
Secretary of State

State of Oregon

PARKS AND RECREATION DEPARTMENT

Management of State Park Resources



Audits Division

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Oregon*

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This report contains the results of our audit of the Oregon Parks and Recreation Department's management of state park resources. Our review identified opportunities for the agency to improve management of fee programs and improve cost controls. We also provide additional policy information for consideration by the department, commission, legislative assembly and other interested policy makers. Additionally, we evaluated park safety and general park conditions. The agency's response to our report can be found at the end of this report.

OREGON AUDITS DIVISION

John N. Lattimer
Director

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EXECUTIVE SUMMARY

Background

The Oregon Parks and Recreation Department and the Oregon Parks and Recreation Commission are responsible for more than 92,000 acres of state park land and assets estimated at more than \$500 million. During June of 1996, the department reported to the Legislative Assembly's Emergency Board that it was having financial difficulties and that without additional funding, it would have to close 64 parks. The Emergency Board allocated \$1.8 million as a short-term solution and in November 1998, voters passed Ballot Measure 66 that dedicated 15 percent of the state's net lottery revenue for parks, beaches, salmon, wildlife habitat, and watershed protection. The additional funding received has helped the department to keep all of its parks open to date. These funding issues prompted the Audits Division to evaluate the department's and the commission's management of state park resources, and identify opportunities for revenue enhancements and more cost-efficient operations.

The department's mission is to "provide and protect outstanding natural, scenic, cultural, historic and recreational sites."

The mission of the department is to "provide and protect outstanding natural, scenic, cultural, historic and recreational sites for the enjoyment and education of present and future generations." To fulfill this mission the department is challenged with managing 226 park properties, 362 miles of ocean shoreline, 1,150 miles of scenic waterway, 3,961 acres of Willamette River greenway and 489 miles of trails. More than 40 million people visit Oregon's state parks each year. The department operations are funded primarily with user fees and recreational vehicle licensing fees. For the 1997-99 biennium, the department's budget was \$85 million with 448 full-time equivalent employee positions.

Results in Brief

The department could provide more uniformity and fairness to its fee programs as well as provide additional revenue for park operations, rehabilitation, or expansion.

We identified opportunities for the department to improve the management of its fee programs and better control costs. In general, we found that the department could provide more uniformity and fairness to its fee programs as well as provide additional revenue for park operations, rehabilitation, or expansion if it did the following: (1) improve efforts to collect fees from visitors in those parks where fees are required, and (2) establish criteria for when to charge fees and apply it consistently to all parks that meet the criteria. We also identified areas where the department can better control costs and we present some policy issues that the department, the commission, and the Legislative Assembly should consider. Finally, we report on issues we observed during the course of our audit regarding park

conditions and park safety.

- We found that the department could improve its enforcement results by better ensuring that visitors purchase day-use tickets in those parks where the fees are required. The department's data shows that the compliance rates vary significantly from park to park. Our review also confirmed that the compliance effort varies from park to park. We calculated the average compliance rate for day-use ticket purchases at 28 percent, ranging from less than 10 percent at several parks to a high of 60 percent. A more uniform and enhanced compliance effort would provide a fairer fee program to those park users where enforcement efforts are greater as well as provide the department with additional revenue for operations, rehabilitation, or expansion. Of the 24 parks having day-use fees, three had fee compliance levels exceeding 50 percent. If all 24 parks had a 50 percent compliance rate, we estimate that the department could generate as much as \$1.7 million in additional revenue per biennium, after accounting for additional costs for enforcement (see page 9).
- We found that the department should work with the commission and the Legislative Assembly to establish criteria for when it charges fees to users of park facilities and apply it consistently at all parks that meet those criteria. This will help ensure that the department's fee structure has the fundamental fairness that should be inherent in any state fee program. For example, during 1998 the department charged user fees at 24 high-use parks (vehicle counts exceeding 40,000), but did not charge user fees at nine others, including Sunset Bay, Wallowa Lake, and Yaquina Bay, which had vehicle counts exceeding 150,000 (see page 13). Another example is that the department requires some concessionaires, such as those selling coffee or renting bicycles, to pay a permit fee to operate on park property, while it does not require rock climbing guides at Smith Rock State Park to pay the fee (see page 15).
- We also found that the department can take some steps to improve cost controls. One step is for the department to improve its management and oversight of credit card purchases (see page 17). Another is to improve its management of contracts with vendors and concessionaires operating on park properties (see page 19).
- We also provide some information regarding policy issues that the department, the commission, and the Legislative Assembly should consider.

- We provide information regarding how the department's overnight camping fees compare to private campgrounds. In order to make informed decisions on where to set its fee structure, the department needs reliable information on how its current fees compare to local market rates. We found that the department's primary analysis of competitive prices, comparing competitors to the department, failed to account for the family size of the department's primary customers. After adjusting the department's analysis for this factor, we determined that the department's pricing is 30 to 47 percent below rates charged at private campgrounds, almost 30 percent further below market than originally calculated and reported by the department. We estimate that a gradual move of camping fees to local market rates could eventually generate as much as \$3.2 million in additional revenue each biennium. However, the department, the commission, and the Legislative Assembly will need to weigh the costs and benefits of such a policy change (see page 23).
- We provide information regarding how the price of the department's annual pass compares to the national average. A policy change to raise the price of the annual pass from \$25 to the national average of \$30 could generate an additional \$100,000 each biennium (see page 25).
- We provide information regarding how non-park visitors can use the state park recreation vehicle dump stations free of charge. The state pays to maintain and service these stations. Because the department does not track usage of the dump stations, we were unable to estimate potential fee revenues from a change in this policy (see page 26).
- We provide information regarding the use of seasonal workers and how other states are filling those needs at a lower cost. Any change would require modifying *Oregon Revised Statutes* (ORS) 240.309 and ORS 240.425 and renegotiating labor contracts. A policy change in this area could save approximately half of the \$1.6 million that is paid in benefits each biennium for seasonal state employees by using temporary workers (see page 27).
- We also note that the department has not fully implemented the recommendations from a consultant's study that is to form the basis for its forest management plan. During the department's review of the report, the recommended activities were significantly reduced. Even at the reduced level, the department's activity would be significant enough to generate revenues of as much as \$2.5 million per biennium for the next 15 years. However, the department, the commission, and the

Legislative Assembly should carefully weigh the costs and benefits of this policy decision (see page 28).

- We analyzed the department and Oregon State Police data on crimes, citations, and injuries within state park boundaries. We noted that the parks are generally safe and the general trend over the past 10 years, in most park-associated crime, has not changed significantly. Also of note is that our review of the department data did not identify any other acts of random murderous violence like the death of the park ranger in April 1999.
- Finally, we found the parks to be clean and in generally good condition. Several of the parks we visited, however, had buildings and infrastructure in poor condition that were still in use and a hazard to visitors and employees. The department's current plans for rehabilitating park properties placed a higher priority on other projects and did not address these immediate needs. We noted that structures presenting a much lower hazard were being scheduled for repair before those with critical deficiencies (see page 33). We also found that the department provides no oversight of rock climbing guides at Smith Rock State Park. Appropriate management of this business activity within the park would reduce the risk of injury to park visitors who take part in guided rock climbing (see page 15).

Agency Response

The department's written response to this audit can be found starting on page 35 of this report.

Background and Introduction

The Oregon State Park System

Oregon welcomed more than 40 million visitors to its state parks in 1998.

The Oregon state park system is considered one of the top state systems in the nation offering unparalleled scenic wonder and recreational opportunities. According to Oregon Parks and Recreation Department figures, Oregon welcomed more than 40 million visitors to its state parks in 1998. Created in 1921, the state parks system has grown to 226 state parks and more than 92,000 acres spread throughout the state.

In conjunction with the seven-member Oregon Parks and Recreation Commission, the department is responsible for operating developed facilities and managing undeveloped holdings. The Oregon state parks system includes 48 overnight campgrounds (5,732 campsites), 172 day-use areas, 6,500 picnic sites, 489 miles of recreation trails, 1,150 river miles of scenic waterways, 3,961 acres of Willamette River greenway, 362 miles of ocean shores, a variety of historical sites, and 48,000 acres of commercial grade timberland.

The state park system represents 10 percent of the total acreage in Oregon devoted to parks and recreation. About one million acres within state borders are classified as park and recreation property and are controlled by entities other than the department. These entities include the Oregon Department of Forestry, the U.S. Bureau of Land Management, the U.S. Forest Service, the National Parks Service, cities, counties, special districts, utilities, and private businesses.

Revenue

The department's primary sources of revenue are user-fees, recreational vehicle registration fees, and lottery-backed revenue bonds.

The department's 1997-99 biennial budget was approximately \$84 million. Historically, most of its funding came from two sources: user-fees (\$3 day-use tickets, \$25 annual passes, overnight rental fees for campsites, cabins and yurts, and \$6 non-refundable reservation fees), and recreational vehicle registration fees. During the 1997-99 biennium, the department also received \$15 million in funds from the sale of lottery-backed revenue bonds. This bond revenue is to be used for park rehabilitation projects. Subject to biennial legislative approval, the bonds will be issued over a period of approximately ten years and will total \$105 million. Other department revenue sources include state general funds, Oregon Department of Transportation payments for the

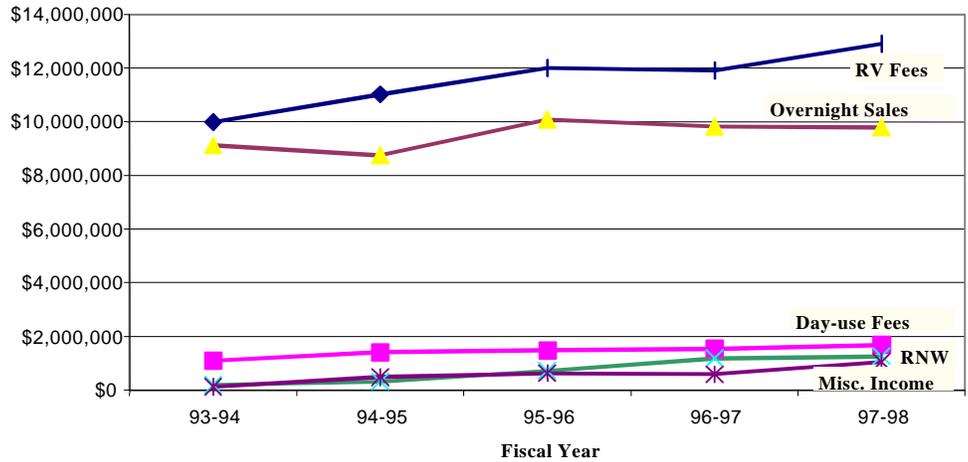
department's maintenance of rest areas near park properties, state Marine Board transfers for boat dock maintenance, federal funds, donations, timber sales, and entrepreneurial activities (boat rentals, firewood sales, and concessionaire operations, etc.).

Table 1 summarizes the department's revenues by source for fiscal year 1997-98. Figure 1 shows the department revenue trends over a five-year period.

Table 1
Sources of Revenue for the Department, FY 1997-98

<u>Source of Funds</u>	<u>Amount</u>	<u>Percent of Total</u>
State General Fund	\$4,900,000	10.2%
User Fees		
Reservations Northwest	\$1,000,000	
Campsite Fees	\$10,100,000	
Day-Use Fees	\$1,700,000	
Total User Fees	\$12,800,000	26.8%
Recreational Vehicle Fees		
Recreational Vehicle Fees from DMV	\$13,300,000	
Less: Transfers to Counties	<u>(\$3,800,000)</u>	
Total Recreational Vehicle Fees	\$9,500,000	19.8%
Lottery Revenue Bonds	\$15,000,000	31.3%
Federal Funds	\$1,000,000	2.3%
Other Sources		
Rest Area Maintenance Transfer from ODOT	\$1,700,000	
Salmon Plates	\$100,000	
Deschutes River Pass Sales	\$200,000	
Land Leases	\$100,000	
Timber Sales	\$100,000	
Marine Board Transfers	\$150,000	
Other Limited Revenue	\$600,000	
Non-Limited Revenue	<u>\$1,500,000</u>	
Total Other Sources	\$4,450,000	9.3%
TOTAL REVENUE – FISCAL YEAR 1998	<u>\$47,650,000</u>	

**Figure 1
OPRD Revenue**



In addition to the above revenue sources, voters passed the Parks and Salmon initiative, as Ballot Measure 66, in November 1998, which dedicates a portion of lottery proceeds to the Parks and Recreation Department and the Department of Fish and Wildlife. The department estimates that its portion of the lottery funds could be between \$34 to \$44 million per biennium.

Expenditures

Eighty percent of the department's expenditures directly support park operations.

Eighty percent of the department's expenditures directly support park operations. The department has several other program responsibilities that also claim portions of department resources. These include the Ocean Shores Recreational Area Program, State Historic Preservation Office Program (SHPO), Oregon Heritage Commission, Oregon Recreation Trails Program, Willamette River Greenway Program and State Scenic Waterways Program.

Table 2 shows that, of the \$32.8 million in department expenditures in fiscal year 1997-98, \$26.2 million (80 percent) went for direct services for park operations and major programs. Administrative costs — expenditures for the management, supervision, and general control of the agency — required \$3 million (9 percent). Indirect costs — general operating costs that benefit more than one organizational objective or unit — required \$3.6 million (11 percent).

Table 2
Department Expenditures by Category, FY 1997-98
Total Expenditures = \$32.8 million

		<u>Percent of Total</u>
<u>Administrative Costs</u>		
Director's Office	\$ 395,351	
Business Services	\$ 1,266,863	
Financial Services	\$ 816,635	
Personnel Services	\$ 331,771	
Historic Preservation (SHPO) ¹	\$ 196,084	
Total Administrative	<u>\$ 3,006,704</u>	9%
<u>Indirect Costs</u>		
Business Services Indirect	\$ 264,000	
Central Support Services	\$ 649,354	
Park Administration Indirect	\$ 110,211	
Engineering Services	\$ 309,367	
Parks & Prison Program Indirect ²	\$ 240,422	
Planning ³	\$ 1,077,907	
Historic Preservation (SHPO)	\$ 80,416	
Bond Program Indirect	\$ 120,869	
Public Information	\$ 769,213	
Total Indirect	<u>\$ 3,621,759</u>	11%
<u>Direct Costs</u>		
Park Operations	\$ 19,485,120	
Info Services/ RNW ⁴	\$ 2,466,627	
Parks & Prison Program	\$ 553,528	
Bond Program (Rehab) ⁵	\$ 1,529,624	
Bond Program (Parks & Prison Program)	\$ 1,462,809	
SHPO	\$ 507,838	
Pass-Through Funds to Local Entities	\$ 248,655	
Total Direct	<u>\$ 26,254,201</u>	80%

¹ The State Historic Preservation Office (SHPO) coordinates, manages, and administers federal and state programs for historic and archeological resource planning and preservation. Program staff assists in the management, development, and interpretation of historic and cultural resources in the parks system.

² The Parks and Prison program provides inmate labor for the parks, products manufactured by prison industries. Funding is a blend of State General Funds and revenue bond funds.

³ The department's Planning and Development Division is responsible for long-range planning for parks, scenic waterways, ocean shores, recreation trails, and other programs.

⁴ The department's Information Services division and the RNW program are combined.

⁵ Bond Program rehabilitation expenditures are those spent from the Lottery Backed Revenue Bonds on the department rehabilitation projects.

As shown by Table 3, portions of total expenditures, the department's administrative, indirect, and direct costs have remained generally stable over the last three fiscal years. From fiscal year 1995-96 to fiscal year 1997-98, the department increased the portion of direct expenditures by five percent and reduced the indirect portion by four percent.

Table 3
The Department's Three-Year Expenditure Trend

	Total	Percent of Annual Total
Administrative Costs		
FY 1996	\$ 2,901,801	10%
FY 1997	\$ 3,658,933	11%
FY 1998	\$ 3,006,704	9%
Indirect Costs		
FY 1996	\$ 4,074,346	15%
FY 1997	\$ 3,939,004	12%
FY 1998	\$ 3,621,759	11%
Direct Costs		
FY 1996	\$20,689,468	75%
FY 1997	\$25,094,483	77%
FY 1998	\$26,254,201	80%

Phone-in Reservations

The department started Reservations Northwest in 1996 to combine all reservations and cancellations into one centralized unit. Users could reserve space at a campground, but they could not specify which campsite they wanted. By charging a user fee, the program was expected to pay for itself following the first year and have enough profit remaining for subsequent computer enhancements. Shortly after starting in 1996, the department management decided that the program needed to provide reservations for site-specific campsites. Implementing this change could have been a significant contributor to higher than expected costs for software and staffing.

The reservation program has a cumulative loss of \$3.3 million.

At the end of fiscal year 1995-96, the reservation program had lost \$1.5 million, and by the end of fiscal year 1997-98, the cumulative loss totaled \$3.3 million. The loss for fiscal year 1997-98 was \$700,000. Though it does not appear that the program will break even soon, recent customer surveys show that Reservations Northwest is delivering satisfactory service.

According to the department, \$1.2 million of the \$3.3 million is attributable to the initial startup of the program. Furthermore, the department feels that one of the primary benefits of the reservation system is the referral of campers from full parks to nearby state park campgrounds. The department feels that this function helps to fill underutilized campgrounds and thereby generate revenue that would not have been realized otherwise.

Rehabilitation of Park Facilities

In its 1997–1999 budget request, the department proposed a 10-year park rehabilitation program with a cost estimate of \$107.4 million. This cost estimate covered building repair (\$40.2 million), paving (\$23.6 million), electrical improvements (\$8.0 million), handicapped access (\$7.9 million), sewer systems (\$7.7 million), water systems (\$7.3 million) and other costs (\$12.7 million).

The Legislative Assembly, in response to the department's request for funding to rehabilitate park properties, approved a budget that included funding for a Parks and Prisons Program, plus \$15 million in lottery backed revenue bonds.

The Parks and Prisons Program provides for direct prisoner labor in the parks, and prisoner-made products such as picnic tables, fire rings, and yurt foundations. The department spent approximately \$2.2 million in fiscal year 1997-98 on Parks and Prisons Program labor and products.

The \$15 million in lottery-backed revenue bonds received in 1998 was the first installment on \$105 million for the rehabilitation of park facilities. The department obligated the \$15 million to two parks and five high-priority projects. Projects included the replacement of failing sewer lines, the replacement of worn out restrooms, and the repair or replacement of water supply and water treatment facilities. As of July 1998, the department spent approximately \$1.5 million of the \$15 million.

New system identifies \$120 million in rehabilitation needs.

The department recently implemented a new system for tracking and managing park maintenance and rehabilitation needs, the Project and Facility Management System (PFMS). Using the PFMS, park managers have identified \$120 million in rehabilitation needs.

Scope and Methodology

The purpose of this audit was to evaluate the department's and the commission's management of park resources, and to identify opportunities for revenue enhancements and more cost-effective operations. Our objectives were to determine if:

- The department was maximizing revenue-producing activities; and
- The department's expenditures were appropriate and reasonable in regard to Reservations Northwest services, park operations, facility maintenance and rehabilitation, and procurement.

We reviewed revenue and expenditure data extracted from the automated TEAMS financial system, as well as data and reports provided by the department, for fiscal years 1993-94 through 1997-98.

To gain an understanding of the department's administrative controls and responsibilities, we:

- Reviewed applicable federal and state laws, regulations, and agency policies;
- Interviewed the commission board members, legislators, and staff at the department, the Legislative Fiscal Office, the Department of Administrative Services, other state agencies and park departments in other states; and
- Reviewed budget documents, meeting minutes, and audits done by other states and the General Accounting Office.

Additionally, to meet our audit objectives we:

- Analyzed department expenditure, revenue, and transaction data;

Background and Introduction

- Reviewed park visitor attendance data;
- Conducted site visits at 17 state parks; and
- Evaluated the department's credit card expenditure records.

We verified the reliability and completeness of computer-processed data used in our audit procedures by comparing data amounts with financial records, matching download record totals with reported amounts, and comparing data to documented record layouts.

We conducted this audit in accordance with generally accepted governmental auditing standards. We limited our review to those areas specified in this section of the report.

Chapter 1: Opportunities for Improved Management of Fee Programs

Increase Day-Use Ticket Purchase Compliance

On average, only 28 percent of day-use visitors pay the required daily fee.

We determined that the department has an opportunity to generate additional revenues by better ensuring that the department receives day-use fees from visitors in those parks where fees are required. Our conclusion is based on our analysis of the department's day-use attendance and revenue figures for fiscal years 1993-94 through 1997-98, and our onsite review of day-use compliance efforts.

Using the department's fiscal year 1997-98 day-use attendance and revenue data, we estimate that 28 percent of day-use area visitors pay the \$3 daily fee, or have an annual pass. Compliance at the individual parks ranged from 4 percent to 60 percent. Table 4 on the next page shows the ticket purchase compliance rates at the 24 day-use parks that charge fees.

Table 4
Compliance Rate at Established Day-Use Parks (1998)

Park Name	Vehicle Count	Revenue at 100% Compliance	Actual Revenue	Estimated Compliance
Armitage	25,421	\$76,263	\$26,439	35%
Benson	45,340	\$136,020	\$21,262	16%
Cape Lookout	48,410	\$145,230	\$39,527	27%
Champogeg	96,070	\$288,210	\$161,519	56%
Dabney	38,112	\$114,335	\$28,963	25%
Detroit Lake	44,174	\$132,522	\$46,818	35%
Ecola	77,793	\$233,379	\$140,459	60%
Farewell Bend	63,000	\$189,000	\$8,414	4%
Fogerty	45,799	\$137,396	\$34,503	25%
Ft. Stevens (museum)	50,053	\$150,159	\$10,735	7%
Heceta Head	103,410	\$310,230	\$40,847	13%
Honeyman	323,487	\$970,461	\$39,016	4%
Mayer	20,638	\$61,913	\$11,237	18%
Milo McIver	58,012	\$174,035	\$72,550	42%
Nehalem Bay	33,516	\$100,547	\$13,216	13%
Rooster Rock	117,417	\$352,250	\$161,036	46%
Shore Acres	69,264	\$207,792	\$108,930	52%
Silver Falls	168,261	\$504,783	\$231,164	46%
Smith Rock	71,954	\$215,862	\$90,897	42%
Cove Pallisades	159,971	\$479,912	\$65,848	14%
Tou Velle	71,019	\$213,057	\$24,673	12%
Tumalo	28,015	\$84,044	\$20,184	24%
Willamette Mission	60,042	\$180,126	\$58,465	32%
Viento	42,294	\$126,882	\$0	new
AVERAGE				28%

Our testing did not determine the exact cause of the low compliance figures at each of these parks. During our review, however, we did note possible explanations for these low compliance rates, such as (1) visitors may be using the park facilities, but not paying the required fees; (2) inadequate department control of collection and depositing of fees; (3) attendance figures may be overstated; or (4) for parks such as Ft. Stevens and Honeyman, free-use and day-use fee attendance figures may be combined.

During our review, we observed that parks with staff collecting fees at entrance booths had some of the best compliance. The department has indicated, however, that it has not had the resources necessary to staff all entrance booths. Instead, the department has installed automated day-use ticket dispensers. Even with the dispensers in place, we found that many cars parked in day-use areas did not display tickets or annual stickers.

We did not test for deposit accuracy or completeness, as the Audits Division was concluding an audit of cash handling controls in the department at the time of our own audit. The cash handling audit revealed several findings relating to the lack of controls over cash handling within the parks system.⁶ These controls include the controls over the collection and deposit of day-use fees. The effect on the compliance figures from losses due to inadequate controls of deposits is not calculable, but the potential of loss does exist.

Finally, we attempted to take into account any probability that the vehicle count figures used in our calculations were misstated. As a part of our onsite reviews, we noted the location and working condition of the vehicle counters used in each park. We observed traffic patterns, attempting to determine if park visitors' vehicles were the only vehicles being counted. We noted that several parks had counters located in positions where local residents and passers-by could be counted as well as park visitors. We considered the volume of this type of traffic, as well as the effect of employee traffic within the park, and concluded that for our analysis the effect on vehicle counts was not significant.

Increasing compliance could generate \$1.7 million per biennium.

Of the 24 parks having day-use fees, three had fee compliance levels exceeding 50 percent. If all 24 parks had a 50 percent compliance rate, the department could annually generate as much as \$1.7 million in additional revenue per biennium. Table 5 shows the potential additional revenue that could be generated from increased compliance. This figure is net of anticipated increased enforcement costs.

⁶ Report number 98-51, *Parks and Recreation Department, Limited Review of Cash Handling, Accounting for Credit Card Sales, and Selected Reservations Northwest Information Systems Controls*, page 3.

Table 5
Estimated Additional Revenue at a
50 Percent Compliance Rate

Park Name	Projected Additional Biennial Revenue
Armitage ⁷	\$0
Benson	\$93,496
Cape Lookout	\$66,176
Champoeg ⁸	\$80,456
Dabney	\$56,408
Detroit Lake	\$38,886
Ecola ⁸	\$45,812
Farewell Bend	\$172,172
Fogerty	\$68,390
Ft. Stevens (museum)	\$128,690
Heceta Head	\$228,536
Honeyman	\$529,430
Mayer	\$39,438
Milo McIver	\$28,934
Nehalem Bay	\$74,114
Rooster Rock	\$30,178
Shore Acres ⁸	\$73,048
Silver Falls	\$42,456
Smith Rock	\$34,068
Cove Pallisades	\$348,216
Tou Velle	\$165,712
Tumalo	\$43,676
Willamette Mission	\$63,196
Viento	\$126,882
TOTAL	\$2,578,370 ⁹

Recommendations

To increase compliance, **we recommend** that the department:

- Staff entrance booths at high-use parks; and
- Assign staff to monitor visitor vehicles for fee compliance.

Our analysis found that the additional recoveries would cover these additional costs.

•

⁷ Property traded with Lane County.

⁸ Currently exceeds 50% calculated at a 20% increase.

⁹ \$1.7 million net biennial total (estimated \$720,000 in increased compliance costs).

We also recommend that the department's financial services section develop a procedure to conduct random testing and reconciliation of collection and deposit records at day-use parks.

Finally, **we recommend** that park managers evaluate the locations of their park traffic vehicle counters and consider relocation to areas where the traffic count can most accurately measure park visitation.

Agency Response

Although the department feels that the revenue estimate is overstated, based on the audit recommendations, the department will work with the commission and the legislature to obtain additional staffing to address day use fee compliance issues. See the complete agency response starting on page 35 of this report.

Criteria for Day-Use Fees at High-Use Parks

The department has not established formal criteria as to when it charges day-use fees.

Our analysis of day-use attendance and fees charged at the most heavily used state parks, led us to question the criteria used by the department for imposing day-use fee requirements. We found that the department does not have formal criteria that are consistently applied to all park properties. This lack of criteria has contributed to a fee program that lacks the fundamental fairness that should be inherent in any state fee program.

We were advised by the department that the primary considerations for not charging a day-use fee include: (1) opposition to a fee from the surrounding community, the area's political representative, or both; (2) ease of enforcement and collection; (3) the revenue impact of the fee; and (4) prohibition from charging a fee due to federal highway funding restrictions or conditions imposed when the property was donated or sold to the state. Each park is evaluated on a case-by-case basis. The department provided us with examples from its last formal evaluation, which was done in 1994.

We found that, while the department charged user fees at 24 high-use parks during 1998 (parks with vehicle counts exceeding 40,000), it did not charge user fees at nine others. We eliminated high-use properties where the department is legally restricted from charging a fee. We estimate the impact of the department requiring day-use fees at those nine parks. Aside from the fairness question, we estimated (using the current 28 percent compliance rate) that the department is forgoing approximately

\$1.8 million each biennium by not charging the fee.¹⁰ The results are shown in Table 6.

Table 6
Estimated Revenue from Day-Use Fees at High-Use Parks

Park	1998 Vehicle Count	Biennial Revenue Estimate
Bullards Beach	107,103	\$163,000
Cape Blanco	47,437	\$62,800
Sunset Bay	199,087	\$317,600
Joseph Stewart	71,406	\$103,200
Wallowa Lake	157,424	\$247,800
Sumpter Valley	87,666	\$130,400
Yaquina Bay	349,341	\$570,000
Agate Beach	53,130	\$72,400
Tryon Creek	82,452	\$121,800
TOTAL	1,155,044	\$1,789,000

Recommendation

We recommend that the department re-evaluate day-use fee implementation for all high-use parks. Primary criteria should include cost/benefit analysis results as well as a consideration of the fairness of not charging a fee when others pay fees at similar state parks.

Agency Response

Although the department does not feel that all the parks cited are suited to day use fees, and would require park redesign as well as additional enforcement staff, based on the audit recommendations, the department will reevaluate which parks are suitable for day use fees and work with the commission and the legislature to implement agreed-upon changes. See the complete agency response starting on page 35 of this report.

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¹⁰ Our estimate is net of the cost for one ticket machine and one additional full-time employee at each of the nine parks.

Management of Climbing Guides at Smith Rock State Park

The department does not manage guided rock climbing concessions at Smith Rock State Park in a manner consistent with existing Oregon Administrative Rules (OAR) governing businesses operating in Oregon State parks. Under the department's OARs for non-traditional park activities, a vendor is required to obtain a use permit, provide proof of insurance, pay a \$100 permit fee, and pay the state 10 percent of all gross earnings from vending activities within the park.

During our onsite review at Smith Rock State Park we noted that several rock-climbing guides were conducting guided climbing tours on park property. The area manager advised that guided climbs of Smith Rock had been conducted for years prior to the area being designated a state park, and management has allowed the climbs to continue. Guides are not required to check in with Smith Rock staff, nor do they voluntarily do so. Other than the \$3 day-use fee, no other payment is required.

The department does not require use permits for rock-climbing guides.

The department requires other concessionaires, such as those selling coffee or renting bicycles, to obtain a use permit. Applicants for a permit must pay a \$100 fee and provide proof of liability coverage, as well as obtain other state and local permits prior to beginning the activity. The department also requires these concessionaires to return a percent of their gross receipts to the state. Concessionaires operating guided climbing services at Smith Rock State Park, however, are not required to apply for a permit.

Guides are not required to demonstrate that they have training or experience.

Aside from the fiscal issue, there is a risk management issue. Notably, the guides are not required to demonstrate that they have registered with the Oregon State Marine Board. Registration would indicate that they have the training or experience necessary to safely perform the service.

The department reports that it has been hesitant to address this issue because the Department of Administrative Services' Risk Management Division holds that the department is not liable for accidents from any rock-climbing activity at Smith Rock. It feels that requiring guides to obtain a permit might shift the responsibility for accidents from individuals to the state. Our concern is that Risk Management's position is limiting the department's efforts to mitigate the risks unforeseen by park visitors using guided rock climbing services, such as unlicensed, uninsured, or incompetent guides.

Recommendation

To properly manage climbing guides at Smith Rock State Park, **we recommend** that the department consider:

- Requiring all climbing guides to obtain the \$100 department permit in order to operate within park boundaries, and monitor for compliance;
- Requiring climbing guides to pay a percentage assessment on gross concessions receipts, and monitor for compliance; and
- Issuing permits only to climbing guides who are registered with the Oregon State Marine Board.

Agency Response

The department agrees that the management of climbing guides at Smith Rock State Park merits further review by the department and the commission. See the complete agency response starting on page 35 of this report.

Chapter 2: Opportunities for Improved Cost Controls

Management of Credit Card Expenditures

We found that department employees do not consistently follow the agency's policies and procedures controlling credit card use. The policies and procedures are necessary to help control excess expenditures and to reduce the risk of unauthorized use of state credit.

The department has access to a \$603,000 monthly line of credit available on the 126 credit cards issued to department employees. In fiscal year 1997-98, the department made credit card charges that totaled \$408,376, up from \$274,452 in fiscal year 1996-97.

We reviewed 27 of the 342 batches of the department's credit card transactions made in fiscal year 1997-98, and examined supporting documentation. We also tested to determine if any recently terminated employees still had active credit cards.

We found several exceptions to the department's credit card policies, and significant control weaknesses, including:

***Former employees
had open credit
lines.***

- For 19 former employees that had been assigned state credit cards, we found 14 instances in which the credit cards were not cancelled as of January 27, 1999. The dates of termination for the employees were between November 11, 1997 and November 13, 1998 and included permanent, seasonal, and temporary employees. We were advised that the cards in question are in the possession of the park managers and not the former employees; however, active numbers can still be used to make purchases, such as those over the phone or Internet.
- In 23 of the 27 transaction batches tested, department employees did not provide a complete description of their credit card purchases, making it difficult to determine whether the purchases were for legitimate business purposes. For example, we questioned unsupported purchases from Chuck's Rod and Reel, BP Oil, and Heyman's Safe. Additional information provided at our request seemed to support that the purchases were for state purposes; however, the purchase of gas on the VISA card is a violation of the department's policy for card use.

- We identified one transaction in which the user of the credit card was not the authorized user or an employee of the department, contrary to the card use agreement signed by the employee that states, “I will be the only person who will sign for purchases with this card. I do not have the authority to allow anyone else to make purchases with this card.” A park manager’s spouse charged \$350 in drapery for the park manager’s residence on a credit card assigned to the assistant area manager. The park manager approved the invoice for payment.
- We identified one transaction in which the user of the credit card purchased a trophy, cake, soda and chips for a department employee’s retirement party. The department was not reimbursed for the \$56.48 that was spent.

We reviewed these results with the department’s management, who agreed that these were exceptions, caused by (1) department employees having limited training in the use of state credit cards; (2) department management not conducting periodic audits of credit card purchases; and (3) when an employee terminates, the department’s Financial Services Section not being immediately notified so that the card can be cancelled.

Recommendations

To improve controls over credit card purchases and ensure compliance with policy and procedures, **we recommend** that the department:

- Require the Financial Services Section to begin periodic audits of documentation supporting credit card purchases;
- Provide training for all credit card users;
- Require park managers to promptly notify the Financial Services Section whenever an employee terminates so that those cards may be cancelled;
- Require the Financial Services Section to routinely compare current employees to the bank’s list of current credit card holders. Immediately cancel all cards not held by current employees; and
- Require the Financial Services Section to cancel the 14 credit cards held by former employees identified in our audit.

Agency Response

The department is implementing program software recommended by the Secretary of State and has revised policies to improve employee credit card purchasing rule compliance. See the complete agency response starting on page 35 of this report.

Agency Accomplishments

During our audit, the department hired an accountant to help update accounting policies and procedures and provide training to field staff. The department also hired an additional employee to monitor staff's compliance with policies and procedures, including the use of credit cards.

In response to our finding, the department sought and received reimbursement (May 11, 1999) of the \$56.48 in retirement party expenditures.

Management of Contracts With Concessionaires

To control costs, the department needs to improve its central oversight and enforcement of contracts, especially those involving concessionaires operating within state parks.

We performed a detailed review of concessionaire activities in the parks that we visited, and three others that had significant concessionaire activity during fiscal year 1996-97. We reviewed contracts, analyzed financial transaction data, and interviewed the department's central office and field personnel responsible for contract management. In addition, during our review we received an anonymous letter from someone who claimed that a transaction involving the department's former deputy director and a concessionaire was inappropriate. We followed up on this allegation.

We found that contract management at the department is generally decentralized. Department management approves contracts, but the park manager is responsible for the day-to-day management of contract provisions. We documented the following examples of inadequate contract management.

A park manager entered into a loan agreement enabling a concessionaire to use state funds to purchase a ski boat from the department's former deputy director.

- In November 1997, the Cove Palisades park manager entered into a loan agreement enabling a concessionaire to use state funds to purchase a ski boat from the department's former deputy director. The boat was sold for market value, but was purchased with funds from a joint state/concessionaire account set up to provide funds for "...capital construction, repair, and replacement projects of concession related facilities...." At the time of the purchase, the account consisted exclusively of state funds. The account has since been closed.

Under the agreement, the concessionaire is expected to repay the joint account with payments of 75 percent of the boat's rental income. No interest was charged for the loan. The agreement is dated 11/15/97, and as of February 1999, no payments had been made. Park management is not tracking the boat's rental history or repayments. The agreement has no provisions for accelerating repayment should the concessionaire default, nor does it require the loan to be repaid prior to the expiration date of the concession contract.

We referred this matter to the state's Government Standards and Practices Commission.

- According to the department, the Cove Palisades concessionaire has not been maintaining the marina docks as required by the concession agreement. The contract with the concessionaire states, "Concessionaire shall be responsible for seasonal routine activities regarding maintenance and care of state's dock facilities." The contract further states, "Concessionaire shall provide payment for the first \$300 toward each item of maintenance or repair, including state-provided labor, equipment, and supplies, for the buildings ... docks and access leading to docks." The old dock and breakwater were replaced with a new \$150,000 dock paid for by the state. The department should ensure that the new dock is maintained by the concessionaire in accordance with the contract terms.
- On several separate occasions, a concessionaire at Honeyman Park has not paid a required \$250 deductible for concession improvements paid for by the state, as required by contract.
- Champoeg Park has property within the park licensed by the state to the Daughters of the American Revolution (D.A.R.). According to the agreement, the D.A.R. was to erect and maintain a pioneer-type log cabin, as well as other pioneer-

type facilities located on the licensed land. We observed that the D.A.R. facilities are in a state of disrepair; they are not clean and presentable to visitors.

The department could have avoided some of these problems by seeking counsel from the Department of Administrative Services and the Attorney General before entering into contracts. The examples also show that the department should more closely monitor park management and concessionaire activities to ensure that proper contracts are written and that concessionaires are complying with contract terms.

Agency Accomplishments

In response to our findings, the department has developed a Clearance Form for Contractual Instruments to help improve management's oversight of department contracts.

Also in response to our findings, the department sought and received reimbursement (April 7, 1999) of the \$6,000 loan made to the Cove Palisade concessionaire.

Recommendations

To ensure that the department's contracting activities are appropriate and meeting state contract requirements, **we recommend** that the department:

- Abide by the state's procurement rules and consult with the Department of Administrative Services and the Attorney General's office to ensure compliance.
- Provide contract management training for park managers and assume a more active role in assuring contract compliance. As part of this effort, the department should assure consistent use of the clearance form, as well as conduct periodic audits of concessionaire records.
- Cancel the contract and find new concessionaires for any concessionaires unwilling to abide by state contract terms.

Agency Response

The department agrees, and recognizes the need to improve concessionaire contract management. The department has revised the concessionaire policy to increase oversight of concessionaire operations, and will train staff and concessionaires in concessionaire agreement obligations. See the complete agency response starting on page 35 of this report.

Chapter 3: Policy Information for Consideration

Market Analysis of Overnight Camping Fees

The department's overnight camping fees are significantly less than the fees charged by private campgrounds.

Our analysis of the department's overnight camping fees found that the department's overnight camping fees are significantly less than the fees charged by private campground operators for similar accommodations. We reviewed prime season campground occupancy, state park attendance trends, and surveys of private park and other public fees. We also reviewed the department's analysis of competitor's pricing and found this analysis failed to account for the family size of the department's primary customers. After adjusting the department's analysis for this factor, we determined that the department's pricing is 30 to 47 percent below rates charged at private campgrounds, almost 30 percent further below market than originally calculated and reported by the department (see Table 7). We estimate that gradually moving camping fees closer to local market rates could eventually generate as much as \$3.2 million in additional revenue each biennium. However, the department, the commission, and the Legislative Assembly will need to weigh the costs and benefits of such a policy change.

**Table 7
Analysis of Department and Private Market Fees
for Four Campers**

Area	Tent Sites		Elect. & Water		Full Hook-up	
	State	Priv.	State	Priv.	State	Priv.
North Coast	\$17	\$25	\$19	\$26	\$20	\$30
Columbia Gorge	\$14	\$24	n/a	\$25	\$18	\$25
Willamette Valley	\$16	\$19	\$19	\$23	\$20	\$26
South Coast	\$15	\$21	\$18	\$23	\$19	\$25
Central Coast	\$16	n/a	\$19	\$23	\$20	\$27
Central Oregon	\$16	n/a	\$18	n/a	\$20	\$28
Eastern Oregon	\$14	n/a	\$16	n/a	\$19	\$23
Statewide Average	\$15	\$22	\$18	\$24	\$20	\$26
Difference – \$ per site	\$7		\$6		\$6	
Difference – percent	47%		33%		30%	

An increase in camping fees could deter some from using the state facilities; however, past experience has shown that fee increases were associated with only small declines in park attendance. Between fiscal year 1990-91 and fiscal year 1996-97, the department increased camping fees every year with only a small change in attendance. For example, from 1994 to 1998 the department increased campsite rates for all but the primitive site by \$3 to \$4. Overnight camping attendance for 1998 was at 95 percent of the 1994 attendance level. There was, in fact, a rise in attendance between the 1997 and 1998 seasons (see Table 8).

Table 8
Comparison of Camping Attendance and
State Fees, 1993-94 to 1997-98

Year	Attendance	Tent Sites Fee	Elect. & Water Fee	Full Hook-up Fee
1994	2,049,263	\$14	\$15	\$16
1995	2,006,554	\$15	\$16	\$17
1996	2,035,685	\$16	\$18	\$19
1997	1,942,484	\$16	\$19	\$20
1998	1,954,543	\$17	\$19	\$20
Total Change %	-5.04%	21.4%	26.7%	25.0%

Note: Fee data used is the year prior versus the present year attendance and is the state's highest published fee for the type of campsite rented.

Maximizing revenue and increasing department self-sufficiency may or may not be important considerations in setting rates. The social and policy implications of changing camping fees are best considered by the department, the commission, and the Legislative Assembly. However, if the department gradually moved its overnight fees closer to local market rates, it could generate additional revenue. For example, if the department were to gradually raise its overnight fees to 85 percent of local market levels, an average \$3 per campsite, it could generate as much as \$1.8 million in additional revenue per biennium. This figure is net of an anticipated 5 percent drop in campground use following the rate increase. If the department were to gradually raise its fees to 100 percent of local market levels, an average \$6 per campsite, it could generate as much as \$3.2 million in additional revenue per biennium. This figure is net of an anticipated 10 percent drop in campground use following the rate increase.

Our anticipated drop in campground attendance resulting from an increase in rates most likely is overstated. We performed a

regression analysis comparing state park camping attendance, state rates, rainfall, and overnight stays in national parks between 1988 and 1998. This analysis indicates that state park camping attendance mirrors a nationwide trend, as is shown by overnight stays in national parks. Since the early 1990's, overnight attendance has declined in the state and national park systems. The analysis also indicates that the amount of rainfall on the Oregon coast from May through September is a more reliable predictor of annual state system camping attendance than is the amount that the department charges for overnight camping.

Recommendation

We recommend that the department reconsider its pricing model for overnight rates, considering that its typical customer is a family of four.

Agency Response

While the department feels that department rates are comparable to those charged by other public and private campground operators, the department will reevaluate camping rates, based on the recommendations, and work with the commission and the legislature to implement appropriate charges for the 2001-2003 biennium. See the complete agency response starting on page 35 of this report.

Analysis of Annual Pass Prices

The department's annual pass price is less than the national average.

As stated previously, revenue generation, maximization and department self-sufficiency may or may not be important considerations in rates set by the department. These considerations have social and policy implications that are best resolved by the department, the commission, and the Legislative Assembly. We noted, however, that the department presently charges \$25 for an annual day-use pass. Based on information obtained from the National Association of State Park Directors, 1998 Annual Information Exchange report, we determined that the national average price for similar annual park passes is \$30. If the department increased the price of its annual pass from \$25 to \$30, it could generate an additional \$100,000 each biennium. According to a 1998 GAO audit of park fees, similar price increases at federal parks have caused no major adverse effect on park visitation.¹¹

¹¹ United States General Accounting Office, Report # GAO/RCED-99-7, *Recreation Fees – Demonstration Fee Program Successful in Raising Revenue But Could Be Improved*, November 1998.

Recommendation

We recommend that the department reconsider its pricing of annual passes, keeping in mind the state's prices in relation to the national average.

Agency Response

While the department feels that increasing the annual permit rate could reduce sales, the department will reevaluate this during budget development for the 2001-2003 biennium. See the complete agency response starting on page 35 of this report.

Management of Recreational Vehicle Dump Stations

The department has recreational vehicle dump stations on many of its park properties, and bears the cost to maintain and service these stations. Access to the stations is free to park campers and paying park visitors. Dump stations, however, are also free to anyone who wants to use them. Some parks are currently asking for a \$3 donation from dump station users to help offset the costs. Because the department does not track usage of the dump stations, we were unable to estimate potential fee revenues from a change in this policy.

Recommendation

We recommend that the department consider a policy for charging non-park visitors a fee for using state park recreation vehicle dump stations.

Agency Response

The department feels that its current RV dump station donation policy is considered appropriate. See the complete agency response starting on page 35 of this report.

Effects of Required Use of Seasonal Employees

For many department positions currently filled with seasonal state employees, the department would save money if it were allowed to fill these positions with temporary employees. ORS 240.425 requires the state to use seasonal state employees to fill positions that occur, terminate, and recur periodically and regularly. ORS 240.309 restricts the use of temporary employees to emergency, nonrecurring or short-term workload needs. Unlike temporary employees, seasonal employees get full state benefits during the months they are employed, and may be eligible to apply for unemployment benefits during the off-seasons. Seasonal employees' benefits include retirement, medical, vacation pay, holiday pay, sick leave, etc. The department paid more than \$815,000 for seasonal employee benefits during the 1997 season.

More than 340 seasonal state employees work for the department during the prime season, which runs from May through September. According to some managers, certain recurring jobs require skills, and having seasonal positions makes it easier to retain experienced workers. Only 50 percent of the department's seasonal employees return, however, for a second season. In addition, the department's seasonal employees normally perform work that requires limited training such as cleaning, minor maintenance, fee booth operations, and visitor assistance.

The department could lower labor costs by \$816,000 per biennium.

If the department could fill half of its seasonal positions with temporary employees, it could lower its biennial labor costs by at least \$816,000. The savings could be used to hire more workers.

As part of this audit, we surveyed three other state park agencies. All use temporary employees during the prime season, and none had the same restrictions on the use of temporary employees as does Oregon. Such a change would require re-negotiation of the current union contract, as well as a change in legislation currently governing seasonal employees.

These findings and savings are similar to the findings in our 1996 audit of the Department of Revenue's tax payment processing¹²

¹² Report number 96-13, *Department of Revenue July 1, 1994 to June 30, 1995*, page 11.

and *Appointments to State Service* audit report.¹³ Our audits identified potential annual savings of \$321,000 from the Department of Revenue and \$2.3 million statewide, from allowing department managers greater flexibility and therefore potentially better management, of seasonal and temporary employees.

Recommendation

To ensure that the department has the flexibility necessary to maximize labor availability during the prime season, **we recommend** that the department work with other agencies in proposing changes in ORS 240.309 and ORS 240.425 to allow state managers to choose whether to meet regularly recurring work demands with seasonal or temporary employees.

Agency Response

The department agrees that use of temporary appointments instead of seasonal employees could result in lower costs and will reevaluate this recommendation with the commission during development of the 2001-2003 biennium biennium budget and legislative concepts. See the complete agency response starting on page 35 of this report.

Implementation of a Forest Management Plan

The department manages 60,000 acres of forestland, of which 48,000 are considered commercial grade timberland. The department has statutory or deeded authority to cut trees on 39,000 acres. The department considers many areas to be off-limits to timber harvest because of the proximity to developed parks and hiking trails, and because of their historical or ecological significance.

A 1996 consultant study commissioned by the department found that more than \$91 million in net revenue could be realized strictly by addressing the immediate health and ecosystem needs of state park forests. The department planned to use the study as the basis of its new forest management plan. When the department reviewed the report, however, it discovered several items not considered by the consultant that would have a bearing on the plan.

¹³ Report number 97-84, *Appointments to State Service*, page 19.

After accounting for the omitted issues in the consultant's report, the department identified areas in which some selective cutting should be considered. Department forest management actions in these areas could include stand thinning to increase vigor of the trees that remain, removing or replacing some species of shrubs known to perpetuate the fire cycle, overseeing proper agricultural uses such as grazing and seed growing in forests, removing excessive woody debris, and conducting controlled fires to avert the management problems that come with overly dense stands.

Department timber revenue currently averages \$600,000 per biennium. The department estimates that it could generate additional net revenues of as much as \$2.5 million per biennium for the next 15 years from selective cutting. Department management reported that they have requested funds for additional staff to implement the forest management plan.

Recommendation

We recommend that the department, the commission, and the legislative assembly:

- Carefully consider the costs and benefits of this policy,
- Reaffirm that the complete implementation of the plan is consistent with the department's mission, and
- Consider uses for the additional revenue that would be generated with full implementation.

Agency Response

The department feels that the commission's natural resource plan sets the appropriate balance between healthy forests and public concerns regarding the harvesting of timber. The recently approved budget includes additional resources to implement the department's forest management plan. See the complete agency response starting on page 35 of this report.

Chapter 4: General Park Conditions

Park Security

Our analysis of data provided by the department showed that serious crimes very seldom occur in state parks. The department's accident and incident reports dating from the mid-1990's showed that approximately five to ten person-to-person assaults occur system-wide each year. Most involve fights, hitting or thrown objects. We noted that one shooting death occurred in a state park in 1996. A firearm also was used in the April 1999 homicide of one park ranger and the shooting of another ranger. Nevertheless, the data indicates that the parks are secure, given that approximately 40 million persons visit state parks each year and few serious crimes occur.

Some Unsafe Facilities

Some Oregon state parks have unsafe structures still in use by park visitors.

Oregon's state parks are clean and in generally good operating condition. Some parks, however, have structures and other improvements in poor or unsafe conditions still in service and used by park visitors.

We evaluated conditions at 17 of the most heavily-used parks in the state parks system. Given the age of the parks (many were built in the 1960's or earlier) and heavy use, we concluded that park employees were doing a good job keeping the parks presentable and in service.

Of the 17 parks surveyed, however, 14 had obvious hazards or structures in poor or critical condition. For example:

- At Farewell Bend State Park in Baker County, a restroom toilet serving a camping area overflows onto the surrounding ground during periods of heavy use.

- The sidewalk to the dock at Detroit Lake State Park in Marion County has a 12-inch or more drop off on either side; it and the gangway are falling apart (see photo below).



Dock at Detroit Lake State Park

- A restroom roof at Jesse M. Honeyman Memorial State Park in Lane County is in danger of collapsing. The park also has numerous large trees that are unstable and present hazards and need to be removed. Trail conditions there have led to accidents, including two injuries in 1998 involving broken bones.
- At Yaquina Bay State Park in Lincoln County, a storage shed appears structurally unsound and is a hazard to the public and employees (see photo below).



Storage Shed at Yaquina Bay State Park

Several park managers cited limited funding and staffing shortages as causes for the facility problems. In the past, most improvements were paid for from each park's operating budget.

In recent years, budgets were limited and provided only for minor repairs and paint, not for replacement of buildings and infrastructure.

Prioritization of Park Rehabilitation Projects

Urgent health and safety hazards were not targeted first for repair.

We found that the department has committed most of the first \$15 million in lottery-backed revenue bond funds toward projects that are highly visible and enhance park operations. Urgent health and safety hazards were not targeted first for repair. Many of the safety hazards we found on our park visits were not scheduled to receive funding for repair, while projects with lower health and safety risks are under construction. For example, at Fort Stevens State Park in Clatsop County, construction has started on a new registration booth and entrance parking (\$725,000). Another scheduled project involves the redesign and rehabilitation of bike trails (\$358,000).

By not first correcting hazards to park visitors, the department may expose the state to increased risk of claims or litigation resulting from accidents or illnesses.

Department management stated that they intended to use the first installment of lottery revenue bond funds for projects that would be readily seen and appreciated by visitors. Management felt that they needed to show legislators and the public that revenue bond funds were being used to improve the park system. Since receiving its first installment of lottery bond funds, the department has hired additional staff and consultants to help identify hazards and risks, and formalize the selection of projects.

Recommendation

To ensure that park rehabilitation projects address the most urgent needs, the department should develop written criteria for prioritizing projects. The criteria should give highest priority to projects that correct health and safety hazards.

Agency Response

The department agrees with the recommendation and has implemented a written four-point strategy that focuses on improvements to health, safety and accessibility. According to the department, the majority of park rehabilitation projects are to correct health and safety hazards. See the complete agency response starting on page 35 of this report.

Commendation

The courtesies and cooperation extended by the officials and staff at the Oregon Parks and Recreation Department were commendable and much appreciated.

Audit Team

James D. Pitts, Audit Administrator
Charles Hibner, CPA
MellaDee Makelacy
Chinenye Mba
Judy Busey

AGENCY'S RESPONSE TO THE AUDIT REPORT

On the following pages is the Oregon Department of Parks and Recreation's response to the audit report. We footnoted the response where we felt it was necessary to clarify issues and to reflect the fact that it addresses concerns that we have already addressed in the report. The text of our footnotes can be found starting on page 57 of this report.

June 28, 1999

Cathy Pollino, Deputy Director
Secretary of State Audits Division
255 Capitol Street NE, Suite 500
Salem, Oregon 97310

Dear Ms. Pollino:

This letter is in response to the Oregon Audits Division letter and draft audit report dated June 9, 1999, for Oregon Parks and Recreation Department's (OPRD's): *Management of State Park Resources*. OPRD's responses, including comments, action taken, and/or planned improvements are listed following each recommendation contained in the draft report. In addition, we have included a section for clarification of some comments made in the body of the report. Please include these clarifications as part of our response.

Sincerely,


Robert L. Meinen
Director

Attachment



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CHAPTER 1: OPPORTUNITIES FOR IMPROVED MANAGEMENT OF FEE PROGRAMS

"Increase Day-Use Ticket Purchase Compliance"

Audit Recommendations:

To increase compliance, we recommend that the department:

- Staff entrance booths at high-use parks; and
- Assign staff to monitor visitor vehicles for fee compliance.

Our analysis found that the additional recoveries would cover these additional costs.

We also recommend that the department's financial services section develop a procedure to conduct random testing and reconciliation of collection and deposit records at day-use parks.

Finally, we recommend that park managers evaluate the locations of their park traffic vehicle counters and consider relocation to areas where the traffic count can most accurately measure park visitation.

Response:

- The Department agrees day use compliance is less than 100%, but the audit does not accurately estimate the potential for increased revenues.
- Increasing compliance will require additional staff for fee collections and enforcement.
- Based on the audit recommendations, the Department will work with the Parks and Recreation Commission and the Legislature to obtain additional staffing to address day use fee compliance issues.

The method used in the audit to determine the potential for increased day use revenue does not give an accurate picture. Assuming the vehicle count is accurate, or differences are not significant, the vehicles counted include overnight campers utilizing day-use facilities, vehicles with annual permits and vehicles with day-use permits purchased at a different park. There would be no revenue from these vehicles identified with the park where their visitation is recorded. In fact, those day-use parks identified in the audit as having the lowest compliance are adjacent to overnight parks where the possibility of vehicle traffic from overnight campers is more likely. As a result, the estimated net increase in revenues (\$1.7 million) is overstated.

The majority of day-use fee parks that have vehicle counts of 40,000 or more already have staffed entrance booths. Due to staffing constraints, these booths are staffed only during peak visitation periods, such as weekends and holidays. Further, day-use parks, in general, were not designed for day-use fee registration or collection booths and traffic hazards would exist in many high-use areas.

To provide additional booths or parking lot patrols would also require additional staff or reallocation of staff from duties related to visitor health and safety. The legislature has denied a request for additional staffing. Where possible and appropriate, park staff and Oregon State Police patrol day-use areas and cite violators.

The department is already addressing the issue of random testing collection and deposit records. The audit refers to an earlier audit that found potential problems in cash handling procedures. These issues were addressed and, where appropriate, policies and procedures were changed. One procedure is having the internal auditor/trainer perform checks of all cash handling procedures within the parks. This is accomplished with the help of an Audit Check List that has been developed to test for compliance with Department policy.

Vehicle traffic counters are used by the Department for trend analysis of park visitation. They are not, nor should they be, used for revenue audit analysis. To move these counters would make trend analysis useless until a new history could be developed. When these counters are placed, the Department does consider factors such as local traffic and determines the best placement for their intended use.

1

"Criteria for Day-Use Fees at High-Use Parks"

Audit Recommendations:

We recommend that the department re-evaluate day-use fee implementation for all high-use parks. Primary criteria should include cost/benefit analysis results as well as a consideration of the fairness of not charging a fee when others pay fees at similar state parks.

Response:

- Not all parks are readily suited to charge day use fees due to factors such as design, location and type of use.
- Adding more day use fee parks will require park registration stations, redesigned park entrances and additional staff to sell permits and for enforcement.
- Based on the audit recommendations, the Department will re-evaluate which parks are suitable for day use fees and work with the Parks and Recreation Commission and the Legislature to implement agreed upon changes.

In general, day-use parks were not designed for day-use fee registration or collection booths and traffic hazards would exist in many high-use areas. Several parks identified as high-use include those located within cities and on public roads, Yaquina Bay for example. Collection booths at parks such as this one would cause traffic backups on major roadways. Also, some parks have alternate means of access, i.e. trails at Tryon Creek, that would not result in revenue from a major source of use. To charge those entering with vehicles rather than on foot would create an unfairness in that particular park. In some instances, visitors will park in nearby roads and neighborhoods and walk into the park in order to avoid paying the fee.

Another issue is the political ramifications experienced by the Department during the last effort to expand the day-use fee program (1993). Local response to the Commission resulted in not implementing the expanded day-use program at Wallowa Lake and Sunset Bay. Further, during the 1999 legislative session Senate Bill 1316 and House Bill 3070 were introduced that could prohibit the Department from charging day-use fees at beach access parks such as Bullards Beach, Cape Blanco, Sunset Bay, Yaquina Bay and Agate Beach.

With the recent passage of Measure 66, the addition of new fees would result in negative public reaction. Additionally, to implement fees at more parks would require more staffing. However, the Department will review this recommendation and its impact on potential net revenues and staffing costs.

"Management of Climbing Guides at Smith Rock State Park"

Audit Recommendations:

To properly manage climbing guides at Smith Rock State Park, we recommend that the department consider:

- Require all climbing guides to obtain the \$100 Department permit in order to operate within park boundaries, and monitor for compliance;
- Require climbing guides to pay a percentage assessment on gross concessions receipts, and monitor for compliance; and
- Issue permits only to climbing guides who are registered with the Oregon State Marine Board.

Response:

- Management of climbing guides at Smith Rocks State Park merits further review by the Department and the Parks and Recreation Commission.

The audit refers to a requirement for a vendor to obtain a permit and pay a \$100 fee for non-traditional park activities. Climbing does not fit the definition of a non-traditional park activity since Smith Rock State Park is specifically designed and used for climbing activities. For the purposes of the rule referred to, a "non-traditional park activity" means any organized activity, gathering or use conducted in whole or in part within the boundaries of a state park, ocean shore or other recreational area, which is not a recreational use permitted by the posted park regulations. Commercial filming and music festivals are typical events requiring a non-traditional park activity permit. 2

By definition, a concession is "the privilege of maintaining a subsidiary business within certain premises". The climbing guides operate their business outside the boundaries of Smith Rock State Park. This park, as well as other locations throughout the state, are locations for them and their customers to recreate. Generally, no money is exchanged at the park. These transactions are completed prior to arrival.

Concern also revolves around staffing issues. Current staffing levels at Smith Rock State Park would not allow the monitoring for compliance that would be required under a permit program. Park personnel would be required to check all climbers at the parking lots and in the climbing areas to determine which were guides. Distinguishing between a guided group and a non-guided group would be virtually impossible. In addition, monitoring compliance for the percentage of gross revenue would also be difficult. The Department does not believe that the income that may be obtained from such a program would pay for the cost of implementation and monitoring.

The Department, however, will further evaluate this issue and make a determination of feasibility.

CHAPTER 2: OPPORTUNITIES FOR IMPROVED COST CONTROLS

"Management of Credit Card Expenditures"

Audit Recommendations:

To improve controls over credit card purchases and ensure compliance with policy and procedures, we recommend that the department:

- Require the Financial Services Section to begin periodic audits of documentation supporting credit card purchases.
- Provide training for all credit card users;
- Require park managers to promptly notify the Financial Services Section whenever an employee terminates so that those cards may be cancelled;
- Require the Financial Services Section to routinely compare current employees to the bank's list of current credit card holders. Immediately cancel all cards not held by current employees;
- Require the Financial Services Section to cancel the 14 credit cards held by former employees identified in our audit.

Response:

- The Department is implementing program software recommended by the Secretary of State and has revised policies to improve employee credit card purchasing rule compliance.

The Department agrees that periodic audits of documentation is needed and has ordered Audit Command Language (ACL) software. This software has been used by Audits Division in their SPOTS review of statewide purchases. ACL will allow the Department to run a download of SPOTS purchases from the U. S. Bank and then to sort and sample the data. The software will provide a mechanism for the Department to analyze card volume, number of cards being used, average purchase amounts, and name of account holder. With this information, the Approving Officer will be able to sample transactions and to look for misuse of the cards by unauthorized users, purchases that are not relevant to the Department's mission, or purchases that do not follow purchasing guidelines. Training will be conducted to address deviations from policy as noted by quarterly reviews of SPOTS purchases and through internal compliance audits.

In addition, OPRD policy (OP 00-08) is being revised to:

1. Include a requirement for quarterly reviews of the SPOTS program by the Approving Officer. These reviews will accomplish verification that purchases are made by authorized employees and transactions are accurate and complete. The policy will require investigation by the Approving Officer of any apparent purchase card abuse or misuse and initiation of appropriate corrective action. In addition, quarterly reviews will include a review of agency card volume, number of cards in use, and reduction in the number of authorized users.
2. Include guidelines by which the appropriate manager can determine appropriateness of the purchase, whether or not documentation is adequate and if the purchase is in accordance with State purchasing policies. The policy will require managers to inform the Approving Officer of any such departures.
3. Require managers to promptly notify the Financial Services Section whenever an employee terminates so cards may be cancelled. Policy will also require the SPOTS coordinator to perform a monthly review of terminations to determine if all terminations have been reported.
4. Include a monthly review of credit card holders and immediate cancellation by the SPOTS Coordinator of cards held by former employees.

"Management of Contracts With Concessionaires"

Audit Recommendations:

To ensure that the department's contracting activities are appropriate and meeting state contract requirements, we recommend that the department:

- Abide by the state's procurement rules and consult with the Department of Administrative Services and the Attorney General's office to ensure compliance.
- Provide contract management training for park managers and assume a more active role in assuring contract compliance. As part of this effort, the Department should assure consistent use of the clearance form, as well as conduct periodic audits of concessionaire records.
- Cancel the contract and find new concessionaires for any concessionaires unwilling to abide by state contract terms.

Response:

- The Department agrees and recognizes the need to improve concessionaire contract management.
- The Department has revised the concessionaire policy to increase oversight of concession operations. A copy of the revised policy has been provided to the Secretary of State.
- The Department will train staff and concessionaires on concession agreement obligations. A training session for concessionaires is scheduled for this Fall.

The Department has adopted a revised policy with regard to concessions that will provide more oversight of concession operations by the Salem Business Manager. We also agree with the need to provide additional training to field staff who are involved with concession operations. In past years the Department has conducted periodic audits of concession operations. In most recent times, the cost of audits and lack of financial resources has prevented formal audits and the Department has relied on informal reviews. The Department, however, will strictly enforce contract provisions requiring annual statement prepared by a CPA.

With regard to the "deductible" required for maintenance and repair, the Department has not had a problem gaining compliance from concessionaires. The intent of this contractual provision is to insure that the tenant or concessionaire is taking care of routine maintenance items without coming to the landlord for minor repairs.

3

Discussions with Honeyman State Park personnel indicate that only two instances were

known when the deductible may have been required. These were an electrical upgrade and replacement of a ridge cap on the building. These repairs were considered capital investments and the responsibility of the Department rather than the concessionaire.

Since the auditors visited Champoeg State Park, the Daughter of American Revolution (D.A.R.) pioneer-type log cabin has had a new roof and has undergone extensive cleaning and repair. Our records indicate that this facility and its use by the D. A. R. predates the park.

CHAPTER 3: POLICY INFORMATION FOR CONSIDERATION

"Market Analysis of Overnight Camping Fees"

Audit Recommendations:

We recommend that the department reconsider its pricing model for overnight rates, considering that its typical customer is a family of four.

Response

- Department rates are comparable to those charged by other public and private campgrounds operators.
- The Department is sensitive to a rate structure that allows the general public a camping experience.
- The Department will re-evaluate camping rates based on the audit recommendations and work with the Parks and Recreation Commission and the Legislature to implement appropriate changes for the 2001-03 biennium.

4

The Oregon Parks and Recreation Commission sets campground rates, based on Department recommendations, after evaluating neighboring state rates, local rates and input from public hearings and visitor surveys. During the Commission's 1993 camping rate increase public hearings, public comments received deterred the Commission from increasing rates by \$5 per night because this large an increase would prevent many visitors from using state parks. The Commission modified the rate increase to \$3. During statewide public forums in 1996, responses included direction that the Department provide affordable opportunities and to not "price members of the public out of their state parks".

The department's pricing model does consider family campers. Our rates include a \$5-\$7 charge for extra vehicles. This pricing is intended to charge extra for multiple campers in one site without charging extra for children of families.

The audit states that the Department's rates are below those of private campgrounds. What is not mentioned is that most private campgrounds include such amenities as meeting rooms, swimming pools, stores and cable hookups. Because not all state parks include amenities such as these, our rates would be expected to be lower. Parks that do offer cable TV charge a higher rate for that feature (generally \$1 per night). Parks that have preferred sites - those that have water frontage or another popular attraction - have an additional \$2 per night added to their rate. Parks that have meeting halls charge for their use above the camping rate. Further, a comparison of other public parks in and around Oregon show that the Department's rates are higher than those comparable parks (see Table R1).

In many locations, the Department's rates set the standard followed by others. Basic private park rates have historically stayed \$2-\$3 above Department rates.

ORS 291.050-060 approved during the 1995 Legislative session limits department and Commission rate authority. Legislative approval would be required before a major rate increase or new rates, such as a per person rate, could be implemented.

The Department plans a comprehensive review of overnight rates during the Fall/Winter of 1999 in preparation for the 2001-03 budget development. The earliest that these rates could be implemented would be May 2001.

Table R1

**Oregon Parks and Recreation Department
Average Daily Camping Rate Comparisons for 1999**

Tent Sites

4

	OPRD	Oregon Pvt Parks	Western State Parks	Oregon County Park	US Forest Service
Average Rate	\$15				\$9
OPRD Difference-\$Per Site					(\$9)
OPRD Difference-percent					(40%)

Electric and Water Hookup Sites

	OPRD	Oregon Pvt Parks	Western State Parks	Oregon County Park	US Forest Service
Average Rate	\$18*	\$24	\$17	\$16	\$14
OPRD Difference-\$Per Site		\$6	(\$1)	(\$2)	(\$4)
OPRD Difference-percent		33%	(6%)	(11%)	(22%)

Notes:

1. Average rates of parks/agencies surveyed.
2. Most public agencies do not have full hookups (electrical, water and sewer hookups).
3. Western state park survey Spring 1999 average for CA, ID, UT, WA.
4. Oregon county parks survey June 1999 (Coos and Jackson County Parks).
5. U.S. Forest Service survey June 1999 (Deschutes and Siuslaw National Forests located in Oregon).
6. Public agencies surveyed base sales by site type (no per person rate).

OPRD daily rate does not include extra vehicle charge (+\$5 to \$7) and premium sites (+\$2).

Example: Elec & Water Hookup Site	\$18
Extra vehicle	7
Premium site	2

Total	\$27

"Analysis of Annual Pass Prices"

Audit Recommendations:

We recommend that the department reconsider its pricing of annual passes, keeping in mind the state's prices in relation to the national average.

Response:

- Increasing the annual permit rate could reduce sales.
- The Department will re-evaluate this during budget development for the 2001-03 biennium.

Currently the annual permit revenues represent less than 20% of the day-use program revenues. The intent of the annual pass is to reduce the use of daily permits which require more staffing to administer and are an inconvenience to the public. A \$5 increase could reduce the number of annual permits sold. Additionally, with the recent passage of Measure 66, to increase or add new fees would result in a negative public reaction.

"Management of Recreational Vehicle Dump Stations"

Audit Recommendations:

We recommend that the department consider a policy for charging non-park visitors a fee for using state park recreation vehicle dump stations.

Response:

- The Department's current RV dump station donation policy is considered appropriate.

The Department has evaluated this as an option in the past rate reviews. As noted, some parks ask for a donation. However, Oregon recreational vehicle registration fees accounted for 18.3% of the total revenues in the 1999-2001 Governor's Recommended Budget. These fees were increased 50% in 1993 to generate funding for the Department, including maintaining RV dump stations. Adverse reaction from the RV community could occur if more charges were assessed to RV visitors.

In addition, there would be a need to assign staffing for compliance and some type of fee collection facility. The Department's analysis is that revenues from such charges would not exceed the costs of collection and enforcement.

Note: See ORS 366.512 (RV license revenues to OPRD) and 803.601 (RV trip permits revenues to OPRD).

"Effects of Required Use of Seasonal Employees"

Audit Recommendations:

To ensure that the department has the flexibility necessary to maximize labor availability during the prime season, we recommend that the department work with other agencies in proposing changes in ORS 240.309 and ORS 240.425 to allow state managers to choose whether to meet regularly recurring work demands with seasonal or temporary employees.

Response:

- The Department agrees that the use of temporary appointments instead of seasonal employees could result in lower costs.
- The Department will evaluate this recommendation with the Parks and Recreation Commission during development of the Department's 2001-03 biennium budget and legislative concepts.

Due to low unemployment rates, competition for employees exists. To eliminate benefits for employees by switching from seasonals to temporaries would reduce expenditures, but may make it more difficult to hire staff during the summer. In addition, the turnover rate may increase due to less benefits. This would increase our training needs each year for new employees.

"Implementation of a Forest Management Plan"

Audit Recommendations:

We recommend that the department, the commission, and the legislative assembly:

- Carefully consider the costs and benefits of this policy,
- Reaffirm that the complete implementation of the plan is consistent with the department's mission, and
- Consider uses for the additional revenue that would be generated with full implementation.

Response:

- The Commission's natural resource plan sets the appropriate balance to maintain healthy forests while addressing public concerns regarding the harvest of timber.
- The 2001-03 legislatively approved budget includes additional resources to implement the Department's forest management plan.

The Department forestry philosophy through the 70's was mostly utilitarian with minimal written guidelines and practices to protect forest habitat and visitor safety. The environmental protection movement of the 60's and 70's raised new issues about all public land management issues. The Department's response was to place more emphasis on forest management issues including the hiring of the Department's first (and only) dedicated forester.

The Oswald West salvage logging operation in 1982 required the Department to further improve forest management practices. The operation received adverse public reaction; intervention of the Legislature and newspaper coverage followed. The purpose of the entire operation became blurred between forest management and revenue generation.

In March 1996, the Oregon Parks and Recreation Commission adopted a natural resource plan that addressed management of forests within state park properties. The Commission's policy is to maintain a healthy forest and be sensitive to public concern about the harvest of timber. Timber revenues are to be placed back into the natural resources program and not managed as an ongoing revenue source.

It is recognized that there are two distinct sides to the forest management matter - one side opposed to any management action relative to natural resources and the other wanting to maximize revenues through its natural resources. The Commission's approach is considered proactive and a middle ground between both points of view.

Additional issues include:

- After a period of about 15 years, it is anticipated that timber revenue producing opportunities will be limited as short-term forest management needs are completed;
- There will continue to be wide fluctuations in the market value of timber making revenue predictions difficult.

The 1999-2001 Agency Request and Governor's Recommended Budget includes \$190,000 dedicated to implementing the department's forest practices plan. This will increase the revenue producing capacity of the Department's forest resources. The 1999 Legislature has also supported this funding.

CHAPTER 4: GENERAL PARK CONDITIONS

"Prioritization of Park Rehabilitation Projects"

Audit Recommendation:

To ensure that park rehabilitation projects address the most urgent needs, the department should develop written criteria for prioritizing projects. The criteria should give highest priority to projects that correct health and safety hazards.

Response:

- The Department agrees with the recommendations and implemented prior to the audit findings a written four point strategy that focuses on improvements to health, safety and accessibility as the primary objectives for park rehabilitation projects.
- The majority of park rehabilitation projects are to correct health and safety hazards.
- Many projects address multiple needs, including health, safety and accessibility issues.

In the 1997-99 biennium, approximately 65% of the lottery-backed bond funded projects addressed urgent issues of health, safety and accessibility.

The Department has developed a four-point strategy to guide its renovation and rehabilitation program. The strategy focuses on improvements to health, safety and accessibility as its primary objective - especially points 1 and 2. Items addressed by points 3 and 4 include replacements for outmoded facilities and to provide accessible facilities for disabled visitors.

The strategy's points are:

1. Reduce the backlog of critical repairs to a manageable level. This element recognizes that fiscal constraints will preclude the agency from obtaining the total funding necessary to eliminate the backlog.
2. Reduce facility-related maintenance costs through improvements in design, materials, furnishings and application of "best maintenance practices".
3. Reduce annual utility costs through conservation, design and application of technology.
4. Invest in facilities that will contribute to the sustainment and generation of

revenue for the agency.

Coupled with the categorized project listings in the newly-developed Project Facility Management System (PFMS), the strategy provides the basis for project prioritization, selection and funding. PFMS permits the agency to list, by category, projects related to health and safety, environment and accessibility.

Although some projects may be selected solely for health, safety, environmental or accessibility reasons, many of the projects selected will address multiple issues. For example, the registration booth and parking area at Fort Stevens, mentioned in this report, was designed to address multiple issues. This project will dramatically reduce the risk to visitors that existed in the previous design. As a result, pedestrian traffic in the vicinity of the booth will be separated from vehicle traffic and the parking area will now accommodate vehicles that were previously backed-up along the traveled roadway and onto the highway. The next phase of this project will address further improvements in sanitation and traffic issues at the recreational vehicle dump station. The bike path improvement project was undertaken to make critical improvements to the travelled surface. These paths are the most heavily used bike paths in the park system. Their condition presented a significant hazard to the user. Improvements have been made to curves, berms, bridge approaches and surfaces. These improvements will reduce the risk of injury to the user and reduce the agency's exposure to liability.

CLARIFICATION OF OTHER COMMENTS:

- Page 1, paragraph 2 does not mention the 362 miles of ocean shores the Department is responsible for. Also, this paragraph, and a similar one on page vii, do not reference the State Historic Preservation Office nor the Oregon Heritage Commission. 5
- Page 1, paragraph 4 makes reference to revenues from the sale of lottery-backed bonds that is available to the Department for park rehabilitation projects. This funding is not approved for the 1999-2001 biennium (also on page 6). 5
- Page 3, paragraph 1 states the passage of Ballot Measure 66 is an addition to other revenues. Although the statement is true in the context of the revenues discussed in the chart directly above the narrative, this could be interpreted to be in addition to current revenues. This is not the case. The funding from Ballot Measure 66 replaces several revenue sources and although there is a net overall increase in Department revenues as a result of this measure, it is not the amount discussed in the narrative. Also, the estimate is currently \$43 million.
- Page 3, paragraph 3 needs to include the Heritage Commission as a program responsibility. 5
- Page 5, paragraph 2 states the department started Reservations Northwest in 1996 to combine all reservations and cancellations into one centralized unit. In fact, cancellations are still handled by the park using the computerized reservation system.

The paragraph also states that after starting in 1996, the Department management decided that the program needed to provide reservations for individual campsites. The audit is referring to site-specific reservations. This is a more accurate term and should be used. In addition, Department management was responding to customer demands for site specific reservations. 5

- Page 6, paragraph 1 states that it does not appear that the program will break even soon. The Center will not be self-supporting because the \$6 reservation fee has not increased, but costs continue to grow due to inflation and salary increases. However, services to visitors have also increased due to the ability to make reservations 11 months out, promote mid-week use and make referrals to parks with vacancies.

- Page 6, paragraph 5 states the Department, as of July 1998, spent approximately \$1.5 million of the \$15 million on lottery-back revenue bond proceeds. Although this is a true statement, it is misleading. The revenue from the sale of bonds did not become available until March 1998. The development of contracts to begin work on the projects took several months due to the permitting and bidding process. The full \$15 million has been obligated and will be expended by December 31, 1999.
- Page 10, Table 4 shows a 28% compliance on paying day-use fees. To arrive at this number, the audit uses vehicle counts. These counts cannot be used to estimate compliance because there are too many factors affecting revenue recorded at specific parks. (see response to day-use fee recommendations) 1
- Page 24, Table 8 shows a 5.04% reduction in attendance due to rate increases. The chart shows attendance changes for \$1 per year increases. By showing a few years earlier, attendance changes show a different picture due to a larger rate increase. 6
- Page 29, last paragraph regarding Farewell Bend State Park. The Department has allocated funds in 1999-01 to make improvements to the park sewer system.
- Page 30, first paragraph regarding Detroit Lake State Park. The gangway has been reconfigured to eliminate the tripping hazard. The structure has been identified in Park and Facility Management System (PFMS) for redesign.
- Page 30, second paragraph regarding Honeyman State Park. The restroom referred to in the report is located in the campground J loop and is scheduled for replacement in 1999-01. Also, a project to remove park hazard trees was completed January, 1999.

SECRETARY OF STATE AUDITS DIVISION'S FOOTNOTES TO THE AGENCY'S RESPONSE

1. Increase Day-Use Ticket Purchase Compliance:

Our revenue estimate on page 11 of the report attempted to adjust for multiple counting of traffic when we based our estimates on a figure of 50 percent compliance. This estimate leaves a 50 percent margin to account for vehicles counted that are not required to pay the park fee, whatever the reason. We feel that our estimate is conservative. We attempted to compensate for our inability to verify the accuracy of the department's park visitation figures by including a 50% margin of error in our revenue estimate (see report page 11 paragraph 3) and by conducting additional audit tests to confirm that noncompliance was occurring (see report page 11 paragraph 2).

If the attendance figures are to any large extent made up of visitors to a particular area that are counted multiple times due to travels in and around a particular site, then the attendance figures themselves could be significantly overstated and invalidate the use of the figures for any reliable trend analysis. If the agency and the Legislative Assembly rely heavily on the 40-million-park visitor figure for budget justification or resource allocation, a truly accurate accounting of visitors may be warranted.

2. Management of Climbing Guides at Smith Rock State Park:

We disagree with the characterization of guided rock climbing services as a non-business activity. It seems apparent that the rock-climbing guides' usage of park property, as described on page 14 paragraph 3 of the report, is a business use. Of even greater concern to our office was the safety of park visitors who use these guided services and the state's risk for accidents (see report page 2 paragraphs 2 and 3). This response does not acknowledge or address this issue.

3. Management of Contracts with Concessionaires:

During our initial park visit and subsequent contact with the park manager and area manager at Jessie M. Honeyman State Park, a recurring theme was the difficulty that park management had in getting the concessionaire to "buy in" to the fact that he had to pay the \$250 deductible. The park management felt that if they pushed the issue with the concessionaire he probably would pay. Since our audit finding, new information from the department management appears to indicate that the concessionaire is not obligated for the deductible in the two instances cited in the response. Whichever is true, the department needs to ensure that contract terms are understood and consistently applied.

If the true intent of the agreement with the Honeyman concessionaire was for the department to pay for electrical upgrades and ridge cap replacement, then clarity is required in the concessionaire's contract. The contract is silent regarding capitol investments and therefore makes no distinction in the types of repairs. If the department decides to require the concessionaire to pay the deductible, as the contract

now stands, it may have a contractual basis for doing so. The department should seek legal advice for clarification of this contract point.

4. Market Analysis of Overnight Camping Fees:

We feel that the department needs complete and accurate information from which to set rates. Its primary analysis of market rates, as previously cited, failed to consider that the family of four is its primary customer (see report page 23 paragraph 1). The comparisons and conclusions to be drawn from the analysis between rates and private campgrounds need to be adjusted accordingly. The agency response also indicates that its analysis failed to account for the additional vehicle charge and the premium campsite charge.

If the department is considering utilizing the new information provided (Table R1) as its primary analysis for setting rates, we hope that it would consider adjusting the analysis to account for a family of four as the primary customer, entrance fees charged at the non-state campgrounds, National Park rates, adding additional counties to its surveys (two seems like a small sample), additional U.S. Forest service campgrounds (again two seems like a small sample), and separate comparisons for coastal campsites and their comparable (WA and CA) and inland campsites and their comparable (ID and UT).

5. We have incorporated these suggestions in our report.
6. As stated in our report, page 25 paragraph 1, we performed a regression analysis considering attendance data, pricing data and rainfall from 1988 to 1998. We feel that this analysis supports our findings in this report and contradicts the department's statements made in this part of its response.

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