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NEWS RELEASE

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FOR RELEASE _____ April 12, 2005 _____

Auditor of State David A. Vaudt today released a report on a special investigation of the Lewis and Clark State Park in Onawa. The report covers the period July 1, 2001 through November 30, 2004. The special investigation was requested by the Department of Natural Resources as a result of alleged improprieties regarding camping receipts at the Park.

Vaudt reported the special investigation identified certain records and supporting documents were not properly prepared and retained. In addition, a number of policies and procedures established by the Department were not followed by the Park Manager. Vaudt also reported duties were not adequately segregated for the collection and deposit of camping fees, so camping fees may have been collected but not properly recorded or deposited. In addition, prenumbered envelopes used for camping fees could not be sequentially accounted for and other supporting documentation was not properly maintained, so an undeposited amount could not be estimated.

The report includes recommendations to strengthen the Department's internal control at state parks and recreation areas. Vaudt recommended the Department implement procedures to periodically determine documentation is retained, as appropriate, at each park and recreation area. Vaudt also recommended procedures to properly account for the use of tools, equipment and fuel at the parks and recreation areas.

A copy of the report is available for review in the Office of Auditor of State and on the Auditor of State's website at <http://auditor.iowa.gov/specials/specials.htm>.

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Auditor of State's Report

To Jeffrey Vonk, Director,
Department of Natural Resources:

On October 13, 2004, we met with several representatives of the Department of Natural Resources (DNR or Department) to discuss concerns brought to their attention regarding Lewis and Clark State Park (the Park). As a result of the concerns discussed at that meeting, and at the Department's request, we applied tests and procedures to selected financial transactions associated with the Park for the period July 1, 2001 through November 30, 2004. This report details the procedures we performed and the resulting findings. We also have summarized our understanding of the process used by the Department to record and deposit camping receipts and other fees collected at state parks and recreation areas and we have made recommendations to improve the controls over those collections.

Background Information

The Parks Bureau within DNR is responsible for the administration of approximately 71 parks and recreation areas in the state, including several campgrounds. DNR has established six districts, each with a park supervisor who oversees the parks and recreation areas within their assigned district. Each district has park rangers and park managers assigned to specific parks and recreation areas. They are responsible for administrative duties. The park rangers are also responsible for providing law enforcement.

Some parks have a full time park manager living on-site. The park ranger or manager is responsible for the daily administration and management of the park's activities, including overseeing permanent and seasonal employees and volunteers. In addition to maintaining the physical environment of the park, the manager or ranger is also responsible for monitoring the revenue-producing operations and ensuring proper and accurate recording of collections, maintaining an inventory of park equipment and purchasing supplies for the park.

Personnel at the parks and recreation areas collect funds for a variety of items including camping registrations, camping coupon books, shelter and lodge reservations, cabin rentals, cash donations and hunting and fishing licenses. DNR's Accounting Procedures Manual identifies procedures for processing the collections, preparation of the daily receipts for deposit in a local bank and preparation of the "monthly cash receipt report form" for transmittal to the DNR Central Office cashier. The procedures provide for segregation of duties between the initial collection and the subsequent deposit of the money, when possible.

All campgrounds in state parks and recreation areas use a self-registration procedure. Information on how to register for a campsite is posted at each campground. The necessary information is filled out by the camper on a special prenumbered envelope and stub. The camping fee is placed in the envelope which is dropped into a locked tube depository.

The stub is placed on the campsite post. The completed envelopes are collected from the depositories at least once per week (daily at most parks during camping season) by a park employee and subsequently prepared for deposit in a local bank. Any other cash received at a park, such as lodge or shelter rentals, should be recorded using the miscellaneous receipt books provided by DNR's Central Office and then deposited in the local bank.

Each month, a park employee is to prepare a "monthly cash receipt report form" which summarizes all receipts received and deposited in the local bank that month. The report is to be sent to DNR's Central Office cashier by the 15th of the month where it is reconciled to the bank statement received at the Central Office from the local bank.

As stated in DNR's Accounting Procedures Manual, park offices are to retain cash receipts, camping registrations, cash reports and all supporting documentation for the current year and three prior years in accordance with state and federal regulations for audit purposes. The manual specifies the following items should be retained by the field office:

- monthly cash reports with copies of spreadsheets summarizing park receipts and bank validated deposit slips attached,
- camping registration envelopes, copies of the initialed adding machine tapes and any documentation for miscellaneous receipts,
- miscellaneous receipt books, and
- any other supporting documentation relating to the receipts.

DNR's Accounting Procedures Manual requires the State accounting system or a State procurement card be used for all purchases. At a minimum, all supporting documentation for each purchase is to be mailed to the Central Office. Documentation is to include the original invoices, charge slips, purchase orders and receiving reports. All non-routine purchases or purchases exceeding \$100 are to be pre-approved by a park supervisor.

In October 2004, the Park Supervisor responsible for Lewis and Clark State Park contacted the Administrator of the Parks Bureau regarding concerns brought to him about operations at Lewis and Clark State Park. It was alleged not all of the camping receipts and other collections received at the Park had been properly deposited by the Park Manager assigned to Lewis and Clark (the Park Manager) over the past several years. According to the Park Supervisor, the concerns included undeposited collections may have been used to purchase supplies for the Park and the Park Manager may have commingled DNR fees with collections for Friends of Discovery, a non-profit corporation associated with the Park. Concerns were also identified regarding the possible misuse of the Park's equipment.

Procedures Performed

Based on our understanding of the duties performed by the Park Manager at Lewis and Clark State Park, we performed the following procedures for the period July 1, 2001 through November 30, 2004, unless otherwise specified:

- (1) Interviewed DNR administrative staff and personnel from Lewis and Clark State Park to obtain an understanding of the operations at the Park.

- (2) Evaluated internal controls to determine whether adequate policies and procedures were in place and operating effectively at the Park.
- (3) Examined camping receipts maintained by the Park for the period July 1, 2001 through October 14, 2004, except for camping receipts for the period of May 1, 2001 to February 28, 2003 which could not be located.
- (4) Reconciled the camping receipts to the monthly reports submitted to DNR's Central Office for the period July 1, 2001 through June 30, 2004. Camping receipts after June 30, 2004 were not reported to Central Office by the Park Manager.
- (5) Reconciled the monthly reports to the deposits made to the bank account maintained for the Park in Onawa, Iowa for the period July 1, 2001 through June 30, 2004.
- (6) Reviewed bank statements for the Park Manager's personal accounts to determine if the accounts contained any unusual deposits.
- (7) Confirmed payments made to local vendors on accounts established in the Park's name. We then compared those payments to disbursements recorded in the State of Iowa's accounting system.
- (8) Reviewed activity on charge accounts established in the Park's name.
- (9) Reviewed information prepared by DNR staff comparing the amount of fuel purchased to the amount pumped for the period February 15, 2004 through November 18, 2004. Documentation prior to February 15, 2004 was not readily available.

Recommended Control Procedures

As part of our review, we evaluated the procedures used by DNR to deposit collections and process disbursements at the parks and recreation areas. An important aspect of internal control is to establish procedures that provide accountability for assets susceptible to loss from errors and irregularities. These procedures provide that the actions of one individual will act as a check on those of another and provide a level of assurance that errors or irregularities will be noted within a reasonable time during the course of normal operations. During our review of internal controls, the existing procedures were evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the completeness of deposits and accuracy of disbursements. Based on our testing, findings, observations and discussions with personnel from DNR, the following recommendations are made to further strengthen the Department's internal control.

- (A) Camping Receipts – As stated previously, all state park and recreation area campgrounds use a self-registration system. Receipts are to be collected at least once a week. DNR's policy also requires a park employee complete a spreadsheet summarizing the receipts collected at the park. These spreadsheets were not available for the receipts collected at Lewis and Clark State Park.

According to staff we spoke with, employees at the Park periodically prepared log sheets summarizing the number of campsites occupied during given time periods. However, the log sheets were not retained.

According to the Park Manager, he or other staff from the Park would occasionally perform the preliminary count of camping receipts in the Park's truck or the Park Manager's home rather than the Park's office. Once the initial count had been completed, the envelopes and the contents were taken to the Park's office and a deposit slip prepared.

We attempted to reconcile the envelopes for camping receipts to the amount subsequently deposited in the bank. However, we were unable to sequentially account for each of the prenumbered envelopes. This is not unusual given the nature of self-registration and the manner in which the envelopes are stored and available to campers arriving in the parks and recreation areas.

Because we were unable to account for the sequence of the envelopes and because the initial listing or spreadsheets of receipts and the log sheets of occupied campsites were not retained, we were unable to determine if all camping receipts collected were properly deposited.

Recommendation – DNR policy requires certain supporting documentation be prepared at each park or recreation area. The supporting documentation should be retained and available for review. However, there is no independent oversight of compliance with this requirement. The Department should implement procedures to periodically determine documentation is prepared and retained, as appropriate, at each park and recreation area.

- (B) Segregation of Duties – During the period of our review, Lewis and Clark State Park was staffed by the Park Manager and several seasonal workers. DNR's Accounting Procedures Manual identifies the duties related to depositing camping receipts that are to be segregated among park staff when possible. DNR policy requires one employee to open the registration envelopes and verify the amount written on each envelope by the camper agrees with the amount contained in the envelope. If the amounts vary, the amount recorded by the camper should be struck through and the correct amount recorded. The employee should also prepare an initial listing or an adding machine tape detailing the receipts collected.

DNR policy also requires a second employee to re-add the collections recorded, count the checks and cash and compare the results to the initial listing or tape. Any discrepancies are to be resolved and reviewed by supervisory personnel.

According to discussions with the Park Manager, initial listings or tapes were not always prepared by the employee opening the registration envelopes. Many times the deposit was prepared by a second employee and compared to the bank deposit by the same employee.

Recommendation – The Department should reinforce the requirements found in DNR's Accounting Procedures Manual and the importance of properly segregating duties related to collections with park employees.

- (C) Co-mingling of Funds – Camping receipts, refund checks and donations to the Park should be the only items deposited to the Lewis and Clark State Park bank account maintained in Onawa. We identified seven checks deposited to the account that were payable to Friends of Discovery, a non-profit corporation established to benefit the Park.

The Park Manager was not able to provide an explanation of why the seven checks were included in the deposits of Park receipts. The checks are listed in the following table.

Date	Payor	Amount
August 4, 2004	Hinkle	\$ 5.00
August 8, 2004	Allen Law Firm	26.00 ^
August 2004*	R. Hunt	50.00
August 2004*	R. Hutchinson	26.00 ^
August 8, 2004	B. Navarro	26.00 ^
August 21, 2004	Angela Rasmussen	3.00
August 25, 2004	L. Sherrick	30.00
	Total	<u>\$ 166.00</u>

* Date on check is unreadable

^ Amount agrees with DNR fees for two nights camping or deer-gun license.

Recommendation – The Department should consult with representatives of Friends of Discovery to determine resolution of the \$166.00. In addition, the Department should reinforce with park employees only park receipts are to be deposited to park bank accounts.

- (D) Cashing of Checks – Department policy does not allow for the cashing of personal checks from staff. We identified twelve checks written by Park employees or their spouses that we were unable to identify as camping receipts or miscellaneous receipts. Based on interviews with the Park Manager, it was not unusual for employees to cash personal checks with funds collected at the Park. The checks are summarized in the following table.

Date	Employee	Amount
July 2003*	Rory Conrad	\$ 20.00
July 4, 2003	Rory Conrad	50.00
July 22, 2003	Rory Conrad	50.00
August 3, 2003	Rory Conrad	40.00
August 8, 2003	Rory Conrad	20.00
August 12, 2003	Rory Conrad	20.00
June 13, 2004	Rory Conrad	40.00
June 15, 2004	Rory Conrad	40.00
July 16, 2004	Helen Carritt	25.00
September 4, 2004	Rory Conrad	50.00
September 14, 2004	Rory Conrad	34.00
September 16, 2004	Rory Conrad	20.00
	Total	<u>\$ 409.00</u>

* Date on check is unreadable

Recommendation – The Department should reinforce with park employees personal checks are not to be cashed with funds collected at the Park.

- (E) Change Fund – The Park is authorized to maintain a \$50.00 change fund to be used to make change for campers. We performed a cash count on November 18, 2004 and identified \$90.07 in the Park's change fund. Park employees could not explain the overage or provide documentation of the excess funds. According to our discussions with the Park Manager, the overage may have resulted because Friends of Discovery's proceeds from pop can refunds were commingled with the Park's change fund.

Recommendation – Change funds at the parks should be maintained on an imprest basis and periodically balanced by someone independent of their operation. The Department should reinforce with park employees the proper use of change funds maintained at the parks.

- (F) Tools and Equipment – The parks maintain tools and equipment necessary for park operations. The Department requires all antiques and guns, any items required to be licensed (boats, trailers, snowmobiles and all-terrain vehicles), computer equipment costing over \$500 and any other items costing over \$5,000 to be included on an inventory listing. The Department does not have a policy on tracking small tools and equipment.

According to the Park Manager, campers are allowed to use the Park's tools as needed. Members of Friends of Discovery are also allowed to use the Park's tools for general repairs, maintenance of the boats kept at the Park and preparing downed trees to be sold as firewood.

While at the Park, we observed a number of individuals coming in and out of the garage borrowing tools to work on the boats. The individuals verbally told the Park Manager they were borrowing the tools. However, no log is kept of the tools usage or who has possession of the tools. During discussions with Park staff, we were told campers and others sometimes borrow the tools and forget to return them.

Recommendation – If tools and equipment are used by other than Park employees, the items should be checked out on a log sheet so an accurate accounting of their location can be maintained. In addition, all equipment should be clearly marked with a property identification tag indicating it is the property of DNR or the State of Iowa.

- (G) Fuel Tanks – There are three fuel tanks at the Park containing ethanol, diesel and unleaded fuel for use in Park vehicles and equipment, such as tractors, boats and chainsaws. According to Park staff, the ethanol tank is no longer used.

The tanks are located in a fenced area that is locked after hours. The pumps on the tanks are controlled by an on/off switch in the main garage. A log sheet is kept next to each tank and withdrawals of fuel are to be recorded. The log sheet documents the date, vehicle, number of gallons withdrawn and the initials of who pumped the fuel.

According to reconciliations prepared on November 18, 2004 by a park ranger temporarily assigned to the Park, 531 gallons of unleaded fuel and 131 gallons of diesel fuel purchased between February 15, 2004 and November 18, 2004 are unaccounted for. The Park Manager stated log sheets were not consistently maintained. Using the average price paid per gallon of \$1.85 and \$1.48 for the unleaded and diesel fuel, respectively, the value of the unaccounted for fuel totals \$1,175.97.

Recommendation – The Department should reinforce with park employees the requirement to properly log fuel pumped. The Department should also implement procedures to periodically ensure the appropriate documentation is maintained at each park and recreation area and periodically reconcile fuel pumped to purchases.

- (H) Purchasing – The Department requires parks to submit claims on a timely basis to make payment for goods and services purchased. According to DNR staff, timely means “immediately for utility bills and at least weekly for all other bills.” Purchases for parks are to be made using the Department’s established purchasing process or with procurement cards issued to staff.

In reviewing account histories provided by selected vendors, we identified outstanding balances that continued over months for Lewis and Clark State Park. We also identified payments made to the vendors that were not processed through the State of Iowa accounting system during the period July 1, 2002 through September 30, 2004 for the Park. By reviewing documentation from the vendors or speaking with representatives of the vendors, we were able to determine two payments made in cash.

- On May 5, 2004, \$200.00 cash was paid to Hardware Hank. According to the Manager at Hardware Hank, the vendor’s computer system does include a check number or credit card number as is required by the system if the transaction is a non-cash payment. The Manager specifically recalled at least one instance in which the Park Manager paid cash for a purchase, but she was unsure of the date or transaction.
- We were also made aware of a \$385.00 payment made to the North Side Shop for repairs on a tree spade which was damaged during the winter of 2004. The proprietor of the shop was unable to provide any supporting documentation of the payment, but recalled being paid with cash or personal check.

Recommendation – DNR should implement procedures to ensure all charge accounts established in local areas are necessary and properly authorized. In addition, the Department should reinforce with employees the requirements for submission of claims, timely payment of invoices and prohibition of payment methods other than through the claims process or procurement cards.

The procedures we performed do not constitute an audit of financial statements conducted in accordance with U. S. generally accepted auditing standards. Had we performed additional procedures, or had we performed an audit of financial statements of the Lewis and Clark State Park, other matters might have come to our attention that would have been reported to you.

We would like to acknowledge the assistance and many courtesies extended to us by the officials and personnel of the Department of Natural Resources during the course of our investigation.



DAVID A. VAUDT, CPA
Auditor of State

January 7, 2005

Lewis and Clark State Park
Department of Natural Resources

Staff

This audit was performed by:

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