairs, Maintenance, Divisional And Agencywide Support Costs)
Daingerfield	$ 200	$ 200	(51,049)	(113,710)
Hill Country	1,935	(3,388)	(23,888)	(48,952)
Big Bend Ranch	5,430	1,990	(69,759)	(157,485)
Eisenhower	8,943	8,748	(73,251)	(173,509)
Goose Island	13,439	6,054	(75,945)	(176,202)
Lake Whitney	13,721	12,344	(49,155)	(124,348)
Hueco Tanks	15,797	1,699	(49,550)	(112,211)
Bastrop	19,871	(5,704)	(138,952)	(301,871)
Guadalupe River	19,985	17,760	(64,239)	(164,497)
Mckinney Falls	26,417	22,301	(49,448)	(137,173)
Stephen F. Austin	29,997	23,999	(37,500)	(112,693)
Possum Kingdom	33,769	28,728	(43,021)	(130,746)
Kerrville-Schreiner	5,322	32,402	32,402	32,402
Cedar Hill	54,949	45,068	(108,680)	(296,663)
Davis Mountains	56,991	51,557	308	(62,353)
Brazos Bend	60,600	46,289	(76,710)	(227,096)
Choke Canyon-Calliham	73,143	68,801	(13,198)	(113,455)
Lost Maples	85,885	79,923	28,673	(33,988)
Galveston Island	90,465	78,021	(34,728)	(172,582)
Balmorhea	93,853	61,493	(6)	(75,199)
Huntsville	115,381	108,221	15,972	(96,818)
Tyler	123,095	117,316	25,067	(87,723)
Cooper Lake-Doctors Creek	128,808	126,903	14,154	(123,700)
Pedernales Falls	154,309	146,235	64,236	(36,022)
Lake Ray Roberts - Isle Du Bois	182,368	180,463	47,214	(115,704)
Dinosaur Valley	198,951	175,646	114,147	38,954
Indian Lodge	210,870	191,537	(3,211)	(241,322)
Palo Duro	309,166	302,239	199,740	74,418
Inks Lake	325,268	313,442	221,193	108,403
Enchanted Rock	369,523	362,330	300,831	225,638
Garner	822,302	811,366	688,368	537,982
Total	$ 3,690,753	$ 3,413,984	$ 790,016	($ 2,418,227)

Background

Mission

The Texas Parks and Wildlife Department's mission is "to manage and conserve the natural and cultural resources of Texas for the use and enjoyment of present and future generations."

Background

The State Parks Board was created as a separate entity in 1923. The Parks Board and the Game and Fish Commission were merged in 1963 to form the Texas Parks and Wildlife Department.

The State Parks Division is responsible for protecting, interpreting, and managing cultural and natural resources of statewide significance and providing outdoor recreation opportunities. The Parks Division oversees more than 600,000 acres of land owned or leased by the Department, including 134 state parks, historic sites, and natural areas. The Parks Division, with 1,051.5 FTEs, is currently divided into eight geographical regions for management.

The Parks Division also provides planning assistance and matching grants to local communities for the acquisition and development of local parks, public boat ramps, and other facilities. The Texas Recreation and Parks Account Program provides 50 percent matching funds to local governments throughout Texas for the acquisition and development of public recreation areas and facilities.