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

AUDIT REPORT

COLLECTION AND USE OF FRANCHISE FEES
NATIONAL PARK SERVICE

No. 2003-I-0034

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United States Department of the Interior

OFFICE OF INSPECTOR GENERAL
Central Region
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AUDIT REPORT

March 17, 2003

Memorandum

To: Director, National Park Service

From: Anne L. Richards *Anne L Richards*
Regional Audit Manager

Subject: Collection and Use of Franchise Fees, National Park Service
(No. 2003-I-0034)

INTRODUCTION

This report presents the results of our audit of the National Park Service's (NPS) collection and use of franchise fees. The objectives of our review were to (1) follow-up on the prior audit recommendation that NPS revise its guidelines on franchise fund usage and (2) determine whether NPS collected and used franchise fees in accordance with applicable laws, regulations, and guidelines.

We found NPS has not implemented our previous recommendation to revise its franchise fee guidance to eliminate concession-related needs as the highest priority use of funds. We were not able to readily determine whether the franchise fees were used on the highest priority projects because of insufficient information. We also noted that minor improvements could be made in the collection of franchise fees. As a result, we concluded our work after completing the survey phase of the audit.

BACKGROUND

On November 13, 1998 Congress enacted the National Park Service Concessions Management Improvement Act of 1998 (16 U.S.C. § 5951). The Act authorized NPS to retain concessioner-paid franchise fees that the concessioners had formerly deposited into the U.S. Treasury's General Fund. Specifically, the Act provided that, beginning in fiscal year 1999, all franchise fees payable under concessions contracts were to be deposited into special accounts. Of the fees deposited, 20 percent was to be available for NPS-wide activities and 80 percent was to be available for expenses of the park at which the fees were collected. The Act said that the 80 percent, or park-specific portion, could be used to finance visitor services and to pay for "high-priority and urgently necessary resource management programs and operations." Additionally, the Act required the Secretary of the Interior to issue implementing regulations for all matters covered in the Act. The NPS reported that for fiscal year 1999 through April 2002 it had collected $53 million in franchise fees, and the parks reported $7.4 million in expenditures for park-specific projects in that same period.

NPS issued franchise fee guidance on September 23, 1999 that stated NPS-wide funds would be used for operational costs of the Concessions Management Advisory Board (a board established by the Act to advise the Secretary and NPS on matters relating to concessions management in NPS), contracts for concession program services, and assistance to parks to meet concession-related needs. The guidelines for the park-specific fees designated concession-related needs as the highest priority use of the funds, followed by environmental and energy efficiency projects, enhancement to other visitor services, and then high priority resource management programs. NPS' current process requires the individual NPS regional offices and the NPS Washington Area Service Office to approve projects using the park-specific funds whose estimated cost exceeds $100,000.

Individual project information, including the Department of the Interior's (DOI) project priority ranking, is then to be entered into the Property Management Information System (PMIS). The DOI requires all non-recurring maintenance or capital improvement projects to be assessed to ensure that the most critical needs, such as health and safety, are identified and assigned a priority rank for funding purposes. Rank refers to the project priority ranking categories identified in the annual DOI Budget Guidance.

We issued a report in January 2001 entitled, "Survey Report on Collection and Use of Franchise Fees, National Park Service" (No. 01-I-116) that recommended NPS revise its guidelines on fund usage to eliminate the stipulation that concession-related needs were to be the top priority use for park-specific funds and that the concessioner improvement accounts be eliminated when new contracts are issued. NPS concurred with the two recommendations.

RESULTS OF AUDIT

We found that the NPS had not effectively implemented our prior audit recommendation on revising its guidelines on the use of franchise fees and that improvements were needed over the collection and deposit of franchise fees. We were not able to determine whether the highest priority projects were funded because of the lack of information on project priorities.

Implementation of Prior Recommendation

NPS issued revised guidelines dated September 19, 2001 on the use of franchise fee monies. We reviewed the revised guidelines and found that the revised guidelines did not implement our prior recommendation because these guidelines provided only temporary policy. Specifically, we recommended that NPS revise its guidelines on fund usage to eliminate the stipulation that concession-related needs were to be the top priority use for park-specific funds. The revised guidelines only stated how franchise fee collections would be used to take care of current and near-term needs related to concession contract processing. In addition, the revised guidelines state that the "previous guidelines issued in September 1999; on use of 80 percent funds should remain in effect otherwise." On August 14, 2002 we notified the Department and NPS that the prior recommendation had not been implemented. On August 26, 2002 the Department informed us that it had reinstated the recommendation as unimplemented in the follow-up system.

Collection and Deposit of Fees

Two of the three parks we visited, Mesa Verde and Glen Canyon, were not reconciling Electronic Fund Transfer (EFT) deposits of franchise fees to the Annual Financial Report[1] (AFR) to ensure payment amounts were correct. At Mesa Verde, we found the park was not getting the necessary EFT dates and deposit amounts made by the franchise fee concessionaire. Had the park been provided with the information, the park would have been able to monitor payments, assess interest on any late payments, and reconcile the amounts paid to the AFR and ensure payment amounts were correct. At Glen Canyon we found that the park was getting the necessary deposit dates and amounts for EFT deposits but was not performing the reconciliation to the AFR to ensure the payment amounts were correct. Both Mesa Verde and Glen Canyon indicated they would start performing the reconciliation to the AFR.

Use of Franchise Fee Monies

We found that parks were not assigning DOI project priority ranking scores in PMIS to all projects to be funded with the park-specific franchise fee monies. NPS issued a memorandum on December 21, 2000 which stated that PMIS (the project management system) must be used to document, rank, review, and report accomplishments for all non-recurring project needs of NPS. However, at the three parks we visited, only 26 (or 40 percent) of the franchise fee funded projects we reviewed had been assigned a DOI ranking score. The parks did not enter the DOI rank in PMIS because they had not computed scores for each of the projects and believed that the intuitive process they used for prioritizing franchise fee projects was sufficient. As a result, we could not determine whether the projects that were funded with franchise fees met the parks' most urgent needs.

The regional offices review and approve projects entered into PMIS including those that are to be funded with franchise fees. The purpose of the reviews by the regions is to ensure that projects meet the intent of the Act and NPS guidance. While the current review is a good beginning, we believe that the regional offices could strengthen their oversight of the use of the franchise fees by (1) reviewing the ranking scores to ensure that projects submitted address the highest priority park needs and (2) performing

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[1]The Annual Financial Report reflects the financial operations of the concessionaire through specified NPS reporting forms, which are based on the concessionaires' gross receipts.

periodic reviews of expenses charged against the approved franchise fee projects to ensure that the money was spent as intended (only on approved projects). By performing these additional steps, we believe the regional offices will be able to provide assurance that the franchise fee collections are being used to address the highest needs of the parks.

Suggested Actions

We suggest that the Director, NPS:

1. Require that all DOI priority ranking information is determined for all proposed franchise fee projects and that the information is entered in the PMIS.

2. Strengthen the regional review process over franchise fee projects to ensure that projects approved for funding are of a sufficiently high priority and that franchise fees are expended only on approved projects.

SCOPE, METHODOLOGY, AND STANDARDS

We performed our survey during July through September 2002 at NPS' Intermountain Regional Office in Lakewood, Colorado; Glen Canyon National Park in Arizona; Mesa Verde National Park in Colorado; and Fort Sumter National Monument in South Carolina. At the locations visited we reviewed PMIS information, expenditure data, concessionaire reports and financial statements, and we interviewed NPS officials involved in the concessions management program. We also contacted the Concessions Program Center in Lakewood, Colorado, and the Southeast Regional Office in Atlanta, Georgia, to determine how those offices reviewed and managed the use of franchise fees.

We conducted the audit 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.

In addition, we reviewed the Departmental Report on Accountability for fiscal year 2001, which included information required by the Federal Managers' Financial Integrity Act, and NPS' annual assurance statement on management controls for fiscal year 2001 and determined that there were no reported material weaknesses regarding the collection and use of franchise fees.

Since this report does not include any recommendations, a response is not required. However, we would appreciate being kept informed of any action you take to address the suggestions presented in the report.

If you or your staff has any questions regarding this report, please call me at (303) 236-9243.

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