



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

Audit Report

Concession Management and Fee Collection Operations, Virgin Islands National Park, National Park Service





United States Department of the Interior

OFFICE OF INSPECTOR GENERAL

Eastern Regional Office
381 Elden Street – Suite 1100
Herndon, Virginia 20170

May 17, 2004

Memorandum

To: Superintendent
Virgin Islands National Park Service

From: William J. Dolan, Jr. *William J. Dolan, Jr.*
Regional Audit Manager, Eastern Region

Subject: Final Audit Report “Concession Management and Fee Collection Operations,
Virgin Islands National Park, National Park Service” (Report No.
V-IN-NPS-0004-2003)

The attached report presents the results of our audit of concession management and fee collection operations at the Virgin Islands National Park on St. John. The objective of our audit was to determine whether the Virgin Islands National Park followed prescribed procedures for these operations.

The legislation, as amended, creating the Office of Inspector General, (5 U.S.C. app. 3) requires that we report to Congress semiannually on all reports issued, actions taken to implement our recommendations, and recommendations that have not been implemented. Therefore, this report will be added to the next semiannual report.

Because the eight recommendations contained in this report are considered to be resolved and implemented, no response is required.

Attachment

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INTRODUCTION

BACKGROUND

The Virgin Islands National Park was established in 1956 and includes: about 7,890 acres of land on St. John and 12,708 marine acres surrounding the island, 135 acres of land on Hassel Island in the St. Thomas harbor, and 15 acres of land in the Red Hook area of St. Thomas. Our audit only included a review of Park operations on St. John.

The Park's organizational chart showed 87 full-time positions, but at the time of our review there were only 71 employees. The Park was divided into six divisions: Office of the Superintendent, Administration, Interpretation, Ranger Activities, Resource Management, and Maintenance.

Concession Operations

Three concession operations¹ (see Appendix 1) were active on St. John: one based on a concession contract and two based on concession permits. The contract concessionaire operated the Cinnamon Bay Campgrounds and food service operations at Trunk Bay and was required to pay the Park a monthly franchise (or concession) fee of 1.5 percent of gross receipts from concession operations. The permit concessionaires operated watersports services at (1) Cinnamon and Trunk Bays at a concession fee of 3.25 percent of gross receipts and (2) Maho Bay at a concession fee of 3 percent of gross receipts.

In addition to awarding concession contracts, the Park issued "incidental business permits" (also referred to as "commercial use authorizations") to other businesses to identify and document commercial activities in Park facilities to ensure the protection of resources and the safety and enjoyment of visitors. The Park issued 57 incidental business permits for 2001 and 89 incidental business permits for 2002 (see Appendix 1).

Fee Collections

The Park collected an initial entrance fee of \$4 per adult from visitors for daily entry to both Trunk Bay and the Annaberg Historic Site. The Park also sold special multi-use passes issued by the National Park Service that are accepted at all national parks. In addition, permitted businesses with organized tour groups and pre-established arrangements with the Park were billed monthly for

¹ Two companies operated concessions on St. John. However, one company had separate concession operations under a concession contract and under a concession permit. Throughout this report, we classify this one company as two separate concession operations because of the different requirements applicable to each operation.

the entrance fees applicable to their customers. The Park had an average of about 650,000 recreational visitors per year. Fee collections totaled about \$1.1 million during fiscal year (FY) 2001 and \$907,000 during FY 2002.

OBJECTIVE AND SCOPE

The objective of our audit was to determine whether the Virgin Islands National Park followed prescribed procedures for its concession management and fee collection operations. A separate report was issued on our review of concession management and fee collection operations of the St. Croix National Park.

The scope of our audit included a review of concession management and fee collection activities and transactions that occurred during FY 2001 and FY 2002, and other periods as appropriate. To accomplish the audit objective, we interviewed Park personnel and reviewed files and documents for concession contracts and permits, commercial use authorizations, incidental business permits, special use permits, and collections and deposits of recreational fees.

Our audit was conducted 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. The “Standards” require that we obtain sufficient, competent and relevant evidence to afford a reasonable basis for our findings and conclusions.

As part of our audit, we evaluated the internal controls related to concession management and fee collection operations to the extent we considered necessary to accomplish the audit objective. Internal control weaknesses in these areas are discussed in the Results of Audit section of this report. The recommendations, if implemented, should improve the internal controls in these areas.

We also evaluated the validity of Government Performance and Results Act (GPRA) performance measures for the Virgin Islands National Park and found them to be appropriate. The Park’s performance goals related to (1) preserving park resources, (2) providing for the public’s enjoyment and visitor experience, (3) strengthening and preserving natural and cultural resources and enhancing recreational opportunities, and (4) ensuring organizational effectiveness. During FY 2000, the Park expended the majority of its budget on the goal related to the public’s enjoyment and visitor experience. In FY 2001, the Park focused on

the preservation of park resources. The performance report for FY 2002 was not available at the time of our review.

**PRIOR AUDIT
COVERAGE**

During the past 5 years, the Office of Inspector General has not issued any audit reports on National Park Service operations in the Virgin Islands. However, the March 1995 report “Selected Administrative Functions, Virgin Islands National Park, National Park Service” (No. 95-I-647) disclosed deficiencies related to concession operations, property management, and the deposit of collections (see Appendix 2).

RESULTS OF AUDIT

OVERVIEW

The Virgin Islands National Park needs to improve its administration of concession management and entrance fee collection operations. Specifically, we found that the Park did not:

- ▶ Monitor concession and business permit activities to ensure concessionaires and business permit holders paid appropriate concession and permit fees.
- ▶ Maintain complete and accurate records to ensure concessionaire and business permit holders complied with financial and performance requirements.
- ▶ Identify unpaid concession and permit fees of more than \$60,000.
- ▶ Ensure that concessionaires and permit holders complied with all insurance and safety requirements.
- ▶ Implement adequate controls over entrance fee collections, resulting in a cash shortage of at least \$9,061 and fees owed by tour operators totaling \$21,092.

CONCESSION MANAGEMENT

National Park Service Guideline 48 and the terms and conditions contained in concession contracts and permits require that the Park obtain and keep specific records. These records would allow the Park to determine if appropriate concession fees were being paid and insurance and safety requirements were being met. Based on our review of the concessionaire files, we found that the Park did not ensure concessionaire compliance with concession fee and documentation requirements.

Sub-Concessionaires Were Not Approved

The Park's contract concessionaire had eight sub-concessionaires from which it collected commissions and concession fees. However, the Park had not approved the sub-concession agreements.

In a May 18, 1998, letter to the then Park Superintendent, the contract concessionaire submitted a draft sub-concession agreement and requested formal approval to negotiate and enter into agreements with sub-concessionaires. In the letter, the contract concessionaire also acknowledged the obligation to pay

the Park 50 percent of fees received from sub-concessionaires. However, we found no documentation at the Park to indicate that a response was sent to the contract concessionaire, or that the matter was otherwise discussed with the concessionaire. Nevertheless, the contract concessionaire entered into at least five sub-concession agreements and three employee contracts for watersports services without the Park's approval. A Park official told us that she knew businesses were providing watersports services to visitors at various facilities within the Park, but she was not aware of the business arrangements between those businesses and the contract concessionaire.

**Sub-Concession Fees
of \$55,660 Were Not
Collected**

The contract concessionaire charged the sub-concessionaires and contract employees commissions of 15 percent and concession fees of 1.5 to 3.25 percent of their monthly gross receipts, but did not remit 50 percent of these fee amounts to the Park, as required by the concession contract. Financial records were available for four of the five sub-concessionaires and, based on our review of those records, we estimated that for the 28-month period of January 2001 to April 2003, the contract concessionaire should have remitted to the Park sub-concessionaire fees of about \$55,660.

We believe the Park should ensure that sub-concession agreements and related employee contracts are approved by the Park as required by the concession contract and that contract concessionaire remit to the Park the appropriate sub-concession fees.

**Concession Fees
Were Underpaid by
\$1,532**

The Park's contract concessionaire was required to pay the Park a monthly concession fee equal to 1.5 percent of gross receipts from concession operations. We noted differences totaling \$1,532 between the concession fees paid by the contract concessionaire for 2001 and 2002 and the concession fee amounts reported in the concessionaire's annual financial reports for those years. Specifically, the Park received concession fee payments totaling \$43,646 in 2001, but the annual financial statement reported concession fees due of \$45,115, for a payment shortage of \$1,469. Similarly, the Park received concession fee payments totaling \$45,688 in 2002, but the annual financial statement reported concession fees due of \$45,751, for a payment shortage of \$63. The differences in concession fees were not detected because Park personnel did not reconcile the fees received with the amounts reported in the contract concessionaire's annual financial reports.

**Files Were Not
Complete and
Accurate**

We believe that if reconciliations of the contract concessionaire's annual financial reports had been performed, the shortages in concession fee payment amounts would have been detected.

The Park did not ensure that all concessionaires met compliance and documentation requirements contained in both the National Park Service Guideline 48 and the contract and permit terms.

Contract files did not contain evidence that concessionaires and permit holders obtained required insurance for periods prior to 2002. As a result, there was no assurance that the concessionaires had the required insurance coverage. In fiscal year 2002, we noted that the contract concessionaire and the two permit concessionaires met or surpassed NPS insurance requirements.

The contract concessionaire did not submit financial statements within required timeframes. The audited financial report for 2001 was submitted more than 57 days late, and the preliminary financial report for 2002 was submitted 87 days late. Financial reports for the two permit concessionaires were also untimely. In 2001, one report was 126 days late and the other was 117 days late. In 2002, one report was 81 days late, and we could not determine when the other was received by the Park. Although Guideline 48 requires Park personnel to make reasonable follow-up until the delinquent reports are received, we found no evidence that this was done.

Park officials could not provide documentation to show that all required evaluations and/or inspections of concessionaire operations had been performed. Documentation was only available for periodic inspections in June 2001 for the three concessionaires. Health inspection documentation was also only available for March 2000, March and December 2001, and January 2003 for the contract concessionaire's food service operations. There was no documentation of annual operational inspections for the three concessionaires. As a result, there was no assurance that concessionaires met applicable health, safety, maintenance, and other operational requirements. According to a Park official, the Park was missing inspection documents for the period covered by our audit because the Concession Management Specialist position was vacant until 2001. Furthermore, the employee was not fully trained or certified to handle all of the job requirements until October 2002.

We believe Virgin Islands National Park officials should contact all concessionaires to obtain missing compliance documents and reports, establish policies and procedures to regularly monitor concessionaires' adherence to compliance and documentation requirements, and conduct and fully document required periodic and annual inspections and evaluations of concessionaire operations.

INCIDENTAL BUSINESS PERMITS

Internal Park procedures establish compliance and documentation requirements and a schedule of annual permit fees for businesses that operate within the Park under incidental business permits. However, we found that the Park did not always charge permit holders the correct permit fees or require them to update their compliance documentation.

Permit Fees Were Underpaid by \$3,050

Each business with an incidental business permit to operate in Park waters is issued an identification decal for each vessel. To determine if all permit fees were paid accurately and timely, we reviewed the records for 70 permit holders (35 each for 2001 and 2002). We found that documentation was not available to verify the accuracy of permit fee collections totaling \$9,050 in 2001. Additionally, seven permit holders underpaid permit fees by a total of \$3,050 in 2002. For example:

- ▶ The Park issued three permit decals to a business that operated a water taxi service with three vessels. However, the Park required the permit holder to pay only \$575, which was the permit fee for one vessel of the size used by the business. We determined that the Park charged the business as if it were only operating one vessel, rather than charging \$575 for each vessel. As a result, the Park did not collect permit fees totaling \$1,150 (\$575 x 2).
- ▶ The Park issued four permit decals to a business that operated day excursions with four vessels. Based on the fee schedule, the permit fee for each vessel was \$375. However, the Park collected only \$750 (\$375 x 2), resulting in a revenue loss of \$750.

Regarding the timeliness of permit fee payments, we found that in 2002, 21 permit holders were from 1 to 95 days late in paying the applicable fees. Records were not sufficient for us to assess the timeliness of fee payments in 2001.

Business Licenses and Certificates and Insurance Had Expired

Permit holders did not always renew their business licenses or certificates when they had expired. Specifically, we found that:

- ▶ Of the 35 permit holders in our 2001 sample, six did not have business licenses and two others had business licenses that expired during the year. In addition, two permit holders did not have required certificates of training in CPR and/or first aid, and we could not determine whether four other permit holders had such certificates of training because the necessary information was not contained in the files. Further, seven permit holders' insurance coverage had expired during the year.
- ▶ Of the 35 permit holders in our 2002 sample, 7 did not have business licenses and 12 others had business licenses that expired during the year. In addition, five permit holders' inspection certificates had expired, and one permit holder was issued a temporary business license during the year. Further, five permit holders' insurance coverage had expired during the year. Ten other permit holders did not have the required automobile insurance to protect the Park from a liability claim in the event of an accident on Park property because the Virgin Islands insurance companies only provide coverage to protect the owner of the vehicle.

These instances of noncompliance with permit requirements occurred because the Park had an honor system that allowed permit holders to voluntarily bring in the necessary documents, without any follow-up by Park personnel. A Park official said that the Park did not have sufficient staff to track the expiration dates of pertinent documents, such as insurance policies, and to contact permit holders to compel them to update their files. As a result of this relaxed compliance documentation process, there was no assurance that incidental business permit holders had the qualifications, training, and insurance coverage necessary to safeguard visitors and protect resources of the Park.

ENTRANCE FEE COLLECTIONS

Two cashier booths at Trunk Bay and one booth at the Annaberg Historic Site were open on a daily basis year-round for collection of visitor entrance fees. However, internal controls over the fee collection process were inadequate, placing cash collections at risk of misappropriation.

Deposits Were \$9,061 Less Than Collections

To determine if the Park deposited all entrance fee collections, we reviewed the collection and deposit records for the period of January 1999 to October 2002. We found 31 discrepancies that resulted in deposits of \$9,061 less than the amounts collected, as follows:

<u>Calendar Year</u>	<u>Shortage Amount</u>
1999	\$930
2000	2,715
2001	3,617
2002	<u>1,799</u>
Total	<u>\$9,061</u>

Specific examples of the identified discrepancies were as follows:

- ▶ For June 27, 2000, the collection records for one of the collection booths at Trunk Bay showed total collections of \$702. But another set of collection records was changed from \$702 to show collections of \$502. Further, although the collections from the three collection booths totaled \$1,906, only \$1,706 was deposited, for a shortage of \$200.
- ▶ For May 8, 2002, one set of records showed total collections of \$1,786. However, the deposit records showed that only \$878 was deposited, for a shortage of \$908.

We referred our findings to OIG Investigations for appropriate follow-up.

Controls Over Fee Collections Were Inadequate

Our review disclosed several practices that contributed to weak internal controls over the collection of entrance fees. These internal control weaknesses included: (1) not limiting physical access to cash collections, (2) not maintaining adequate separation of responsibilities for collections and deposits, (3) not reconciling daily collections and deposits, and (4) not providing adequate supervision of collection personnel.

The National Park Service's Recreation Fee Guideline 22 states that the combinations of safes used to secure collections should be known only to employees who use the safes as part of their cashier or fee collection responsibilities. However, since 1999, the supervisor of the Fee Demonstration Program had keys to the cash drawers used by the individual cashiers and knew the combinations

for all the safes. Therefore, access to cash collections was not adequately limited.

Additionally, the Park's Fee Collection Standard Operating Procedures state that, for accountability purposes, two employees (one of whom was the supervisor) will open, count, and verify all of the shift envelopes.² However, we found that these activities were being performed by only one individual – either the supervisor, her assistant, or her designee. A Park employee stated that the fee collection program was short-staffed and, as a result, only one person was available to perform these activities. Therefore, there was inadequate separation of responsibilities to safeguard cash collections.

Further, the staff of the Fee Demonstration Program was not adequately supervised. The Chief of Interpretation stated that he did not provide supervision to the Program and instead acted only as a secondary supervisor. Lacking this formal supervision, reports prepared by the supervisor of the Fee Demonstration Program were not verified nor reviewed by a higher-level Park official. Since the Fee Demonstration Program functioned under the Division of Interpretation and the Program was short-staffed, we believe that the Chief of Interpretation should have been more involved in supervising the Fee Demonstration Program.

The Park should take steps to improve the internal controls over entrance fee collections, particularly with regard to limiting access to the cashier drawers, having certain critical functions (such as the reconciliation of collections and deposits) cross-checked by two Park employees, and requiring the Chief of Interpretation to exercise a greater degree of supervisory oversight of the fee collection process.

Tour Operators Owed Fees of \$21,092

Established procedures required that the Park issue Bills of Collection each month to tour operators for the entrance fees due for their passengers who entered either Trunk Bay or the Annaberg Historic Site. However, we found that the Park did not always issue monthly bills and had not collected at least \$21,092 in entrance fees from tour operators, as follows:

- The Park did not bill tour operators for entrance fees totaling \$4,556. This consisted of \$1,060 that was not billed to 12 businesses and \$3,796 for which we found no evidence that

² The “shift envelopes” contain the cash and related documents for collections during each cashier’s work shift.

2 businesses had been billed; minus an off-set of \$300 for 2 businesses that had been overcharged. These discrepancies occurred because no one was specifically assigned to prepare Bills of Collection prior to February 2001.

- The Park did not collect \$16,536 in entrance fees from a tour operator for tours during the periods of February and April to August 1999. Although the Park issued six Bills of Collection to the tour operator, it did not revoke the operator's permit until April 2001 (more than 2 years after the initial delinquency). The \$16,536 in fees still had not been paid as of March 2003.

A Park employee told us that many factors contributed to the delinquencies. For example, the Park did not: (1) assign an employee to prepare and monitor the status of Bills of Collection during 1999 and 2000, (2) timely submit delinquent Bills of Collection to the National Park Service's regional office in Atlanta, Georgia, for collection, (3) explain to Park personnel the responsibility for the collection of delinquent fees, and (4) develop and implement specific procedures for collection enforcement. At the time of our review, the Park was testing new procedures for collection of Bills of Collection.

RECOMMENDATIONS

TO THE PARK SUPERINTENDENT

We recommend that the Superintendent of the Virgin Islands National Park:

1. Identify the level of sub-concession activities operated through the Park's concessionaires; request concessionaires to provide the Park with copies of sub-concession agreements for required approval; request concessionaires to provide the Park with copies of sub-concessionaires' financial reports so that appropriate sub-concession fees can be calculated; and collect the appropriate sub-concession fees, including prior period fees of about \$55,660.
2. Perform a preliminary review of the annual financial reports of concessionaires, reconcile the concession fees reported in the financial reports with the amounts paid by the concessionaires, and collect any additional concession fees that are determined to be due.
3. Obtain missing compliance documentation from concessionaires, establish policies and procedures to regularly monitor concessionaires' adherence to compliance and documentation requirements, and conduct and fully document required inspections and evaluations of concessionaire operations.
4. Review the fee requirements for all incidental business permits and ensure that existing permit holders and new applicants make timely payments of the correct fee amounts. The Park should also collect the \$3,050 that was underpaid for prior year incidental business permit fees.
5. Create a tracking system to ensure that incidental business permit holders update business licenses, insurance coverage, and other compliance documentation that may expire during the active period of the permits.
6. Ensure that adequate internal controls are in place and functioning properly for the Fee Demonstration Program. Adequate internal controls should include limiting access to the cashier drawers, having certain critical functions (such as the reconciliation of collections and deposits) cross-checked by two Park employees, and exercising a greater degree of supervisory oversight of the fee collection process.

7. Implement policies and procedures to ensure that the Park promptly bills tour operators for the entrance fees applicable to their passengers and revokes delinquent tour operators' permits if they do not promptly make arrangements for and pay off delinquent Bills of Collection.

8. Promptly refer delinquent payments from tour operators to the National Park Service's regional office in Atlanta for collection.

AUDITEE RESPONSE

We received an April 9, 2004, response (Appendix 4) to the draft report from the National Park Service's Associate Director for Administration, Business Practices and Workforce Development. The response concurred with the recommendations and indicated that corrective actions had been or were being taken. Therefore, we consider Recommendations 1 through 8 to be resolved and implemented (Appendix 5).

APPENDIX 1 – APPROVED CONCESSIONAIRES

CONCESSION CONTRACT

<u>Concessionaire Name</u>	<u>Purpose of Concession</u>
Caneel Bay, Inc.	Cinnamon Bay Campgrounds and food service at Trunk Bay
Sub-concession Agreements:*	
Paradise Aqua Tours, Inc.	Snorkel rental at Trunk Bay
Snorkelmania	Snorkel tours at Caneel Bay
Paradise Watersports	Dive center at Caneel Bay
St. John Watersports	Sailing charters at Caneel Bay
Vicki Uzzell	Massage therapy at Caneel Bay
Employment Agreements:*	
Frank Cummings	Scuba tours at Trunk Bay
Richard Falkenburg	Sail charters at Cinnamon Bay
Richard Metcalfe	Watersports at Cinnamon Bay

CONCESSION PERMITS

<u>Concessionaire Name</u>	<u>Purpose of Concession</u>
Caneel Bay, Inc.	Watersports at Caneel Bay
Maho Bay, Inc.	Watersports at Maho Bay

INCIDENTAL BUSINESS PERMITS

<u>Calendar Year 2001</u>	<u>Calendar Year 2002</u>
Day Sail 37	Water-Based Activities 41
Water Taxi 1	Land-Based Activities 30
Scuba Tours 4	Other Activities <u>18</u>
Kayak Tours 1	
Land-Based Tours 7	Total <u>89</u>
Hiking Tours 1	
Bicycle Tours 1	
Weddings/Events <u>5</u>	
Total <u>57</u>	

* These businesses were in operation within the Virgin Islands National Park although the sub-concession and employee agreements had not been submitted to the Park for approval.

APPENDIX 2 – PRIOR AUDIT COVERAGE

OFFICE OF INSPECTOR GENERAL REPORT

The March 1995 report “Selected Administrative Functions, Virgin Islands National Park, National Park Service” (No. 95-I-647) stated that the Park did not (1) ensure that franchise fee reconsiderations were conducted and implemented in a timely manner, (2) assess reasonable fees for the use by concessionaires of government buildings, (3) obtain reimbursement for refuse collection and other services provided to concessionaires, and (4) consistently authorize commercial boating operations in the Park. In addition, concessionaires had not reimbursed the Park for \$57,000 in expenses related to providing refuse collection, sewage treatment, and water system maintenance. Regarding other administrative functions, the Park did not dispose of unserviceable equipment valued at \$48,000 in a timely manner and held collections of up to \$22,000 for several months before deposit. Based on the Park Superintendent’s response to the draft report, all of the report’s recommendations were considered resolved.

APPENDIX 3 – MONETARY IMPACT

FINDING AREA	Unrealized Revenues*
Unpaid Sub-Concession Fees	\$55,660
Underpaid Concession Fees	1,532
Underpaid Incidental Business Permit Fees	3,050
Entrance Fee Shortages	9,061
Unpaid Tour Operator Fees	<u>21,092</u>
Totals	<u>\$90,395</u>

* All amounts represent Federal funds.

APPENDIX 4 – RESPONSE TO DRAFT REPORT



IN REPLY REFER TO:

United States Department of the Interior

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

APR 09 2004

C3823(2410)

Mr. Roger La Rouche
Assistant Inspector General for Audits
Office of the Inspector General
Department of the Interior
1849 C Street, NW (MS-5341)
Washington, DC 20240

Dear Mr. La Rouche:

The National Park Service has reviewed the Draft Audit Report (V-IN-NPS-0004-2003), "Concession Management and Fee Collection Operations, Virgin Islands National Park," and concurs with the findings and recommendations in the report. Enclosed please find the response from the National Park Service Regional Director, Southeast Region, transmitting the detailed report from the superintendent of Virgin Islands National Park.

In particular, the park has followed through on the audit recommendations by:

- Approving agreements for park sub-concessioners, and receiving from the concessioner outstanding payments in the amount of \$57,150;
- Beginning the review process for concessioner Annual Financial Reports;
- Having the park concessions management specialist complete a 2-year hospitality training course at Northern Arizona University, and developing annual work plans;
- Reviewed fee requirements for all Incidental Business Permits (IBP) which have been issued since 2000, and correcting deposit records that had left \$9,050 unaccounted for from 2001;
- Hiring a Concessions Management Assistant whose primary duties will be to manage the IBP program;
- Established internal controls on safe and cashier drawer procedures for the fee demonstration program;
- Developed and implemented standard operating procedures for notifying delinquent tour operators regarding the collection of fees;
- Complying with policies regarding delinquent payments from tour operators.

We are pleased that these positive steps have been taken by the park as a result of the audit, and will work to assure that these policies and operational changes will continue.

If you have any questions, please contact me at 202/208-5651.

Sincerely,

A handwritten signature in black ink, appearing to read 'R. G. Ring', with a large, stylized flourish at the end.

Richard G. Ring
Associate Director for Administration, Business Practices
and Workforce Development

Enclosures (2)

cc: Caribbean Field Office
Office of the Inspector General
Ron de Lugo Federal Building, Room 207
St. Thomas, VI 00802



IN REPLY REFER TO:

United States Department of the Interior

NATIONAL PARK SERVICE
Southeast Regional Office
Atlanta Federal Center
1924 Building
100 Alabama St., S.W.
Atlanta, Georgia 30303

ELECTRONIC CORRESPONDENCE - NO HARD TO FOLLOW

IN REPLY REFER TO:
F5419 (SERO-PO)

Memorandum

To: Associate Director for Administration, Business Practices, and Workforce
Development, WASO
Attn: Tony Sisto

From: *for* Regional Director, Southeast Region *W. Hish*

Subject: Draft Audit Report V-IN-NPS-0004-2003 - Virgin Islands National Park

This memorandum responds to the draft DOI Inspector General Report V-IN-NPS-0004-2003. We have reviewed the draft report concerning the concession and fee program at Virgin Islands National Park. The park Superintendent has responded to the recommendations in the draft report in the attached document.

Our review of the draft report and the Superintendent's responses indicates that actions have taken or are being taken to resolve the findings of the OIG.

In reference to Concessions Management, Deutsche Bank has provided payment of \$57,150 for past due sub-concession and franchise fees. It should be noted that not having a concession specialist at the park from 1999 to 2001 limited programmatic progress in the concessions program.

The issues identified concerning fees are resolved or are very close to resolution. The fee deposit discrepancy that resulted in \$9,061 of undocumented deposits was referred to the Investigative Division of OIG. Subsequently, the former fee supervisor was implicated in the loss of funds and was indicted for theft.

The entrance fee internal controls were identified as a weakness. The park has revised fee operation procedures to address the issues identified in the report.

Discrepancies in collecting fees from Tour Operators have been corrected. The park has initiated actions to collect outstanding debts via Bill of Collection and has taken actions to assure that tour operators are sent a monthly Bill of Collection.



Attachment Park Responses to OIG Report.doc

VIRGIN ISLANDS NATIONAL PARK
Responses to Office of Inspector General Recommendations
V-IN-NPS-0004-2003

CONCESSIONS PROGRAM

1. RECOMMENDATION:

Identify the level of sub-concession activities operated through the Park's concessionaires; request concessionaires to provide the Park with copies of sub-concession agreements for required approval; request concessionaires to provide the Park with copies of sub-concessionaires' financial reports, so that appropriate sub-concession fees can be calculated; and collect the appropriate sub-concession fees, including prior period fees of about \$55,600.

RESPONSE:

The current contract concessionaire has been under a concession contract with the Park since 1970. The original contract expired in 1990, and the concessionaire has since operated under temporary contracts and annual letters of extensions in anticipation of the passage of the new National Park Service Concessions Management Improvement Act of 1988. Park management decisions were on hold anticipating that a new contract would have been in place as early as 1995. A new contract will be completed in 2004. Concessionaire activities, agreements etc. became obscure particularly, as a result of lapsing the Concession Specialist position and having those duties performed intermittently as a collateral duty type function.

All of the Park's sub-concessionaires have been identified and approved and sub-concession agreements are current. The Park is currently receiving monthly financial invoices from sub-concessionaires, with the exception of one whom the contract concessionaire is experiencing problems receiving financial statements, revenue etc. The contract concessionaire has agreed to pay the outstanding \$55,600 in outstanding sub-concession fees. The park has received full payment (\$57, 150.00) in past due sub-concessionaire and franchise fees from the contract concessionaire.

Under the terms of the new concessions contract, sub-concession agreements are not permitted. Upon the award of the new contract, necessary and appropriate concession activities will be conducted by the concessionaire under the terms of its contract.

2. RECOMMENDATION:

Perform a preliminary review of the annual financial reports of concessionaires, reconcile the concession fees reported in the financial reports with the amounts paid by the concessionaires, and collect any additional concession fees that are determined to be due.

RESPONSE:

The preliminary review of the Annual Financial Reports (AFR) will be performed at the park level and reconciled against the monthly franchise fee payments made by the concessionaires.

The AFRs will continue to be submitted to the SERO Concessions Office and forwarded to the Concessions Program Center. Concessions staff have also met with the OIG auditors on performing assessments/review of the AFRs. The contract concessionaire has agreed to pay a \$1,532 amount that resulted in underpayment in concession fees, however to date the payment has not been received.

3. RECOMMENDATION:

Obtain missing compliance documentation from concessionaires, establish policies and procedures to regularly monitor concessionaires' adherence to compliance and documentation requirements, and conduct and fully document required inspections and evaluations of concessionaire operations.

RESPONSE:

The Park experienced lapses in the concession position after the Concessions Management Specialist (CMS) retired in 1999. The position was managed by a volunteer and eventually permanently filled by an upward mobility training position. The audit covered those transitional periods that may have resulted in incomplete and missing documentation. The CMS has since completed a two-year Concessions Certification Training course with Northern Arizona University and has also received certification to perform evaluations. Annual Work Plans have been implemented and along with additional staff is ensuring concessions compliance and documentation requirements are satisfied.

The U.S. Public Health Sanitarians continue to visit the park bi-annually and perform public health inspections on the food service for the contract concessionaire. Public Health inspections were conducted on January 13, 2003 and October 20, 2003 with an upcoming inspection scheduled for May 3, 2004. In addition, the concessions staff conducted operational inspections on July 9, 2003, October 21, 2003 and on January 17, 2004.

4. RECOMMENDATION:

Review the fee requirements for all Incidental Business Permits (IPB) and ensure that existing permit holders and new applicants make timely payments of the correct fee amounts. The Park should also collect the \$3,050 that was underpaid for prior year IBP's fees.

RESPONSE:

A review of fee requirements that have been in existence since 2000 for all IBP visitor services have been revisited by the concessions staff.

The current fee requirements for the IPB's have been in place since 2000 and have been reviewed by the concessions staff. The only changes made to the fee schedule were the addition

of taxi/tour operators that were brought under IBP compliance in 2002. The IBP renewal period is scheduled to begin in October to provide adequate time to renew and issue permits prior to December 31, expiration date.

The Park's Purchasing Officer is responsible for deposit records that account for all IBP payment deposits that are made annually. The Purchasing Agent has provided deposit records in 2001 that accounted for the \$9,050 in IBP fees that was reported undocumented by the auditors in this report. The deposit slips are available upon request.

A letter has been sent to the water taxi and day-sail vessel owners requesting payment for the additional vessels on their IBPs that were initially underpaid in 2002. The Park will institute periodic internal IBP audits that should identify any administrative errors as well as ensure a timely follow-up to collect any underpaid amounts.

5. RECOMMENDATION:

Create a tracking system to ensure those IPB holders update business licenses, insurance coverage, and other compliance documentation that may expire during the active period of the permits.

RESPONSE:

A Concessions Management Assistant was hired in May 2003. The primary duties of the position are to manage the IBP program. As such, various databases have been developed that currently track expiration dates of all IBP compliance documents, i.e., insurance coverage, business licenses, etc. A SOP has also been developed and is in place that specifically addresses processing of IBP applications and the tracking of expiration dated documents. The Park has implemented an internal audit process whereby 3 members of the Park staff will conduct annual reviews of the IBP files to ensure all required documentation is on file. The first scheduled audit will start on April 12, 2004.

FEE DEMONSTRATION PROGRAM

6. RECOMMENDATION:

Ensure that adequate internal controls are in place and functioning properly for the Fee Demonstration Program. Adequate internal controls include limiting access to the cashiers' drawers, having certain critical function (such as the reconciliation of collections and deposits) cross-checked by two Park employees, and exercising a greater degree of supervisory oversight of the fee collection process.

RESPONSE:

Previously, all keys were kept in a small safe box within a safe next to the cashier drawer. The inner safe and cashier drawers are accessed after opening the outer safe door. The

combinations to both the outer and inner safe doors were retained by the Fee Program Coordinator, Lead Visitor Use Assistant, and the Chief of Interpretation. Each of these individuals had access to all the cashiers' drawers as well as to the daily receipts that are kept in the inner safe box.

Subsequent to the audit by the Office of the Inspector General, tighter internal control measures have been implemented which include the following:

a). All extra keys for the cashiers' drawers are kept in a sealed envelope in a safe within the Chief Ranger's office. The safe is accessible only by the Chief Ranger. Should the need arise to break the seal on the envelope; it will be in the presence of witnesses.

b). As a result of the above, only the Fee Collector have access to his/her assigned cash drawer where their respective change fund is maintained.

c). Fee Collectors daily receipts and remittance reports are checked, counted, and certified by the Fee Program Coordinator, or the Lead Visitor Use Assistant in the presence of the respective fee collector. The Chief of Interpretation carries out this function if either the Fee Program Coordinator or the Lead Visitor Use Assistant is absent. The receipts are then sealed and deposited through a slot in the inner safe, and only removed when a deposit is to be made at the bank.

d). No longer is one person allowed to prepare and make deposits. Daily remittance envelopes are removed from the inner safe box and unsealed by the Fee Coordinator or Lead Visitor Use Assistant in the presence of another park employee. The receipts are recounted and the funding data entered onto a computerized deposit report. Two employees, the Fee Program Coordinator and the employee assisting with preparing the deposit, to purchase a bank draft immediately take the money to the bank.

e). The Fee Demo operation will be moved from the Interpretation Division to the Ranger Activities Division.

7. RECOMMENDATION

Implement policies and procedures to ensure that the Park promptly bills tour operators for the entrance (user) fees applicable to their passengers and revokes delinquent tour operators' permits if they do not promptly make arrangements for and pay off delinquent Bills of Collection.

RESPONSE:

The current Park's policy is for information regarding monthly visitation numbers and associated cost is delivered from the Fee Demonstration Program office to the Division of Administration within 10 days of the following month. Upon receipt from the Fee Demonstration office, the Administrative Clerk issues a Bill of Collection to the respective tour operator. If the Tour Operator payment is received within 30 days of the date of the Bill of

Collection, it is logged in by the Administrative Clerk (Collection Officer).

If a tour operator fails to remit payment within the 30 days from the date of the bill of collection, the Park's Administrative Clerk issues a letter indicating delinquency. Should the tour operator fail to respond, a copy of the bill of collection and the delinquency letter is forwarded to Accounting Operations Center (AOC) for action.

In one past instance a tour operator was delinquent, thus the Park Manager implemented a payment plan to have the debt erased by September 2000. The Tour Operator was allowed to continue conducting business under the agreement, but had to pay cash for continued use until the past debt was paid. In a letter dated January 10, 2001, by another former Park Manager, the Tour Operator was required to have his debt paid in full by June 30, 2001, or have his Commercial Use Authorization revoked and the past due account turned over to AOC for collection. This action was carried out. Thus, the Tour Operator lost his Commercial Use Authorization and AOC is collecting the debt.

The Park has developed and implemented Standard Operating Procedures for promptly notifying delinquent Tour Operators and the collection of those fees. Revocation of their permit for lack of payment is a part of the Standard Operating Procedure. The Park will continue to follow NPS established procedures for issuing Bills of Collection.

8. RECOMMENDATION:

Promptly refer delinquent payments from tour operators to the National Park Service's regional office in Atlanta for collection.

RESPONSE:

The park will comply with all applicable policies that address delinquent payments.

APPENDIX 5 – STATUS OF RECOMMENDATIONS

Finding/Recommendation Reference	Status	Action Required
1 to 8	Resolved and implemented.	No further response required.

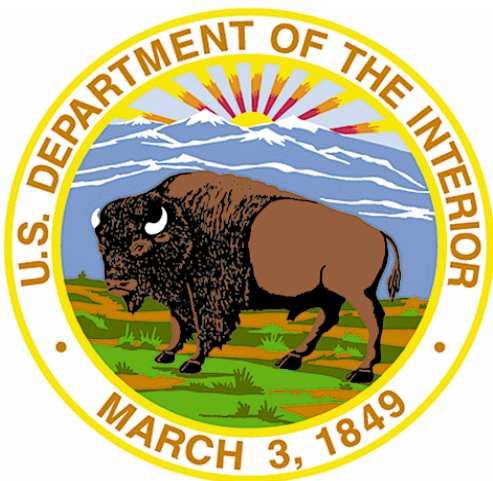
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