

Office of  
LEGISLATIVE AUDITOR GENERAL  
State of Utah

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February 2012**

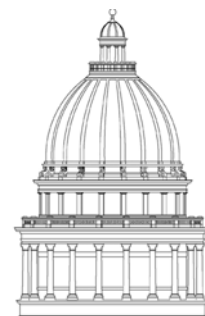
**An In-Depth Follow-Up of the  
Division of Parks and Recreation**

While substantial progress has been made, the Utah Division of Parks and Recreation (division) is still in the process of implementing many of the recommendations listed in a January, 2011 audit report titled *A Performance Audit of Utah State Parks* (No. 2011-03). Although it may take several years for the division to fully implement the recommendations, the agency has shown a clear commitment to adopting some of the business practices described in the report.

The Natural Resources Appropriations Subcommittee, which requested the 2011 audit, asked that we consider two broad areas of concern. First, the subcommittee asked that we identify ways to help the state park system become more self-sufficient and reduce its reliance on General Fund appropriations. Second, the subcommittee asked us to review the feasibility of privatizing some state parks.

The 2011 audit report included 13 recommendations aimed at improving the efficiency the state park system and reducing its reliance on appropriated funds. Ten recommendations were directed to the division and three were directed to the Legislature. The four figures in this follow-up report summarize the actions taken in response to the recommendations contained in each of the four main chapters of the original report. For each recommendation, the status of the agency's response is provided along with a brief explanation. Following each figure, this report then provides additional information describing the progress made towards implementing each recommendation.

Overall, the division has made good progress implementing the more business-like approach to state park operations discussed in the



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**Though substantial progress has been made, the division may need several years to adopt all the business practices described in the audit report.**

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audit and directed by legislative intent language. The division describes the new paradigm it is adjusting to as follows:

As the model and expectations of the state parks system have changed from an agency largely funded by state tax dollars to one that must more fully generate its own costs of operation, agency staff are working to adjust management strategies and accounting processes to meet these changing expectations.

Despite the good efforts of the division and the progress that has been made, this follow-up classifies many of the audit recommendations as in process because more time is needed to make such fundamental changes.

In particular, an improved cost accounting system is essential to measure the profit or loss of parks and programs. The division has made many improvements, but reports: “It will take several full cycles [years] to generate a clear and accurate accounting as the agency’s staff learns more about what data best reflects the true costs and are most relevant to making good decisions.” We agree that cost accounting will continue to be refined over time. Moreover, the increased focus on correctly assigning costs and revenues to measure profitability has moved and will continue to move the division in a positive direction.

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**An improved cost accounting system will enable the division to measure the profit or loss of each park and recreational program.**

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### **Improved Business Practices Will Reduce The Division’s Reliance on the General Fund**

Chapter II of the 2011 report describes a number of business practices and cost cutting strategies that should help the division reduce its reliance on the General Fund. However, the chapter also warns that “the division will need time to make some of the recommended changes.” For this reason, Chapter II suggests that legislators consider making a gradual reduction in General Fund appropriations to the state park system. The reduction in funding as well as the following four recommended business practices are the focus of Chapter II and are shown in Figure 1:

**Figure 1 Improved Business Practices Should Reduce Reliance on Appropriated Funding. (Chapter II).** Two of the five recommendations have been implemented. The others are either in process of being implemented or are partially implemented.

Recommendation	Status	Explanation
1. We recommend that the Natural Resources, Agriculture, and Environmental Quality Appropriations Subcommittee adopt budgetary intent language specifying an annual amount and a time period during which the division's General Fund appropriations will be reduced.	Implemented	Intent language was approved directing the reduction of General Fund appropriations to \$4 million by FY 2015. For FY 2012, ongoing funds were reduced to \$3.9 million plus \$2.8 million in one-time supplemental funding.
2. We recommend that the division monitor the revenues and expenditures of each state park, and report the resulting profit or loss annually to the Legislature.	In Process	Accounting for revenues and expenditures has improved. However, a report will not be provided until after FY 2012.
3. We recommend that the division find and implement ways to reward park managers for improving their park's financial performance.	In Process	Until the new accounting system has been in place for a year or two, it will be difficult to identify which parks have improved financial performance.
4. We recommend that the division develop a business plan for each state park. Such plans, which should be updated annually, should include strategies for maximizing revenues and minimizing expenditures.	Implemented	A business plan has been developed for each state park. The plans include many proposals for increasing revenues and reducing costs.
5. We recommend that the division prepare careful analyses of the potential returns on investment for each proposed capital investment. The analysis should be evaluated by the department's finance director before any proposed capital investment is approved.	Partially Implemented	Recently proposed capital projects are justified by an analysis of the likely return on investment. However, the analysis has not received an independent review.

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**Because more time is needed, we classify many of the audit recommendations as being in the process of implementation.**

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### **Legislature Adopted Intent Language Requiring A Gradual Reduction in General Fund Appropriations**

The Legislature implemented the first recommendation above by including the following intent language in the 2011 appropriations bill, Senate Bill 2:

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**The Legislature has directed the division to reduce its reliance on the General Fund to \$4 million by FY 2015.**

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The Legislature intends that the Division of Parks and Recreation take steps to reduce its reliance on General Fund appropriations to \$4 million by fiscal year 2015 and report its progress to the Natural Resources, Agriculture, and Environmental Quality Appropriations Subcommittee and the Natural Resources, Agriculture, and Environmental Quality Interim Committee by October 2011.

For fiscal year 2012, the Legislature actually appropriated \$3.9 million from the General Fund (the \$4 million was reduced by \$100,000 due to a statewide reduction in health care coverage costs). In addition, the division received a one-time General Fund appropriation of \$2.8 million for a total General Fund appropriation of \$6.7 million. If the Legislature reduces the amount of one-time funds each year, it can gradually reduce the total General Fund support to the division to the \$4 million target amount established in the intent language.

The intent language also requires the division to report to the Legislature its progress in reducing its reliance on General Fund appropriations. Based on the division's reports, the Legislature could decide to adjust the scheduled reductions. In fact, the Governor's proposed budget for fiscal year 2013 recommends restoring an additional \$1.4 million in ongoing funds to the agency's budget, plus an additional \$1.4 in one-time funds. That would increase the ongoing General Fund appropriation from the current \$3.9 million to \$5.3 million and would also seem to move away from the plan to gradually reduce the total General Fund appropriation.

Ultimately, the amount of General Fund appropriations provided to the division should be based on a policy regarding which types of parks are expected to be self-supporting. A distinction should be made between those types of parks for which the state is willing to provide taxpayer support and those which should rely solely on user fees. In other words, policy should establish whether General Fund appropriations should be used only for scenic parks, heritage parks, and museums or whether public funds could also be used to support golf courses, marinas, and campgrounds. Until state policy makers more clearly articulate the extent to which different types of parks and activities should receive public support, it will be difficult to determine how much should be appropriated from the General Fund.

## **Division Is Tracking the Revenues and Expenditures of Each State Park**

In order to operate each state park as a separate business unit, the 2011 audit report recommends the division track the revenues and expenditures at the park level. Providing accurate financial information regarding each park is essential if each state park is to be considered a separate business unit. Improved financial reporting is also necessary for the successful implementation of many other recommendations included in the report.

In response, the division has improved its tracking of the costs associated with each park and recreational activity. Staff are now charging their time and other direct park expenses to the appropriate park unit. However, agency staff report that the numbers for fiscal year 2012 may not be completely reliable because staff are still learning to properly report their costs. They suggest that an accurate reporting of the financial performance of each park may not be available until fiscal year 2013 has ended. This means that many of the recommendations made in the audit report cannot be fully implemented until the division has had time to refine the accuracy of its cost accounting system.

Another concern relates to the need to properly account for capital costs. Capital costs represent a large part of the cost of operating the state's marinas, campgrounds, and golf courses. If parks are expected to be self-sustaining, they should be required to cover the cost of capital as well as the cost of operations. However, the division's financial reports do not account for the cost of replacing capital facilities at the park level. Unless the full costs are accounted for, the division's financial reports will understate the actual cost of operating its state parks and recreational activities. We believe that the division should track the full cost of operating each state park, which should include the cost of capital depreciation.

## **Better Cost Information Needed Before Rewarding Park Managers for Improving a Park's Financial Performance**

To focus staff's attention on financial matters, the 2011 audit recommends that park managers be rewarded for improving their park's financial performance. We found that park managers are giving greater attention to improving the financial performance of their

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**Many of the audit recommendations cannot be fully implemented until the division has had time to produce more accurate cost information.**

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**Each park's business plan includes strategies to increase park visitation and revenues, and reduce costs.**

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parks. This is evidenced by the attention given in park business plans to such matters as maximizing revenues, reducing expenditures and making capital improvements that will produce a positive cash flow. However, before the division can reward park managers for improving a park's financial performance, the new cost accounting system needs to be in place for a year or two so that improvements can be measured.

### **Business Plans Have Been Prepared For Each State Park**

Each park manager has been assigned the task of preparing a business plan for his or her state park. Each plan describes the park's recreational opportunities as well as a list of strategies to improve services, increase visitation and revenues and reduce expenditures. For example, some business plans identify additional services or facilities upgrades that should increase visitation and park revenues. In most cases, the proposals are supported by an analysis of the costs and benefits offered by the various strategies.

### **Proposed Capital Investments Need an Independent Review**

The 2011 audit report recommends that each proposal for a new capital investment receive a careful analysis of the potential return on investment. To avoid basing that analysis on an overly optimistic set of assumptions, the report recommends that each proposal receive an independent review by the Department of Natural Resources' finance director. Although the division has stepped up its efforts to evaluate the return on investment for each proposed capital project, no independent reviews have been done by the department's finance director or his staff. However, the division reports that it intends to ask the finance director to review future capital projects before they are approved.

### **The Division Is Improving Its Use of Staff Resources**

Chapter III of the 2011 report gives special consideration to the division's use of staff resources because personnel costs represent 60 percent of the division's total expenses. The report identifies four strategies to potentially reduce personnel costs:

- Increase use of seasonal staff
- Reduce administrative staff
- Reduce use of law enforcement personnel for non-law enforcement tasks
- Consolidate administration of some nearby parks

Although two of the recommendations are still in the process of being implemented, Figure 2 shows the division has made some progress towards reducing its personnel costs.

**Figure 2 Division Has Taken Steps to Reduce Personnel Costs (Chapter III).** The division has implemented two of the four audit recommendations aimed at improving the efficient use of personnel.

Recommendation	Status	Explanation
1. We recommend that the division consider using a lower-cost staffing methodology that encourages the use of seasonal employees.	In Process	There is only one park where a career service employee was replaced by seasonal workers. The division is exploring other opportunities to use more seasonal staff.
2. We recommend that the division examine the overlap of support staff positions at different levels in the organization and determine whether some positions should be eliminated.	In Process	14 administrative support staff positions have been eliminated or consolidated and the division is still considering additional reductions.
3. We recommend that the division evaluate the feasibility of the following options for reducing the cost of law enforcement personnel: <ul style="list-style-type: none"> <li>a. Reduce the number of law enforcement positions</li> <li>b. Employ limited-status officers with compliance authority only</li> <li>c. Create a separate entity responsible for law enforcement, perhaps at the department level</li> <li>d. Reduce retirement benefits for new officers.</li> </ul>	In Process	Law enforcement positions have been reduced by 15, but little savings are being realized because retirement contributions have not been reduced. The division still needs to act on some recommendations of the department's law enforcement task force.
4. We recommend that the division evaluate the management needs of each park and region and consolidate management positions where feasible.	In Process	The division is still considering areas where park management could be consolidated. The oversight of Starvation, Steinaker and RedFleet State Parks has been combined.

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**The park system cannot become self-sufficient without addressing staff costs, which represent 60 percent of total division expenses.**

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**The division has made significant reductions in the number of its administrative and law enforcement personnel, but more should be done.**

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**To reflect the seasonal nature of its visitation, the number of career service employees at Kodachrome Basin State Park was reduced while the number of seasonal workers was increased.**

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## **Use of Seasonal Employees Has Increased Slightly**

Because park visitation follows such a pronounced seasonal pattern, the 2011 audit questions whether there is sufficient work to be done during the off-season to justify the number of career service staff employed by the division. The report suggests the division could benefit by reducing its reliance on career service workers and increasing the number of seasonal employees.

We found the division has done little to replace career service employees with seasonal workers. We found only one instance in which a career service position (at Kodachrome Basin) was replaced by several seasonal staff. Overall, the division's use of seasonal workers only increased slightly. Although large reductions were made in the number of career service and seasonal employees, the seasonal worker's share of all hours worked by division staff increased by only about one percent.

The division remains committed to identifying opportunities where increased seasonal employment makes sense. The division reports that it intends to "evaluate park operations in order to reduce full-time employees and replace them with seasonal employees in work units." However, it also says that "quality seasonal employees ... are difficult to find and retain."

## **Many Administrative Support Positions Have Been Reduced or Consolidated**

The division has made significant reductions to its administrative and support staff. Between July 2010 and July 2011, there were 14 administrative staff positions eliminated at either the division or region level. Many of the positions were responsible for coordinating activities throughout the park system. Some redundant accounting technician positions were also eliminated or reduced in hours.

While we recognize the progress made during the past year, there are opportunities for further reductions. If the agency is to reduce its reliance on the General Fund, it needs to further examine the need for administrative positions. As it does so, the division may find additional overlap between certain administrative positions or it may find that some staff activities are not valuable enough to the operations of state parks to continue funding with limited resources.



## **A Task Force Has Considered the Division's Law Enforcement Needs**

The 2011 audit raises concern about the number of law enforcement staff who spend relatively little time actually performing law enforcement activities. In response, the Legislature directed the Department of Natural Resources to conduct a department-wide study of its law enforcement needs. A task force formed by the executive director recommended, among other things, that those who fill a law enforcement role should spend the overwhelming majority of their time performing enforcement activities.

The division responded to the task force recommendation by either eliminating or reclassifying many of its law enforcement positions. Four of the division's law enforcement personnel left the division's employment altogether, while eleven others were decommissioned because their positions did not require a peace officer certification. As a result, the number of law enforcement personnel was reduced from 74 to 59 staff.

Although the number of law enforcement officers has been reduced significantly, much of the savings will not be realized for many years because the division has not reduced retirement contributions. The division's practice is to continue to pay for public safety retirement benefits for staff who no longer serve in a position that qualifies for public safety benefits.

The division's practice to allow decommissioned staff to retain their public safety retirement benefits is costly. The division currently employs 14 decommissioned officers who no longer perform law enforcement responsibilities but continue to receive public safety retirement benefits. Had the division transferred those 14 employees to the noncontributory plan, the agency would realize an annual savings of \$117,000.

## **One New Park Complex Has Been Created, Others Being Considered**

The 2011 audit describes several instances in which the division has created park "complexes" consisting of multiple state parks overseen by one park manager. For example, Sand Hollow, Quail

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**The division has realized little savings by decommissioning officers because it continues to pay them public safety retirement benefits.**

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**To use the park manager's time more efficiently, the division consolidated the oversight of the Starvation, Steinaker and Red Fleet State Parks.**

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Creek and Gunlock State Parks and their staff are all overseen by the same park manager. The audit report concludes that assigning a single park manager to a group of parks allows for an efficient use of a park manager's time. The report then suggests additional cost savings may be possible by creating more park complexes that could be overseen by a single manager.

The division reports that serious consideration has been given to creating additional park complexes. One complex has recently been created from the Starvation, Steinaker, and Red Fleet State parks. The three parks are now overseen by one complex manager. The division is also considering creating a complex with the Antelope Island State Park and the Great Salt Lake Marina. We encourage the division to remain alert to opportunities where it makes sense to consolidate the oversight of multiple parks.

### **Division Still Considering Possible Reductions in Park Operations**

In addition to the improved business practices and staffing adjustments described above, Chapter IV of the audit suggests that savings could also be achieved by modifying a park's hours, days or months of operation. There are periods when some parks have very low visitation. The report concludes that it is not cost effective to keep parks fully staffed when there are very few visitors. When visitation is low only during certain seasons, the division should consider limiting the seasonal operations of a facility. The report also suggests that parks with extremely low visitation might have to be considered for closure or transfer to local government management. In some cases, arrangements could be made to allow the public to visit even when no staff is present.

The division is still in the process of evaluating the opportunities to more closely align park operations with seasonal demand for services. Much depends on obtaining better cost accounting information so the division can better assess the extent to which parks are suffering losses.

**Figure 3. Division Is Still Evaluating How to Better Align Park Operations with the Seasonal Demand for Services. (Chapter IV).**

The division is still deciding what to do with parks with low visitation. The Options include: (1) fewer hours or days of operation, (2) limited seasonal operation, or (3) closing parks or transferring them to local governments.

Recommendation	Status	Explanation
1. We recommend that the division continue to modify the hours and days of operation at parks to control costs.	In Process	The division is still evaluating which parks should be candidates for fewer hours or days of operation.
2. We recommend that the division identify parks where seasonal reductions make good business sense for the state.	In Process	The division is still evaluating which parks should be candidates for seasonal reductions.
3. We recommend that the Legislature consider closing some of the state's high-cost parks with low visitation or transferring the oversight of those parks to county or local governments.	In Process	Financial data needed to identify candidates for closure is not yet available. The division has asked 21 local entities if they are interested in operating a state park. None have responded favorably.

**Reduced Hours or Days of Operation Still Under Consideration**

In the past, the division has realized significant cost savings by reducing the hours of operation at some of its state parks. For example, the division has found that its museums and historic sites are good candidates for reducing the hours or days of operation. The 2011 audit report suggests there may be other parks where additional costs savings may be possible by reducing the days or hours of operation.

Since the audit was released, the division has taken no additional action to reduce the hours or days of operation at a state park. While the division reports that it has already reduced the days of operation at some of its museums and historic sites, it maintains that a one-day-a-week closure may not be feasible at parks “where camping is among the provided opportunities.”

We believe that more can be done to adjust the operating hours at state parks where visitation is low. Even parks that offer camping can have a reduced staff presence during periods of low visitation. In fact,

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**The division continues to examine opportunities to more closely align park operations with the seasonal demand for services.**

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**The division continues to examine the possibility of suspending or scaling back services during the off-season months when visitation is low.**

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the division already operates many campgrounds where it has a limited staff presence. For example, at some facilities, fees are collected in self-payment envelopes that are deposited in “iron ranger” drop boxes. We encourage the division to continue to search for potential savings by adjusting the hours and days of operation at some of its state parks.

### **Division Still Identifying Parks Where A Reduced Season May Be Beneficial**

The audit report also observes that some state parks have large seasonal swings in visitation. The report suggests that services at those parks could be suspended or scaled back during the months when visitation is low. Currently, the division often suspends operations of certain campgrounds and golf courses during the off-season months. In some locations, the public may still visit a park even when there is no full-time staff presence. We suggest the agency identify additional locations where a similar reduction may be appropriate.

### **No Parks Being Considered for Closure; Some Local Governments Invited to Manage Parks**

The 2011 audit report identifies some parks that are very expensive to operate and require a large subsidy from the General Fund. These parks generally have high operating costs and very low visitation. The report also recommends that legislators consider the option of closing some parks or transferring oversight to local governments.

Although the agency’s General Fund appropriation was reduced for fiscal year 2012, Legislators have asked the division sustain those reductions without closing any state parks. The Legislature also asked the division to “develop a plan to transfer the management of selected state parks to county or local governments.”

Thus far, the division has managed to avoid closing a state park. The division has prepared a business plan for each park that includes strategies for moving the park towards self-sufficiency. The division has also asked city and county officials whether they would be interested in taking over the management of state parks in their areas. The division reports that no local entity has expressed interest in assuming full responsibility for a state park. However, the division also reports that some local entities have offered to increase their support for their local parks. For example, the Green River Golf Course is a

state park that faces serious operating deficits. In response, the Green River community decided to offer volunteers to keep the Green River Golf Course open during the current winter season.

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**Local volunteers have helped to keep the Green River Golf Course open during the current winter season.**

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## **Division Is Investigating Opportunities To Privatize Certain Operations**

Privatization of state parks is a concept that legislators asked us to investigate. Chapter V of the 2011 audit report indicates that privatization of state parks is feasible but relatively untried. Although few states have attempted to privatize a state park, the United States Forest Service has had success privatizing some of its campgrounds. Since privatizing state parks requires careful planning and oversight, the audit recommends that a pilot program be used if policy makers decide to pursue that option. The report suggests an approach to privatizing state parks if legislators choose to explore that option.

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**Figure 4. Private Firms Are Assuming Greater Responsibilities Within the State Park System (Chapter V).** The Legislature has not asked the division to privatize a state park. However, the division has hired a private operator to manage two reservoirs and is investigating other ways to expand the role of private operators within the park system.

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<b>Recommendation</b>	<b>Status</b>	<b>Explanation</b>
<p>1. We recommend that if the Legislature decides to privatize some state parks, they direct the Division of Parks and Recreation to submit to them:</p> <ul style="list-style-type: none"> <li>• A privatization implementation structure, which would include a list of parks that could be successfully privatized along with recommendations for a pilot program</li> <li>• The current revenues and costs of the parks to be privatized and the expected savings to the state</li> <li>• Drafted request(s) for proposals for review</li> <li>• Plans for continued oversight to ensure that contract terms are met and the quality of parks maintained.</li> </ul>	In Process	Although the Legislature has not mandated a move to privatization, the division is experimenting with the concept of privatizing state parks. The division is also expanding the role of private concessions within the state park system.

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**The division hired a private contractor to operate the Otter Creek and Piute State Parks during the 2011 summer season.**

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**The division still needs to provide the Legislatures with a list of parks that would be good candidates for privatization.**

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## **Division Still Needs to Identify Parks that Are Candidates for Privatization**

The Legislature passed intent language regarding privatization by directing the division to provide a list of parks that would be good candidates for privatization. The following is the intent language included in Senate Bill 2 passed during the 2011 Legislative Session.

The Legislature intends that the Division of Parks and Recreation identify select parks that would be good candidates for privatization of their management and present a plan with options for the transition to the Natural Resources, Agriculture, and Environmental Quality Appropriations Subcommittee and the Natural Resources, Agriculture, and Environmental Quality Interim Committee by October 2011.

In its October presentation to the interim committee, the division described the many steps it was taking to increase the involvement of private contractors in the park system. For example, several new concessionaire contracts have been issued. In addition, the division has initiated a pilot project to test the feasibility of privatization. Specifically, the division hired a private contractor to operate the Otter Creek and Piute State Parks during the 2011 summer season. The division has not yet decided whether the arrangement will evolve into a long term agreement.

The recommendation in Chapter V identifies a number of items that should be considered if the Legislature decides to pursue privatization. In our opinion, careful planning and adequate oversight are essential for park privatization to be successful. Despite the intent language shown above, the division did not provide a list of parks that are good candidates for privatization. Although the division has explored the possibility of privatizing state parks, we believe the division needs to respond to the specific items mentioned in the intent language contained in the appropriations bill. Specifically, that includes (1) a list of parks that would be good candidates for privatization and (2) a plan with options for the transition to privatization.

## **Agency Response**

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# State of Utah

## DEPARTMENT OF NATURAL RESOURCES

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*Executive Director*

### Division of State Parks and Recreation

FRED HAYES  
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February 3, 2012

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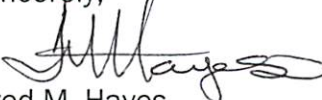
The Utah Division of State Parks and Recreation appreciates the opportunity to comment on the "Exposure Draft" of An In-Depth Follow-up of the Division of Parks and Recreation (Report No. ILR2012-B). Further, we appreciate the great effort that your office has put into both the audit and the preparation of the follow-up report. Because of your efforts, the Division of State Parks and Recreation is a more vibrant organization today.

Throughout the draft report, it is recognized that the Division has made strides to accomplish the tasks laid out in the audit and subsequent intent language. We appreciate the recognition of the efforts undertaken so far. The Division is indeed committed to the adoption of the business practices outlined in the audit report, and more importantly, is committed to the concepts as outlined.

The follow-up report correctly notes that some of the recommendations have not yet been fully implemented, though the Division is in the process of accomplishing those tasks. In other cases, the Division has not yet begun the implementation of recommendations. This is not due to a lack of willingness to adopt the recommendations, nor to inattentiveness to the value of those recommendations. Instead, it stems from the unavailability of complete cost accounting data required to make prudent decisions consistent with the recommendations. Full implementation of the remaining recommendations will occur as the cost accounting data becomes available to the Division. A full year of cost accounting data will be available to the Division in July 2012. We remain committed to implementation of the remaining objectives.

Again, we appreciate the work of the Office of the Legislative Auditor General's Office.

Sincerely,



Fred M. Hayes

