



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

## Audit Report



*Source: U.S. Geological Survey, Hawaiian Volcano Observatory*

### **Hawaii Volcanoes National Park: Improved Operations Should Enhance Stewardship and Visitor Experience**

**Report No. P-IN-NPS-0074-2004**

**March 2006**



# United States Department of the Interior

## Office of Inspector General

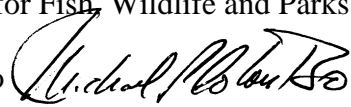
### Western Region

Federal Building  
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March 31, 2006  
7430

#### Memorandum

To: Assistant Secretary for Fish, Wildlife and Parks

From: Michael P. Colombo   
Regional Audit Manager

Subject: Final Report – *Hawaii Volcanoes National Park: Improved Operations Should Enhance Stewardship and Visitor Experience*  
(Report No. P-IN-NPS-0074-2004)

The attached report presents the results of our audit of the Hawaii Volcanoes National Park. Our audit objective was to determine whether the Park effectively managed selected aspects of its administrative operations. We concluded that by adopting a more business-like approach in its operations, the Park could significantly improve the quality of its commercial and interpretive services and maintenance operations, thereby enhancing Park stewardship and visitor experience.

In its March 1, 2006 response (Appendix 4 of the attached report), NPS concurred with our recommendations. Based on the response, we consider Recommendations 4 and 5 to be resolved and implemented and Recommendations 1, 2, 3, 6, 7, 8, 9, 10, 11, and 12 to be resolved but not implemented. The status of our recommendations is shown in Appendix 5 of the attached report. Since the report's recommendations are resolved, no further response to the Office of Inspector General is required.

The legislation, as amended, creating the Office of Inspector General requires that we report to Congress semiannually on all audit reports issued, the monetary effect of audit findings, actions taken to implement our audit recommendations, and recommendations that have not been implemented. The monetary effect of the findings in this report is shown in Appendix 1.

We appreciate the cooperation shown by the Park during our audit. If you have any questions regarding this report, please call me at (916) 978-5653.

Attachment

cc: Director, National Park Service



## **Executive Summary**

# **Hawaii Volcanoes National Park: Improved Operations Should Enhance Stewardship and Visitor Experience**

The Hawaii Volcanoes National Park (Park), located on the island of Hawaii and encompassing two of the world's most active volcanoes, offers a dynamic environment that attracts over 1.3 million visitors annually. This number is expected to grow substantially in 2005 and beyond. The Park receives about \$5.4 million in appropriated funds and \$3 million in non-appropriated funds annually. Our audit objective was to determine whether the Park effectively managed selected aspects of its administrative operations. (The scope and methodology of our audit are detailed in Appendix 2.) Our audit is part of a continuing focus on a results-oriented use of public resources and government accountability and the Department of the Interior's (Department) emphasis on providing the best value to its constituents.

We concluded that by adopting a more business-like approach in its operations, the Park could significantly improve the quality of its commercial and interpretive services and maintenance operations and by extension the quality of the visitor experience. The blueprint for such an approach already exists in the National Park Service's (NPS) multi-tiered planning framework, which stipulates a series of increasingly detailed planning documents to define both the goals of a park and the means of accomplishing them. At the Park, key documents comprising this framework were either outdated or nonexistent. As a result, Park managers lacked the framework to effectively manage Park operations. Specifically:

- ❖ The Park's General Management Plan (GMP), which defines the Park's long-term goals for resource preservation and visitor enjoyment and is the basis for management decisions, was issued in 1975. It does not include changes, such as a 50 percent increase in acreage, which directly affect Park management and visitor enjoyment. The Park cannot develop recently acquired acreage, for example, until the GMP is revised.
- ❖ The Park lacked the detailed planning documents needed to oversee its commercial services, interpretive services, and maintenance operations, resulting in a loss of revenues that could have been used within the Park: an estimated

\$2.7 million from commercial air tour operators, \$85,000 from commercial bus tour operators, \$38,800 in water payments from the Park concessioner, and a potential \$50,000 in franchise fees. In addition to the loss of these revenues, the lack of effective planning can negatively impact the quality of the visitor experience in terms of the commercial and interpretive services offered and the condition of facilities. The Park could reduce its maintenance backlog by determining the true scope of maintenance needs, establishing funding priorities, and ensuring the timely completion of approved maintenance projects.

- ❖ The Park could also strengthen its controls over government purchase cards, fee collections, and museum collection, thereby reducing financial exposure to loss from fraud, waste, and abuse in these areas. For example, reducing excessive credit limits and the number of cards issued to staff, accepting credit cards (instead of cash only) as payment for entrance fees, and enforcing the requirement for reporting museum property losses would reduce risk and financial exposure.

We made 12 recommendations regarding improved planning and oversight and believe that implementation of these recommendations would help the Park adopt a more business-like approach and could significantly improve the quality of its commercial and interpretive services and maintenance operations, thereby enhancing Park stewardship and visitor experience. The Park concurred with and is implementing our recommendations.

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## Abbreviations

C.F.R.	Code of Federal Regulations
CIP	Comprehensive Interpretive Plan
CSP	Commercial Services Plan
dba	Doing business as
Department	Department of the Interior
FAA	Federal Aviation Administration
Fee Demo	Recreational Fee Demonstration Program
GAO	Government Accountability Office
GMP	General Management Plan
NPS	National Park Service
OIG	Office of Inspector General, Department of the Interior
Park	Hawaii Volcanoes National Park
PMIS	Project Management Information System
U.S.C.	United States Code
Volcano House	Ken Direction Corporation dba Volcano House

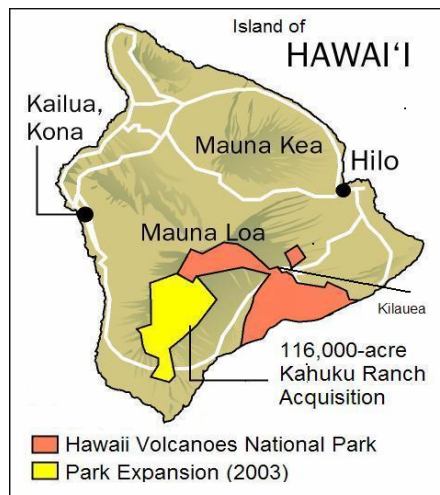


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## The Dynamic Environment

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The Park, established in 1916, represents 70 million years of volcanism and evolution in the Hawaiian Islands chain. Astoundingly diverse, the Park encompasses about 333,000 acres, extending from sea level to the summit of the earth's most massive volcano, 13,677-foot Mauna Loa.



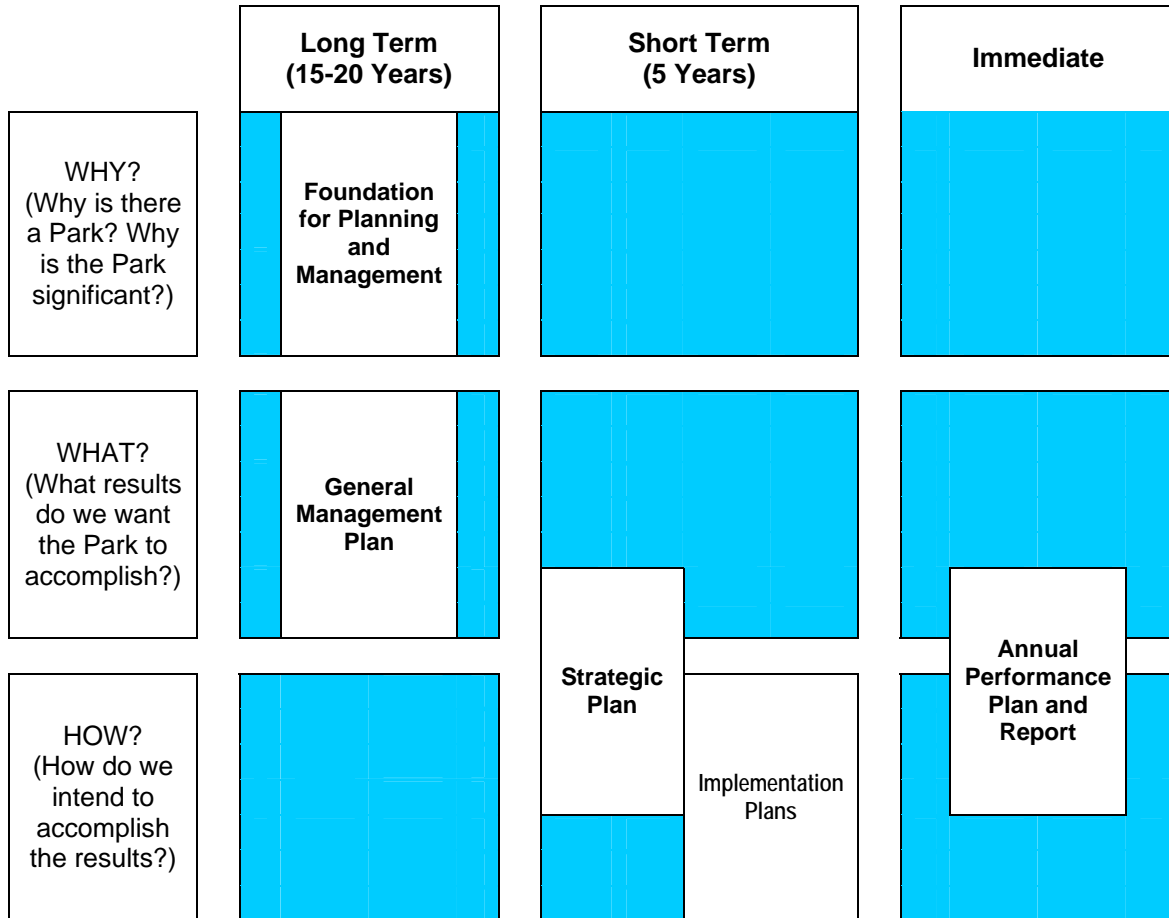
**Figure 1**  
**Park in Relation to Island of Hawaii**  
*Map Courtesy Honolulu Advertiser*

As home to two of the world's most active volcanoes, Kilauea and Mauna Loa, the Park is a dynamic environment. Kilauea has been erupting continuously since 1983 and is still adding land to the Big Island of Hawaii. The Park's volcanic environment offers awe-inspiring landscapes to visitors—over 1.3 million of them in 2004. Much of the Park is designated as wilderness, providing unique hiking and camping opportunities.

As steward of the nation's park system, NPS is charged with preserving the Park's natural and cultural resources for the enjoyment of future generations. To accomplish this mission, NPS relies on a multi-tiered park planning framework (Figure 2), which focuses on why the park was established, defines desirable resource conditions and visitor experiences, identifies the management actions needed to achieve park goals over time, and provides a means for management to measure success in meeting these goals. In effect, the framework is



equivalent to a business plan—the blueprint of the actions and procedures necessary to build a successful company and assess not only where the company is currently, but where it is headed.



Source: *National Park Service Program Standards: Park Planning*, issued by Associate Director of Park Planning, Facilities, and Lands, August 2004

**Figure 2**  
**NPS Planning Framework**

The foundation for planning and management document is a conceptual statement of why the Park was established, the resources to be preserved, and Park experiences that would benefit the public. The GMP builds on the foundation document by looking at the Park holistically, both as a unit of the National Park System and as part of the surrounding region, for the long term. It defines the Park's long-term direction for resource conditions and the quality of visitor experiences and forms the foundation for decision making. Strategic planning focuses on a shorter time frame than the GMP and targets measurable results.

Implementation planning provides the detailed plans necessary to accomplish strategic goals. Annual performance planning articulates annual goals for each fiscal year, and annual performance reports identify the progress made toward meeting these goals. Collectively, these documents provide the basis from which Park managers oversee and monitor park operations and programs.

The Park receives about \$8.4 million each year: \$5.4 million in appropriated funds and about \$3 million from Recreational Fee Demonstration (Fee Demo)<sup>1</sup> program monies, franchise fees,<sup>2</sup> and other non-appropriated sources. Full-time Park employees total about 95.

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<sup>1</sup> Under the Fee Demo Program, which was authorized in 1996 to evaluate the feasibility of charging new or increased fees at recreation sites to enhance visitor enjoyment and protect resources, individual parks can retain a portion of the fees for in-park use.

<sup>2</sup> Fees paid by private businesses or concessioners that contract with NPS to provide commercial services within parks



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**Results of Audit:**

## **Adoption of a More Business-like Approach Could Transform Key Park Practices and Enhance Operations**

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The Park lacked the planning framework necessary to effectively manage the administrative aspects of the operations that we reviewed. Specifically, the Park has not updated its GMP or developed the detailed implementation plans critical to effective oversight of its commercial services, interpretive services, and maintenance operations. In addition, internal controls deficiencies in key areas increased the risk of fraud, waste, and abuse in accounting for federal monies. With better planning and the adoption of a more business-like approach, the Park could significantly improve its operations, in terms of cost-effectiveness and quality of facilities and services.

### **Outdated GMP**

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Contrary to NPS guidelines, the Park has not revised its GMP, issued in 1975, or revisited its foundation for planning and management document, issued in 1985. According to NPS guidelines, GMPs should be reviewed and revised to keep them current. NPS anticipates that such reviews are needed every 10 to 15 years or sooner if conditions change more rapidly. Even in parks with strong traditions and entrenched patterns of use and development, decision makers will benefit from occasionally stepping back to reassess their overall goals, particularly if resources are threatened, sites are crowded, or park facilities require extensive rehabilitation or maintenance. The Park needs to update these documents to incorporate significant changes that have already occurred or are projected to occur. For example:

- ❖ A 2003 acquisition increased the Park by about 116,000 acres of woodlands and rainforests, lava flows, and ancient archeological sites (Figure 1). The Park cannot develop this area until a revised GMP is prepared and approved.
- ❖ Since 1983, a continuous lava flow from the Kilauea Volcano has reshaped the east side of the Park and added over 506 acres.

- ❖ The growing number of inter-island cruise ships is expected to substantially increase the number of Park visitors in 2005 and beyond.

In light of these changes, it is critical that the Park begin the GMP planning process to re-evaluate desired future resource conditions and visitor experiences and develop appropriate plans to accomplish long-term goals.

## **Lack of Planning and Oversight**

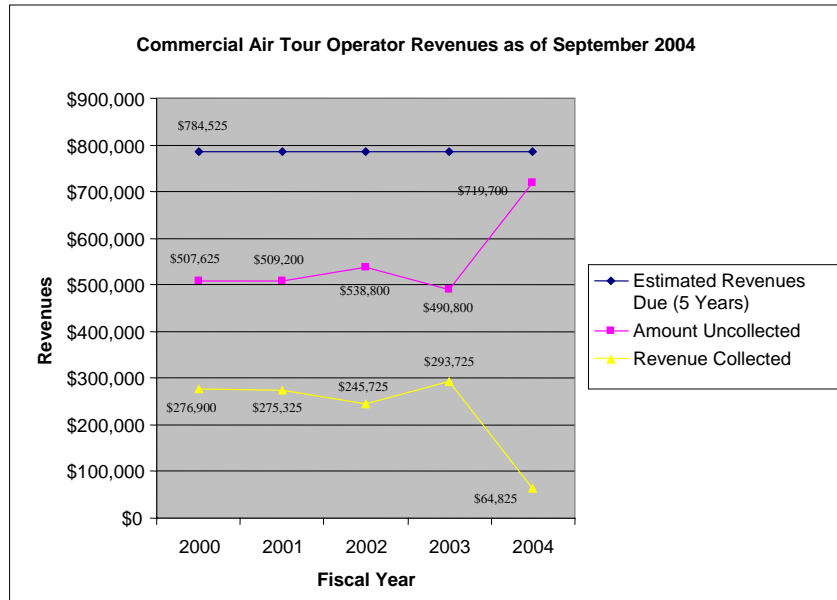
We focused on the effectiveness of three key Park operations—commercial services, interpretive services, and maintenance—and found that without an adequate planning framework, Park managers lacked the direction necessary to achieve desired results. For example, the Park had not developed two critical implementation plans, the Commercial Services Plan (CSP) and the Comprehensive Interpretive Plan (CIP). A CSP is essential to ensuring an integrated planning approach that identifies the appropriate commercial services needed in the Park and the best practices to manage these services. A CIP is equally essential to developing an integrated interpretive program that inspires visitor learning, provides recreational experiences, fosters a personal stewardship ethic, and broadens public support for preserving park resources to the fullest extent possible. In response to our audit findings, the Park began establishing the planning framework for the CSP by holding public meetings with the community in June 2005. Although the Park began developing a CIP in 1999, the draft CIP is still in a preliminary stage.

### **Commercial Services**

The Park's commercial services included air and bus tours and a concession operation. The lack of oversight over air and bus tours was evident in unrealized revenues and amounts payable from commercial tour operations over the last 5 years. These totaled an estimated \$2.7 million that remains uncollected from air tour operators and \$85,000 that was payable from tour bus operators as of September 2004. The Park also did not (1) ensure concessioner compliance with contract terms requiring payment of water service costs and provision of quality service or (2) begin proactive planning for a new concessions contract when the current one expires in 2008.

**Commercial Air Tour Operators.** The Park has not established and implemented procedures to identify

noncompliant air tour operators and validate the accuracy of overflight reporting through coordination with the Federal Aviation Administration (FAA). As a result, the Park could only estimate the overflight fees due. Figure 3 compares overflight revenues collected with the revenues the Park estimated it should have received and shows the \$2.7 million that was uncollected. In addition, 9 of 14 operators did not report and pay any of the \$1 million owed to the Park between 2000 and 2004.



Source: Park-generated Air Tour Fees Report

Figure 3

NPS officials told us that FAA believed historical flight information was proprietary and could not be used to assess fees. However, FAA's failure to provide information on overflights is contrary to the Congressional requirement that FAA and NPS coordinate the management of commercial air tour operators over national parks. Further, our General Counsel's Office is not aware of any law or regulation requiring FAA to collect information on park overflights with the condition that the information will not be used to assess fees. Such a condition is contrary to ensuring that operators pay the required fees. The Secretary of the Interior is authorized to assess fees on aircraft overflights.<sup>3</sup> Information on overflights is clearly relevant to the accurate assessment and collection of fees. Even if one were to assume that such information was commercial proprietary information subject to the provisions of 18 U.S.C. § 1905, disclosure to NPS is

<sup>3</sup> 16 U.S.C. § 4601-6a(n)(5)(B) (2005)

authorized by law, as the information is necessary to assess fees and make informed decisions (in cooperation with FAA) on the number of authorizations to issue for commercial air tour operations over a national park.<sup>4</sup> NPS has authority to require submission of overflight information as one of the relevant criteria for approval of operator's proposals and to collect fees<sup>5</sup> under its collection and enforcement authority.

**Commercial Bus Tour Operators.** By the end of fiscal year 2004, bus tour operators owed the Park \$85,000 in unpaid entrance fees. The fees were unpaid because the Park allowed bus tour operators to pay fees after the fact, unlike visitors arriving by passenger vehicle, who pay fees upon entry to the Park. Park officials stated that they recently started this practice because smaller operators had cash flow problems. We believe the Park should discontinue the practice of allowing tour bus operators to pay after the fact and should accept credit cards as payment at the entrance fee station to alleviate cash flow concerns. The benefits of credit cards are discussed under "Entrance Station Collections."

**Concessioner.** The Park did not require its sole concessioner, Ken Direction Corporation dba Volcano House,<sup>6</sup> to comply with contract terms for (1) paying a fair share of water service operating costs and (2) providing consistent services at a quality equal to industry standards. As a result:

- ❖ From 1995 to 2004, the Park undercharged Volcano House an estimated \$38,800 for water. The Park did not conduct required annual water rate studies for at least 9 years and, despite escalating water costs, continued to charge the base rate of \$8.89 per 1,000 gallons. Water rate studies are essential to determining the tenant water rates necessary for recovery of water service operating costs and to maximizing the dollars available for mission related needs.
- ❖ Park inspections and our observations revealed numerous deficiencies in the quality of concessioner facilities and services, including tables and chairs in disrepair, noisy pipes, and overall poor food and lodging service. According to Park records, Park staff made only two inspections during the 13-month period ending October

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<sup>4</sup> 49 U.S.C. § 40128(a)(2)(C)(2005)

<sup>5</sup> 49 U.S.C. § 40128(a)(2)(B)(vi)(2005), 36 C.F.R. §§ 71.11 and 71.12(2005)

<sup>6</sup> Volcano House provides lodging, restaurant services, and gift shops.

2004. Deficiencies could therefore have existed a significant amount of time before detection. The Park should step up inspections and should include reviews of guest comment cards, which have long been recognized as a valuable tool in preventing and eliminating recurring problems.

In addition to these problems, the Park needs to proactively plan for awarding a new concessions contract after the current one expires in 2008. Specifically, the Park should address compensation issues related to concessioner improvements (“possessory interest”)<sup>7</sup> under the National Park Service Concessions Management Improvement Act of 1998. Possessory interest is a legal obligation, and the current concessioner, if not awarded the new contract, is entitled to be compensated for its possessory interest by the successor concessioner or the U.S. government.

Historically, disagreement between NPS and concessioners on the value of possessory interest has delayed the award of new contracts. In light of anticipated difficulties, the Park should proactively begin determining possessory interest for concessioner improvements to the Volcano House, employee dorm, and concessioner house.

### **Interpretive Services**

Interpretive services at the Park, which are essential to public understanding and appreciation of Park resources, lack oversight and are not integrated. During our review, we noted three areas that reflected the lack of implementation planning, all of which could ultimately affect the quality of visitor experiences.

#### **Inventory and Integration of Interpretive Services.**

Inventorying and integrating the interpretive services provided within the Park are among the first considerations in a well-defined interpretive services operation. Park staff, however, could not provide us with an inventory of either the type or the frequency of interpretive services provided or planned by Park employees and provider organizations.<sup>8</sup>

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<sup>7</sup> Possessory interest is defined as the reconstruction cost less depreciation (evidenced by the condition and prospective serviceability of a unit when compared with a new unit of like kind), not to exceed fair market value.

<sup>8</sup> Interpretive service assistance providers include the Volcano Art Center, Natural History Association, and Friends of the Hawaii Volcanoes National Park.



**Use of Correct Legal Instrument.** In its implementation planning, the Park must clearly identify the desired roles of each interpretive service provider and ensure that the correct legal instrument is used to document the provider's relationship with the Park. Selection of the correct instrument not only defines the mutual expectations of the Park and the provider, but also affects Park revenues. For example, at the present time, the Volcano Art Center operates under a cooperative agreement. The criteria<sup>9</sup> for cooperative agreements are specific, requiring that NPS transfer money, property, or services to the cooperator to carry out a public purpose and that NPS be substantially involved in carrying out this purpose. At the present time, however, the Center is operated autonomously as an art gallery, with little Park involvement. For example, Park staff could not tell us what educational activities, demonstrations, or exhibits were sponsored by the Center, although they did state that such activities were minimal.

Given the current operation of the Center, a concession contract appears to be the appropriate legal instrument. While cooperative agreements identify those entities, or cooperators working closely with the Park to enhance visitor experience, contracts identify entities, such as concessioners, who operate to generate profits both for themselves and for the Park through franchise fees. Had the Park awarded a concession contract instead of a cooperative agreement, it could have realized an estimated \$50,000 annually in franchise fees.

**Partnerships with Nonprofit Organizations.** In developing its implementation plan, the Park should also consider partnerships with nonprofits, such as "friends" groups or park-specific foundations, which a 2003 Government Accountability Office (GAO) report<sup>10</sup> identified as profoundly enhancing the quality of service provided by parks. According to the report, these partnerships can offer significant support in fund-raising and educating the public about the value of Park resources and activities. GAO, for example, stated that from 1997 to 2001, these organizations contributed over \$200 million toward educational programs, as well as substantial numbers of volunteers providing such services as maintaining trails, staffing visitor information kiosks, and cleaning campgrounds. Within the Park, the Friends of Hawaii Volcanoes National Park, established in 1998, provide non-

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<sup>9</sup> Federal Grant and Cooperative Agreement Act of 1977 31 U.S.C. § 6305

<sup>10</sup> *Park Service: Agency Needs to Better Manage the Increasing Role of Nonprofit Partners* (GAO-03-585), issued July 2003

financial assistance for the Ainahou Ranch, a small section of the Park.

### **Maintenance**

As of September 2004, the Park's maintenance backlog<sup>11</sup> totaled an estimated \$19 million. Although funding availability affects the backlog, the backlog is also the result of the Park's lack of planning and management emphasis in this area. Specifically, the Park has not completed condition assessments of Park assets, developed strategies for addressing identified maintenance deficiencies, or ensured the timely completion of maintenance projects.

**Comprehensive Condition Assessments.** The Park determines whether assets require maintenance through ongoing assessments, which identify obvious deficiencies, and comprehensive condition assessments, which monitor asset deterioration, determine the need for rehabilitation and replacement, and establish funding priorities for future maintenance. The NPS Pacific West Region requires the Park to complete comprehensive condition assessments by 2006 for 251 of its over 400 assets. The Park, however, had completed comprehensive condition assessments only for its trails, as shown on Table 1.

**Table 1**  
**Status of Comprehensive Condition Assessments**  
**As of February 2005**

<b>Fiscal Year</b>	<b>Asset Category</b>	<b>Target</b>	<b>Completed</b>
2004	Trails	56	56
2005	Grounds and Waterways	36	0
2006	Buildings and Utilities	159	0
Unscheduled	Various	154	0
Total		405	56

Source: Hawaii Volcanoes National Park – Condition Assessment Progress Report

<sup>11</sup> The NPS maintenance backlog, estimated between \$4.5 billion and \$9.7 billion, continues to be a major management challenge. Deteriorating facilities not only threaten public health and safety and natural and cultural resources, but also increase repair costs for structures and equipment. To address this problem, the Department has developed a comprehensive maintenance management system to help plan, prioritize, conduct, and track the condition and maintenance of facilities. Full implementation, which includes completing comprehensive condition assessments of assets, is targeted for 2006.

To ensure progress, the Park should develop a plan outlining the strategy, priorities, and target dates for completing all comprehensive assessments. The plan should be tailored to meet specific Park needs. For example, the assessment of Volcano House, which was included with assets scheduled for comprehensive assessments in 2006, should be done earlier to allow time for completing and incorporating the assessment into the prospectus for a new Volcano House concession contract.

**Maintenance Strategies.** Maintenance is funded by operational monies, NPS maintenance funds, and Fee Demo revenues and is performed by in-house staff or by contractors. Effective oversight of maintenance operations requires the Park to determine the “best mix” of funding and delivery options to optimize visitor benefits. In light of staffing shortages and potential cost savings, contracting out certain maintenance projects to the private sector could free up resources for other activities.

In fiscal years 2003 and 2004, the Park did contract out four projects, primarily because of their complexity. Contracting out maintenance activities, when warranted, is a promising practice, which adds to the maintenance options available to Park management to deal with increased operating costs and limited dollars. Thus, the Park should determine the feasibility, on a case by case basis, of contracting out maintenance projects.

**Project Completion.** The majority of rehabilitation and replacement projects at the Park are funded with Fee Demo funds. In fact, since implementing the Fee Demo program in 1997,<sup>12</sup> the Park has collected about \$24 million in revenues, of which it retained \$19.5 million for on-site improvements, such as construction and repair of buildings, campgrounds, roads, trails, and the Kilauea Visitor Center.

Between fiscal years 1997 and 2004, the Park obligated revenues timely, but completed only about one-third of the 141 projects funded. A detailed analysis of 45 of these projects disclosed that as of January 2005, only 21 projects were completed, with 24 in varying stages of construction that had been ongoing an average of 4 years.

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<sup>12</sup> The Federal Lands Recreational Enhancement Act, enacted in 2004 as part of the Omnibus Appropriations Bill, authorized continuation of the fees allowed by the Fee Demo program through 2014.

Significant delays between project funding and start dates occurred because maintenance staff were diverted to higher priority projects. For example, construction on a project to rehabilitate a field research center did not begin until October 2000, although the project was funded in 1997. Similarly, construction on a project to improve accessibility to an education center, approved in 2001, did not begin until October 2003.

Better use of NPS's Project Management Information System (PMIS) to monitor project status could improve oversight of maintenance projects. For most projects, we found key data fields, such as target completion dates and explanations for delays, were not entered into PMIS. An interpretive rainforest walk project approved in 1997, for example, did not state a target completion date or a reason for delays. Park officials stated that difficulties in creating an accessible walkway without disrupting the surrounding environment had delayed the project, which is about 50 percent complete.

## **Inadequate Internal Controls**

During our review of the Park's internal controls, we noted deficiencies in three areas: purchase cards, fee collections, and management of the museum inventory. To strengthen internal controls and reduce the risk of fraud, waste, and abuse in these areas, the Park should (1) limit purchase card issuance and credit limits to the legitimate needs of Park staff, (2) accept credit cards at the fee collection station, and (3) enforce requirements for reporting museum collection losses.

### **Purchase Cards**

During fiscal year 2004, the Park used charge cards to procure over \$700,000 in goods and services, using the purchase business line of the government charge card program. Although we did not find any questionable purchases, the excessive number of cardholders and the high credit limits increased the Park's financial exposure. As of June 2004, the Park had issued purchase cards to about 50 percent of its staff. Appendix 3, which compares the monthly credit limits for 45 employees with their average monthly and fiscal year 2004 expenditures, shows that the credit limits were excessive, with about 1.5 percent of the overall credit available used. The Park has not implemented recommendations in our 2001 report on

the integrated charge card program,<sup>13</sup> one of which advised the Department to ensure that purchase cardholders and credit limits were based on the minimum number and amounts needed for efficient operation.

Federal purchase card programs have proven very beneficial in streamlining the small purchase acquisition process, reducing transaction processing costs, and providing greater flexibility in procuring needed goods and services. However, an adequate control environment is essential to reduce the Government's financial exposure and risk.

### Entrance Station Collections

The Park collects a significant amount of cash daily. For example, in March 2004, the Park collected about \$6,000 daily at its entrance station from commercial tour operators and visitors. The Park, however, did not accept credit cards as payment for entrance fees as some other parks do, even though it considered cash collections as high risk and subject to fraud, waste, and abuse, such as embezzlement.

The Park's non-acceptance of credit cards is counter to current business practices, in which credit cards are so commonplace that non-acceptance is the exception rather than the rule. According to a recent survey conducted by BIGresearch,<sup>14</sup> the average consumer has at least two credit cards. Table 2 illustrates the benefits of credit cards from both a business and consumer perspective.

**Table 2**  
**Credit Card Benefits**

<b>Business Perspective</b>	<b>Consumer Perspective</b>
Improved Sales	Convenience
Reduced Expenses	Flexibility
Security	Security
Efficient Transaction Processing	Emergency Buying Power

<sup>13</sup> OIG: *Department of the Interior – Integrated Charge Card Program*, Report No. 2002-I-0011, December 2001

<sup>14</sup> BIGresearch is a consumer market intelligence firm that designed the 2003 Consumer Credit Survey to gauge consumer shopping trends related to various payment options. The consumer poll has a margin of error of plus or minus 1 percent.

We believe that by accepting credit cards, the Park can enjoy these same benefits, improve visitor satisfaction, increase National Park Pass sales, and expedite fee collections from commercial tour operators (see “Commercial Bus Tour Operators”).

### **Museum Collections**

Museum collections are part of the cultural resources that NPS is charged with preserving. According to the NPS Museum Handbook, Parks must inventory 100 percent of their museum collections annually and promptly report losses to Park law enforcement officials for appropriate follow-up. In its fiscal year 2004 inventory, the Park could not locate 7 items in its 172-item collection. These items, which consisted of invaluable and irreplaceable paintings, stone objects, and scientific specimens, have been missing since prior to 1998. Over these years, at no time did the Park report the missing items to law enforcement officials or convene a Board of Survey<sup>15</sup> to adjust its inventory records. Recovery of the items is doubtful because of the elapsed time since these items were last seen.

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<sup>15</sup> The Board of Survey is responsible for investigating the loss, reporting findings, determining financial liability, and recommending disciplinary action, if appropriate.



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## Recommendations

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We recommend that the Regional Director of the NPS Pacific West Region and the Park Superintendent:

1. Update and revise the Park's GMP and related plans to verify the appropriateness of the Park's strategic course and associated goals, thereby ensuring suitable efforts are made toward long-term resource preservation and visitor satisfaction.

We recommend that the Park Superintendent:

2. Develop an integrated CSP that identifies the appropriate commercial services needed and the best practices to manage these services.
3. Establish and implement procedures to ensure commercial air and bus tour operators accurately report and pay required fees on time.
4. Enforce concession contract terms that require the concessioner to pay its fair share of water service operating costs and to provide quality service.
5. Proactively plan for the new concession contract, including determining the value of the concessioner's capital improvements and resolving possessory interest issues.
6. Develop an integrated CIP that identifies the interpretive service operations that are or should be available from the Park, and how interpretive service needs will be met through a combination of NPS staff, concessioners, and Park cooperators.
7. Develop and implement a plan to complete comprehensive condition assessments. The plan should address strategy, priorities, and target dates for completing all assessments.



8. Determine the feasibility of contracting additional maintenance projects to the private sector to better use Park resources.
9. Fully use the PMIS to oversee maintenance projects.
10. Reduce the number of purchase cardholders and lower charge card limits based on a combination of historical use information and cardholder position responsibilities.
11. Accept credit cards as payment for entrance fees.
12. Enforce the NPS requirement for reporting museum property losses.

### **NPS Response and OIG Reply**

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The March 1, 2006 NPS response was sufficient for us to consider all of the recommendations resolved, with recommendations 4 and 5 also considered implemented. Overall, NPS agreed to develop or update park planning documents, enforce entrance and tour fees while streamlining collection efforts, integrate park interpretive services, and work to improve Park performance in several maintenance and administrative areas. The status of all audit recommendations is shown in Appendix 5.

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**Appendix 1****Classification of Monetary Amounts**

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<b><u>Source</u></b>	<b><u>Unrealized Revenues (millions)</u></b>	<b><u>Lost or Potential Additional Revenues (thousands)</u></b>	<b><u>Lost Revenues (thousands)</u></b>
Uncollected Fees from Commercial Air Tour Operators (Recommendation 2)	\$2.7		
Entrance Fees from Commercial Bus Tour Operators (Recommendation 11)		\$85.0	
Understated Water Rates (Recommendation 4)			\$38.8
Franchise Fee from Volcano Art Center (Recommendation 6)			\$50.0



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## Appendix 2

# Objective, Scope, Methodology, and Prior Audit Coverage

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## Objective, Scope, and Methodology

The objective of our audit was to determine whether the Park effectively managed selected aspects of its administrative operations. We conducted our audit from June 2004 to November 2005 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 considered necessary under the circumstances. To accomplish our objective, we conducted the following activities:

- ❖ Reviewed internal controls and identified weaknesses relating to Park planning, commercial services, deferred maintenance, purchase cards, entrance station collections, and museum collections, as discussed in the Results of Audit section. As part of our review, we determined the amount of water service undercharges related to the Volcano House concession operation by escalating the \$8.89 base rate using the Hawaii consumer price index from 1995 to 2004 and applied the applicable rates to annual water usage and hauling costs. Our recommendations, if implemented, should improve internal controls in these areas.
- ❖ Interviewed Park officials and staff.
- ❖ Reviewed various NPS references, including Management Policies, Directives, Museum Handbook, and Personal Property Management Handbook. We also reviewed the Park's budgetary and financial reports, contracts and agreements, and other relevant documents.
- ❖ Reviewed the *Department of the Interior's Report on Performance and Accountability* for fiscal year 2004, including information required by the Federal Manager's Financial Integrity Act. The Department reported inadequate maintenance management capability as a mission-critical material weakness.

- ❖ Reviewed Government Performance and Results Act goals and measures related to the Fee Demo program to determine whether they were appropriate and outcome-based. In response to our August 2002 Fee Demo audit, the Assistant Secretary for Policy, Management and Budget directed NPS to amend its Fee Demo performance measures to include (1) customer satisfaction with value for fee paid, (2) percent of fee revenue obligated to maintenance projects, and (3) percent of fee revenues spent on fee collection.

We did not evaluate Park policies and procedures over special permits, such as special events, commercial filming and still photography because of a recent GAO review in this area.

## **Prior Audit Coverage**

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We reviewed the following audit coverage applicable to the Park.

- ❖ **May 2004, *Federal Acquisition: Increased Attention to Vehicle Fleets Could Result in Savings*** (GAO-04-664). This report focused on the significant savings that could result if federal agencies ensured vehicle fleets were the appropriate size and composition to meet mission needs.
- ❖ **February 2004, *U.S. Department of Interior: Fleet Management Operations*** (OIG Report No. C-IN-MOA-0042-2003). This report concluded that the Department could achieve significant savings if its vehicle fleet was appropriate to mission needs. During our audit, the Pacific West Region directed park units under its cognizance to re-assess fleet levels and to justify each vehicle in its fleet. Based on its re-assessment, the Park proposed to reduce its fleet by five vehicles.
- ❖ **February 2004, *Competitive Sourcing: Greater Emphasis Needed on Increasing Efficiency and Improving Performance*** (GAO-04-367). GAO discussed the need for agencies to (1) ensure consistency in classifying positions as inherently governmental or commercial, (2) identify functional areas for competition, and (3) focus competition plans on desired outcomes.
- ❖ **July 2003, *Park Service: Agency Needs to Better Manage the Increasing Role of Nonprofit Partners*** (GAO-03-585).

GAO emphasized the benefit of developing commercial service plans that defined the roles of concessioners and nonprofits in providing visitor services in minimizing conflicts and ensuring a more systematic basis for decision making.

- ❖ **March 2003**, *National Park Service: Collection and Use of Franchise Fees* (OIG No. 2003-I-0034). The report stated that NPS may not have used franchise fees to fund the highest priority projects because project priority ranking scores were not entered into PMIS.
- ❖ **January 2003**, *Department of the Interior: Major Management Challenges and Program Risks* (GAO-03-104). The report identified the important Departmental performance and accountability challenges, such as improving management of the national parks and addressing the deferred maintenance backlog.
- ❖ **August 2002**, *National Park Service and Bureau of Land Management: Recreational Fee Demonstration Program* (OIG Report No. 2002-I-0045). The report identified opportunities for NPS to improve Fee Demo accountability and project completion rate.
- ❖ **December 2001**, *Department of the Interior: Integrated Charge Card Program* (OIG Report No. 2002-I-0011). The report disclosed that the Department's control environment for the integrated charge card program was not adequate to minimize abuse of the purchase card. Specifically, the Department did not have an effective process to validate purchase transactions, adjust credit limits, or deactivate ex-employees cards.
- ❖ **March 2000**, *Park Service: Need to Address Management Problems that Plague the Concessions Program* (GAO/RCED-00-70). This report identified long-standing concession problems related to the condition of lodging facilities. Recommendations included (1) improving the qualifications of NPS concession staff (or contracting out to acquire the needed expertise) and (2) establishing a formal process for performing periodic independent inspections of concessioners' lodging facilities throughout the park system.



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**Appendix 3****Purchase Card Expenditures and Credit Limits**

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<b>Employee</b>	<b>Monthly Credit Limit</b>	<b>Average Monthly Expenditures</b>	<b>Fiscal Year 2004 Expenditures</b>
1	\$995,000	\$18,593	\$223,115
2	\$200,500	\$1,332	\$15,983
3	\$200,000	\$1,891	\$22,686
4	\$65,000	\$0	\$0
5	\$60,500	\$5,419	\$65,026
6	\$60,500	\$4,897	\$58,759
7	\$60,500	\$3,960	\$47,523
8	\$60,500	\$2,667	\$32,005
9	\$60,500	\$1,824	\$21,892
10	\$60,500	\$1,737	\$20,849
11	\$60,500	\$1,420	\$17,036
12	\$60,500	\$1,373	\$16,474
13	\$60,500	\$1,078	\$12,941
14	\$60,500	\$1,009	\$12,103
15	\$60,500	\$933	\$11,192
16	\$60,500	\$906	\$10,875
17	\$60,500	\$824	\$9,886
18	\$60,500	\$763	\$9,150
19	\$60,500	\$726	\$8,709
20	\$60,500	\$714	\$8,570
21	\$60,500	\$687	\$8,243
22	\$60,500	\$557	\$6,684
23	\$60,500	\$487	\$5,838
24	\$60,500	\$447	\$5,362
25	\$60,500	\$366	\$4,389
26	\$60,500	\$322	\$3,868
27	\$60,500	\$319	\$3,833
28	\$60,500	\$125	\$1,497
29	\$60,500	\$112	\$1,343
30	\$60,500	\$81	\$971
31	\$60,500	\$59	\$713
32	\$60,500	\$54	\$644



<b>Employee</b>	<b>Monthly Credit Limit</b>	<b>Average Monthly Expenditures</b>	<b>Fiscal Year 2004 Expenditures</b>
33	\$60,500	\$54	\$642
34	\$60,500	\$37	\$446
35	\$60,500	\$12	\$142
36	\$60,500	\$6	\$73
37	\$60,500	\$0	\$0
38	\$60,500	\$0	\$0
39	\$60,500	\$0	\$0
40	\$60,000	\$1,091	\$13,096
41	\$57,000	\$1,029	\$12,350
42	\$46,500	\$195	\$2,335
43	\$45,000	\$485	\$5,824
44	\$10,500	\$75	\$902
45	\$10,500	\$70	\$844
Monthly Total	\$3,807,500		
<b>Annual Total</b>	<b>\$45,690,000</b>		<b>\$704,813</b>

**Source:** National Business Center-Charge Card Reports Distribution System.

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## Appendix 4

# National Park Service Response

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### United States Department of the Interior

NATIONAL PARK SERVICE  
Pacific West Region  
1111 Jackson Street, Suite 700  
Oakland, California 94607-4807



IN REPLY REFER TO:

A5431(PWR-DRA)

March 1, 2006

#### Memorandum

To: Assistant Inspector General for Audits, Department of the Interior  
Attention: Anne Richards

From: Regional Director, Pacific West Region

Subject: OIG Report No. P-IN-NPS-0074-2004  
Final Regional Comments on Draft Report

Attached please find the Pacific West Region's final comments on the subject draft report. These comments were forwarded to you via email on February 13, 2006.

If you have any questions about these comments, please call Hawai'i Volcanoes Superintendent, Cindy Orlando at 808-985-6025 or Deputy Regional Director, Patty Neubacher at 510-817-1305.

*Patty Neubacher*

*for*

Jonathan B. Jarvis

Attachment

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**Recommendation Number 1-Need Updated GMP**

**Concur**

The park has developed a project funding request for a new General Management Plan. Major changes have occurred in NPS management, policy, land ownership and practices that directly affect the park since the last Master Plan was developed in 1975. For example, a continuous lava flow since 1983 has reshaped the east side of the park, destroyed a visitor center and roads and added over 500 acres of new land. In 2004 over 115,000 acres of land was added to the park boundary that includes the SW rift zone of Mauna Loa and the Kahuku Ranch. No operating funds were received to support this acquisition and related program and services.

Foundation documents completed or expected to be completed include an Interim Operating Plan for Kahuku, Wilderness Plan, Comprehensive Interpretive Plan and Commercial Services Plan. We are also developing an Air tour Management Plan with FAA as the lead agency.

Estimated cost for an updated GMP is \$900,000

Start date is 2008 (subject to Servicewide funding being approved), with preliminary work to be accomplished in 2007.

Responsible Official: Superintendent

**Recommendation Number 2-Need Commercial Services Plan**

**Concur**

The Commercial Services Plan is currently being developed. Public scoping meetings were held in June of 2005 around the island. A newsletter was prepared and sent to approximately 300 interested parties and park partners. An Alternative Use Analysis is also being completed as a best practice for CSP's going forward.

Note: Though not noted in the summary, reference is made to the comment relative to determination of the correct legal instruments under which the Volcano Art Center and Kilauea Military Camp operate. We are working closely with NPS solicitor's on the appropriate authority and will wrap this into the CSP as appropriate.

Estimated cost of total plan is \$ 250,000 funded by 80% Franchise Fees.

Start Date: June 2005 Target Completion Date: Fall of 2006

Responsible Official: Superintendent and Management Assistant

**Recommendation Number 3-Commercial tour fees timely payment**

**Concur**

The park has been working closely with the WASO solicitor's office to collect fees in arrears from commercial air tour operators. As a result payments totaling \$182,000 in 2005 have been received and actual flights taken have been clarified.

We are attempting to collect an additional \$200,000 from Blue Hawaiian, and working with other operators on their requests for a payment schedule. A number of operators have responded that they no longer fly over the park, but we have no way of verifying this since contrary to 18 USC 1905, FAA has issued IOA's without consultation and approval of the Director.

The recently published GAO report recommends that the NPS and FAA work together to develop appropriate reporting procedures for air tour operators. We continue to work with the remaining individual operators to verify actual flights taken with no additional information received from FAA. IG SOL and NPS SOL interpretation of FAA disclosure responsibilities should be shared with FAA. GAO Report on Air Tour Management Plans has recently been released.

Estimated costs: Base funds

Start Date: Air tour fee collection efforts ongoing since 2004; commercial bus fee collection process in advance being developed.

Responsible Official: Superintendent and Administrative Officer

**Recommendation Number 4-Concession utility payments and ensure quality service**  
**Concur**

The new utility comparability study was completed in December, 2005. Concession maintenance and operating plans are being updated in 2006. In FY 2005, two formal concession inspections, one large, maintenance walk through and evaluation, two USPHS inspections and numerous informal reviews were conducted. NPS concession program requirements are for 3 formal inspections in a 12 month period. The concession operation at Hawaii Volcanoes is year-round.

Estimated Costs: Base funds

Start Date: New utility rates retroactive to October 1, 2005.

Responsible Official: Administrative Officer and Management Assistant

**Recommendation Number 5-Proactively plan for new concession contract, including possessory interest issues/values.**  
**Concur**

The Commercial Service Plan is the first step to completing a new concession contract prospectus. Comprehensive condition assessments to support possessory interest values have also been conducted. This contract timeline is on target and is a high WASO/regional priority to be completed by expiration with no extensions. Letters have been also sent to the concessioner asking for book value on some buildings. Follow-up letters have also been sent. Note: We anticipate arbitration on the issue of possessory interest and potential litigation.

Estimated Costs: \$750,000 funded by Servicewide funding and 80% Franchise Fees

Start Date: Spring of 2005 and Prospectus out for bid spring 2007, Award 2008

Responsible Official: Superintendent and Management Assistant

**Recommendation Number 6-Develop inventory and integrate interpretive services in park**  
**Concur**

The park is a dynamic landscape ever changing with volcanic eruptions, earthquakes, gas emissions and occasional hurricane and tsunamis that keep staff and programs in a constant state of change. The completion of a Comprehensive Interpretive Plan will provide a road map within this environment to insure an integrated interpretive program with our park partners and one that inspires visitors to learn about the park's dynamics and culture, as well as foster an ethic of stewardship and build a constituency that supports the park and NPS mission.

To begin this inventory and integration, the chief of interpretation is holding bi-weekly meetings with other park programs and park partners, including the Hawaii Natural History Association and Friends of Hawaii Volcanoes National Park. Calendars of activities are being developed that outline all interpretive activities in the park. The Friends has also broadened their mission to fund raise as well as friend raise and their support has been invaluable to park interpretive efforts and programs. We also jointly develop and sponsor educational and interpretive programs with the Friends.

Estimated Cost: Base funds

Start Date: Fall of 2005      Target completion date: Fall of 2007

Responsible Official: Superintendent and Chief of Interpretation

**Recommendation Number 7-Develop and implement plan to complete comprehensive condition assessments.**  
**Concur**

On-site comprehensive condition assessments were recently completed on park buildings/structures and include assessments on 56 trails, 37 park roads, 26 parking areas and 28 monuments/memorials as well. Total assessments complete are 261.

Estimated Cost: \$126,000

Start Date: Fall of 2005 and completed report expected by May 2006.

Responsible Official: Superintendent and Chief of Maintenance

**Recommendation Number 8-Contract additional maintenance to private sector**  
**Concur**

Park plans to evaluate all projects/services for feasibility to contract with the private sector.

Estimated Cost: Base funds

Start Date: Each fiscal year October 1 through September 30

Responsible Official: Superintendent and Chief of Maintenance.



**Recommendation Number 9-Fully use PMIS to oversee maintenance projects**  
**Concur**

Park conducted PMIS training in August 2005, is conducting quarterly reviews of status of funds and projects. Program managers have been advised to prepare timely completion reports and obligate funds for projects as they are approved. Park is also evaluating and streamlining planning/compliance procedures for more timely approvals and clearances.

Estimated Cost: Base funds

Start Date: During each fiscal year, October 1 through September 30

Responsible Officials: Superintendent and all program managers

**Recommendation Number 10-Reduce number of purchase card holders and reduce limits based on historical use information.**  
**Concur**

As a result of the OIG review, the park has significantly reduced the limits of credit cards where appropriate and removed purchasing authority in others. We will continue to monitor this activity. An Acquisition Management Review is scheduled for HAVO in FY 06. The park has reduced the limited dollar amounts from \$65,500 to \$30,000 for at least 75% of credit card holders who have a purchasing and travel authority. We are aware that we need to work on reducing the amount of credit card holders who have purchasing authority by at least 50%.

Estimated Cost: Base funds

Start Date: April 2004 through April 30, 2006

Target Date: April 30, 2006

Responsible Official: Superintendent and Administrative Officer

**Recommendation Number 11-Accept credit cards for entrance fees**  
**Concur**

This recommendation is logistically challenging because of the proximity of the entrance station to State Highway 11 (the time it takes to process a credit card payment will cause traffic backups on the highway – a probable safety issue). We are evaluating this recommendation and hope to implement in 2006.

Estimated Cost: UNK at this time

Start Date: Begin implementation by early FY 2007

Responsible Official: Superintendent and Administrative Officer

**Recommendation Number 12-Enforce the NPS requirement for reporting museum property losses.**

**Concur w/editorial comment**

The Cultural Resource Program began managing the Museum Collection in 1998 and a 100% survey of all collection items was conducted at that time. Prior to 1998 there was no professional program or oversight of the collection as personnel were assigned this function as a collateral duty activity from another program area.

Today CRM has identified and categorized 111 items as "missing". Some of these items have little or no documentation or monetary value assigned; others have been reported to law enforcement personnel who investigate such losses. The park has made every effort to locate the items. However, we cannot confirm whether or not some of them have ever been in our possession and catalogued by mistake, loaned out, destroyed, etc.

Regardless, we will work with the regional office to determine the best way to identify these items, document accordingly and close them out. We strictly follow the NPS Museum Handbook, and conduct annual inventories. In some cases items have been found during these inventories. (Note: NPS requires annual inventories but not 100% inventories). We will also evaluate feasibility of completing a 100% inventory.

Estimated Cost: \$50,000 CRPP

Start Date: Ongoing

Target Date: September 30, 2006 (for closing out lost items)

Responsible Official: Superintendent and Chief of Cultural Resources

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**Appendix 5**  
**Status of Audit Recommendations**

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Recommendations	Status	Action Required
4 and 5	Resolved and Implemented	No further response to the Office of Inspector General is required.
1, 2, 3, 6, 7, 8, 9, 10, 11, and 12	Resolved Not Implemented	We will refer the recommendations to the Assistant Secretary for Policy, Management and Budget for tracking of implementation.



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