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An Audit Report on

Financial Processes at the Parks and Wildlife Department

March 2007

Report No. 07-021



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Overall Conclusion

The Parks and Wildlife Department (Department) should improve its overall management and operation of the state park system. The Department overstated state park visitation data by approximately 43 percent in fiscal years 2005 and 2006. It also does not maximize park entrance fee revenue or systematically analyze opportunities to identify additional revenue sources, such as concessions.

Auditors analyzed the Department's reported entrance fee revenue and park visitation data. Auditors estimated that the loss of potential entrance fee revenue—due to not collecting entrance fees from most after-hours visitors and visitors receiving largely undocumented discounts—was \$16 million in fiscal years 2005 and 2006. It is important to note that this amount could be offset by the costs incurred to collect this revenue and customers' willingness to pay to enter state parks after regular park hours. The accuracy of park visitation data is crucial because it is a reflection of the demands for park services; however, the Department does not effectively use this data in its strategic planning, decision-making, and budgeting processes.

The Department also needs to develop a reliable method to produce consistent cost estimates for park repairs. Historically, there have been significant variances between estimated and actual repair costs. Although the Department has improved its cost estimating process, it has not clearly defined its criteria for prioritizing park repair needs effectively. Auditors visited five state parks and one historic site and verified that repairs were needed, but we could not verify the accuracy of the Department's cost estimates for those repairs.

Background Information

The Department's State Parks Division manages and operates 108 state parks, natural areas, and historic sites. In fiscal year 2006, the State Parks Division made expenditures totaling \$53,543,312 and had 1,087.9 full-time equivalent (FTE) employees.

State park programs were funded through Unrestricted General Revenue, Dedicated General Revenue (including the State Parks Account and sporting goods sales tax), and a variety of other sources. In the past four years, less State Parks Account funding has been allocated to local state parks, but there has been a steady increase in the amount and percent of funds from the State Parks Accounts used to pay for the Department's administration costs (see Figure 8 in Appendix 2.)

According to analyses of 2003 statistics from the U.S. Census Bureau, Texas ranks low among all states in park visitation and revenue.

To better assess where the Texas state parks system stands in relation to park systems in other states, auditors conducted a survey of 12 other states. Of the nine states that responded:

- Only one other state grants individual state parks the authority to discount entrance fees.
- One state has implemented innovative marketing partnerships to attract visitors to its state parks.
- Five states separate their parks departments and wildlife departments into different agencies.

See Appendix 3 of this report for additional details from this survey.

Significant financial control weaknesses exist in park revenue collection and reporting processes, which has resulted in lost revenue. The State Auditor's Office, the Department's internal auditor, and an outside consultant have previously cited some of these weaknesses and risks in reports issued since 1998. The delay in addressing these weaknesses is not attributed to particular individuals but, rather, is a reflection of the State Parks Division's limited expertise in business and fiscal management.

Key Points

The Department should improve the accuracy of its park visitation reporting and maximize state park revenue.

The Department lacks adequate controls to ensure that park visitation data and revenue reporting for individual state parks are accurate. Auditors estimated that the loss of potential entrance fee revenue was \$16 million in fiscal years 2005 and 2006. Park visitation was overstated by as much as 6 million visits (an overstatement of 43 percent per year) for these two years.

The Department should improve the effectiveness of its management and operation of state parks.

The Department does not effectively collect or evaluate park visitation and utilization data for strategic planning, decision making, and budgeting purposes. It also does not have an effective marketing strategy and tools to promote state park visitation. In addition, there are significant deficiencies in the Department's budgeting process that hinder its ability to ensure resources are allocated in a reasonable manner to address public needs.

The Department should improve the consistency of its cost estimating processes and ensure proper prioritization of its capital improvement and repair needs.

At least \$31 million (48 percent) of the approximately \$66 million in critical repair needs the Department has identified do not align with the Department's own top category for prioritization: repair needs that are related to health and safety. A total of 276 of the 423 capital improvement and repair projects the Department completed between fiscal year 1998 and November 2006 had a variance of 15 percent or more between estimated and actual costs.

The Department should address the significant financial control weaknesses in its state park operations.

These control weaknesses—such as a lack of adequate supervisory reviews, audit trails, and segregation of duties—have made assets managed by the Department vulnerable to theft, fraud, and abuse. These weaknesses have also led the Department to underestimate its State Park Account revenue and produce inaccurate financial reports.

Summary of Key Recommendations

The Department should:

- Adopt an ongoing and standard process to inventory current resources for opportunities (such as concessions) and capabilities to generate revenue and enhance services.
- Develop a standardized, Web-based survey to collect specific information such as the demographics of visitors, public needs, and interests. The Department also should make this survey available in other forms, such as inserts in *Texas Parks and Wildlife* magazine and on state park maps.
- Include in its strategic plan an annual marketing strategy that specifies its State Parks Division's goals for revenues and visitation at each state park. The strategy should also include detailed marketing plans for these parks.
- Develop a review process that considers the following factors when determining whether a repair or new construction is justified:
 - **Need** - Does a park or structure have historical significance? Does it provide significant recreational opportunities?
 - **Assessment of Services** - Is there a demand for the recreational opportunities the park will provide? Do any adjacent parks or facilities already meet these demands?
 - **Cost-Benefit** - Will public use of the park or facility justify its existence in attendance and/or park fees? What benefits will visitors enjoy and are they available elsewhere? What is the expectation for recovering the repair and operating costs of the park or facility?
 - **Sources of Revenue** - Are the historical or recreational opportunities provided significant enough to generate additional revenue or receive endowments to operate the park or facility?

The Parks and Wildlife Commission should:

- Seek input from legislative oversight committees and local communities in order to maintain a state park system that has statewide merit and serves the Department's goals and mission.

Summary of Management's Response

The Department agrees with the majority of the issues and recommendations in this report. However, it disagrees with the recommendations to (1) require that local governmental entities prepare operating plans before it transfers state parks

to those entities and (2) contract with professional engineering firms to independently verify the accuracy of cost estimates for projects that the Department's Infrastructure Division has "validated."

Management's responses to individual recommendations are presented in the Detailed Results section of this report; an overall response from management is presented in Appendix 6 of this report.

Summary of Information Technology Review

The information technology component of this audit focused on the Department's State Parks Division revenue system (R-Cubed) and its Facility Management Information System. Department employees have excessive modification authority in the revenue system, which increases the risk that inappropriate data modifications could be made without detection. Additionally, there is a lack of interfaces among the Department's state park revenue system, its internal accounting system, and the Uniform Statewide Accounting System. This increases the risk of data entry errors and is not an efficient use of resources.

Summary of Objectives, Scope, and Methodology

The objectives of this audit were to:

- Determine whether the current budget projections for the 2006-2007 biennium for the Department's Parks Division are reasonable and supported.
- Determine whether park deferred maintenance costs are reasonable and supported.
- Review the park budgeting process to determine how park utilization is used to allocate resources.
- Determine whether the Department has a systematic process to review and manage the inventory of parks for decision making.

The audit scope covered processes for park visitation data collection; capital improvement and repair cost estimation; strategic planning and management decision making; budget development and monitoring; and financial controls and reporting. Auditors also visited 15 state parks and historic sites.

The audit methodology included conducting interviews; collecting and reviewing information; analyzing and verifying data; and testing controls and operations for compliance, efficiency, and accuracy. In addition, auditors conducted a survey of 12 states and analyzed the responses.

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Detailed Results

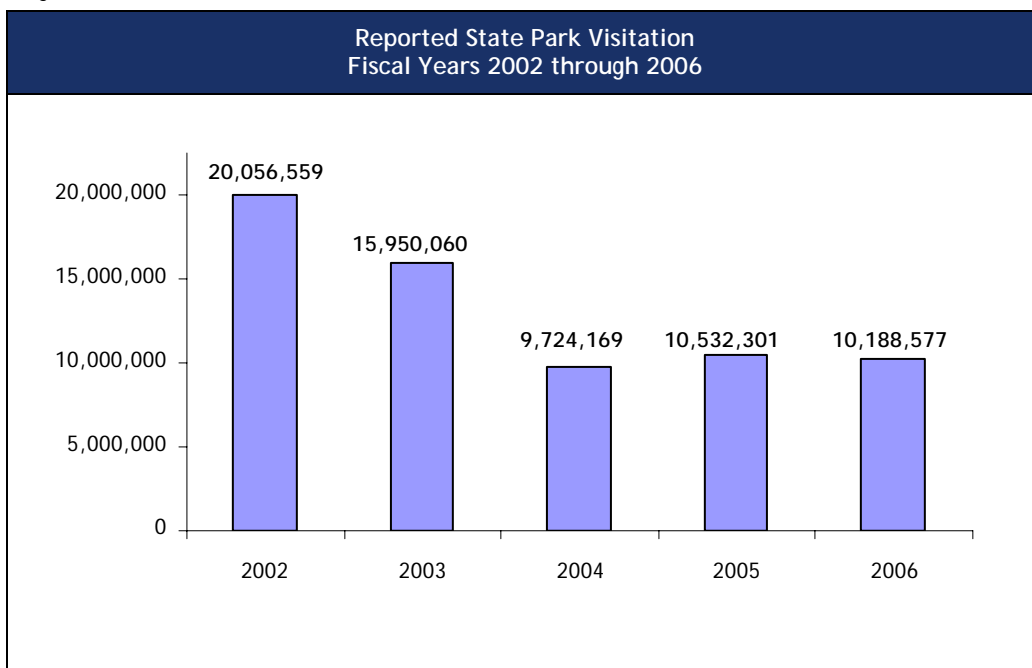
Chapter 1

The Department Should Improve the Accuracy of Its Park Visitation Reporting and Maximize State Park Revenue

The Parks and Wildlife Department (Department) lacks adequate controls to ensure that park visitation data and revenue reports for individual state parks are accurate. In addition, the Department does not systematically analyze opportunities to identify additional revenue sources. Accurate visitation data is also critical for effective budgeting and resource allocation, which is discussed further in Chapter 2.

The Department made a significant effort to improve the accuracy of its state park visitation in fiscal year 2002 by contracting with Texas A&M University to revise its methodology for counting park visitors. This study lowered the car-counter multipliers the Department used to estimate state park visitors. The revised methodology was implemented in fiscal years 2003 and 2004, and reported visitation decreased from approximately 20 million visits in fiscal year 2002 to approximately 9.7 million visits in fiscal year 2004, a 52 percent decrease (see Figure 1 for details).

Figure 1



Source: Parks and Wildlife Department.

Although the Department's efforts to improve the accuracy of its visitation data resulted in a significant decrease in reported visitation, a number of problems and inconsistencies remain in the Department's application of the revised methodology. As a result, park visitation figures were overstated by as much as 6 million visits (an overstatement of 43 percent per year) for fiscal years 2005 and 2006.

Excluding the overstatement in park visitation discussed above, auditors also estimated that the loss of potential entrance fee revenue—due to not collecting entrance fees from most after-hours visitors and visitors receiving largely undocumented discounts—was \$16 million in fiscal years 2005 and 2006. It is important to note, however, that this estimate of potential revenue could be offset by a number of factors, including additional costs incurred to collect revenue and whether some visitors would be willing to pay to enter a park after regular park hours.

The Department has implemented a number of marketing efforts for state parks. However, many of these efforts are conducted by individual park superintendents and lack focused coordination at the state level. Additionally, the Department does not have tools, such as standardized customer surveys, to adequately assess public needs to identify areas to provide additional services and generate additional revenue with its available resources.

The Department overstated state park visitation data.

The Department uses car-counters and performs manual headcounts to record state park visitation. The inconsistent and inaccurate implementation of these methodologies has resulted in overstated park visitation. Specifically:

**Two Methodologies
Are Currently Used
to Count Park Visitors**

Under the **car-counter methodology**, state park visitation is estimated based on the number of axles attributed to visitors' vehicles crossing a counter multiplied by the estimated number of visitors in the vehicle.

Under the **headcount methodology**, state park visitation is estimated based on a manual count made by park employees of the number and types of park visitors that came into state parks during regular park hours.

- There is no consistency in terms of which methodology is used. The Department uses the highest number that results from either of the two methodologies as its official state park visitation record.
 - There are numerous confirmed instances in which camper visitation had been double-counted.
 - Car-counter multipliers have been incorrectly applied to car-counter readings. For example, at four state parks, auditors identified the double-counting of 145,813 visitors in fiscal year 2006.
 - Data input errors have been made using the car-counter methodology. Auditors identified four state parks that overstated their visitation by a total of 66,773 as a result of errors.
- Car-counters are not reset properly, which has resulted in double-counting visitors.

- Car-counters do not always correctly count the traffic at state parks. For example, the car-counter at one state park is located on a farm road in front of the park entrance; therefore, in addition to counting park visitors, the car-counter also counts the farm road traffic. This resulted in a 320,158 overstatement in park visitation for fiscal year 2006.

Auditors analyzed park visitation data and the amount of entrance fee revenue collected in fiscal years 2005 and 2006 and determined that the Department had overstated its reported visitation of approximately 21 million by approximately 6 million visits (a 43 percent overstatement). Auditors also were not able to reconcile the reported visitation data to supporting documents from the parks.

There are significant discrepancies between the park visitation reported using the car-counter and manual headcount methodologies. The Department’s “day use” visitation data (using the car-counter methodology) for fiscal year 2006 reported 742,758 more visits (or a 12 percent variance) than visitation reported using the manual headcount methodology. The Department does not assess the reasonableness and accuracy of this data by comparing it with entrance fee revenue collected and the visitor discounts it has given.

| |
|---|
| <p>Day Use Visitors</p> <p>“Day use” visitors stay at state parks for fewer than 24 hours.</p> |
|---|

The Department has not updated the multipliers it uses with the car-counter methodology since 2003. Park visitation fluctuates due to various factors. Without timely and on-going updates to the multipliers, the car-counter methodology may not reflect those fluctuations.

Manually tracked headcounts are subject to errors. The Department’s employees manually track the number of visitors during regular park hours. However, they may record the actual number of visitors incorrectly. Auditors visited six state parks and observed that the Department did not have a standardized form for or instructions on the manual collection of park visitation data.

The Department should maximize state park revenue.

The Department does not ensure that it collects all park entrance fees. Excluding the overstatement in park visitation, auditors estimated that the loss of potential entrance fee revenue in fiscal years 2005 and 2006—due to not collecting entrance fees from most after-hours visitors and visitors receiving largely undocumented discounts—was \$16 million. It is important to note, however, that this estimate of potential revenue could be offset by a number of factors, including additional costs incurred to collect revenue, and whether some visitors would be willing to pay to enter a park after regular park hours.

As discussed above, the Department also does not assess the reasonableness and accuracy of revenue data by comparing it with visitation data. Auditors identified state parks that had significant variances between the reported

entrance fee revenue and the minimum amount of revenue that should have been collected.

The majority of the state parks close at 10:00 pm. However, revenue collection points where staff collect entrance fees (such as park offices and customer centers) open at 8:00 am and close at 5:00 pm. The Department uses collection boxes (on an honor system) to collect entrance fees after regular office hours. Visitors who come to state parks after 5:00 pm use self-pay envelopes and deposit their entrance fees in these collection boxes.

In fiscal years 2005 and 2006, based on the Department's records, approximately 6 million visitors came to state parks after regular hours. The Department did not collect entrance fees from all of those visitors. It also did not systematically perform any cost-benefit analysis to determine whether scheduling employees on various shifts or hiring additional part-time employees would be beneficial in providing additional services and collecting additional revenues.

The Department has delegated to its park superintendents the authority to give partial discounts to other visitors. (The discounts park superintendents can give are discounts other than the full discounts that state parks give to children, seniors, and school groups and the entrance fee exemptions for visitors who have purchased annual passes). The Department does not, however, have a standardized fee discount structure that details how much and what kind of discounts park superintendents are allowed to give for specific state parks. Furthermore, park superintendents do not always document and report the reasons and the amounts of the discounts they give. As a result, auditors were not able to verify that these discounts were, indeed, given to customers. The lack of controls in this area could result in inappropriate discounts and potential theft of revenues.

The Department does not actively seek additional revenue-generating sources. The Department relies on external entities and park superintendents to propose additional services or concessions (such as park stores and canoe rentals) at state parks. Because the Department does not set revenue goals for individual state parks, there is limited incentive for park superintendents to actively create additional sources of revenue. Without tools to identify customer needs, the Department may not be fully using its available resources to provide services that generate additional revenue for the state park system.

In fiscal year 2005, the Department operated 88 staff-run concessions, which reported total net sales of approximately \$1 million (or \$11,923 per store). As of fiscal year 2005, the Department had contracts with another 39 concession contractors that paid total commissions of \$627,625 (or \$16,093 per concession) to the State. Collectively, these amounts represent about 5 percent of the approximately \$32 million in total revenue generated at state parks.

Recommendations

The Department should:

- Adopt an ongoing and standard process to inventory current resources for opportunities (such as concessions) and capabilities to generate revenue and enhance services.
- Develop a standardized, Web-based survey to collect specific information such as the demographics of visitors, public needs, and interests. The Department also should make this survey available in other forms, such as inserts in *Texas Parks and Wildlife* magazine and on state park maps.
- Analyze survey results periodically and determine whether additional opportunities to generate revenue exist. The Department should then act on those opportunities.
- Include in its strategic plan an annual marketing strategy that specifies its State Parks Division's goals for revenues and visitation at each state park. The strategy should also include detailed marketing plans for these parks.
- Review uncollected park entrance fee information for fiscal years 2005 and 2006 identified by the State Auditor's Office and determine whether further investigation is warranted.
- Perform park-specific cost-benefit analyses to determine whether park hours should be extended to maximize entrance fee revenue.
- Implement a standardized discount fee structure in its state park revenue system, R-Cubed, for the discounts that park superintendents are allowed to give to park visitors.
- Document and review discounts given by park superintendents to ensure those discounts were appropriate according to the internal control plans recommended in Chapter 4.
- Analyze state park visitation and revenue data to determine whether this data appears reasonable.
- Use its State Parks Division's revenue system to collect and report state park day-use and camper visitation data.
- Use the car-counter methodology to estimate only after-hours park visits.
- Update the car-counter multiplier periodically (at least quarterly) to reflect the fluctuations in visitation.

- Research other options (such as automatic ticketing services or passes with bar codes) to phase out the use of manual and car-counter methodologies for determining visitation.

Management's Response

1. Adopt an ongoing and standard process to inventory current resources for opportunities (such as concessions) and capabilities to generate revenue and enhance services.

Management agrees. The agency will improve its processes for defining opportunities to generate revenue and enhance services. There are currently 88 staff-operated concessions generating over \$1 million in net revenue. The concession opportunity assessment process will be documented for each park to ensure that any opportunities for needed and appropriate cost effective visitor services are explored. The State Parks Concessions Business Plan will be reviewed annually to provide a road map for improving auxiliary products/services at individual parks. Most recreational rental equipment in parks today has evolved through this process, initiated by the park superintendent. User demands such as 50 amp electrical service, wireless connectivity, group/meeting facilities and increased programming have also been identified through this process. The Department will assess the efficacy of using additional outside resources to provide services.

TIMELINE: June 2008

STAFF RESPONSIBLE: Business Director State Parks

2. Develop a standardized, Web-based survey to collect specific information such as the demographics of visitors, public needs, and interests. The Department also should make this survey available in other forms, such as inserts in Texas Parks and Wildlife magazine and on state park maps.

Management agrees. The agency will develop a standardized web-based process to collect specific information regarding visitors' needs, interests, and demographics. The Department will act on the opportunities discovered through surveys and other customer feedback to implement new initiatives. The State Parks Division will continue in its partnership with the Communications Division to further solicit customer needs information. Surveys in various forms and methods have been used in state parks to better understand visitor needs and expectations, including web-based customer satisfaction surveys. Comparative analyses of competing attractions are regularly completed by park staff members to gauge state parks effectiveness in maintaining and expanding market position.

TIMELINE: August 2007

STAFF RESPONSIBLE: Consumer Research Manager Communications, Business Manager State Parks

3. Analyze survey results periodically and determine whether additional opportunities to generate revenue exist. The Department should then act on those opportunities.

Management agrees. Following implementation of additional surveys, all collected data will be analyzed and reviewed to determine the feasibility and cost benefit of inclusion into park programs.

TIMELINE: January 2008

STAFF RESPONSIBLE: Director of Marketing, Consumer Research Manager Communications, Business Manager State Parks

4. Include in its strategic plan an annual marketing strategy that specifies its State Parks Division's goals for revenues and visitation at each state park. The strategy should also include detailed marketing plans for these parks.

A documented process and format will be developed for each park site to establish goals for visitation and revenue and to identify appropriate specific marketing efforts for the site. The agency hopes to repair many of its facilities prior to initiating an aggressive marketing plan.

TIMELINE: January 2008

STAFF RESPONSIBLE: Deputy Director State Parks

5. Review uncollected park entrance fee information for fiscal years 2005 and 2006 identified by the State Auditor's Office and determine whether further investigation is warranted.

Management agrees. The agency will review park revenue and visitation data for FY 2005 and FY 2006 to determine if further investigation is warranted.

TIMELINE: June 2007

STAFF RESPONSIBLE: Deputy Director State Parks, Deputy Director Administrative Resources

6. Perform park-specific cost-benefit analyses to determine whether park hours should be extended to maximize entrance fee revenue.

Management agrees. The agency will develop a consistent model to address this recommendation. While the division does perform park-specific cost-benefit analysis, the methodology and documentation is not consistent across the system.

TIMELINE: September 2007

STAFF RESPONSIBLE: Regional Directors State Parks, Business Management State Parks, Deputy Director Administrative Resources

7. Implement a standardized discount fee structure in its state park revenue system, R-Cubed, for the discounts that park superintendents are allowed to give to park visitors.

Management agrees. The State Parks, Administrative Resources, and Information Technology divisions are currently working together in the design and implementation of our updated business/revenue system for State Parks. In April 2007, an upgrade to the current system will install a discounting component that will document each discount in an auditable record. Combined with updated policies and procedures, this process should result in effective documentation of discounts starting in FY 2008. The upgraded system will require documented approvals for each transaction before allowing the transaction to occur.

TIMELINE: November 2008

STAFF RESPONSIBLE: Deputy Director State Parks, Deputy Director Administrative Resources, Director Information Technology

8. Document and review discounts given by park superintendents to ensure those discounts were appropriate according to the internal control plans recommended in Chapter 4.

Management agrees. The State Parks, Administrative Resources, and Information Technology divisions are currently working together in the design and implementation of our updated business/revenue system for State Parks. In April 2007, an upgrade to the existing system will install a discounting component that will require that each discount will be documented in an auditable record. Combined with updated policies and procedures, this process should result in effective documentation of discounts starting in FY 2008. The upgraded system will require documented approvals for each transaction before allowing the transaction to occur.

TIMELINE: November 2008

STAFF RESPONSIBLE: Deputy Director State Parks, Deputy Director Administrative Resources, Director Information Technology

9. Analyze state park visitation and revenue data to determine whether this data appears reasonable.

Management agrees. A model will be developed to analyze state park visitation and revenue data. In addition, State Parks will begin an intensive

field program to provide on-site training for implementing more consistent visitation collection procedures in every park.

TIMELINE: September 2007

STAFF RESPONSIBLE: Deputy Director State Parks, Chief Financial Officer

10. Use its State Parks Division's revenue system to collect and report state park day-use and camper visitation data.

Management agrees. Implementation of the newly updated business/revenue system for State Parks will begin on April 25, 2007. The system will allow the state parks division to report and analyze day-use and camper visitation data. All parks will ultimately migrate to this system. State Parks will work in partnership with the Administrative Resources Division to clearly define paid visits.

TIMELINE: November 2008

STAFF RESPONSIBLE: Business Manager State Parks, Deputy Division Director Administrative Resources

11. Use the car-counter methodology to estimate only after-hours park visits.

The agency will ensure that a consistent methodology will be used in each park across the system regarding car counters. Car counters are utilized in all state park systems and the National Park System to estimate park visitation. The physical configuration of state park roads and access points often results in areas that are accessible to the public and not staffed with fee collection personnel. This will require the use of car counters around the clock.

TIMELINE: September 2007

STAFF RESPONSIBLE: Deputy Director State Parks

12. Update the car-counter multiplier periodically (at least quarterly) to reflect the fluctuations in visitation.

Management agrees. The agency will update the car-counter multiplier periodically to reflect the fluctuations in visitation. A documented process has been developed whereby car-counter multipliers are tested for accuracy and adjustments made as appropriate. Present procedures will be reviewed for needed changes and to ensure consistency of application.

TIMELINE: September 2007

STAFF RESPONSIBLE: Deputy Director State Parks

13. Research other options (such as automatic ticketing services or passes with bar codes) to phase out the use of manual and car-counter methodologies for determining visitation.

Management agrees. Use of automated equipment for ticketing, pass reading and revenue collection is being evaluated. A major concern is the vulnerability of such unattended equipment to vandalism, theft, and weather. State Parks Division in cooperation with Texas A & M University has been working to improve methodologies for determining visitation since 2003.

TIMELINE: December 2007

STAFF RESPONSIBLE: Deputy Director State Parks

The Department Should Improve the Effectiveness of Its Management and Operation of State Parks

The Department's strategic planning process does not include a systematic and ongoing assessment of public needs (as the Governor's Office and Legislative Budget Board have suggested) to determine whether current strategies address changes in customer demands and park utilization, including the acquisition, sale, and transfer of park land. In particular, the Department does not effectively collect or evaluate park visitation and utilization data for decision making and budgeting purposes.

The Department lacks focused and coordinated marketing efforts for its state park program. There is limited coordination with other entities. In 2003, Texas ranked 47th among all states in terms of park visits per capita.

The Department did not perform adequate financial analyses to ensure it allocated its resources in a reasonable manner. As a result, the Department has made decisions that reduce public services and that are not cost-beneficial. The Department also did not adequately monitor state parks' operating budgets. These deficiencies hinder the Department's ability to maintain a state park system that has statewide merit and equitably addresses public demands with its available resources.

Chapter 2-A

The Department Should Improve Its Strategic Planning Process

Park visitation data is a reflection of public demand. However, as discussed in Chapter 1, the Department's reported park visitation data is inaccurate, and the Department does not effectively analyze that data to assess trends in park utilization when it is developing its strategic plan. In addition, the Department does not have tools to systematically gather other useful customer and marketing information to make informed decisions.

According to the Department, its current strategic plan for state park operations was based on studies performed in 1998 and 2001. The Department has no supporting documentation to illustrate that these studies are still valid or relevant. Specifically, the Department's strategic plan is based on three unverified assumptions:

- Growth in population leads to increased state park visitation.
- Increased outdoor recreational needs translate into increased public needs for state park services.
- Acquiring additional, new state parks is the most effective solution to address increased outdoor recreational needs.

Growth in population may not lead to increased park visitation. In addition, the Department should not assume that the state park system is the sole destination for outdoor recreational activities without adequate market and customer analysis. For example, the Department should assess competition from facilities such as private water parks and city or county parks. The Department also should validate that its current facilities cannot provide any additional services to meet increased outdoor recreational needs before it acquires additional park land.

In some instances, the Department has conducted surveys to gather information on customer needs. However, this is not a systematic or on-going effort. In addition, the Department spent an estimated \$920,115 in state park funds to support *Texas Parks and Wildlife* magazine in fiscal years 2005 and 2006. The Department does not evaluate the effectiveness of that investment as a marketing tool. The Department also has limited coordination with other entities, such as local convention and visitors bureaus, to increase utilization of the state park system.

Recommendations

The Department should:

- Update its current state park strategic plan to include an ongoing assessment of public needs. It also should validate assumptions made in this plan before acquiring additional park land.
- Evaluate its current marketing efforts and spending to develop a more focused approach to increasing state park visitation and utilization by:
 - ♦ Increasing coordinated efforts with external entities, such as the Governor's Economic Development and Tourism Division and local convention and visitors bureaus, to promote state parks as the leader in providing outdoor recreational opportunities to communities.
 - ♦ Organizing focus groups of park visitors and non-visitors to obtain additional information on its customer base and demands.
- As discussed in Chapter 1, systematically collect and analyze accurate park visitation and utilization data.

Management's Response

1. Update its current state park strategic plan to include an ongoing assessment of public needs. It also should validate assumptions made in this plan before acquiring additional park land.

The Department's Strategic Plan, which is reviewed every five years, was revised with significant public input in 2005. The next revision is planned for 2010 and every effort will be made to assure the assumptions reflected in the Plan will be accurate and appropriate. In the interim, the Department will review demographic and strategic information to enhance the planning process.

TIMELINE: 2010

STAFF RESPONSIBLE: Deputy Executive Director Administration

2. Evaluate its current marketing efforts and spending to develop a more focused approach to increasing state park visitation and utilization by:

a. Increasing coordinated efforts with external entities, such as the Governor's Economic Development and Tourism Division and local convention and visitors bureaus, to promote state parks as the leader in providing outdoor recreational opportunities to communities.

b. Organizing focus groups of park visitors and non-visitors to obtain additional information on its customer base and demands.

Management agrees. Management will continue to evaluate current marketing efforts to ensure the most efficient use of limited resources. The State Parks Division will coordinate closely with the Communications Division to develop a more focused approach to increasing state park visitation by increasing coordinated efforts with external entities and focus groups to obtain additional information on customer interests, specifically focusing on targeted user groups such as RV and RV group use, special interest users such as mountain bikers, hikers, anglers, equestrian users, in addition to potential users in metropolitan areas seeking outdoor recreational venues. A variety of cost-effective and targeted marketing vehicles will be utilized to connect with these users.

TIMELINE: June 2007

STAFF RESPONSIBLE: Business Manager State Parks, Director of Marketing

3. As discussed in Chapter 1, systematically collect and analyze accurate park visitation and utilization data.

Management agrees. See Management response in Chapter 1.

The Department Should Improve its Decision Making on Park Planning, Transfers, and Service Reductions

Auditors visited three of the four state parks that had recently opened or are scheduled to open and determined that the Department does not ensure that the designs of new parks align with (1) customer and operation needs or (2) staffing and funding levels approved by the Legislature.

The Department was unable to open one of the World Birding Centers that was scheduled to open in 2007 because of inaccurate projections of operating costs. The 77th Legislature designated 24.5 full-time equivalent (FTE) employees to the operation of World Birding Centers. As of fiscal year 2007, the Department allocated all these 24.5 FTEs to two World Birding Centers. As a result, the Department asserted that it did not have adequate resources to open the third location. In addition, the Department could not demonstrate whether there was adequate customer demand to justify certain services that were included in the parks' design plans.

Additionally, the Department does not have documented criteria for selecting state parks for which it will enter into partnerships with other entities for park operation and management. The Department reports only that such attempts have been unsuccessful. The Department also has identified state parks for potential transfer to local governmental entities in areas where, according to the Department, additional parks are needed. No analysis or justification is provided in the Department's plans that would explain why these potential park transfers are necessary.

The Department recently transferred two state parks to local municipalities. The Department executed its fiduciary responsibilities in reviewing deeds and land restrictions for these properties. However, the Department did not have a documented review of those municipalities' ability to operate the parks before making the transfers.

The Department also has unnecessarily reduced park services without significantly reducing park operating costs or considering the impact on entrance fee revenue. For example, the Department's decision to close the front office at one park for two days during the winter to save utility costs of approximately \$200 caused a loss of more than \$11,000 in potential entrance fee revenues. This occurred because the Department does not consistently conduct sufficient detailed analysis to determine whether service reduction decisions are cost-effective.

Recommendations

The Department should:

- Review and approve deviations from the original designs of new parks to ensure that resources are used as intended.
- Notify the Governor's Office and Legislative Budget Board before the implementation of changes made to new parks that would result in a need for additional resources that are specified in a General Appropriations Act rider.
- Develop and implement detailed cost-benefit analyses to identify areas where service reductions align with changes in public demands.
- Require that local governmental entities prepare operating plans before it transfers state parks to those entities. It also should review those plans to ensure that the entities have the ability to operate state parks.
- Enhance coordinated efforts in state park operations by entering into joint operation agreements with other governmental entities on selected state parks.

The Parks and Wildlife Commission should:

- Notify the Governor's Office and Legislative Budget Board at least six months before closing or transferring any state parks.
- Seek input from legislative oversight committees and local communities in order to maintain a state park system that has statewide merit and serves the Department's goals and mission.
- Hold public hearing on any proposed transfers, closures, or sales of park land.

Management's Response

1. Review and approve deviations from the original designs of new parks to ensure that resources are used as intended.

Management agrees. The agency will incorporate such documentation into the ongoing construction review process. The agency has, since 2002 utilized a review and approval process (Scope Change Control) consistent with industry standards described by the Project Management Institute to evaluate changes to the design of construction projects.

TIMELINE: September 2007

STAFF RESPONSIBLE: Deputy Director Infrastructure, Deputy Director State Parks

2. Notify the Governor's Office and Legislative Budget Board before the implementation of changes made to new parks that would result in a need for additional resources that are specified in a General Appropriations Act rider.

The agency concurs that we should continue to notify the Governor's Office and Legislative Budget Board when significant design changes are contemplated that result in the need for additional resources to effectively operate new parks.

TIMELINE: Ongoing

STAFF RESPONSIBLE: Director Infrastructure

3. Develop and implement detailed cost-benefit analyses to identify areas where service reductions align with changes in public demands.

Management agrees. The agency will develop a methodology to perform cost benefit analysis that will be consistently applied across all state parks. State Parks senior management will analyze potential cuts and their impact on state park revenues, visitor services, and staffs' ability to accomplish the mission at the site.

TIMELINE: November 2007

STAFF RESPONSIBLE: Deputy Director State Parks

4. Require that local governmental entities prepare operating plans before it transfers state parks to those entities. It also should review those plans to ensure that the entities have the ability to operate state parks.

Management disagrees. The Department will continue to attach deed restrictions, conservation easements and other directives to properties that are transferred to other entities that ensure public access and the preservation of resources. The Department believes that operational decisions beyond these requirements should be left to the discretion of the operating entity, as the sites will no longer be a part of the state park system. All twelve parks that have been transferred to local entities continue to operate successfully as parks available to the people of Texas.

TIMELINE: NA

STAFF RESPONSIBLE: NA

5. Enhance coordinated efforts in state park operations by entering into joint operation agreements with other governmental entities on selected state parks.

Management agrees. The Department will continue to identify partnerships that increase operational efficiencies and promote enhanced visitor service. The State Parks division currently has agreements of this type at several sites, including Lyndon B. Johnson (National Park Service), Devil's Sinkhole (Sinkhole Society), and Port Isabel Lighthouse (City of Port Isabel). The Department also has statewide agreements with the Texas Department of Transportation for road construction and maintenance and the Texas Forest Service regarding wildfire fighting.

TIMELINE: Ongoing

STAFF RESPONSIBLE: Deputy Director State Parks

6. The Parks and Wildlife Commission should notify the Governor's Office and Legislative Budget Board at least six months before closing or transferring any state parks.

Management will convey recommendation to the Commission and seek direction. Management agrees with the intent of this recommendation but does not agree that the time frame suggested is always appropriate. Consistent with the Department's belief that open, public discussion of all proposed park transfers is desirable, our current policy requires that notice of any disposition actions be published in the Texas Register. In addition notices are published in local newspapers to solicit public input at least 30 days prior to any Commission discussion. Public hearings are conducted prior to Commission action.

TIMELINE: September 2007

STAFF RESPONSIBLE: Executive Director

7. The Parks and Wildlife Commission should seek input from legislative oversight committees and local communities in order to maintain a state park system that has statewide merit and serves the Department's goals and mission.

Management will convey recommendation to the Commission and seek direction. The Parks and Wildlife Commission has directed agency staff to seek input on an ongoing basis from its oversight committees and local communities in the pursuit of its goals and mission. Staff will seek documentation of this directive.

TIMELINE: September 2007

STAFF RESPONSIBLE: Deputy Executive Director Operations

8. The Parks and Wildlife Commission should hold public hearing on any proposed transfers, closures, or sales of park land.

Management will convey recommendation to the Commission and seek direction. TPWD policy LF-01-03 requires public notification and public hearings prior to the sale or transfer of park land. The Department does not believe that such a process is practical for partial closures, which would reduce management flexibility and responsiveness. Such closure may be short term based on resource activities, sound fiscal management or public safety requirements. One example might be the need to temporarily close a park damaged by a hurricane.

TIMELINE: Ongoing

STAFF RESPONSIBLE: NA

Chapter 2-C

The Department Should Improve its Budgeting Process to Effectively Allocate and Use State Park Resources

The Department does not effectively analyze park visitation and utilization data to understand current customer compositions and their demands. The Department also did not perform adequate financial analysis to develop state park operating budgets for fiscal years 2006, 2007, and 2008. The Department has little documentation on how these budget amounts were derived, but it asserts that these budgets were developed through various meetings of park superintendents, regional directors, and State Parks Division directors. However, effective analysis of previous expenditures is necessary to determine whether budget projections are justified and reasonable.

Although certain budget monitoring activities are performed at the regional level, management at the headquarters of the State Parks Division did not adequately monitor individual state parks' budgets in fiscal years 2005 and 2006. This division as a whole did not exceed its appropriations in fiscal year 2005; however, 84 (70 percent) of the 120 park budget units' expenditures exceeded their original budgets by an average of \$26,759. Budget monitoring is an internal control that helps to ensure responsible spending. Monitoring also helps to identify inaccurate and inappropriate expenditures, which promotes accountable fiscal management.

Recommendations

The Department should:

- Develop a "zero-based" budget model that equitably addresses public demands and individual parks' needs. This model should include a capital budget component that details prioritized minor and major capital improvement needs at individual parks. It also should include operating budget components that:

- ♦ Re-evaluate the justifications for previous fiscal years' expenditures.
- ♦ Clearly identify the variable and fixed costs at individual parks.
- ♦ Use "visitor day" as the cost center to compute total variable costs.
- Enhance budget monitoring activities to ensure that state park funds are spent for their intended purposes and that variances between actual and budgeted expenditures are reasonable.
- Require State Parks Division management, as part of the employee evaluations, to set clear performance expectations and goals on visitation, customer satisfaction, revenues, and individual state park budgets.

Management's Response

1. Develop a "zero-based" budget model that equitably addresses public demands and individual parks' needs. This model should include a capital budget component that details prioritized minor and major capital improvement needs at individual parks. It also should include operating budget components that:

- *Re-evaluate the justifications for previous fiscal years' expenditures.*
- *Clearly identify the variable and fixed costs at individual parks.*
- *Use "visitor day" as the cost center to compute total variable costs.*

Management agrees. The Division will develop a zero-based site and program-specific budget refining its budget development process, which includes reevaluation of justification for previous year's expenditures. The Division agrees with identifying the variable and fixed costs at individual parks and is already working on standardized templates of base costs associated with certain base functions at all sites. Visitation data, already one of many considerations in the division's budget development and management process, will be used in consideration of variable cost budgeting.

TIMELINE: January 2008

STAFF RESPONSIBLE: Deputy Director State Parks

2. Enhance budget monitoring activities to ensure that state park funds are spent for their intended purposes and that variances between actual and budgeted expenditures are reasonable.

Management agrees. The Department will further enhance the existing budget monitoring process to ensure that state parks funds are reasonably expended, and that variances will be reviewed for appropriateness.

TIMELINE: May 2007

STAFF RESPONSIBLE: Deputy Director State Parks

3. Require State Parks Division management, as part of the employee evaluations, to set clear performance expectations and goals on visitation, customer satisfaction, revenues, and individual state park budgets.

Management agrees. State Parks Division management will set clear performance expectations of park managers with respect to visitation, customer satisfaction, revenues, and individual state park budgets. Division leadership will review annual variances that are beyond the control of the local park managers.

TIMELINE: September 2007

STAFF RESPONSIBLE: Deputy Director State Parks

The Department Should Improve the Consistency of Its Cost Estimating Processes and Ensure Proper Prioritization of Its Capital Improvement and Repair Needs

The Department has recently improved its capital improvement and repair cost estimating process by implementing a project charter methodology (see text box for details). However, the Department lacks standardized procedures to ensure the implementation of this methodology. Additionally, the Department does not have clearly defined criteria to prioritize its capital improvement and repair projects.

Project Charters

The Department recently began developing project charters to detail the components of cost estimates for repair projects.

The Department normally requires the following employees to sign these charters:

- Employees of the Department's Infrastructure Division who "validated" the cost estimates.
- The State Parks Division's regional directors and program specialists who agreed on the project scopes and estimates.

Auditors identified several significant discrepancies in the Department's cost estimates. Specifically:

- Of the 423 capital improvement and repair projects the Department completed from fiscal year 1998 to November 2006, 276 had a variance of 15 percent or more between estimated and actual costs.
- For 28 of the 151 projects the Department identified as critical repair needs, changes in scope lowered the total cost estimates

for these projects to \$988,627 less (or 6 percent less) than the approximately \$16 million in cost estimates the Department reported to the Senate Finance Committee.

- Of the approximately \$66 million in critical repair needs, at least \$31 million (48 percent) the Department has identified are not related to health and safety (see Table 1 on page 23 for details). There is a risk that some of these projects are not properly categorized.
- The Department does not analyze repair needs to determine whether the repairs are worth making or justified, nor does it have a standardized procedure for considering the use of more economical materials for repairs at historic sites.

Auditors visited five state parks and a historic site and verified the existence of 32 repair needs for which the Department prepared cost estimates. Auditors could not verify the accuracy of these estimates.

Recent Cost Estimates

The August 2006 *State Parks Advisory Committee Report* to the Parks and Wildlife Commission specified that the cost of facility repair needs for the state park system totaled \$431 million. The Department and the Legislative Budget Board subsequently removed some duplicative repair needs identified in that report. As of December 2006, the Department reported that this cost was estimated at \$406 million.

Of the \$406 million in estimated repair costs, \$281 million was estimated by local and regional park management staff who have relatively little professional engineering or architectural expertise. Therefore, these estimates are less reliable. The Department's Infrastructure Division's professional staff "validated" the remaining projects that had a total estimated cost of \$125 million. The Department identified \$66 million of these "validated" projects as critical projects with high priority.

Historically, there have been significant discrepancies between the estimated and actual costs for capital improvement and repair projects.

Auditors reviewed seven recently completed capital improvement and repair projects, and determined that the total estimated costs were \$662,945 (or 34 percent) more than the actual costs. The original estimated cost for one of these projects (a wastewater project) was \$1,531,441, which was 202 percent higher than the actual cost of \$507,909. The discrepancy resulted because the Department replaced the original design with a less expensive one it identified during the procurement phase of the project.

Auditors also compared all 423 projects the Department has completed since fiscal year 1998 and found that 276 of those projects had a variance of 15 percent or more between the estimated and actual costs. The reasons for these variances were frequent changes in scope, design, and engineering costs.

The Department's current estimates for capital improvement and repair costs are not consistent or cost-effective.

The Department does not have a standardized and reliable method for producing consistent and measurable estimates for state park repair costs. Project managers from the Department's Infrastructure Division use different cost estimating tools and methodologies to prepare cost estimates. For example, some project managers perform site visits to prepare estimates, while others prepare estimates based on information gathered through telephone conversations with park staff.

Auditors reviewed the cost estimates for 28 of the 151 high-priority projects that the Department submitted to the Senate Finance Committee in October 2006. The cost estimates for these 28 projects totaled approximately \$16 million (24 percent of the \$66 million in cost estimates for all 151 projects). These 28 projects were located in five state parks and a historic site that had comparatively high capital improvement and repair needs. Auditors determined the following:

- The cost estimates for 24 of these 28 projects subsequently decreased by \$988,627 (6 percent).
- The cost estimates for another 17 of these 28 projects were not finalized until December 2006, two months after the Department submitted them to the Senate Finance Committee.

- For 3 of these 28 projects, the Department did not have adequate supporting documents for the cost estimates when auditors requested this documentation.
- The Department did not have adequate supporting documentation for the 28 project charters associated with these projects. Without this supporting documentation, it is difficult to verify how particular costs estimates, such as construction costs, are derived.

Table 1 presents information regarding the \$66 million in high-priority projects the Department provided to the Senate Finance Committee. Auditors determined that at least \$31 million (48 percent) of the \$66 million in high-priority projects were not repair needs that were related to health and safety. The Department has not clearly defined prioritization criteria and methodologies effectively. As a result, some of the projects the Department identified as high-priority did not address the most critical concerns such as health and safety issues at state parks. For example, approximately \$7.8 million (12 percent) were for projects such as upgrading electrical systems at camping loops and a park employee’s residence. It is important to note that at one state park visited, auditors identified other health and safety repair needs that the Department did not correctly identify in accordance with its own criteria.

Table 1

| Information Regarding \$66 Million in High-Priority Park Projects | | |
|--|-----------------------------|------------------|
| Category | Department’s Estimated Cost | Percent of Total |
| Categorized by Priority | | |
| Imminent health and safety projects | \$ 18,110,819 | 27% |
| Potential health and safety projects | 16,474,461 | 25% |
| Other than health and safety projects | <u>31,683,668</u> | <u>48%</u> |
| Totals | \$ 66,268,948 | 100% |
| Categorized by Type of Project | | |
| Structure repairs (for example, roof or wall repairs) | \$ 31,439,779 | 47% |
| Water or waste water | 13,106,631 | 20% |
| Americans with Disabilities Act compliance | 10,691,966 | 16% |
| Upgrade (for example, electrical or water upgrades) | 7,861,058 | 12% |
| Structural and Americans with Disabilities Act repairs | 2,867,013 | 4% |
| Equipment replacement (for example, air conditioning or motor replacement) | <u>302,501</u> | <u>1%</u> |
| Totals | \$66,268,948 | 100% |

Source: Parks and Wildlife Department.

The potential savings from using more economical materials for historic structure repairs are substantial. The Department uses the U.S. Secretary of the Interior’s standards for rehabilitation as its guideline for repairs at historic sites and Civilian Conservation Corps structures. These standards specify that “if using the same kind of material is not technically or economically feasible, then a compatible substitute material may be considered.”

Repair cost estimates for historic sites and Civilian Conservation Corps structures are relatively higher than the cost of repairs at other locations because the Department uses more expensive materials. For example, cedar roof shingles cost approximately \$200 more than composite roof shingles per 100 square feet, but they have half the life of composite roof shingles. This is significant because historic sites and Civilian Conservation Corps structure repairs account for approximately \$24 million (36 percent) of the high-priority projects identified by the Department (see Table 2).

Table 2

| Information Regarding \$66 Million in High-Priority Park Projects | | |
|---|-----------------------------|------------------|
| Type of Structure | Department’s Estimated Cost | Percent of Total |
| Historic sites | \$ 18,490,562 | 28% |
| Civilian Conservation Corps facilities | 5,249,517 | 8% |
| Other structures | 42,528,869 | 64% |
| Totals | \$ 66,268,948 | 100% |

Source: Parks and Wildlife Department.

The Department does not analyze capital improvement and repair needs to determine whether repairs to the structures are justified and worth making. The Department uses its Facility Management Information System to track all capital improvement and repair needs. Park superintendents are responsible for entering these needs and estimated costs into this system. The Department, however, does not analyze these needs to determine whether:

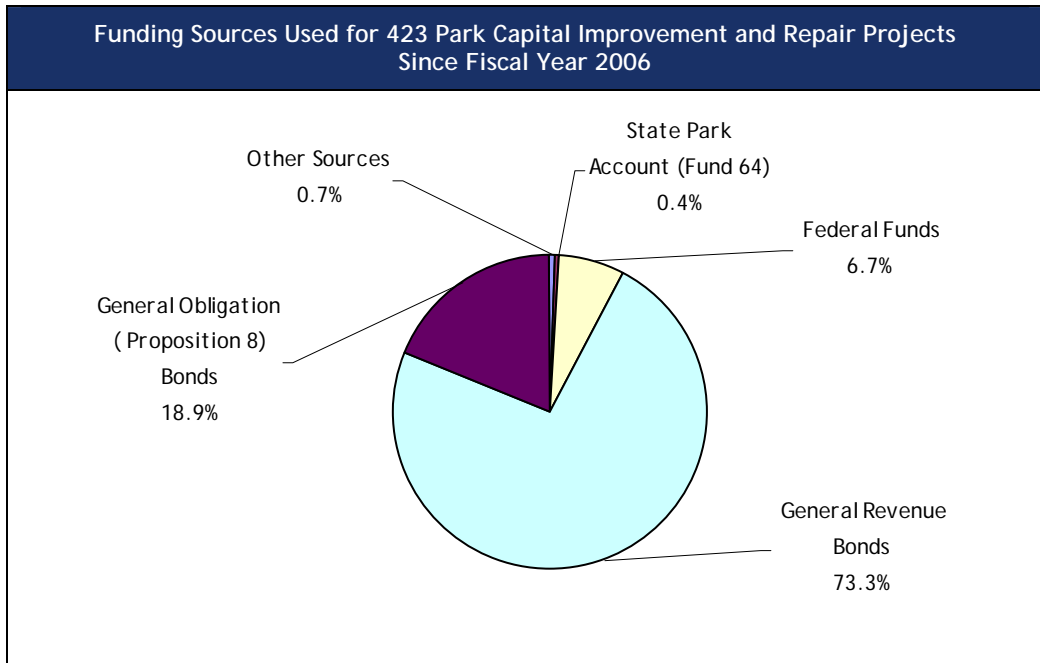
- There is a public need that warrants these repairs or new construction.
- The repairs on existing facilities or new construction will enhance or maintain the recreational benefits or preserve the historical significance of sites.
- Any adjacent state park or historic site can serve the demand for recreational opportunities.
- The repairs or new construction will increase park attendance and generate additional revenues to recover the costs.

Without analyzing this information, the Department could potentially make repairs or develop new facilities that no longer serve its mission or goals.

The Department should consider additional financing options for capital improvement and repair projects.

Of the 423 capital improvement and repair projects the Department completed from fiscal year 1998 to November 2006, 73.3 percent have been financed with proceeds from General Revenue bond issuances (see Figure 2). Other financing options (such as using additional revenues generated from new facilities) are not being considered by the Department.

Figure 2



Source: Parks and Wildlife Department.

Recommendations

The Department should:

- Develop a review process that considers the following factors when determining whether a repair or new construction is justified:
 - ♦ Need – Does a park or structure have historical significance? Does it provide significant recreational opportunities?
 - ♦ Assessment of Services - Is there a demand for the recreational opportunities the park will provide? Do any adjacent parks or facilities already meet these demands?

- ♦ Cost-Benefit – Will public use of the park or facility justify its existence in attendance and/or park fees? What benefits will visitors enjoy and are they available elsewhere? What is the expectation for recovering the repair and operating costs of the park or facility?
- ♦ Sources of Revenue – Are the historical or recreational opportunities provided significant enough to generate additional revenue or receive endowments to operate the park or facility?
- Develop a standardized validation procedure to ensure consistency in estimating repair costs. This procedure should require adequate supporting documentation that enables external entities to determine how these estimates were derived.
- Contract with professional engineering firms to independently verify the accuracy of cost estimates for projects that the Department’s Infrastructure Division has “validated.”
- Report on a monthly basis any cost deviation of more than 10 percent from the original cost estimate to the oversight committee of the Parks and Wildlife Commission for approval. The Department also should notify the Governor’s Office and Legislative Budget Board of these deviations and related changes in cost estimates.
- Develop a standardized cost-benefit analysis to determine whether more economical and technically feasible materials and construction methods may be used for repairs at historic sites.

The Parks and Wildlife Commission should:

- Clearly establish its prioritization criteria for repairs and capital improvements.
- Develop a risk assessment methodology using weighted prioritization criteria to rank repair needs. The Parks and Wildlife Commission also should integrate prioritized project cost estimates into the capital budgets of individual parks.
- Consider other financing options, such as using additional revenue generated from capital improvements and repair projects, to finance the costs of repairs and capital improvements.

Management’s Response

1. Develop a review process that considers the following factors when determining whether a repair or new construction is justified:

- a. Need – Does a park or structure have historical significance? Does it provide significant recreational opportunities?*
- b. Assessment of Services - Is there a demand for the recreational opportunities the park will provide? Do any adjacent parks or facilities already meet these demands?*
- c. Cost-Benefit – Will public use of the park or facility justify its existence in attendance and/or park fees? What benefits will visitors enjoy and are they available elsewhere? What is the expectation for recovering the repair and operating costs of the park or facility?*
- d. Sources of Revenue – Are the historical or recreational opportunities provided significant enough to generate additional revenue or receive endowments to operate the park or facility?*

Management agrees. The Infrastructure Division will enhance its Project Management Process to fully document the justification for repair or new construction projects. TPWD currently considers the factors listed above in developing its capital program and in gaining approval from the Commission for all proposed capital projects. For example, the Parks Division performs an annual analysis of similar services within the same geographic area to ensure a competitive fee structure with the private sector. The agency concurs that analysis of cost benefit, sources of revenue and customer preferences are important; however, operational and resource considerations are equally important. In addition, the agency has consistently sought opportunities for endowment of park operations, with little or no success.

TIMELINE: December 2007

STAFF RESPONSIBLE: Deputy Director Infrastructure, Deputy Director State Parks

2. Develop a standardized validation procedure to ensure consistency in estimating repair costs. This procedure should require adequate supporting documentation that enables external entities to determine how these estimates were derived.

The agency will require adequate documentation supporting estimates for capital repairs. The Department agrees to develop additional procedures that will provide documentation for evaluating how estimates are derived. The agency acknowledges the importance of developing supportable repair estimates for its capital construction projects. Multiple methods, including but not limited to site visits, computer modeling, the use of historical data, or industry-accepted standards and cost estimating guides are reliable approaches to estimating.

TIMELINE: December 2007

STAFF RESPONSIBLE: Deputy Director Infrastructure

3. Contract with professional engineering firms to independently verify the accuracy of cost estimates for projects that the Department's Infrastructure Division has "validated."

Management disagrees. The agency currently utilizes private sector, licensed engineers to design and validate cost estimates after the project is approved and funded. Redundant contracting with private engineers to validate preliminary cost estimates for proposed projects that are not yet approved for funding would require a significant and unnecessary expenditure of limited capital funds.

TIMELINE: NA

STAFF RESPONSIBLE: NA

4. Report on a monthly basis any cost deviation of more than 10 percent from the original cost estimate to the oversight committee of the Parks and Wildlife Commission for approval. The Department also should notify the Governor's Office and Legislative Budget Board of these deviations and related changes in cost estimates.

Management agrees. The agency will provide a monthly report to agency leadership, Parks and Wildlife Commission Infrastructure Committee Chairman, the Governor's Office, and the Legislative Budget Board outlining variances on completed projects that exceed ten (10%) percent. The agency currently reports to the Commission's Infrastructure Committee regarding all capital projects including significant cost variances. We believe this is adequate to ensure effective Commission oversight. The original cost estimate is defined in the Project Charter. Projects typically exhibit a three to four-year life cycle with a significant portion of the expenditures occurring in the last two years. The variances can be a result of inflation, increased material costs, change orders due to unforeseen conditions, and inclement weather.

TIMELINE: November 2007

STAFF RESPONSIBLE: Deputy Executive Director Operations

5. Develop a standardized cost-benefit analysis to determine whether more economical and technically feasible materials and construction methods may be used for repairs at historic sites.

Management agrees. The Department has documented efforts to perform cost-benefit analyses in conjunction with the Texas Historical Commission, and will develop a standardized model to assess historically appropriate

materials and restoration technologies to be used at historic sites, subject to the approval of the State Historic Preservation Officer (SHPO).

TIMELINE: December 2007

STAFF RESPONSIBLE: Deputy Director Infrastructure, Deputy Director State Parks

6. The Parks and Wildlife Commission should clearly establish its prioritization criteria for repairs and capital improvements.

Management will convey recommendation to the Commission and seek direction. Infrastructure Division will revise its procedures to better document the application of established prioritization criteria for capital repairs and improvements. Agency management will enhance its process to prioritize repair and capital improvements.

TIMELINE: December 2007

STAFF RESPONSIBLE: Director Infrastructure, Deputy Director State Parks

7. The Parks and Wildlife Commission should develop a risk assessment methodology using weighted prioritization criteria to rank repair needs. The Parks and Wildlife Commission also should integrate prioritized project cost estimates into the capital budgets of individual parks.

Management will convey recommendation to the Commission and seek direction. The Department agrees with the recommendation to improve the methodology by which priorities are identified in the Facility Management Information System (FMIS) using criteria to weight or numerically rank repair needs. Infrastructure Division is currently developing enhancements to FMIS that will capture this proposed data. The agency will track and report capital budget and expenditures by park to the Commission.

TIMELINE: December 2007

STAFF RESPONSIBLE: Director Infrastructure, Deputy Director State Parks

8. The Parks and Wildlife Commission should consider other financing options, such as using additional revenue generated from capital improvements and repair projects, to finance the costs of repairs and capital improvements.

Management will convey recommendation to the Commission and seek direction. The Department will continue to investigate and evaluate other financing options in order to address its backlog of repair needs in all divisions. All revenues generated by the parks are appropriated by the

Legislature and therefore the Department cannot direct additional revenues collected as the result of capital improvement to finance the cost of repairs and capital improvements.

TIMELINE: December 2007

STAFF RESPONSIBLE: Director Infrastructure, Chief Financial Officer

The Department Should Address the Significant Financial Control Weaknesses in Its State Park Operations

Significant control weaknesses exist in the revenue collection and reporting processes within the Department's State Parks Division. The lack of internal controls—such as adequate supervisory reviews, audit trails, and segregation of duties—has led to the following:

- Assets such as cash are vulnerable to theft, fraud, or abuse. In fiscal years 2005 and 2006, four employees of the Department's State Parks Division were convicted of thefts of public funds totaling \$80,931.
- The Department has consistently underestimated its State Park Account revenue. From fiscal year 2004 to fiscal year 2006, revenue was underestimated by an average of \$6.5 million per year (a 17 percent average underestimation).
- The Department has produced inconsistent financial reports of revenues. For example, as of January 2007 the reported amounts of fiscal year 2006 state park fee revenue were different in the Department's revenue system, its internal accounting system, and the Uniform Statewide Accounting System (see Table 3).

Table 3

| Differing Amounts for Fiscal Year 2006 State Park Fee Revenue In Various Systems and Reports | | |
|---|--|---|
| Amount in the Department's Revenue System | Amount in the Department's Internal Accounting System | Amount in the Uniform Statewide Accounting System |
| \$33,623,700.13 | \$34,898,114.12 | \$33,655,587.94 |

Sources: The Department's revenue system (R-Cubed), the Department's internal accounting system (the Integrated Financial System), and the Uniform Statewide Accounting System.

The Department also has subsidized other divisions' operations by allocating 100 percent of the operating costs of its Customer Service Center to the State Parks Division. However, the State Parks Division received (1) 75 percent of the number of calls the Customer Service Center serviced and (2) 91 percent of the time spent by the Customer Service Center in fiscal year 2005. The estimated amount of expenditures that should be reimbursed to the State Parks Division based on time spent is \$215,436 for this time period.

Internal control weaknesses have been identified in prior audits.

The State Auditor's Office, the Department's internal auditor, and an outside consultant have previously cited some of these weaknesses and risks in reports issued since 1998. However, limited corrective action has been taken to

address these weaknesses. The delay in implementing prior recommendations is not attributed to particular individuals but, rather, is a reflection of the State Parks Division's limited expertise in business and fiscal management. The Department also did not provide adequate training and did not appropriately assign responsibilities among its divisions.

Certain internal control weaknesses exist at the state park level.

Auditors visited four state parks whose reported annual revenues exceeded \$500,000 in fiscal year 2005. We reviewed the fiscal management processes at these parks and identified significant control weaknesses. These weaknesses prevent the Department from adequately safeguarding the State's assets. Specific control weaknesses include the following:

- Inadequate segregation of duties. Although the four state parks auditors visited had adequate resources to separate various key duties, there were instances in which a single individual handled the collection, deposit, reconciliation, and reporting of revenues.
- Lack of supervisory review and approval. All of the cashiers at the four state parks auditors visited had the ability to modify cash collection transactions, such as making voids and cash refunds, without obtaining approval from supervisors. In addition, 22 of the 116 procurement card purchases auditors tested did not have proper supervisory approval.
- Missing supporting documentation. The four parks auditors visited did not always maintain adequate supporting documentation, such as cash register tapes. For the transactions that auditors attempted to review at the four state parks visited, 199 of 8,934 cash receipts were missing. At least 51 of the 101 voided transactions auditors reviewed did not have an explanation and supervisor's approval on file. Without supporting documentation, auditors were unable to verify whether these transactions were actually voided.

Certain internal control weaknesses exist at the Department level.

In addition to the internal control weaknesses at the parks, auditors also identified the following internal control weaknesses at the Department level:

- Weaknesses in monitoring contractors' commissions. The Department does not have procedures to effectively monitor its concession contractors to ensure that they pay the correct amount of commissions to the State and comply with contract requirements. For example, the Department was not aware that one concession contractor owed the State \$7,254 in commissions.
- Lack of accounting for park visitor vouchers. The Department does not account for or monitor park visitor vouchers that are stored at state parks. These visitor vouchers are given to customers for free entry into parks; therefore, they have cash value.

- Lack of accounts receivable monitoring. The Department does not monitor its accounts receivable to identify potential lost revenues or fraud. Park visitors are supposed to pay when they check in at a facility (such as a camp site) or when they make a purchase at a park store. However, these payments are not always collected or posted. As of November 16, 2006, the Department had an outstanding accounts receivable balance of \$130,062 for these types of sales.
- Lack of reconciliation among accounting systems. The Department did not have adequate reconciliation of its internal accounting systems (such as its revenue system and its internal accounting system) with the Uniform Statewide Accounting System. Upon auditors' request, the Department reconciled seven expenditure categories within the State Parks Fund for fiscal year 2006. This reconciliation identified reconciling items totaling \$1,360,259 (7 percent) of the approximately \$19 million of expenditures in these seven categories. As of January 2007, the Department had not completed the reconciliation of the approximately \$33 million in "State Park Fee" revenue for fiscal year 2006.
- Lack of interfaces among accounting systems. Because of the lack of interfaces among the Department's accounting systems, Department staff have to enter the same financial transactions multiple times into various systems. This increases the risk of data entry errors and is an unnecessary use of resources. Additionally, because the Department does not adequately reconcile the financial records in its accounting systems, data entry errors may not be corrected.
- Excessive modification authority in the Department's revenue system. The State Parks Division, as an operational division, is the owner and user of the Department's revenue system. A total of 703 Department employees' accounts (48 percent of all 1,464 employees' accounts) have database administrator or administrator authority to modify revenue or cash transaction records in the revenue system. For example, as specifically instructed by State Parks Division management, these employees can "zero-out" a payment transaction to make a refund to a customer. A total of 12,493 payment transactions were "zeroed-out" in fiscal years 2003 through 2006. The Department does not perform adequate review of or have supporting documentation for refunds. Therefore, auditors could not verify whether these "zeroed-out" payments were actually made for the purpose of granting refunds.

Recommendations

The Department should:

- Require its State Parks Division to coordinate with the Department's Administrative Resources and Internal Audit divisions to implement management control plans that (1) are specific to individual state parks and (2) address the internal control weaknesses and deficiencies noted in this report and the Department's internal audit reports. These plans should be part of the state parks' operating plans and signed by the responsible park superintendents, regional directors, and State Parks Division directors.
- Require its Internal Audit Division to develop an aggressive audit plan to monitor and enforce the implementation of these controls. This plan should include a component to periodically audit concession contractors.
- Require its Administrative Resources Division to manage the accounting and visitation reporting aspects of the state park operations. The State Parks Division and the Administrative Resources Division should establish financial reporting procedures that comply with generally accepted accounting principles (GAAP) and applicable requirements of the Governmental Accounting Standards Board (GASB).
- Reorganize its Customer Service Center, an agencywide support unit, under its Administrative Resources Division to improve the accounting and business skills of this unit. The Department should allocate the expenditures of the Customer Service Center based on the amount of services provided to other divisions.
- Establish, monitor, and compare revenue goals for individual state parks to improve the accuracy of revenue projections.
- Require state park concession contractors to provide adequate supporting documentation for the Department's examination. State park superintendents and office managers should review these contractors' accounting records to ensure the correct amount of commission is paid to the State.
- Immediately discontinue using vouchers for refunds or any other purposes.
- Immediately remove state park employees' excessive access authority in its revenue system. Discontinue "zeroed-out" transactions in this system, and use proper void or refund transactions instead.
- Establish its Information Technology Division as the owner of all automated systems, including hardware, software, and applications. The

Information Technology Division should be responsible for managing these automated systems.

- Establish other operational divisions, such as the State Parks Division, as the owners of the data in automated systems and users of the systems.
- Develop and enforce a written policy that defines the various responsibilities and authorities among its divisions with regard to the use, maintenance, and safeguarding of the Department's automated systems.

The Parks and Wildlife Commission should require the Department to:

- Inventory its State Parks Division employees' business and fiscal management skill sets to identify areas that need improvement.
- Provide adequate professional training to its management staff to increase awareness of business concepts such as internal controls, and to equip the staff with adequate business management skills and knowledge.

Management's Response

1. Require its State Parks Division to coordinate with the Department's Administrative Resources and Internal Audit divisions to implement management control plans that (1) are specific to individual state parks and (2) address the internal control weaknesses and deficiencies noted in this report and the Department's internal audit reports. These plans should be part of the state parks' operating plans and signed by the responsible park superintendents, regional directors, and State Parks Division directors

Management agrees and will assemble a working group of appropriate staff from Internal Audit, Administrative Resources, Information Technology and State Parks to develop control procedures for each individual park. The management of the Administrative Resources Division, Internal Audit and the State Parks Division will review and approve their recommendations. Approved procedures will be included in the State Parks Operating Manual.

TIMELINE: June 2007

STAFF RESPONSIBLE: Director Internal Audit, Deputy Director Information Technology, Deputy Director State Parks, Chief Financial Officer

2. Require its Internal Audit Division to develop an aggressive audit plan to monitor and enforce the implementation of these controls. This plan should include a component to periodically audit concession contractors.

Management agrees and will direct Internal Audit to include audit hours to monitor the implementation of these financial controls, including concession

contractors, in its fiscal year 2008 audit plan. Internal audit has already allocated time to perform some park audits in its fiscal year 2007 audit plan.

TIMELINE: August 2007

STAFF RESPONSIBLE: Director Internal Audit, Deputy Executive Director Administration

3. Require its Administrative Resources Division to manage the accounting and visitation reporting aspects of the state park operations. The State Parks Division and the Administrative Resources Division should establish financial reporting procedures that comply with generally accepted accounting principles (GAAP) and applicable requirements of the Governmental Accounting Standards Board (GASB).

Management agrees and will assign the responsibility for the accounting of state parks revenue and visitation reporting to the Administrative Resources Division to ensure compliance with GAAP and GASB.

TIMELINE: June 2007

STAFF RESPONSIBLE: Deputy Director Administrative Resources

4. Reorganize its Customer Service Center, an agencywide support unit, under its Administrative Resources Division to improve the accounting and business skills of this unit. The Department should allocate the expenditures of the Customer Service Center based on the amount of services provided to other divisions.

The agency agrees to reorganize its Customer Service Center along functional lines to improve business and financial accountability. The Executive Office will approve this reorganization plan developed by Administrative Resources, Internal Audit, Information Technology, and State Parks divisions. The Department will account for and allocate appropriate expenses of the Customer Service Center to Fund 9 based on the amount of services provided to Fund 9 functions.

TIMELINE: September 2007

STAFF RESPONSIBLE: Executive Director

5. Require state park concession contractors to provide adequate supporting documentation for the Department's examination. State park superintendents and office managers should review these contractors' accounting records to ensure the correct amount of commission is paid to the State.

Management agrees. The Department will continue to require State Parks Concessionaires to provide adequate documentation for all activities. The Department will develop procedures that require state park superintendents

and office managers to review contractors' accounting records to ensure accuracy. Failure to provide a copy of these records in a timely manner will be reported to the management of Parks Division for appropriate actions.

TIMELINE: December 2007

STAFF RESPONSIBLE: Deputy Director State Parks, Deputy Director Administrative Resources

6. Establish, monitor, and compare revenue goals for individual state parks to improve the accuracy of revenue projections.

Management agrees. Utilizing data from the annual revenue analysis and the State Parks Key Results Area (KRA) reporting process, State Parks Division will work with park superintendents to project annual revenue goals by location. Monthly revenue reports will be produced and compared to the revenue goal for reasonable performance. Revenue projections produced annually by the CFO by August of each year will incorporate each park's upcoming revenue goals and trends from past revenue performance.

TIMELINE: September 2007

STAFF RESPONSIBLE: Deputy Director State Parks, Chief Financial Officer

7. Immediately discontinue using vouchers for refunds or any other purposes.

Management agrees. The State Parks Division has eliminated the use of vouchers for refunds or any other purpose.

TIMELINE: Completed

STAFF RESPONSIBLE: Director State Parks

8. Immediately remove state park employees' excessive access authority in its revenue system. Discontinue "zeroed-out" transactions in this system, and use proper void or refund transactions instead.

Management agrees. State Parks, Administrative Resources, and Information Technology divisions are working closely on the upgrade of our existing reservation/revenue system. Phase One rollout of the upgraded business/revenue system, with revised policies and procedures, will provide necessary access controls.

TIMELINE: June 2007

STAFF RESPONSIBLE: Deputy Director Administrative Resources, Deputy Director State Parks, Director Internal Audit, Deputy Director Information Technology

9. Establish its Information Technology Division as the owner of all automated systems, including hardware, software, and applications. The Information Technology Division should be responsible for managing these automated systems.

Management agrees. Information Technology staff are in the process of drafting a policy to identify the Information Technology Division as the custodian of all agency automated systems with respect to hardware, software, applications and related support. This is in keeping with the Information Resources Management Act, Government Code Chapter 2054.

TIMELINE: June 2007

STAFF RESPONSIBLE: Director Information Technology, Deputy Director State Parks

10. Establish other operational divisions, such as the State Parks Division, as the owners of the data in automated systems and users of the systems.

Management agrees and will implement this recommendation.

TIMELINE: June 2007

STAFF RESPONSIBLE: Deputy Executive Director Administration

11. The Department should develop and enforce a written policy that defines the various responsibilities and authorities among its divisions with regard to the use, maintenance, and safeguarding of the Department's automated systems.

Management agrees and will implement this recommendation.

TIMELINE: June 2007

STAFF RESPONSIBLE: Deputy Executive Director Administration

12. The Parks and Wildlife Commission should inventory its State Parks Division employees' business and fiscal management skill sets to identify areas that need improvement.

Management will convey recommendation to the Commission and seek direction. Management agrees with this recommendation and will work closely with the Human Resources Division to identify critical business and fiscal management competency sets.

TIMELINE: September 2007

STAFF RESPONSIBLE: Deputy Executive Director Operations

13. The Parks and Wildlife Commission should provide adequate professional training to its management staff to increase awareness of business concepts such as internal controls, and to equip the staff with adequate business management skills and knowledge.

Management will convey recommendation to the Commission and seek direction. Management agrees with this recommendation and will coordinate with TPWD Human Resource staff development personnel to identify and enhance such training.

TIMELINE: December 2007

STAFF RESPONSIBLE: Deputy Executive Director Operations

Appendices

Appendix 1

Objectives, Scope, and Methodology

Objectives

The objectives of this audit were to:

- Determine whether the current budget projections for the 2006-2007 biennium for the Parks and Wildlife Department's (Department) Parks Division are reasonable and supported.
- Determine whether park deferred maintenance costs are reasonable and supported.
- Review the park budgeting process to determine how park utilization is used to allocate resources.
- Determine whether the Department has a systematic process to review and manage the inventory of parks for decision making.

Scope

The scope of this audit included the Department's State Parks Division and associated supporting functions. The processes reviewed included:

- Park visitation data collection.
- Capital improvement and repair cost estimation.
- Strategic planning and management decision making.
- Budget development and monitoring.
- Financial controls and reporting.

Auditors also visited 15 state parks and historic sites.

Methodology

The audit methodology included conducting interviews; collecting and reviewing information; analyzing and verifying data; and testing controls and operations for compliance, efficiency, and accuracy. In addition, auditors conducted a survey of 12 states and analyzed the responses.

Information collected and reviewed included the following:

- Interviews with the Department's employees and management.
- Documentary evidence, such as:
 - ♦ Policies and procedures.
 - ♦ Applicable state statutes and rules.
 - ♦ Prior reports from the State Auditor's Office.
 - ♦ Internal audit reports.
 - ♦ Strategic planning and management decision making documents.
 - ♦ Park visitation collection methodologies.
 - ♦ The Department's Legislative Appropriations Request for the 2008-2009 biennium.
 - ♦ State park program operating budgets.

Procedures and tests conducted included the following:

- Requested relevant park visitation, revenue, expenditure, and budget data from the Department.
- Analyzed park visitation and entrance fee revenue data for fiscal years 2005 and 2006.
- Compared park visitation to population growth for fiscal years 2005 and 2006.
- Performed variance analysis on the state park program's actual revenues, expenditures, and budgets for fiscal years 2005 and 2006.
- Conducted cost-benefit analysis for park decision making, including service reductions.
- Evaluated park openings, service reductions, and transfers for compliance with applicable statutes and rules.
- Tested sampled revenue and payment transactions at four state parks.
- Compared and analyzed the estimated and actual costs of capital improvement and repair projects completed in fiscal years 1998 through part of fiscal year 2007.
- Verified the existence of selected repair needs.

- Compared and analyzed cost estimates for a sample of critical repair needs with their supporting documents.

Criteria used included the following:

- Texas Parks and Wildlife Code.
- Texas Government Code, Chapter 403.
- Title 31, Part 2, Texas Administrative Code.
- Texas Tax Code, Chapter 151.
- General Appropriations Act (76th Legislature).
- General Appropriations Act (77th Legislature).
- Governmental Accounting Standards Board, Statement No. 34.
- Governor's Office and Legislative Budget Board's "Instructions for Preparing and Submitting Agency Strategic Plans, Fiscal Year 2007-2011."
- U.S. Secretary of the Interior's Standards for Rehabilitation.

Project Information

Audit fieldwork was conducted from December 2006 through February 2007. This audit was conducted in accordance with generally accepted government auditing standards.

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

- Wei Wang, CIA, CISA, CPA, MSAS, MSCS (Project Manager)
- Jeffrey Grymkoski, MA (Assistant Project Manager)
- Ashlee Jones, MAcy
- Brian Jones
- Sandra Lopez, CPA
- Audrey O'Niell, CGAP
- Namita Pai, CPA, MS
- Anca Pinchas, MAcy
- Fabienne Robin, MBA

- Karen S. Smith
- Andrey Tetuyev
- Shelby Cherian, MBA (Information Systems Audit Team)
- Cyndie Holmes, CISA (Information Systems Audit Team)
- Serra Tamur, MPAff, CISA, CIA (Information Systems Audit Team)
- Charles P. Dunlap, Jr., CPA (Quality Control Reviewer)
- John Young, CGAP, MPAff (Audit Manager)

Background Information

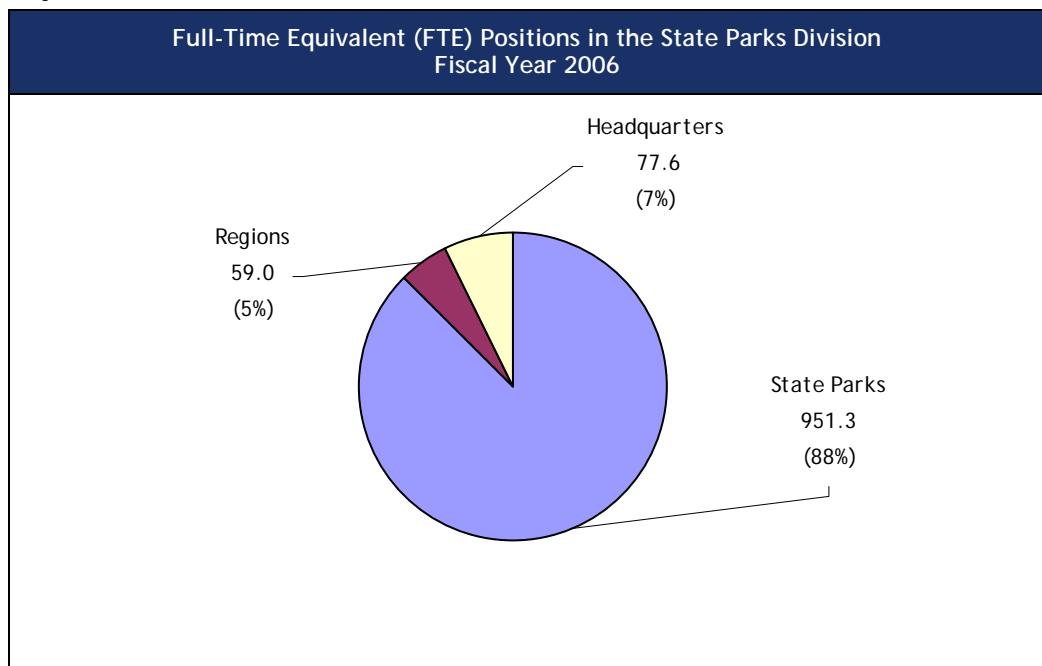
The State Parks Board was originally created in 1923. The Parks Board and the Game and Fish Commission were merged in 1963 to form the Parks and Wildlife Department (Department). The mission of the Department's State Parks Division is to:

Manage state parks and historic sites to conserve natural and cultural resources, provide recreational and educational opportunities, and foster an understanding of the diversity of Texas' lands and heritage for all generations.

As of fiscal year 2006, the State Parks Division managed 108 state parks, natural areas, and historic sites, which totaled more than 600,000 acres. There are 120 budget units within these parks, only eight of which were profitable in fiscal year 2006. The State 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.

In fiscal year 2006, the state park programs had 1,087.9 full-time equivalent (FTE) positions. Of those positions, 136.6 (12 percent) were regional or headquarters employees with an average annual salary of \$41,378 (see Figure 3). The remaining 951.3 (88 percent), worked in state parks at the local level and had an average annual salary of \$27,342.

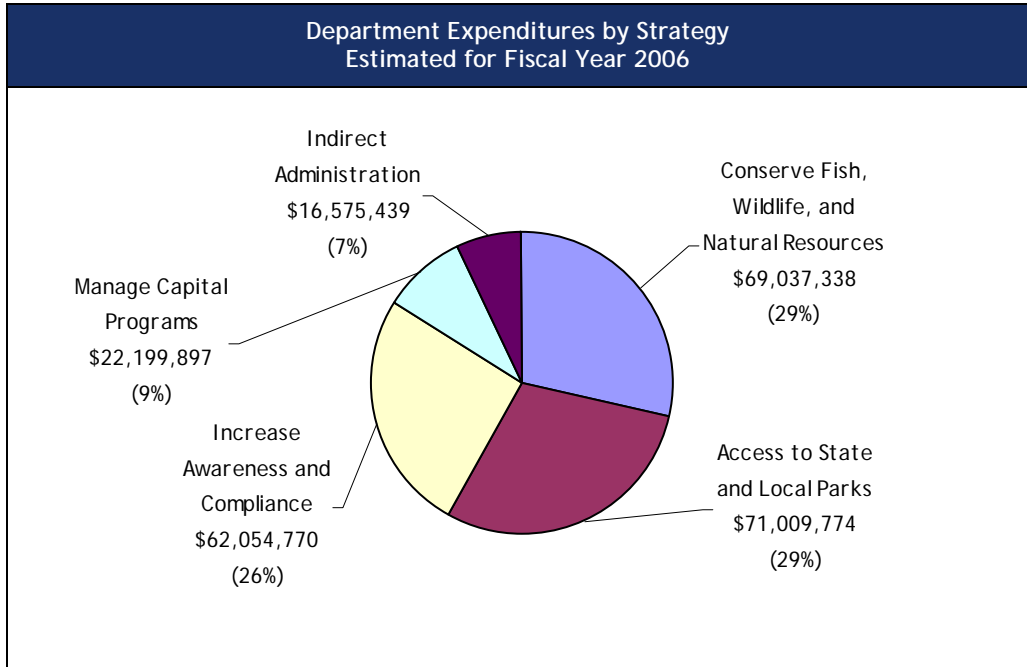
Figure 3



Source: Parks and Wildlife Department.

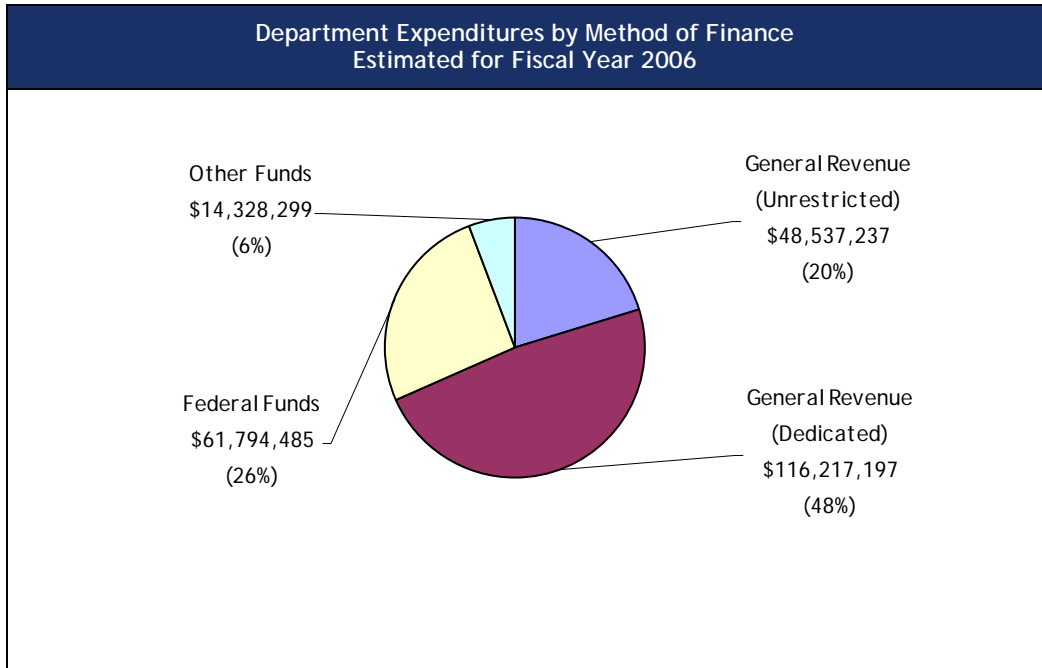
The Department reported estimated total expenditures of \$240,877,218 for fiscal year 2006 in its Legislative Appropriations Request for the 2008-2009 biennium. Of that amount, \$71,009,774 (29 percent) was for the State Parks Division, including funding for state park programs and local parks programs. See Figures 4 and 5 for information regarding Department expenditures by strategy and method of finance.

Figure 4



Source: Parks and Wildlife Department.

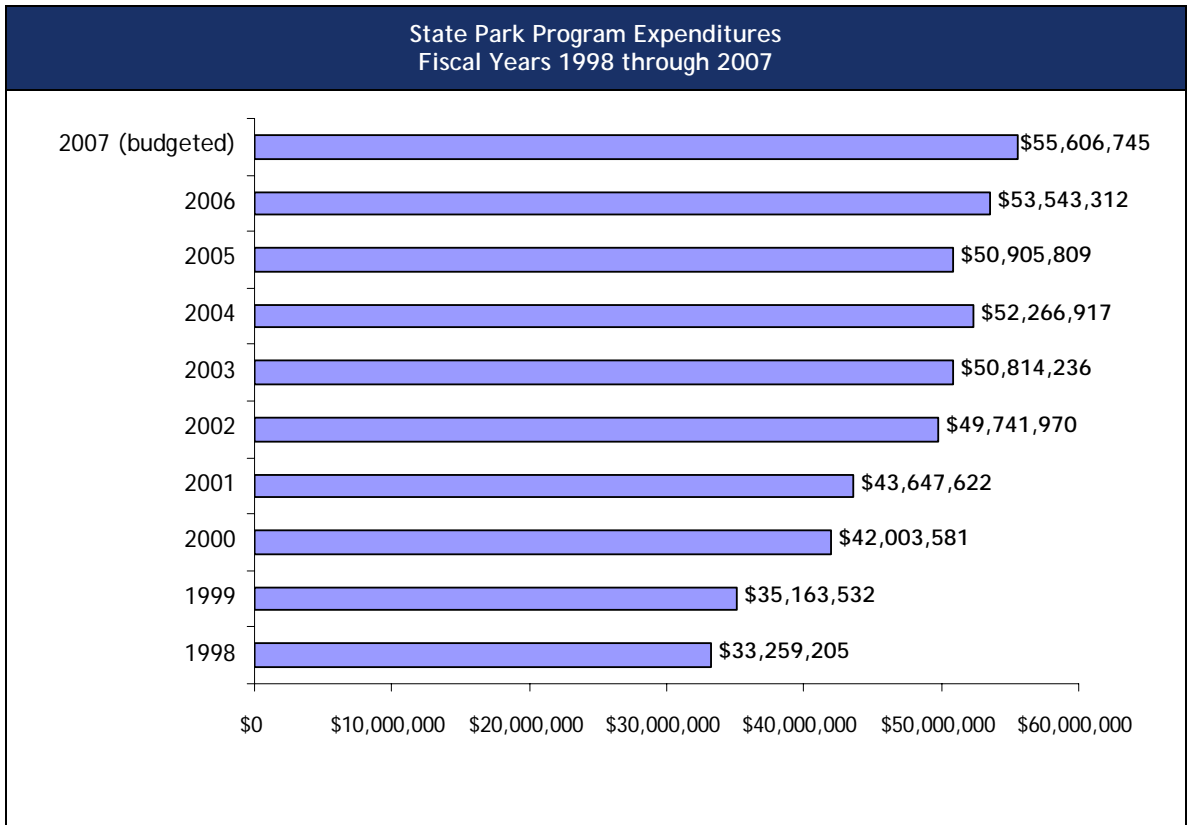
Figure 5



Source: Parks and Wildlife Department.

Overall state park program expenditures have increased from \$33,259,205 in fiscal year 1998 to \$55,606,745 (budgeted) for fiscal year 2007 (see Figure 6).

Figure 6

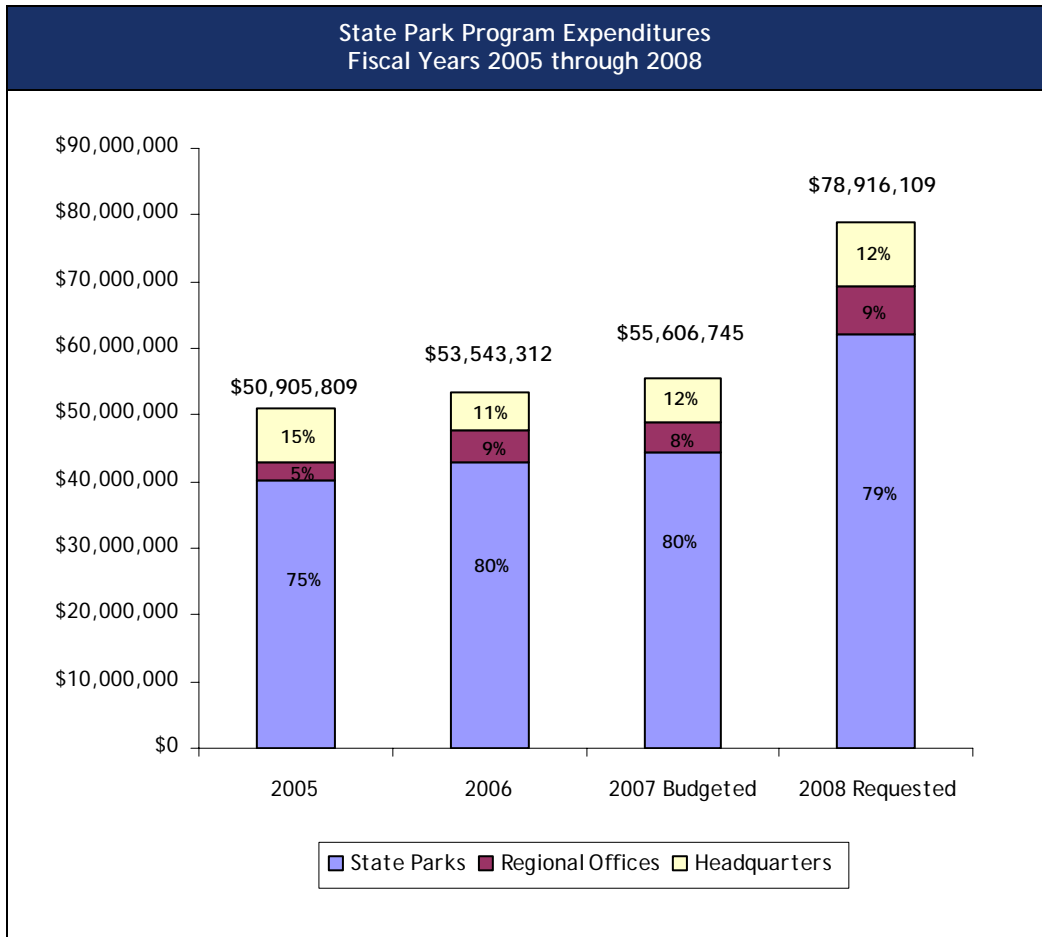


Source: Parks and Wildlife Department.

As indicated previously in Figure 6, the actual expenditures for state park programs in fiscal year 2006, totaled \$53,543,312. The expenditures were funded through Unrestricted General Revenue, Dedicated General Revenue (including the State Parks Account and sporting goods sales tax), and a variety of other sources.

Auditors also compared the actual state park program expenditures for fiscal years 2005 and 2006 to the 2007 budgeted and 2008 requested amounts. The amounts of funding allocated to headquarters have increased for fiscal years 2007 and 2008, while the allocation to individual state parks has decreased (see Figure 7).

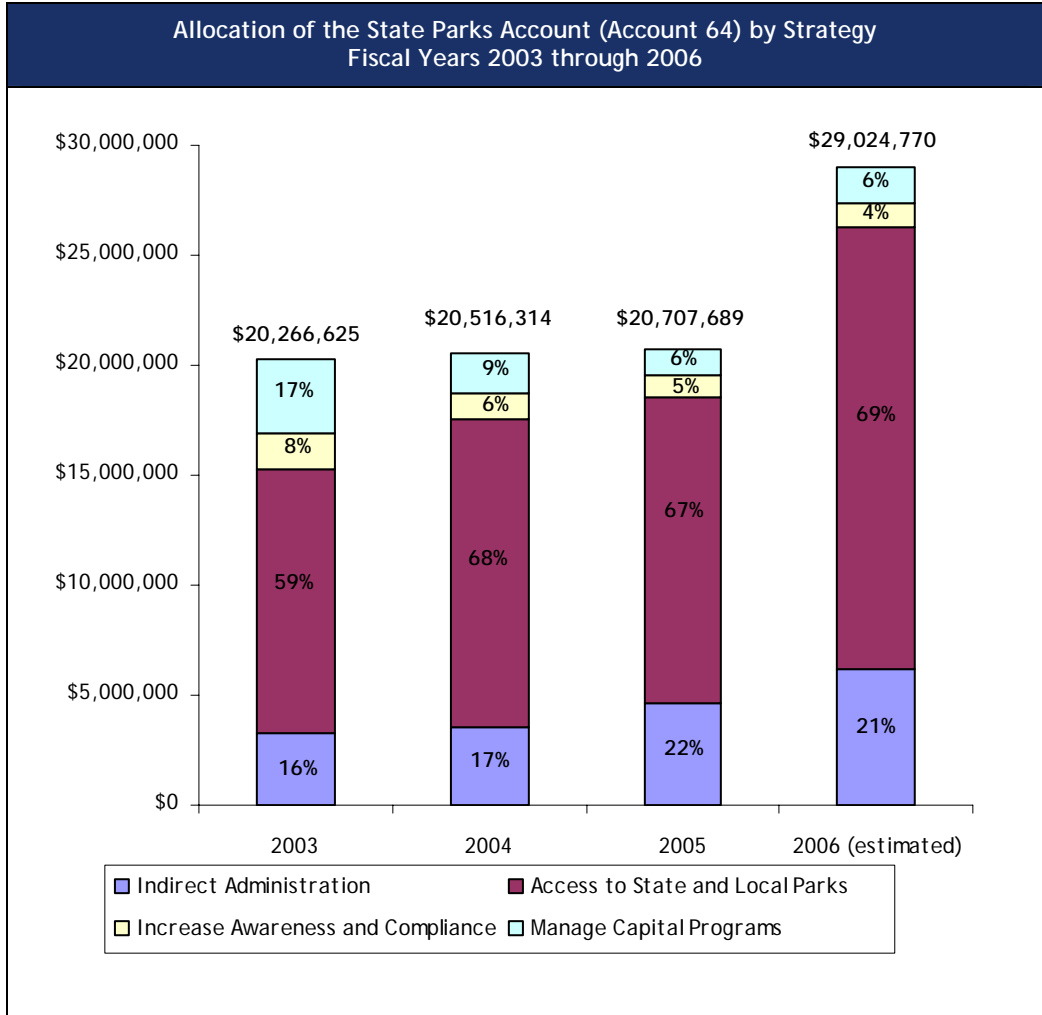
Figure 7



Source: Parks and Wildlife Department.

The State Parks Account (Account 64) is the primary method of finance for state park program expenditures. From fiscal year 2003 through fiscal year 2006, the use of the State Parks Account for indirect administration costs has increased (see Figure 8).

Figure 8



Source: Parks and Wildlife Department.

Comparison of Texas Parks to Other States' Parks

The State Auditor's Office analyzed 2003 Statistical Abstracts published by the U. S. Census Bureau in 2006 to determine the conditions and performance of the Texas state park system in comparison to other states. The State Auditor's Office did not audit the accuracy of these abstracts.

Overall, Texas ranked in the top quartile of all states in terms of:

- State park visitation (Texas ranked 11th out of the 50 states).
- Acres of park land (Texas ranked 4th out of the 50 states).
- Total expenditures of the state park system (Texas ranked 11th out of the 50 states).

However, Texas ranked in the bottom quartile of all states for:

- State park visitation when compared to the population of the state (Texas ranked 47th out of the 50 states).
- State park visitation per acres of park land (Texas ranked 44th out of the 50 states).

Tables 4 and 5 provide additional details regarding the ranking of the Texas parks system among all 50 states. This information indicates that, despite the comparatively abundant resources such as park land and potential visitors from a large population, the Texas state park system is not efficiently used to attract visitors and generate revenue.

Table 4

| Texas State Parks Selected National Rankings Among All 50 States 2003 | | | | | |
|---|------|-------------------------------|------|--|------|
| Visitation | | Acreage | | Revenue and Expenditures | |
| Category | Rank | Category | Rank | Category | Rank |
| Park visitation compared to state population | 47th | Acres of park land | 4th | Revenue | 21st |
| Revenue per park visit | 28th | Visits per acre of park land | 44th | Expenditures | 11th |
| Expenditures per park visit | 24th | Revenue per acre of park land | 39th | Self-efficiency (revenue as a percent of expenditures) | 34th |

Source: U. S. Census Bureau statistical abstracts for 2003.

Table 5

| Selected National Rankings for the State Park Systems in All 50 States 2003 | | | | | | | | |
|--|-------------------------|---------------------------------|-----------------|-------------------------|-----------------|--|-------------------------|--|
| Visits Per Person in Population | | | Visits Per Acre | | | Revenue as a Percent of Operating Expenditures | | |
| Rank | State | Visits per Person in Population | Rank | State | Visits Per Acre | Rank | State | Revenue as a Percent of Operating Expenditures |
| 1 | South Dakota | 11.7 | 1 | Rhode Island | 751 | 1 | New Hampshire | 100.00 |
| 2 | Oregon | 10.8 | 2 | Oregon | 413 | 2 | Vermont | 93.09 |
| 3 | Washington ^a | 7.2 | 3 | Ohio | 349 | 3 | Indiana | 81.56 |
| 4 | Delaware | 6.6 | 4 | Kansas | 255 | 4 | Alabama | 74.71 |
| 5 | Alaska | 6.5 | 5 | Delaware | 231 | 5 | Kansas | 68.91 |
| 6 | Rhode Island | 6.1 | 6 | Iowa | 230 | 6 | Colorado ^a | 67.31 |
| 7 | Nebraska | 5.5 | 7 | Oklahoma ^a | 199 | 7 | Nebraska | 63.08 |
| 8 | Ohio | 5.0 | 8 | Arkansas | 191 | 8 | Kentucky | 62.24 |
| 9 | Iowa | 4.9 | 9 | Tennessee | 176 | 9 | West Virginia | 61.04 |
| 10 | West Virginia | 4.6 | 10 | Washington ^a | 173 | 10 | South Dakota | 60.44 |
| 11 | Tennessee | 4.5 | 11 | Kentucky | 172 | 11 | South Carolina | 57.99 |
| 12 | Wyoming | 4.3 | 12 | Hawaii | 161 | 12 | Oklahoma ^a | 54.97 |
| 13 | New Hampshire | 4.2 | 13 | Georgia | 148 | 13 | Tennessee | 50.65 |
| 14 | Oklahoma ^a | 4.0 | 14 | Mississippi | 126 | 14 | Mississippi | 48.05 |
| 15 | Arkansas | 3.6 | 15 | Pennsylvania | 124 | 15 | Georgia | 47.38 |
| 16 | Hawaii | 3.5 | 16 | Missouri ^a | 122 | 16 | Michigan | 46.72 |
| 17 | Kansas | 3.0 | 17 | Wisconsin ^a | 119 | 17 | Utah | 46.57 |
| 18 | New York ^a | 3.0 | 18 | Illinois ^a | 114 | 18 | Florida ^a | 45.55 |
| 19 | Missouri ^a | 2.9 | 19 | Alabama | 98 | 19 | Ohio | 45.16 |
| 20 | Illinois ^a | 2.9 | 20 | South Carolina | 94 | 20 | Wisconsin ^a | 43.81 |
| 21 | Pennsylvania | 2.9 | 21 | Virginia | 91 | 21 | Arkansas | 43.42 |
| 22 | Wisconsin ^a | 2.8 | 22 | South Dakota | 86 | 22 | Delaware | 42.65 |
| 23 | Colorado ^a | 2.4 | 23 | Indiana | 83 | 23 | Virginia | 38.16 |
| 24 | California | 2.4 | 24 | Michigan | 79 | 24 | Oregon | 37.15 |
| 25 | Indiana | 2.4 | 25 | North Carolina | 77 | 25 | Maryland | 33.84 |
| 26 | Utah | 2.4 | 26 | Nebraska | 72 | 26 | New York ^a | 33.05 |
| 27 | Michigan | 2.2 | 27 | North Dakota | 65 | 27 | Washington ^a | 32.71 |
| 28 | New Mexico | 2.1 | 28 | New Hampshire | 64 | 28 | Arizona | 31.69 |
| 29 | Connecticut | 2.0 | 29 | California | 58 | 29 | Illinois ^a | 29.83 |
| 30 | Maine | 1.9 | 30 | Idaho | 55 | 30 | Iowa | 29.39 |
| 31 | Kentucky | 1.8 | 31 | Louisiana | 50 | 31 | North Dakota | 29.00 |

**Selected National Rankings for the State Park Systems in All 50 States
2003**

| Visits Per Person in Population | | | Visits Per Acre | | | Revenue as a Percent of Operating Expenditures | | |
|---------------------------------|-------------------------|---------------------------------|-----------------|-------------------------|-----------------|--|-------------------------|--|
| Rank | State | Visits per Person in Population | Rank | State | Visits Per Acre | Rank | State | Revenue as a Percent of Operating Expenditures |
| 32 | Maryland | 1.8 | 32 | Utah | 48 | 32 | Nevada | 26.91 |
| 33 | North Dakota | 1.8 | 33 | New Mexico | 44 | 33 | Minnesota | 26.46 |
| 34 | South Carolina | 1.8 | 34 | West Virginia | 43 | 34 | Texas | 26.36 |
| 35 | New Jersey ^a | 1.7 | 35 | New Jersey ^a | 39 | 35 | Alaska | 25.42 |
| 36 | Idaho | 1.7 | 36 | Maryland | 38 | 36 | Hawaii | 25.24 |
| 37 | Montana | 1.7 | 37 | New York ^a | 37 | 37 | New Mexico | 22.81 |
| 38 | Massachusetts | 1.6 | 38 | Arizona | 36 | 38 | Pennsylvania | 21.39 |
| 39 | North Carolina | 1.5 | 39 | Massachusetts | 36 | 39 | Idaho | 20.54 |
| 40 | Minnesota | 1.5 | 40 | Minnesota | 35 | 40 | Montana | 20.07 |
| 41 | Georgia | 1.4 | 41 | Connecticut | 35 | 41 | California | 20.04 |
| 42 | Nevada | 1.4 | 42 | Colorado ^a | 32 | 42 | Missouri ^a | 14.13 |
| 43 | Vermont | 1.1 | 43 | Florida ^a | 30 | 43 | North Carolina | 11.01 |
| 44 | Alabama | 1.1 | 44 | Texas | 26 | 44 | Massachusetts | 7.07 |
| 45 | Mississippi | 1.0 | 45 | Maine | 26 | 45 | New Jersey ^a | 6.36 |
| 46 | Florida ^a | 1.0 | 46 | Nevada | 25 | 46 | Louisiana | 1.11 |
| 47 | Texas | 0.8 | 47 | Montana | 22 | 47 | Connecticut | - |
| 48 | Virginia | 0.7 | 48 | Wyoming | 19 | 48 | Maine | - |
| 49 | Louisiana | 0.5 | 49 | Vermont | 10 | 49 | Rhode Island | - |
| 50 | Arizona | 0.4 | 50 | Alaska | 1 | 50 | Wyoming | - |

^a The State Auditor's Office also surveyed this state. See additional information in this appendix regarding the survey.

Source: U. S. Census Bureau statistical abstracts for 2003.

Based on factors such as acreage, population, expenditures, and proximity to Texas, the State Auditor’s Office surveyed 12 comparable states to obtain additional information. Nine of the 12 states responded, and their responses are summarized in Tables 6 and 7.

Table 6

| Summary of Survey Responses from Nine States Sites, Employee, Budget, and Visitation Information | | | | | |
|---|--|-------------------------|-----------------------------------|-------------------------------------|--|
| State | Type of Sites Managed | Number of Sites Managed | Total Full-time Equivalents (FTE) | Total Budget (in millions, rounded) | Park Visitation for Previous Fiscal Year |
| Florida | State Parks Historic sites Museums Recreational Areas Other types | 160 | 1058.5 | \$162.5 | 18,201,782 |
| Missouri | State Parks Historic Sites | 83 | 719.71 | \$53.3 | 16,664,520 |
| New York | Parks Historic Sites Natural Areas Museums Marinas | 211 | 2192 | \$250.8 | 56,500,000 |
| Wisconsin | State Parks Natural Areas Trails Southern Forests | 104 | 211.25 | \$27.9 | 14,100,000 |
| Colorado | State Parks Natural Areas | 41 | 261 | \$50.0 | 11,000,000 |
| New Jersey | State Parks Historic Sites Natural Areas State Forests State Marinas Golf Courses | 78 | 541 | \$30.0 | 17,836,548 |
| Illinois | State Parks Natural Areas Museums State Forests Marinas Nature Preserves | 314 | 511 | \$53.0 | 43,275,519 |
| Washington | State Parks Historic Sites Natural Areas Museums Other Recreational Opportunities | 139 | 500 Full-time and 400 seasonal | \$95.9 | 39,232,482 (Parks Only) |
| Oklahoma | State Parks | 50 | 304 | \$38.6 | 13,282,171 |

Source: State Auditor’s Office survey.

Table 7

| Summary of Survey Responses from Nine States Fee, Passes, Discounts, Funding, and Outsourcing Information | | | | | | |
|--|--|----------------------|--|-----------------------------------|--|---|
| State | Entrance Fees Collected? | Annual Pass Offered? | Do Individual Parks Have Authority to Offer Discounts? | Primary Funding Source | Secondary Funding Source | Types of Operations Outsourced |
| Florida | Yes at some parks | Yes at some parks | No | Dedicated general revenue | Revenues generated by state parks | Special visitor services, such as reservations, concessions, construction, or maintenance |
| Missouri | No | Not applicable | Not applicable | Dedicated general revenue | Revenues generated by state parks | Concessions, construction, or maintenance |
| New York | Yes | At parks only | No | General revenue | Dedicated revenues (including revenues generated by state parks) | Management of sites, concessions, construction |
| Wisconsin | Yes | Yes | Yes | Not provided | | Concessions, construction |
| Colorado | Yes | Yes | No | Grants | Revenues generated by state parks | Concessions, construction, or maintenance |
| New Jersey | At parks only (Memorial Day through Labor Day) | At parks only | No | General revenue | Not applicable | Concessions |
| Illinois | No | Not applicable | Not applicable | General revenue | Hunting and fishing license revenues, camping revenues | Concessions, construction |
| Washington | Yes at some historic sites | No | Not applicable | General revenue | Revenues generated by state parks | Concessions, construction, or maintenance |
| Oklahoma | Yes at some parks | Yes | No | Revenues generated by state parks | General revenue | Management of site concessions, construction, or maintenance |

Source: State Auditor's Office survey.

Survey results also indicate that some states have unique marketing approaches. For example, the state of Florida partners with "VisitFlorida.com," an operating company of the Florida Commission on Tourism, which markets to consumers to promote tourism in Florida. The Web site provides a marketing solution for state parks by directing visitors to parks based on interest and location, using tools such as interactive maps. Four states—Missouri, Wisconsin, New Jersey, and Florida—reported some cooperation with state tourism offices for marketing of state parks.

The State Auditor’s Office also reviewed the organizational structures of other states’ parks and wildlife agencies (see Tables 8 and 9). Twenty-five states have separated parks and wildlife organizational structures, while the other 25 states (including Texas) have unified parks and wildlife structures. Many states that are comparable in park land acreage and population, such as New York, California, and Florida, have separate parks and wildlife agencies.

Table 8

| States with Separate Parks and Wildlife Departments | |
|---|---|
| State | Agency Names |
| Alaska | Department of Fish and Game Department of Natural Resources |
| Arizona | Game and Fish Department State Parks |
| Arkansas | Department of Parks & Tourism Game and Fish Commission |
| California | Department of Fish and Game Department of Parks and Recreation |
| Florida ^a | Department of Environmental Protection Fish and Wildlife Conservation Commission |
| Idaho | Department of Parks and Recreation Department of Fish and Game |
| Kentucky | Department of Parks Department of Fish and Wildlife Resources |
| Louisiana | Department of Wildlife and Fisheries Department of Culture, Recreation, and Tourism |
| Maine | Department of Conservation Department of Inland Fisheries & Wildlife |
| Massachusetts | Department of Conservation and Recreation Department of Fish and Game |
| Missouri ^a | Department of Natural Resources Department of Conservation |
| Nevada | Department of Wildlife Department of Conservation and Natural Resources |
| New Hampshire | Fish and Game Department Division of Parks and Recreation |
| New Mexico | Department of Game and Fish Energy, Minerals, and Natural Resources Department |
| New York ^a | State Office of Parks, Recreation and Historic Preservation Department of Environmental Conservation |
| North Dakota | Fish and Game Department of Parks and Recreation |
| Oklahoma ^a | Department of Wildlife Conservation Tourism and Recreation Department |
| Oregon | Department of Fish and Wildlife Parks and Recreation Department |

| States with Separate Parks and Wildlife Departments | |
|--|--|
| State | Agency Names |
| Pennsylvania | Department of Conservation and Natural Resources: Game Commission Fish and Boat Commission |
| South Carolina | Department of Natural Resources Department of Parks, Recreation and Tourism |
| Tennessee | Department of Environment and Conservation Wildlife Resources Agency |
| Vermont | Agency of Natural Resources: Department of Fish and Wildlife Department of Forests, Parks and Recreation |
| Virginia | Department of Conservation and Recreation Department of Game and Inland Fisheries |
| Washington ^a | Department of Fish and Wildlife State Parks and Recreation Commission |
| Wyoming | State Parks and Cultural Resources Wildlife and Natural Resource Trust |
| ^a The State Auditor's Office also surveyed this state. See additional information in this chapter regarding the survey. | |

Sources: Web sites of each state agency.

Table 9

| States with Unified Parks and Wildlife Departments | |
|--|---|
| State | Agency Name |
| Alabama | Department of Conservation and Natural Resources |
| Colorado ^a | Department of Natural Resources |
| Connecticut | Department of Environmental Protection |
| Delaware | Department of Natural Resources and Environmental Control |
| Georgia | Department of Natural Resources |
| Hawaii | Department of Land and Natural Resources |
| Illinois ^a | Department of Natural Resources |
| Indiana | Department of Natural Resources |
| Iowa | Department of Natural Resources |
| Kansas | Department of Wildlife and Parks |
| Maryland | Department of Natural Resources |
| Michigan | Department of Natural Resources |
| Minnesota | Department of Natural Resources |
| Mississippi | Department of Wildlife Fisheries and Parks |
| Montana | Fish, Wildlife, and Parks |
| Nebraska | Game and Parks Commission |
| New Jersey ^a | Department of Environmental Protection |

| States with Unified Parks and Wildlife Departments | |
|--|---|
| State | Agency Name |
| North Carolina | Department of Environment and Natural Resources |
| Ohio | Department of Natural Resources |
| Rhode Island | Department of Environmental Management |
| South Dakota | Department of Game, Fish, and Parks |
| Texas | Parks and Wildlife Department |
| Utah | Department of Natural Resources |
| West Virginia | Division of Natural Resources |
| Wisconsin ^a | Department of Natural Resources |
| ^a The State Auditor's Office also surveyed this state. See additional information in this chapter regarding the survey. | |

Sources: Web sites of each state agency.

Sporting Goods Sales Tax Information

Texas Tax Code, Section 151.801, defines “sporting goods” as follows:

Tangible personal property designed and sold for use in a sport or sporting activity, excluding apparel and footwear except that which is suitable only for use in a sport or sporting activity, and excluding board games, electronic games and similar devices, aircraft and powered vehicles, and replacement parts and accessories for any excluded item.

There is no separate state sales tax on sporting goods. Instead, a portion of Texas general sales tax revenue is “attributed” to sporting goods. Using a formula, the Office of the Comptroller of Public Accounts estimates the amount of sporting goods sales taxes in accordance with the Texas Tax Code section cited above. The estimated “sporting goods sales” tax revenue for fiscal year 2006 was approximately \$105 million (see Table 10).

In fiscal year 1993, the 73rd Legislature passed House Bill 706, which dedicated a portion of the sporting goods sales taxes, with a limit of no more than \$27 million per fiscal year, to the Parks and Wildlife Department’s (Department) state park operation. This limit was subsequently increased and is currently \$32 million per fiscal year.

In fiscal years 2006 and 2007, the Legislature appropriated approximately \$20 million in general sales tax revenue attributed to sporting goods to the Department. This included approximately \$15 million for the State Parks Account (Account 64) and approximately \$5 million for the Recreation and Parks Account (Account 467). The Recreation and Parks Account provides grants for local parks.

Table 10

| Estimated State Sales Tax Revenue from the Sale of Sporting Goods Fiscal Year 2006 | | | |
|---|------------------------|------------------|--------------------|
| Category Of Sporting Good | Revenue (In thousands) | Percent of Total | Cumulative Percent |
| Bicycles and Supplies | \$20,596.3 | 19.6 | 19.6 |
| Hunting and Firearms Equipment | 19,851.7 | 18.9 | 38.5 |
| Exercise Equipment | 18,573.5 | 17.7 | 56.2 |
| Fishing Tackle | 12,342.9 | 11.8 | 68.0 |
| Golf Equipment | 9,663.5 | 9.2 | 77.2 |
| Camping | 4,488.1 | 4.3 | 81.5 |
| Snow Skiing Equipment | 3,004.6 | 2.9 | 84.4 |
| Hunting-Outdoor Apparel | 1,798.9 | 1.7 | 86.1 |

| Estimated State Sales Tax Revenue from the Sale of Sporting Goods Fiscal Year 2006 | | | |
|---|------------------------|------------------|--------------------|
| Category Of Sporting Good | Revenue (In thousands) | Percent of Total | Cumulative Percent |
| Billiards/Indoor Games | 1,833.0 | 1.7 | 87.8 |
| Baseball/Softball | 1,652.5 | 1.6 | 89.4 |
| Skin Diving and Scuba Gear | 1,521.8 | 1.5 | 90.9 |
| Archery | 1,483.2 | 1.4 | 92.3 |
| Wheel Sports and Pogo Sticks | 1,472.6 | 1.4 | 93.7 |
| Tennis Equipment | 1,336.4 | 1.3 | 95.0 |
| Other | 5,212.1 | 5.0 | 100.0 |
| Total | \$104,831.1 | 100 | |

Source: Comptroller of Public Accounts and Legislative Budget Board.

General Obligation Bond Information

On November 6, 2001, Texas voters approved Proposition 8, which amended Article III of the Texas Constitution by adding Section 50-f to allow the Legislature to authorize and the Texas Public Finance Authority to issue and sell up to \$850 million in general obligation bonds.

Proceeds from these bonds could be spent only for repair and construction projects authorized by the Legislature and administered by or on behalf of 13 state agencies, including the Parks and Wildlife Department (Department).

For the 2002-2003 biennium, the 77th Legislature appropriated \$36,680,000 in general obligation bond proceeds to the Department to address critical repairs and provide for development and renovation at selected locations. Sites designated to receive bond funding for repairs and renovations included:

- The San Jacinto Battleground State Historic Site.
- The Battleship *Texas* State Historic Site.
- The Admiral Nimitz/Pacific War Museum.
- The Sheldon Lake State Park and Environmental Learning Center.
- The Levi Jordan Plantation State Historic Site.

Because of a statewide budget shortfall, funding for debt service was not appropriated, and no additional bond issues were made in the 2004-2005 biennium.

The 79th Legislature approved the issuance of \$18,075,000 in general obligation bonds for fiscal years 2006 and 2007 for critical park repairs. The Department has requested an additional approximately \$46 million in general obligation bond authority for the 2008-2009 biennium.

Overall Management Response



March 9, 2007

Mr. John Keel
 The State Auditor of Texas
 P.O. Box 12067
 Austin, Texas 78711-2067

Dear Mr. Keel:

The Texas Parks and Wildlife Department (TPWD) takes this audit report seriously and is committed to addressing its recommendations. While there are issues in the body of the report with which we disagree, TPWD concurs with the majority of the findings and we intend to comply with each and every recommendation that will result in improved operations. Both the leadership and the rank and file at Texas Parks and Wildlife are deeply committed to being good stewards of the public's assets and trust.

We have been concerned about the accuracy of state parks visitation estimates and have taken steps to address the problem. In 2002, the State Parks division approached Texas A&M's Department of Recreation, Parks and Tourism Sciences to develop a reliable visitation model specifically designed for the State Park system. In 2003 the model was implemented, with dramatic results. Visitation estimates dropped from over 20 million in FY02 to less than 10 million in FY06, not because fewer people were visiting State Parks, but because the model produced more accurate information. While we have made significant progress on visitation counts, we have also increased revenues over the same period of time. State Park receipts have increased from \$22.4 million in FY02 to \$33.1 million in FY06.

Two strategies we've employed to utilize limited resources most effectively have been to transfer sites to local entities as well as curtail operations in selected parks across the state. We recognize the importance of the decision-making process in both of these areas. Current staffing in state parks reflects long-standing financial limitations coupled with increased costs of operation. Decisions to curtail operations are made after careful analysis of the most important priorities, such as visitor safety, visitor services and resource protection. Staff reductions due to the lack of adequate funding have forced realignment of staff resources in the field, and we believe the decisions made were appropriate, given the situation. We believe we have performed adequate due diligence in the decision-making process regarding the transfer of park sites to other entities. In fact, of the twelve transfers to local entities, all of them continue to be successfully operated as parks and are available for public recreation.

Developing a useful strategic planning process has been a priority for TPWD. Over the past decade we commissioned studies by Texas A&M University (1998), the Governor's Task Force on Conservation (2000) and Texas Tech University (2001). TPWD believes the findings are still valid and provide a reasonable basis for our strategic direction. We also completed an operational strategic plan as directed by the 77th Legislature through the Sunset process. *The Land and Water Conservation and Recreation Plan* (LWCRP) was the result of a comprehensive review and analysis of

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Mr. John Keel
Page Two
March 9, 2007

issues facing the agency. Ultimately, the LWCRP came to the same conclusions as the previous studies. The most basic assumption is that the population of the state will continue to grow in the coming decades. The need for conservation lands and protection of the state's natural and cultural heritage will increase as the population increases. The LWCRP was updated in 2005 and several changes occurred as a result; most notable was the addition of a goal related to improving business practices.

Recognizing the importance of strengthening its business practices, the State Parks Division has been exploring options to improve the park reservation system. In 2005, the State Parks Division began work with its current reservation and revenue management system provider to upgrade the existing system, which along with policy and procedural changes, will provide solutions to a number of problems identified in this audit. This company, ReserveAmerica, is the largest provider of state and national park reservation systems in the nation. Implementation of this upgrade will begin in April 2007. We have requested funding for phase two in the agency's FY 08-09 Legislative Appropriations Request.

Managing the state park system within budget is a challenge, especially when available dollars are not adequate to meet the needs of the system. The State Auditor's Office has acknowledged that the State Parks division did not exceed its budget in 2005. In fact, despite the continued decrease in dollars available for operations, the division has consistently managed within its budget. Flexibility is critical to manage a diverse network of sites scattered across the state.

In closing, I would like to commend the men and women of the State Parks Division. Year after year they have maintained our park system with hard work and creativity, even in the face of budgets that have left them with fewer resources to get the job done. I am proud of their commitment to providing enjoyable recreational and educational opportunities for all who come to enjoy state parks. They have served Texas well.

Sincerely,



Robert L. Cook
Executive Director

RLC:ls:as

Recent State Auditor's Office Work

| Recent SAO Work | | |
|-----------------|--|--------------|
| Number | Product Name | Release Date |
| 06-032 | An Audit Report on the Game, Fish, and Water Safety Account at the Parks and Wildlife Department | April 2006 |
| 04-018 | An Audit Report on Fund-raising Activities at the Texas Parks and Wildlife Department | January 2004 |
| 02-006 | An Audit Report on Revenue Management at the Parks and Wildlife Department | October 2001 |

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