U.S. Department of the Interior
Office of Inspector General

AUDIT REPORT

FOLLOWUP OF RECOMMENDATIONS CONCERNING UTILITY RATES IMPOSED BY THE NATIONAL PARK SERVICE

REPORT NO. 98-I-406
APRIL 1998

United States Department of the Interior

OFFICE OF INSPECTOR GENERAL
Washington, D.C. 20240

APR 15 1998

AUDIT REPORT

Memorandum

To: Assistant Secretary for Fish and Wildlife and Parks

From: Robert J. Williams
Acting Inspector General

Subject: Audit Report on Followup of Recommendations Concerning Utility Rates Imposed by the National Park Service (No. 98-I-406)

INTRODUCTION

This report presents the results of our followup review of recommendations contained in our January 1991 audit report "Utility Rates Imposed by the National Park Service" (No. 91-I-333). The objective of the followup review was to determine whether the National Park Service had satisfactorily implemented the recommendations in the prior report and whether any new recommendations were warranted.

BACKGROUND

The Park Service often provides utility services, including water, electricity, and waste removal, to non-Governmental users, such as concessioners, inholders, and state agencies. In some park units, the Park Service constructs and operates its own utility systems, while in other park units, the Park Service purchases utility services from public utility companies. Federal law and regulations require the Park Service to obtain reimbursement for the cost of providing these services. Specifically, Title V of the Independent Offices Appropriations Act of 1952 (the User Fee Statute) authorizes Federal agencies to charge fees for services or benefits provided to beneficiaries. Office of Management and Budget Circular A-25,"User Charges," provides guidance to Federal agencies on implementing the User Fee Statute and requires agencies to establish internal controls over cash collections in accordance with Office of Management and Budget Circular A-123,"Internal Control Systems." Furthermore, the Department of the Interior Manual, Part 346, "Cost Recovery," requires (unless directed otherwise by statute or other authority) that a fee be established to recover an agency's costs for services such as utilities which provide special benefits or privileges to an identifiable non-Governmental recipient.

Park Service guidance and policies on utility cost recovery from non-Governmental users are contained in its June 20, 1985, Special Directive 83-2, "Rates for NPS-Produced Utilities." The Directive provides for the Park Service to recover from non-Governmental users its capital investment costs for constructing or expanding utility systems and for performing major rehabilitation or replacement of existing systems through cost sharing or other means. The Directive also provides for the recovery of utility system operational costs through the implementation of utility rates that are based on the higher of actual operational costs or comparable rates (rates for similar services in the same geographic location).

SCOPE OF AUDIT

To accomplish our audit objective, we reviewed construction data on capital investment costs at the Park Service's Denver Service Center, operational cost work sheets at specific parks, and reports from the Park Service's maintenance and financial management systems. We did not review source documents, such as individual time sheets and invoices, to verify the accuracy or completeness of the reported costs. We also reviewed the operating cost records and cash management procedures at the 4 parks we visited and sent questionnaires to 15 parks (including the 4 parks visited) at which, according to Service Center records, utility system construction had taken place since our prior audit. (Sites visited or contacted are in Appendix 2.) The responses to the questionnaires indicated that 11 of the 15 parks had each spent at least $1 million of appropriated funds on utility systems which would serve non-Governmental users and which were completed or almost completed at the time of our current review. In addition, we contacted officials at public utility companies to determine comparable rates and the companies' methodologies for recovering capital investment costs.

Our audit was made, as applicable, in accordance with the "Government Auditing Standards," issued by the Comptroller General of the United States. Accordingly, we included such tests of records and other auditing procedures that were considered necessary under the circumstances. We also reviewed the Department's Fiscal Year 1996 Annual Report on Accountability, which includes information required by the Federal Managers' Financial Integrity Act of 1982, and the Park Service's annual assurance statement to determine whether any reported weaknesses were within the objective and scope of our review. Neither the Accountability Report nor the Park Service's assurance statement reported control weaknesses in the Park Service's recovery of utility system costs. Because of the limited scope of our review, we did not evaluate the Park Service's system of management controls related to cost recovery for utility services.

PRIOR AUDIT COVERAGE

The General Accounting Office has not issued any audit reports during the past 7 years that addressed the Park Service's recovery of utility system costs. However, the Office of Inspector General issued the report "Utility Rates Imposed by the National Park Service" in January 1991, which is the subject of this followup report. The January 1991 report stated that the Park Service was not recovering the cost of capital investments for utility systems that benefited non-Governmental users and was not fully recovering operational costs. We also found that procedures for the separation of duties for the billing and collection functions

and for the timely deposit of receipts were not enforced in accordance with the Park Service Operations and Evaluation Manual. The report recommended that the Park Service (1) revise Special Directive 83-2 to include specific guidelines for recovering capital investments in utility systems from non-Governmental users, (2) ensure compliance with the guidelines, (3) ensure that the park units were fully recovering operational costs, (4) provide training to park personnel who are responsible for establishing utility rates, and (5) ensure that internal controls over the collection and deposit of receipts for utility services were in compliance with prescribed procedures. The Park Service, in its December 5, 1990, response to the draft report, concurred with all of the report's recommendations. However, in an October 6, 1995, memorandum to the Director, Office of Financial Management, regarding implementation of those recommendations, the Park Service stated that recommendations regarding the recovery of capital investments were "rendered obsolete" because the Park Service had eliminated possessory interest from concession contracts. Based on that memorandum, the Office of Financial Management considered all of the recommendations implemented. We disagree that the recommendations are obsolete based on the action taken, as discussed in the Results of Audit section of this report.

RESULTS OF AUDIT

We found that none of the five recommendations made in our January 1991 report were fully implemented. Specifically, the National Park Service (1) did not establish procedures or issue specific guidance which ensured that the parks fully recovered their operating and investment costs in utility systems from concessioners and other non-Governmental users, (2) did not provide adequate oversight of the parks' cost recovery efforts, (3) did not ensure that park personnel were provided training in developing utility rates, and (4) did not ensure that all the parks were complying with prescribed standards pertaining to the separation of duties for the billing and collection functions and to the timeliness of deposits. As a result, from January 1991 through August 1997, the Park Service did not seek recovery of costs totaling about $6.3 million from non-Governmental users and may not recover additional capital investment costs of as much as $31.3 million unless it revises its procedures.

Prior Audit Report Recommendations

Recommendation A.1. Revise Special Directive 83-2 to include specific guidelines for recovering capital investments in utility systems that are identifiable to non-Government users. Any exceptions to full recovery of such capital investments should be properly authorized and documented.

Our prior audit report stated that, although Special Directive 83-2 authorized the parks to pursue cost sharing or other means of capital cost recovery, the Directive did not provide specific guidance on how cost recovery should be implemented. The report also stated that even when guidance was requested by park officials, it was not provided by Park Service headquarters officials. For example, according to the report, in December 1989, the Regional Director, Western Region, requested that Park Service headquarters provide specific guidance on whether cost recovery was mandatory, what approach should be used to recover

costs, and what types of costs were considered capital costs. However, the Region did not receive a response to its request. The report further stated that officials at the Denver Service Center, which is responsible for planning and financing new or expanded utility systems, were not aware of the requirement to pursue recovery of capital investment costs. In its response to the report, the Park Service agreed that non-Governmental users should pay a share of capital investment costs "to the extent that it is economically feasible" and said that it would document and justify the basis for any instances of less than full cost recovery.

In an October 6, 1995, memorandum to the Director, Office of Financial Management, regarding the status of implementation of the recommendations, the Park Service's Chief of the Accountability and Audit Team stated that the Park Service had taken all necessary actions to implement the outstanding recommendations. The memorandum further stated that Recommendations A.1 and A.2 had been "rendered obsolete" because the Park Service "had eliminated possessory interest from concession contracts so that capital investment is restricted to Government assets."

We do not consider the elimination of possessory interest from concession contracts to be relevant to the Park Service's recovery of its utility system investment costs from benefiting non-Governmental users. Accordingly, during our followup review, we asked the Park Service to explain how the elimination of possessory interest affected the Park Service's ability to recover utility system investment costs from benefiting non-Governmental users. Park Service officials did not provide a response to our inquiry. In our opinion, the elimination of concessioners' possessory interest has no bearing on the Park Service's recovery of utility system investment costs that were financed by the Government. In addition, at the parks visited, we did not identify any provisions in the two concessions contracts reviewed that would restrict the recovery of utility system capital investment costs. Consequently, we do not agree that Recommendations A.1 and A.2 are obsolete.

Despite the October 1995 memorandum, Park Service officials, during our followup review, stated that Park Service policy is to recover investments in utility systems when feasible. However, we found that the Park Service had not pursued the recovery of these costs, and no documentation was provided to show that the Park Service had analyzed the non-Governmental users' ability to pay these costs and/or had authorized an exemption to full cost recovery. Specifically, since January 1991, the Park Service has spent appropriated funds totaling $20,051,248 to construct utility systems at three of the four parks visited, of which $12,321,425 was subject to recovery from non-Governmental users. At the fourth park, a $1,526,462 construction project, which was not completed at the time of our review, had reimbursable costs of $870,083. However, the Park Service has not pursued recovery of these costs, which totaled $13,191,508 ($12,321,425 and $870,083) at the four parks visited, including $2,490,414 that was subject to recovery in fiscal years 1991 through 1997. The $10,701,094 balance could be recovered in future periods based on a 30-year project life calculated from the date of completion. Specifically:

- Grand Canyon National Park had not pursued the recovery of costs for constructing a water treatment facility and an electrical distribution system. The total cost of the systems was $10,746,849. Based on our review of consumption data, we determined that 86 percent

($9,242,290) was attributable to use by 26 non-Governmental users. We also determined that investment costs of $2,053,823 were subject to recovery but were not billed and collected from concessioners for fiscal years 1991 through 1997.

- Mesa Verde National Park had not pursued the recovery of costs for constructing a water treatment plant and pipelines. The total cost of the systems was $6,901,574. Based on our review of consumption data, we determined that the concessioner's use was 38 percent ($2,622,598). We also determined that investment costs of $360,502 were subject to recovery but were not billed and collected from the concessioner for fiscal years 1991 through 1997.

- Lake Mead National Recreation Area had not pursued the recovery of costs for constructing a sewage lagoon. The cost of the lagoon was $2,402,825, of which the concessioner's use was 19 percent ($456,537) based on consumption data. We determined that investment costs of $76,089 were subject to recovery but were not billed and collected from the concessioner for fiscal years 1993 through 1997. In addition, we found that the Recreation Area plans to spend $11.5 million for water treatment and wastewater facilities in fiscal years 1998 and 1999 and that it has not formalized any commitment for repayment of these costs from the concessioner.

- Glacier National Park had obligated $1,526,462 for rehabilitation of the Sperry Chalet utility system. We estimated that the concessioner's use would be 57 percent ($870,083). The Park Service plans to complete this project in 1998.

In addition to the results of our reviews at the four parks visited (having recoverable capital investment costs of about $13.2 million, of which $2.5 million was subject to recovery in fiscal years 1991 through 1997), we identified additional capital investment costs of $22,879,158 at 7 of the 11 parks contacted. Based on responses to our questionnaire, we determined that $2,294,710 was subject to recovery in fiscal years 1991 through 1997. However, none of these seven parks had pursued recovery of these costs. In total, we estimated that capital investment costs of $36 million were recoverable, of which $4.8 million was subject to recovery in fiscal years 1991 through 1997.

Based on discussions with Park officials, we concluded that costs were not recovered because Park personnel did not understand how to implement the provisions of Special Directive 83-2 regarding recovery through "cost sharing or other means." Consequently, we consider Recommendation A.1 not implemented.

Recommendation A.2. Provide sufficient oversight of all Park Service areas to ensure that capital investments in utility systems that are identifiable to non-Government users are fully recovered or that any exceptions to full recovery are properly authorized and documented.

Our prior audit found that the Park Service did not ensure that the parks pursued cost sharing or other means of recovering capital investment costs. As a result, we estimated that unless the Park Service revised its guidelines and provided sufficient oversight of individual parks,

the Park Service would not recover utility system investment costs of $32.5 million for fiscal year 1990 and beyond.

Our followup review found that the Park Service did not provide sufficient oversight of the parks' cost recovery efforts. For example, the Park Service, in its response to the prior audit report, stated that it will "delegate an individual in the Washington Office the responsibility for the Utility Fee Program." However, the various individuals whom the Park Service identified as having responsibility for oversight told us that they were not aware that they had been delegated such responsibility and that they had not performed any oversight reviews. As such, we consider Recommendation A.2 not implemented.

Recommendation B.1. Ensure that all Park Service areas comply with Special Directive 83-2. At a minimum, this action should include assigning specific individuals within the regional offices the responsibility of ensuring that the areas comply with the Directive.

Our prior audit found that the Park Service did not ensure that its field sites were complying with Special Directive 83-2 in formulating utility rates. As a result, we estimated that the Park Service did not recover operational costs of at least $2.6 million for utility services provided to non-Governmental users during fiscal years 1986 through 1989.

Our followup review found that the Park Service issued a November 27, 1995, memorandum designating 10 regional officials as Cost Recovery Liaison Officers. However, we found that 4 of the 10 officials were unaware of their designations or responsibilities, 4 had retired before the memorandum was issued (2 of these individuals had retired 31 and 16 months, respectively, before the memorandum was issued), and 2 officials had retired after the memorandum was issued. The regions did not reassign the responsibilities to other employees. As such, we concluded that the Park Service did not ensure that the field offices were ensuring compliance with Special Directive 83-2, which resulted in estimated unrecovered operational costs of $1,537,018 in fiscal years 1995 through 1997 at the four parks visited. For example:

- Grand Canyon National Park had not recovered operational costs of $551,927 for fiscal year 1995 because the Park official responsible for establishing the utility rates at the time mistakenly believed that rate increases were limited to 15 percent annually. The fiscal year 1995 water rate was established at $6.85 per thousand gallons despite information which indicated that the rate should have been $8.46 per thousand gallons. This official no longer works at the Park, and the rates for fiscal years 1996 and 1997 have been reestablished without this limitation. However, the 1996 rate ($9.09 per thousand gallons) did not include salary costs of $80,000 for maintenance support personnel, such as the Chief of Maintenance, the Maintenance Management Assistant, the Auto Shop supervisor, and maintenance clerks, that should have been reimbursed annually for fiscal years 1995 through 1997.

- Lake Mead National Recreation Area had not recovered operational costs of $384,000 for fiscal year 1997 because Recreation Area personnel excluded cyclic maintenance costs from the rate calculations. Since Special Directive 83-2 does not specify the costs that should be included as operational costs, Recreation Area personnel indicated

that there was "some confusion" as to what costs they should include in the rate computation. In addition, we identified maintenance supervisory personnel costs of $55,000 that were not included in the rates for fiscal years 1995 and 1997. The Recreation Area was not able to provide support for fiscal year 1996 costs because no rate work sheets were prepared. As such, we were unable to determine whether these personnel costs were excluded for that fiscal year.

- Mesa Verde National Park had not recovered operational costs totaling $60,981 for fiscal years 1995 through 1997 because the Park used the 1995 rate (based on 1994 actual costs) for 1996 and 1997. Therefore, the Park was not recovering cost increases attributable to inflation, such as cost of living increases for personnel, that had occurred since May 1994. In addition, the Park was recovering only 1 percent of its maintenance supervisory costs, even though Park officials said that a larger percentage should be recovered. Mesa Verde was the only park visited that included any maintenance supervisory costs in its rate calculation.

- Glacier National Park had not recovered estimated operational costs of $190,110 for fiscal year 1997 because utility charges were based on comparable rates that did not fully compensate the Park for actual maintenance costs incurred. Park maintenance personnel stated that they were unable to fully identify actual utility system costs in the accounting records or to estimate actual costs accurately. As a result, according to Park personnel, the Park established comparable rates based on local public utility company rates. We estimated the Park's reimbursable maintenance costs by determining the amount of maintenance costs attributable to utility systems, using data from the Park Service's Federal Financial System, and multiplying this amount by the percentage of non-Governmental use. The resultant amount was $190,110 higher than the amounts recovered, which were based on the comparable rates.

Based on these examples, we concluded that the Park Service had not properly delegated oversight responsibilities to specific individuals or provided sufficient oversight to ensure compliance with the Special Directive, which resulted in the parks not fully recovering their operational costs. Accordingly, we consider Recommendation B.1 not implemented.

Recommendation B.2. Ensure that all pertinent personnel at Park Service areas which provide utility services to non-Governmental users are trained and/or provided adequate guidance to formulate utility rates in accordance with the Park Service Special Directive 83-2.

Our prior audit report stated that the Park Service had not adequately trained and/or provided sufficient guidance to individuals who were responsible for formulating the utility rates. In its response to the prior report, the Park Service stated that training needs would be reviewed and a specific plan would be developed. The Park Service further stated that it would suggest joint training among regions to establish uniform application of Park Service policies and procedures and to promote the cost effectiveness of training.

Our followup review found that the actions outlined in the response had not been taken to provide training or guidance in the development of utility rates. Specifically, the employees responsible for developing utility rates at the 11 parks that had new utility systems which served non-Governmental users stated that they had not been provided training in the development of the rates or on the Special Directive and that, as discussed under Recommendations A.1 and B.1, sufficient guidance had not been provided by Park Service headquarters. Therefore, we consider Recommendation B.2 not implemented.

Recommendation C.1. Ensure that all Park Service areas providing utility services to non-Governmental users review their internal controls applicable to receipts and deposits and ensure that such controls are in compliance with prescribed standards. The areas should be required to provide written verification of compliance with prescribed standards to an organizational appointee designated by the Director.

Our prior audit found that the Park Service was not ensuring that all park units were complying with prescribed standards pertaining to the separation of duties for the billing and collection functions and to the timeliness of deposits, as required by Office of Management and Budget Circular A-123, "Internal Controls." Specifically, although the Park Service's Operations Evaluation Manual provided adequate guidelines for the separation of duties for the billing and collection functions, park personnel were not complying with the guidelines. As a result, the Park Service could not provide reasonable assurance that Government resources were protected from fraud, mismanagement, or misappropriation. In its response to the prior report, the Park Service stated that it would require park managers to evaluate the adequacy of their collection processes and that Servicewide compliance would be determined by the individual delegated responsibility for the utility program (see Recommendation B.1).

Our followup review found that there was not sufficient separation of duties at two of the four parks visited and that deposits were not made timely at three of the four parks visited as follows:

- At Mesa Verde National Park, we reviewed seven utility payments that exceeded $5,000 during fiscal years 1994 through 1996 to determine whether the Park was complying with Section IIB of guidance entitled "National Park Service Collection Procedures," which requires that deposits be made when the accumulated amount reaches $5,000. We found that six of the seven receipts were deposited from 1 to 17 days late. For example, one receipt for $20,760 on August 13, 1996, was not deposited until August 30, 1996, or 17 days after it was received. In addition, we found that the same individual who prepared the bills for collection also received payments and made deposits.

- At Glacier National Park, the same individual who prepared the bills also received the payments and deposited the receipts.

- At Grand Canyon National Park, there were undeposited receipts totaling $130,470 at the time of our visit on May 29, 1997. The receipts totaled more than $5,000 as of May 8, 1997; therefore, the deposit was overdue by 21 days.

- At Lake Mead National Recreation Area, we reviewed three deposits made on July 14, 1997, and found that one deposit for $28,449 contained a $22,849 receipt from July 2, 1997, which was deposited 12 days late.

Based on the cited examples, we consider Recommendation C.1 not implemented.

Other Issues

During our review, we obtained additional information that we believe the Park Service should consider in revising its cost recovery procedures. Specifically, we contacted five public utility companies and found that they recovered their capital investments through the rate process, which Special Directive 83-2 does not allow. In our opinion, the recovery of capital investment costs through the rate process rather than through the cost-sharing process, for which no guidance has been issued, would be easier for the parks to implement and would be consistent with utility company practices. Accordingly, we believe that the Park Service should revise the Special Directive to allow the parks to recover capital investment costs through the monthly billing process.

We also found that the Park Service had not provided sufficient guidance regarding the retention and use of utility cost reimbursements. As a result, officials at the four parks we visited stated that they were unsure of how the funds could be used and that they were returning all unspent funds in their utility reimbursement account to the U.S. Treasury at the end of each fiscal year. Park Service budget officials, who cited no regulations to support their position, said that the parks may retain and use such funds, provided that an adequate justification is prepared to support the need to carry over the funds to a subsequent year. To resolve any ambiguity regarding the proper retention and use of utility reimbursements, we believe that the Park Service should issue guidance, in coordination with the Solicitor's Office, to the parks regarding the retention of accumulated reimbursements of both operational and capital investment costs and ensure that such guidance is in accordance with applicable laws and regulations.

Recommendations

We recommend that the Director, National Park Service:

1. Revise Special Directive 83-2 to include specific guidelines for recovering capital investments in utility systems that are identifiable to non-Governmental users and to allow for the recovery of these investments through the utility rate process. Any exceptions to full recovery of such capital investments should be properly authorized and documented.

2. Establish an oversight process to ensure that capital investments in utility systems and operational costs which are identifiable to non-Governmental users are fully recovered and that any exceptions to full recovery are properly authorized and documented.

3. Issue guidance for the recovery of operational costs of utility systems. The guidance should include but not be limited to the various types of direct and indirect park maintenance costs that are to be included in rate computations and procedures for developing the rates.

4. Ensure that adequate training and/or guidance is provided to personnel who are responsible for formulating utility rates.

5. Ensure that park units which provide utility services to non-Governmental users have adequate internal controls relating to the separation of duties for the billing and collection functions and for the timely deposit of receipts.

6. Issue guidance to all park units on the procedures for retaining and spending utility system cost reimbursements and ensure that such guidance is in accordance with applicable laws and regulations.

National Park Service Response and Office of Inspector General Reply

In the March 26, 1998, response (Appendix 3) to our draft report from the Director, National Park Service, the Park Service generally concurred with the report's conclusions. Based on the response, we consider Recommendations 1 through 5 resolved but not implemented and Recommendation 6 unresolved. Accordingly, the unimplemented recommendations will be referred to the Assistant Secretary for Policy, Management and Budget for tracking of implementation, and the Park Service is requested to reconsider its response to Recommendation 6 (see Appendix 4).

The Park Service said that it did not concur with Recommendation 6 because the recommendation "implie[d] that the National Park Service has the authority to retain the capital costs recovered." The Park Service said that it would obtain a Solicitor's opinion regarding the retention and use of utility system capital cost reimbursements to settle the "question of authority." Although not incorporated into the recommendation, the discussion of this issue (page 9) states that Park Service budget officials did not provide any regulations to support their position that these funds could be retained. The report further notes that "to resolve any ambiguity regarding the proper retention and use of utility reimbursements, we believe that the Park Service should issue guidance, <u>in coordination with the Solicitor's Office</u>, to the parks regarding the retention of accumulated reimbursements of both operational and capital investment costs and ensure that such guidance is in accordance with applicable laws and regulations." (Emphasis added.) We believe that the Park Service's proposed action, when completed, should partially satisfy the intent of the recommendation. To fully implement the recommendation, the Service should request that the Solicitor's opinion also address the retention and use of utility system operational cost reimbursements. In addition, the Service needs to issue guidance on the appropriate accounting treatment for these reimbursements, particularly operational cost recoveries that are carried over from one fiscal year to the next. Furthermore, if the Solicitor finds that the Park Service can retain and use capital cost reimbursements, the Park Service will need to develop guidance on the

recording and use of these cost recoveries. Accordingly, the Park Service is requested to reconsider its response to this recommendation.

In accordance with the Departmental Manual (360 DM 5.3), please provide us with your written comments to this report by May 15, 1998. The response should provide the information requested in Appendix 4.

The legislation, as amended, creating the Office of Inspector General requires semiannual reporting to the Congress on all audit reports issued, the monetary impact of audit findings (Appendix 1), actions taken to implement recommendations, and identification of each significant recommendation on which corrective action has not been taken.

We appreciate the assistance of National Park Service personnel in the conduct of our audit.

APPENDIX 1

CLASSIFICATION OF MONETARY AMOUNTS

Finding Area	Lost Revenues	Potential Additional Revenues
Recovery of Capital Investment	$4,785,124	$31,285,542
Recovery of Operational Costs	1,537,018	
Total	$6,322,142	$31,285,542

RECOVERY OF CAPITAL INVESTMENT

PARK OR RECREATION AREA	CAPITAL INVESTMENT	RECOVERABLE AMOUNT		
		LOST	POTENTIAL ADDITIONAL REVENUES	TOTAL
Visited				
Grand Canyon National Park	$10,746,849	$2,053,823	$7,188,467	$9,242,290
Mesa Verde National Park	6,901,574	360,502	2,262,096	2,622,598
Lake Mead National Recreation Area	2,402,825	76,089	380,448	456,537
Glacier National Park	1,526,462	0	870,083	870,083
Total	$21,577,710	$2,490,414	$10,701,094	$13,191,508
Contacted				
Bryce Canyon National Park	$1,777,000	0	0	0
Cuyahoga Valley National Recreation Area	3,499,900	0	0	0
Gateway National Recreation Area	2,892,000	$4,820	$428,980	$433,800
Golden Gate National Recreation Area	6,513,973	202,563	2,169,346	2,371,909
Hawaii Volcanoes National Park	1,991,162	65,708	591,375	657,083
Independence National Park	17,089,100	0	0	0
Kalaupapa National Historic Park	2,786,097	0	0	0
Petrified Forest National Park	1,337,294	43,834	223,625	267,459
Sequoia & Kings Canyon National Park	16,248,543	495,299	5,029,206	5,524,505
Yellowstone National Park	5,633,228	0	2,985,611	2,985,611
Yosemite National Park	14,779,792	1,482,486	9,156,305	10,638,791
Total	$74,548,089	$2,294,710	$20,584,448	$22,879,158
TOTAL ALL AREAS	$96,125,799	$4,785,124	$31,285,542	$36,070,666

United States Department of the Interior

NATIONAL PARK SERVICE
1849 C Street, N.W.
Washington, D.C. 20240

IN REPLY REFER TO:
F4217(2612)

MAR 2 6 1998

Memorandum

To: Acting Inspector General

From: Director

Subject: Draft Audit Report on Follow-up of Recommendations Concerning Utility Rates Imposed by the National Park Service (Assignment No. C-IN-NPS-001-97)

This responds to the draft audit report on utility rates that was issued by your office on February 12, 1998 and containing six recommendations for our consideration. We generally agree with the conclusions stated in the report. Our specific comments follow.

Recommendation 1: "Revise Special Directive 83-2 to include specific guidelines for recovering capital investments in utility systems that are identifiable to non-Governmental users and to allow for the recovery of these investments through the utility rate process. Any exceptions to full recovery of such capital investments should be properly authorized and documented."

Response: We concur in the recommendation. The Associate Director, Park Operations and Education (Concession Program), will revise Special Directive 83-2 to include specific guidelines for recovering capital investments in utility systems that are identifiable to non-Governmental users and to allow for the recovery of these investments through the utility rate process. The target date for implementation is October 1999.

Recommendation 2: "Establish an oversight process to ensure that capital investments in utility systems and operational costs, which are identifiable to non-Governmental users, are fully recovered and that any exceptions to full recovery are properly authorized and documented."

Response: We concur in the recommendation. The Associate Director, Park Operations and Education (Concession Program), will establish an oversight process to ensure that capital investments in utility systems and operational costs which are identifiable to non-Governmental users are fully recovered and that any exception to full recovery are properly authorized and documented. The target date for implementation is October 1999.

Recommendation 3: "Issue guidance for the recovery of operational costs of utility systems. The guidance should include but not be limited to the various types of direct and indirect park maintenance costs that are to be included in rate computations and procedures for developing the rates."

Response: We concur in the recommendation. The Associate Director, Park Operations and Education, through the professional utility engineering staff at the Field Operations Technical Support Center (FOTSC) in Denver, will provide input to go into the Service's overall revision of the Special Directive 83-2. The directive will address procedures for developing rates as well as various direct and indirect park maintenance costs that should be included in rate computations relating to recovering operational costs of park-owned utility systems. The target date for implementation is October 1999.

Recommendation 4: "Ensure that adequate training and/or guidance is provided to personnel who are responsible for formulating utility rates."

Response: We concur in the recommendation. As part of the revision of the Special Directive 83-2, the Service will issue guidance to assist park and regional personnel who are responsible for formulating utility rates. The Associate Director, Park Operations and Education, through the professional utility engineering staff at the Field Operations Technical Support Center (FOTSC) in Denver, will provide input on appropriate guidance for park and regional personnel to formulate rates for the Service's overall revision of the Special Directive 83-2. The target date for implementation is October 1999.

Recommendation 5: "Ensure that park units which provide utility services to non-Governmental users have adequate internal controls relating to the separation of duties for the billing and collection functions and for the timely deposit of receipts."

Response: We concur in the recommendation. The Associate Director, Administration (Accounting Operations Center), will provide guidance to all parks regarding the proper procedures for the handling of deposits and the methodologies to be used to ensure that all deposits are made in a timely manner. The National Park Service will, through the appropriate managers, ensure that separation of duties relative to the billing and collection of funds is accomplished where possible, accounting for the individual situations in a park and the available staffing levels. The target date for implementation is October 1999.

Recommendation 6: "Issue guidance to all park units on the procedures for retaining and spending utility system cost reimbursements and ensure that such guidance is in accordance with applicable laws and regulations."

Response: We do not concur in the recommendation as it is stated. At the exit interview on February 5, 1998, this recommendation was discussed at length. The recommendation implies that the National Park Service has the authority to retain the capital costs recovered. The draft audit report cites neither law nor regulation that would support this position. Thus, the question of authority is not settled. We will ask for an opinion on this matter from the Solicitor and respond accordingly. The responsible official for this action is the Associate Director, Administration (Accounting Operations Center).

Thank you for providing us with the opportunity to respond to the draft audit report.

cc: Assistant Secretary for Fish and Wildlife and Parks
Director, Office of Financial Management

STATUS OF AUDIT REPORT RECOMMENDATIONS

Finding/Recommendation Reference	Status	Action Required
1, 2, 3, 4, and 5	Resolved; not implemented	No further response to the Office of Inspector General is required. The recommendations will be referred to the Assistant Secretary for Policy, Management and Budget for tracking of implementation. However, in accordance with the Departmental Manual (361 DM 1.4), a detailed action plan, which includes quarterly milestones for completing implementation of all of these recommendations, should be provided to Policy, Management and Budget.
6	Unresolved.	Reconsider the recommendation, and provide a plan identifying actions to be taken, including target dates and titles of officials responsible for implementation.

ILLEGAL OR WASTEFUL ACTIVITIES SHOULD BE REPORTED TO THE OFFICE OF INSPECTOR GENERAL BY:

Sending written documents to:

Calling:

Within the Continental United States

U.S. Department of the Interior
Office of Inspector General
1849 C Street, N.W.
Mail Stop 5341
Washington, D.C. 20240

Our 24-hour
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1-800-424-5081 or
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1-800-354-0996

Outside the Continental United States

Caribbean Region

U.S. Department of the Interior
Office of Inspector General
Eastern Division - Investigations
1550 Wilson Boulevard
Suite 410
Arlington, Virginia 22209

(703) 235-9221

North Pacific Region

U.S. Department of the Interior
Office of Inspector General
North Pacific Region
238 Archbishop F.C. Flores Street
Suite 807, PDN Building
Agana, Guam 96910

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