



# United States Department of the Interior

## Office of Inspector General


### Western Region

Federal Building  
2800 Cottage Way, Suite E-2712  
Sacramento, California 95825

Report No. V-VS-NPS-0004-2006  
September 28, 2006

#### Memorandum

To: Assistant Secretary for Policy, Management and Budget  
(Attention: Associate Director for Finance, Policy and Operations)  
Director, National Park Service

From: Michael P. Colombo   
Regional Audit Manager

Subject: Verification Review of Eight Recommendations from Our May 2004  
Audit Report No. V-IN-NPS-0004-2003 *Concession Management and Fee  
Collection Operations, Virgin Islands National Park, National Park  
Service.*

The Office of Inspector General has completed a verification review of the eight recommendations presented in the subject audit report. The objective of the review was to determine whether the recommendations were implemented as reported to the Office of Inspector General and to the Office of Financial Management, Office of Policy, Management and Budget. In a memorandum dated June 13, 2005, the Office of Financial Management reported to the Office of Inspector General that all the recommendations in the subject report had been implemented and that the audit report was closed.

#### Background

Our May 2004 audit report *Concession Management and Fee Collection Operations, Virgin Islands National Park, National Park Service* (No. V-IN-NPS-0004-2003) made eight recommendations to the Superintendent, Virgin Islands National Park (Park): three relating to concessions management, two relating to handling incidental business permit (IBP) fees, and three relating to collecting entrance fees.

In an April 9, 2004 response to the draft of the subject report, the National Park Service (NPS) concurred with all eight recommendations. Based on this response, we considered all recommendations to be resolved and implemented.

## Scope and Methodology

The scope of this review was limited to determining whether NPS took adequate action to implement the recommendations. To accomplish our objective, we interviewed Park personnel and gathered supporting documentation for the actions taken to implement the recommendations.

We did not conduct any detailed audit fieldwork to determine whether the underlying deficiencies that were initially identified have actually been corrected. As a result, this review was not conducted in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States.

## Results of Review

Our current review found that NPS implemented Recommendations 2, 4, 6, 7, and 8 but did not take sufficient action to fully implement Recommendations 1, 3, and 5. The status of the recommendations is summarized in the Appendix.

**Recommendation 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.”**

In its April 9, 2004 response, NPS stated that a new contract for the major concessionaire would be completed in 2004 and that under the new contract, sub-concession agreements would not be permitted. It also stated that all of the sub-concessionaires had been identified and approved, sub-concession agreements were current, and monthly financial invoices from sub-concessionaires were being received. In addition, the major concessionaire paid \$57,150 in prior period sub-concession and franchise fees.

During our review, we found that NPS identified the level of sub-concession activities operated through its concessionaires, requested concessionaires to provide NPS with copies of sub-concession agreements, and obtained copies of sub-concessionaires financial reports. NPS also collected a total of \$57,150 in past due sub-concessionaire and franchise fees (\$55,620 in sub-concessionaire fees). However, NPS had not executed a new contract for the major concessionaire and was still operating under the same contract, which expired in 1990. In addition, NPS had not approved three sub-concession agreements, which expired during 2004, because the sub-concessionaires did not submit formal agreements for NPS approval. NPS also did not use submitted financial reports to calculate appropriate fees. As a result, we concluded that this recommendation was not fully implemented and therefore should be reinstated and classified as not implemented. NPS should provide the Office of Financial Management with a target date for ensuring

that NPS review and approve all sub-concession agreements and use submitted financial reports to calculate amounts due.

**Recommendation 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.”**

In its April 9, 2004 response, NPS stated that the preliminary review of the annual financial reports would be performed at the park level and reconciled against monthly franchise fee payments made by concessionaires. NPS also stated that it had not received \$1,532 in underpaid franchise fees that the major concessionaire had agreed to pay.

During our review, we obtained copies of annual financial reports for 2003, 2004, and 2005 for the major concessionaire and annual financial reports for 2003 and 2004 for the other concessionaire (an extension was granted for 2005). We also obtained listings of franchise fees paid by both concessionaires for 2003, 2004, and 2005. We found that NPS reconciled the concession fees reported in the financial reports and collected the \$1,530 in underpaid franchise fees. We therefore concluded that Recommendation 2 was resolved and implemented.

**Recommendation 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.”**

In its April 9, 2004 response, NPS stated that it experienced lapses in the concession position after the Concessions Management Specialist retired in 1999. However, the new Specialist has since completed a 2-year concessions certification training and has also received certification to perform evaluations. NPS also stated that it had implemented annual work plans to ensure that concessions compliance and documentation requirements were satisfied. In addition, U.S. Public Health Sanitarians perform public health inspections at the park bi-annually, and concessions staff conduct operational inspections.

We found that annual workplans had been implemented to regularly monitor the concessionaires' compliance and document requirements. However, both concessionaires continued to submit the annual financial reports after the mandated time period. The major concessionaire submitted the 2003 reports for its two operations 7 and 9 months late, while the 2004 reports were 45 days and 12 months late. The other concessionaire submitted its 2003 and 2004 reports 50 and 75 days late, respectively. In addition, public health inspections should have been conducted twice per year, and operational inspections three times per year. NPS conducted two public health inspections for the major concessionaire in 2003, but only one in 2004 and 2005. No support could be provided for the operational inspections that should have been

conducted in 2003, and we found that one was conducted in 2004 and that three were conducted in 2005. We have concluded that this recommendation was not fully implemented and therefore should be reinstated and classified as not implemented. NPS should provide the Office of Financial Management with a target date for ensuring that NPS requires concessionaires to submit timely financial reports and conduct and document all required inspections.

**Recommendation 4: “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 was also directed to collect the \$3,050 that was underpaid for prior year incidental business permit fees.”**

In its April 9, 2004 response, NPS stated that concessions staff had reviewed fee requirements and sent letters to IBP holders requesting fees that were originally underpaid. NPS also stated that it planned to institute periodic internal IBP audits that should identify any administrative errors, as well as ensure a timely follow-up to collect any underpaid amounts.

During our review, we found that NPS had collected timely payments of the correct fee amounts based on the official fee schedule in place. NPS collected \$1,500 of the \$3,050 that was underpaid for prior year incidental business permit fees because of compromises that were made based on recalculations and negotiations. As a result, we concluded that Recommendation 4 has been resolved and implemented.

**Recommendation 5: “Create a tracking system to ensure incidental business permit holders update business licenses, insurance coverage, and other compliance documentation that may expire during the active permit period.”**

In its April 9, 2004 response to the draft report, NPS stated that in May 2003, it had hired a Concessions Management Assistant, with the primary duty of managing the IBP Program. As such, NPS had developed various databases that track expiration dates of all IBP compliance documents, i.e., insurance coverage and business licenses.

During our review, we found that NPS created a system to track the expiration dates of business licenses and insurance policies to ensure IBP holders were notified in advance to update their business licenses and insurance coverage. However, other important compliance documents like CPR/First Aid and vessel inspection certificates were not tracked. As a result, we concluded that this recommendation was not fully implemented and should therefore be reinstated and classified as not implemented. NPS should provide the Office of Financial Management with a target date for ensuring that NPS tracks the expiration dates of all IBP compliance documents.

**Recommendation 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.”**

In its April 9, 2004 response, NPS stated that tighter internal control measures were implemented to include the following measures (a) all extra keys for cashiers' drawers are kept in a sealed envelope in a safe in the Chief Ranger's office; (b) only the fee collectors have access to his/her assigned cash drawer; (c) fee collector daily receipts and remittance reports are checked, counted, and certified by the Fee Program Coordinator in the presence of the respective fee collector; (d) one person is no longer allowed to prepare and make deposits; and (e) the Fee Demo operation will be moved from the Interpretation Division to the Ranger Activities Division.

During our review, we verified all aspects of the Park's internal control measures for the Fee Demonstration Program and found that adequate internal controls were in place and functioning properly. As a result, we concluded that Recommendation 6 has been resolved and implemented.

**Recommendation 7: “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.”**

In its April 9, 2004 response, NPS stated that Standard Operating Procedures for promptly notifying delinquent tour operators and collecting associated fees were developed and implemented. Revocation of tour operators' permits for lack of payment was part of the Standard Operating Procedure. The Park also stated the normal process established by NPS guidelines would be followed as usual.

During our review, we obtained a copy of the NPS Standard Operating Procedures dated July 2, 2004, and found that the procedures were consistent with the response outlined in the May 2004 audit report. A review of monthly bills also revealed that they were issued promptly and the collection process was followed. Accordingly, we concluded that Recommendation 7 has been resolved and implemented.

**Recommendation 8: “Promptly refer delinquent payments from tour operators to the National Park Service's regional office for collection.”**

In its April 9, 2004 response, NPS stated that it will comply with all applicable policies that address delinquent payments.

During our review, we found that timely payments were being made based on NPS Standard Operating Procedures. Because there were no longer any outstanding delinquent payments, NPS did not need to make regional referrals. As a result, we concluded that Recommendation 8 has been resolved and implemented.

## **Conclusion**

We informed NPS officials of the results of this review at an exit conference on September 13, 2006. The officials concurred with all of our findings. NPS should provide the Office of Financial Management with information on the actions it will perform to implement the recommendations by October 31, 2006.

## **Responding to the Report**

We request that the Office of Financial Management reinstate Recommendations 1, 3, and 5 as not implemented from the subject audit report and inform us of the actions to be taken for these recommendations.

If you have any questions about this report, please contact me at (916) 978-5653.

cc: Focus Leader for Management Control and Audit Follow-up, Office of Financial  
Management, Office of the Assistant Secretary for Policy, Management and Budget  
Audit Liaison Officer, Department of the Interior  
Audit Liaison Officer, Assistant Secretary for Fish and Wildlife and Parks  
Audit Liaison Officer, National Park Service

## Appendix

### STATUS OF PRIOR AUDIT RECOMMENDATIONS

<u>Recommendation</u>	<u>Status</u>	<u>Action Required</u>
1	Not Implemented	We are requesting the Office of Financial Management, Office of Policy, Management and Budget to reinstate the recommendation. The Park's Superintendent should provide a plan to review and approve all sub-concession agreements and utilize submitted financial reports to calculate amounts due, including target dates for implementation, and titles of officials responsible for implementation.
2	Resolved and Implemented	No further action required.
3	Not Implemented	We are requesting the Office of Financial Management, Office of Policy, Management and Budget to reinstate the recommendation. The Park's Superintendent should provide a plan to ensure that timely financial reports are submitted and all required inspections are conducted, including target dates for implementation, and titles of officials responsible for implementation.
4	Resolved and Implemented	No further action required.
5	Not Implemented	We are requesting the Office of Financial Management, Office of Policy, Management and Budget to reinstate the recommendation. The Park's Superintendent should provide a plan to ensure that the expiration dates of all IBP compliance documents are tracked, including target dates for implementation, and titles of officials responsible for implementation.
6	Resolved and Implemented	No further action required.
7	Resolved and Implemented	No further action required.
8	Resolved and Implemented	No further action required.