REPORT OF

THE

STATE AUDITOR

Department of Natural Resources
Division of Parks and Outdoor Recreation

Performance Audit
July 2000

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July 10, 2000

Members of the Legislative Audit Committee:

This report contains the results of a performance audit of the Division of Parks and Outdoor Recreation within the Department of Natural Resources. The audit was conducted pursuant to Section 2-3-103, C.R.S., which authorizes the State Auditor to conduct audits of all departments, institutions, and agencies of state government. The report presents our findings, conclusions, and recommendations, and the responses of the Division of Parks and Outdoor Recreation.

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OFFICE OF THE STATE AUDITOR **REPORT SUMMARY**

J. DAVID BARBA, CPA
State Auditor

Department of Natural Resources
Division of Parks and Outdoor Recreation
July 2000

Authority, Purpose, and Scope

This performance audit was conducted under the authority of Section 2-3-103, C.R.S., which authorizes the Office of the State Auditor to conduct performance audits of all departments, institutions, and agencies of state government. The audit was conducted in accordance with generally accepted auditing standards. As part of the audit, we reviewed documentation, conducted interviews and site-visits, and analyzed data. Audit work was conducted from October 1999 through April 2000. The purpose of the audit was to evaluate the efficiency and effectiveness of Division of Parks and Outdoor Recreation's operations. Our audit work included assessments of parks acquisitions, water rights leases, construction and controlled maintenance projects and budgets, and concession operations. The audit also included a review of the implementation status of the recommendations made in our 1996 performance audit of Division fees and costs.

We gratefully acknowledge the assistance and cooperation of the Division's management and staff. The following summary provides highlights of the audit findings and recommendations.

Staunton State Park Should Be Opened to the Public

In 1961 approximately 1650 acres of land near the Denver metropolitan area were bequeathed to the Division of Parks and Outdoor Recreation for use as a public park. The Division took title to the property in 1986. Since taking title to the property, the Division has spent more than $4.3 million for acquisition, development, and maintenance and operations, relative to Staunton. These expenditures included payments for back taxes, development and environmental studies, and budgeted operating costs of more than $116,000 for Fiscal Year 2000. The largest portion of the expenditures--almost $4 million--was for the 1999 purchase of an additional 1900 acres of surrounding lands to increase the size of the park and to create better public access. Despite owning title to the land, purchasing adjacent property with public funds, assigning a full-time park ranger to the site, and including it among its inventory of 40 parks on official documents, the Division has never opened Staunton State Park to the public.

According to Department and Division management, there are two primary reasons why Staunton remains closed. First, there has been strong opposition from neighbors. In a series of public meetings in the spring and summer of 1999, residential neighbors expressed concerns on issues of traffic and access, fire danger, the type of amenities to be offered, the types of vehicles to be allowed, and the impact of park development on existing resources and wildlife. Following the last public meeting, Department of Natural Resources' management made a decision to postpone indefinitely the opening of the Park. The second reason given for not opening Staunton is that vehicle access and traffic issues have not been completely resolved. Neighbors living adjacent to the park objected to routing park visitors via a roadway located next to their subdivision. Currently, the Division is pursuing the purchase of one remaining in-holding that will eliminate entirely the need to access the park via roadways adjacent to residential neighbors' properties. The other roadway concern is that one intersection leading into the park is a dangerous one and the increased traffic from the park will increase the risks for accidents. A traffic study conducted in October 1999 addressed this issue and posed several solutions.

The Staunton property clearly meets the Division's criteria for establishing a state park and we can find no compelling reason why it remains closed. In fact, by not opening Staunton as a public park, the Division is not honoring the intent of the bequest and, therefore, the State could lose title to the property. According to the conditions of the property's deed, the Staunton land is restricted to use as a public park for the citizens of Colorado. Furthermore, the deed states that if the land is not used in this manner by the State, then it shall become the property of the City and County of Denver. Currently, however, the park is off limits to the public. Signage, placed by both the Division and by neighbors around the gated park indicates that no trespassing, parking, or access is allowed, and that "violators will be prosecuted." We understand the Division's need to develop and maintain good communications and relationships with the neighboring residents and local governments. This is something the Division actively pursues throughout the State. However, in the case of Staunton, by acquiescing to neighbors' demands, the Division is essentially operating a neighborhood park at public expense. **We are recommending that the Division of Parks and Outdoor Recreation open Staunton State Park to the public as soon as possible by setting a specific date for concluding on the type of park Staunton will be, and by adopting and committing to a timeline for planning, designing, developing, and opening the park.**

Basic Accountability for Construction Projects Is Lacking

Each year the Division engages in various new construction, renovation, and controlled maintenance projects. In Fiscal Year 1999, the Division spent at least $12 million for these purposes. So far, in Fiscal Year 2000, the Division has spent $9.9, and for Fiscal Year 2001, the Division has requested $9.4 million. In reviewing the Division's capital construction and controlled maintenance projects and processes, we found the need for greater accountability and for improvements in the areas of planning, budgeting, reporting, and project management.

Because the Division's capital construction and controlled maintenance funds derive primarily from Lottery and Great Outdoors Colorado (GOCO) sources, they are not appropriated by the General Assembly. Consequently, the Division is exempt from the standard capital construction budgeting requirements that most other state agencies are subject to. The lack of accountability for construction dollars and projects and the absence of consequences for failing to meet construction budgets and deadlines can be seen both on the large scale, as related to the Division's overall construction planning and budgeting, and at the individual project level. We found that the Division regularly shifts significant amounts of funding among and between capital construction and controlled maintenance projects. For example, in Fiscal Year 2000 the Division transferred more than one-half (52 percent)of its original $10.9 million capital construction budget from and among various projects. This kind of excessive fund movement reduces accountability by making monitoring and tracking difficult. In addition, it can create unlimited project time lines by prolonging indefinitely the life of certain projects. The lack of accountability is also evident in individual projects. Costs related to the planning and construction of the Yampa Headquarters/Campground Center outside of Hayden, Colorado have increased by more than 225 percent in three years, from about $1 million in 1996 to more than $3.2 million in Fiscal Year 1999.

We believe the Division has a responsibility to ensure that public funds, regardless of their source, are spent wisely and in accordance with constitutional, statutory, and public intent. To improve accountability for capital construction projects and budgets, **we recommend that the Division: (a) develop and implement reports reconciling budget to actuals for all construction and controlled maintenance projects, (b) adopt standard expenditure categories for all construction projects, (c) adhere to plans and budgets, and (d) make recommendations for statutory change by working with the OSPB, JBC, and CDC.**

It is likely that better preconstruction planning and design would have detected or foreseen many of the problems that arose on the Yampa Headquarter's project. As capital construction projects become more and more of a priority for the Division, it is important that planning errors are reduced, adequate design work is conducted, and overall project management is strengthened. Often, parks' managers and staff are responsible for the planning and management of controlled maintenance, renovation, and capital construction projects. For routine maintenance and less complex building projects, this may be appropriate. However, as projects become more complex and costly, it is essential that the Division ensure that personnel with appropriate expertise are assigned to planning and oversight. In some cases this may mean contracting out preconstruction, design, and project management responsibilities. In other cases, conducting these activities, in-house, may be appropriate and cost-effective. **The Division should determine whether it has the appropriate, qualified, in-house staff to effectively and efficiently plan and manage construction projects or whether alternatives such as outside contractors should be identified and developed**.

The Division does not have the systems in place to track, compile, and analyze construction project information in either an aggregate fashion for all projects or in a summary fashion, for individual projects. Therefore construction project data are not readily accessible, collected in a consistent fashion among the parks, or compiled and reviewed at the Division level. Without these kinds of data being readily available and routinely analyzed, the Division cannot effectively monitor its activities, measure progress, determine where improvements are necessary, and provide information for sound decision making. Therefore, **we are recommending that the Division implement systems for**

managing construction projects, including providing accountability for project milestones and individual park and regional performance.

Improvements Are Needed In Concession Operations

In Fiscal Year 1999 there were 120 concessions, ranging from snack bars and food stands to river outfitters, stables, rock climbing schools, and boat marinas, operating within Colorado State Parks. Colorado, unlike some other states, does not directly operate any concessions in its parks. Rather, the Division contracts with outside providers. In exchange for this ability to operate in a state park, concessionaires pay the Division annual fees. Most concessionaires (67 percent) operate on a percentage basis, paying the Division, on average, about 5 percent of gross sales. In Fiscal Year 1999, the Division collected almost $918,000 in revenue through its concession contracts.

Because the Division receives a percentage of concession revenues, it is important that the concession sales be accurately established and monitored. If just one large concession fails to accurately or completely report sales, it could result in a significant loss of revenues to the Division. We found, however, that the Division does not audit or verify the accuracy of the concessionaires' self-reported sales revenues. We believe that **the Division should ensure the accuracy of concessions' financial records, including reported gross sales, by conducting periodic audits. This process should include the adoption of an audit schedules, a standard audit work program, and mechanisms for reporting and correcting problems and deficiencies.**

In reviewing concession files and contracts, we found that Division staff assess concessionaires various fees including an annual fee, an administrative fee, and a percentage of gross receipts. Some concessions are assessed all three fees, others are not. Some concessions pay an administrative fee the first year only while others pay an administrative fee on an annual basis. Overall, we could find no pattern or rationale for the fees or for the amounts at which they are set. **We believe that the Division should develop a concession fee methodology that is appropriate, equitable, and efficient to administer by determining the purpose(s) for concession fees, establishing a fee structure that addresses the purpose of the fees, documenting and distributing the fee methodology and policies, and assessing, collecting, and accounting for fee revenues in an efficient manner.**

We found that there is little competition for concession contracts. To generate greater interest in concession contracts and improve competition, there are several changes the Division should make. First, the Division needs to be more proactive in soliciting bids. For example, there is no systematic process for tracking potential bidders or for sharing information about bidders among the Division's four regions. Also, the Division has not identified other methods of increasing the number of bids and encouraging greater competition. Also, staff do not always apply existing bid solicitation policies and procedures. Finally, we found that Colorado's concession contracts are significantly longer in duration than are other State's contracts. The average length of a long-term concession contract is

10.2 years in Colorado. This is twice the average 5-year length of park concession contracts in six other states we contacted--Alabama, Florida, Indiana, Missouri, Nebraska, and Texas. In addition, Colorado often extends the initial contract with the same provider. In some cases, contracts have been in effect with the same contractor for over 20 years. Overall, with contract extensions, the average concession contract extends to more than 15 years. The length of concession contracts in Colorado may serve as an impediment to competition. Reducing the length of contracts would mean that the contracts would come up for bid more frequently. Increasing competition for concession contracts could help to keep prices down and improve the quality of service and customer satisfaction. In addition, shortening contract lengths would provide the Division greater flexibility with regard to adjusting contract provisions. Therefore, **we are recommending that the Division improve competition for concession contracts and enhance bid solicitation processes by (a) reviewing and modifying, as needed, existing bid solicitation policies and procedures, (b) developing a system for compiling and disseminating the names of potential bidders among all four regions, (c) reducing the duration of contracts for the same concessions, and (d) developing procedures to ensure that staff document the RFP and contract award processes.**

We also found that the Division has either fully or partially implemented each of the recommendations made in our 1996 audit of fees and costs. In our current audit, the Division agrees or partially agrees to implement all of our recommendations. The complete text of the Division's responses to the audit recommendations can be found throughout the audit report.

RECOMMENDATION LOCATOR

Rec. No.	Page No.	Recommendation Summary	Agency Addressed	Agency Response	Implementation Date
1	19	Open Staunton State Park to the public as soon as possible. This should include setting a date for concluding on the type of park Staunton will be and adopting and committing to a timeline for planning, developing, and opening the park.	Division of Parks and Outdoor Recreation	Partially Agree	Planning to begin in 4 to 6 years.
2	32	Improve accountability for the use of capital construction funds by (a) developing budget to actual reports, (b) adopting consistent expenditure categories within construction projects, (c) adhering to approved plans and budgets, and (d) making recommendations for statutory change.	Division of Parks and Outdoor Recreation	a) Agree b) Agree c) Agree d) Partially Agree	a) FY 2002-03 b) 11/01/00 c) 07/01/01 d) FY 2000-01
3	34	Determine whether construction projects can be managed effectively and efficiently using in-house staff or whether alternatives such as outside contractors should be identified and developed.	Division of Parks and Outdoor Recreation	Agree	FY 2001-02
4	37	Ensure accountability for controlled maintenance projects and budget requests by defining the types of projects and expenditures allowable within the controlled maintenance category and by limiting the use of the miscellaneous category.	Division of Parks and Outdoor Recreation	Agree	FY 2000-01
5	39	Implement systems for managing construction projects, including project milestones and individual park and regional performance.	Division of Parks and Outdoor Recreation	Agree	FY 2001-02
6	42	Ensure the cost-effectiveness of road construction and repair projects by conducting an updated road assessment and by implementing a road construction and repair schedule.	Division of Parks and Outdoor Recreation	Agree	5/1/02

RECOMMENDATION LOCATOR

Rec. No.	Page No.	Recommendation Summary	Agency Addressed	Agency Response	Implementation Date
7	45	Ensure the accuracy of concessions' financial records, including reported gross sales, by conducting periodic audits.	Division of Parks and Outdoor Recreation	Agree	6/30/01
8	47	Improve reviews and inspections of concession operations for health and safety purposes by reviewing existing policies, establishing a system that adequately addresses risks, and ensuring that staff properly document reviews and inspections.	Division of Parks and Outdoor Recreation	Agree	12/01/01
9	49	Improve the price approval process by documenting the comparisons made and the factors considered in approving or denying concessionaires' requests.	Division of Parks and Outdoor Recreation	Agree	7/31/00
10	51	Develop a concession fee methodology that is appropriate, equitable, and efficient to administer.	Division of Parks and Outdoor Recreation	Agree	12/01/01
11	54	Improve competition for concession contracts and enhance bid solicitation processes by (a) reviewing and modifying existing policies and procedures, (b) developing a system for compiling and disseminating the names of potential bidders among all four regions, (c) reducing the length of concession contracts, and (d) ensuring that staff document the RFP and contract award processes.	Division of Parks and Outdoor Recreation	Agree	12/01/01

Background and Description

Department Authority and Structure

The Division of Parks and Outdoor Recreation (DPOR) is organizationally located within the Colorado Department of Natural Resources. By statute, the Division is responsible for managing Colorado's parks and recreation areas. This includes maintaining existing parks, providing visitor services, and acquiring and managing real estate. The Division is governed by the five-member Board of Parks and Outdoor Recreation. Members of the Board are appointed by the Governor to four-year terms. The statutory duties of the Board include:

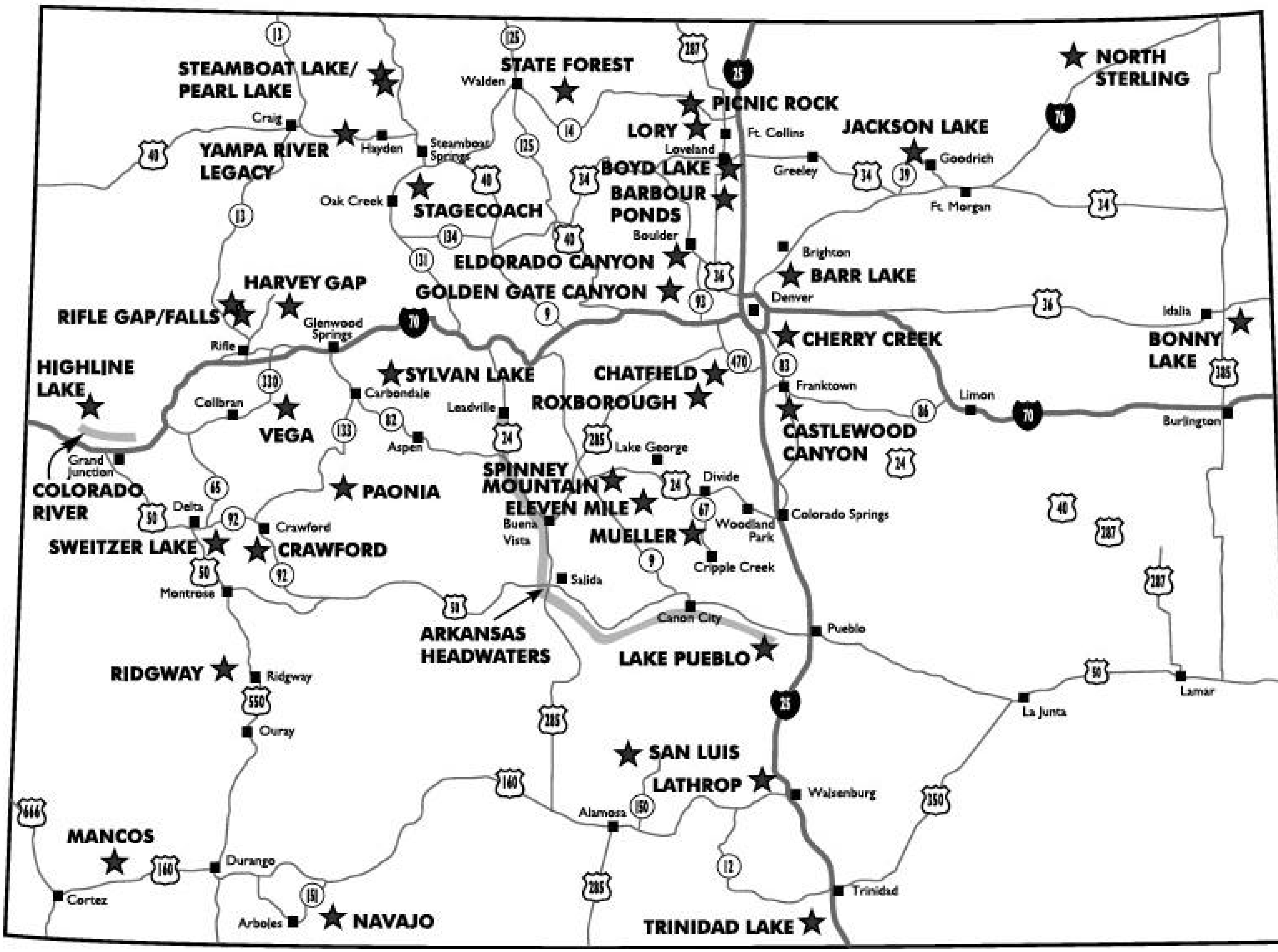
- Establishing fees for certificates, permits, licenses, passes, and any other special charges within limits set in statute.

- Adopting rules and regulations for the administration, protection, and maintenance of state parks and recreation areas under the direct control of the Division.

- Controlling, managing, developing, and maintaining (through the Division) all state parks and recreation areas consistent with state policy.

State Park System

As the map on the following page shows, there are 40 parks in the state park system. They are administered through four regional offices—Metro, North, South, and West. The parks, including the regional offices, remain open and staffed 365 days a year. According to the Division's budget documents, the regional supervisors and project managers supervise controlled maintenance, renovation, and construction projects within their respective regions, as well as manage the day-to-day operations of the parks. The regional headquarters' offices also serve as visitor centers where passes and permits can be purchased. In addition, Division of Wildlife licenses and permits may be purchased at each regional headquarter's office. Centralized administrative functions, located in the Denver and Littleton offices, include the campground reservation system, financial services, public information and marketing, and design and graphic services.


STEAMBOAT LAKE/
PEARL LAKE
STATE FOREST
PICNIC ROCK
NORTH
STERLING
LORY
JACKSON LAKE
YAMPA RIVER
LEGACY
BOYD LAKE
BARBOUR
PONDS
STAGECOACH
ELDORADO CANYON
GOLDEN GATE CANYON
BARR LAKE
HARVEY GAP
RIFLE GAP/FALLS
CHERRY CREEK
BONNY
LAKE
HIGHLINE
LAKE
SYLVAN LAKE
CHATFIELD
ROXBOROUGH
VEGA
CASTLEWOOD
CANYON
COLORADO
RIVER
PAONIA
SPINNEY
MOUNTAIN
ELEVEN MILE
MUELLER
SWEITZER LAKE
CRAWFORD
ARKANSAS
HEADWATERS
LAKE PUEBLO
RIDGWAY
SAN LUIS
LATHROP
MANCOS
NAVAJO
TRINIDAD LAKE
Craig
Hayden
Steamboat
Springs
Walden
Ft. Collins
Loveland
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Glenwood
Springs
Rifle
Carbondale
Collbran
Aspen
Leadville
Franktown
Limon
Burlington
Grand
Junction
Lake George
Divide
Delta
Crawford
Buena
Vista
Woodland
Park
Colorado Springs
Cripple Creek
Salida
Montrose
Canon City
Pueblo
Ridgway
Ouray
La Junta
Lamar
Walsenburg
Alamosa
Durango
Cortez
Arboles
Trinidad

For Fiscal Year 1999 the Division estimates that over 9.5 million people visited Colorado's state parks. The Division projects visitation will be over 10 million in Fiscal Year 2000. The following exhibit provides descriptive information about the parks and facilities available in each region.

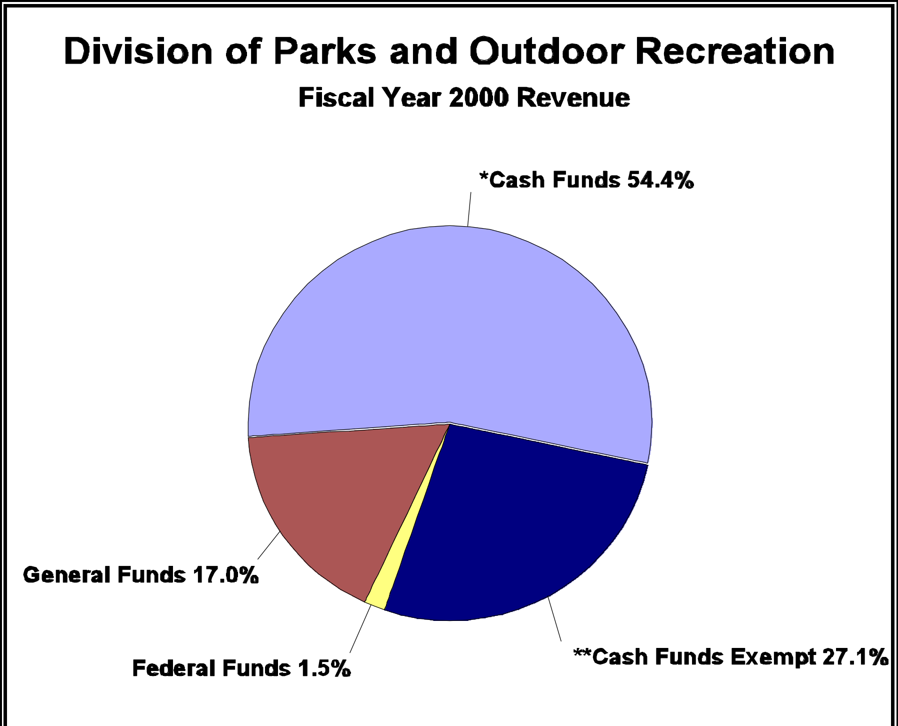
Division of Parks and Outdoor Recreation
Park System Facilities
Fiscal Year 1999

Region	Number of Parks	Land Acres (including Back Country)	Trail Miles	Camp Sites
Metro	7	33,664	109	433
North	11	89,243	101	1,207
South	9	56,626	116	1,392
West	13	17,302	42	620
TOTAL	**40**	**196,835**	**368**	**3,652**

Source: Division of Parks and Outdoor Recreation.
Note: There are also more than 2,000 picnic sites available statewide.

Division Funding and Staffing

In Fiscal Year 2000 the Division was appropriated a total of 196 FTE. The Division also operates the Seasonal Work Program to supplement its permanent FTE during peak seasonal periods. On average, the Division employs 500 to 600 seasonal workers each year. The Division's Fiscal Year 2000 total appropriation was about $24.7 million. As the following exhibit shows, over one-half of the Division's revenue is cash funds derived primarily from park user fees, including park passes, permits, licenses, and reservations. Exempted cash funds include State Lottery and Great Outdoors Colorado (GOCO) monies. In addition, the Division received about $4.2 million in State General Funds and approximately $380,000 in federal funds.



Source: Office of the State Auditor analysis of Joint Budget Committee documents.
* Over 95 percent of Cash Funds are from park user fees.
** Over 80 percent of Cash Funds Exempt derive from GOCO.

Fees

By statute, "the system of state parks and state recreation areas should be financed as much as reasonably possible through revenues derived from the users of the system." In Fiscal Year 1999 the Division administered 43 different fees, including park admission passes; boat, snowmobile, and off-highway vehicle registrations; picnic and campground permits; and swim passes. Prior to the 2000 Legislative Session the maximum amount for many fees was set in statute. During the 2000 Session the General Assembly passed House Bill 00-1261 which authorizes the Parks Board to set the amounts for all but two fees. The legislation authorizes the Board to increase fees by an amount in accordance with Tabor limitations. The legislation also authorizes the Board to:

- Set lower fees for particular facilities owned or operated by the Board by any amount deemed necessary by the Board.

- Charge a park capacity fee on particular specified days or during particular specified seasons of up to four dollars at any parks which the Board has determined that visitation or other capacity issues have significantly affected the park's resources and visitor experience.

For the most part the various categories of passes and permits are created in statute. The following exhibit shows the fees charged for various passes and permits. In some cases the fee will vary depending upon the number of a people picnicking, for example, or upon the size of the boat or snowmobile being registered.

Colorado State Parks
Fiscal Year 1999 Fee Schedule

Pass Type	Fee
Park Pass	
Daily Pass	$4.00
Aspen Leaf Annual Pass (residents 62 years & older)	$10.00
Annual Park Pass	$40.00
Boat Registration	$15.25 - $30.25
Snowmobile & OHV Registrations (1)	$15.25 - $50.25
Group Picnic	$25.00- $75.00
Campground Permits	
Class A - Class E (per night)	$3.00 - $16.00
Reservation Fee (per reservation)	$7.00
Swimming	
Daily Pass	$1.00
Annual Pass	$10.00

Source: Auditor’s analysis of the Division of Parks and Outdoor Recreation 1999 passes and permit fees.

Note: (1) OHV = Off-Highway Vehicle.

Audit Purpose and Scope

The purpose of our audit was to review the efficiency and effectiveness of various Division of Parks and Outdoor Recreation operations. Our review focused primarily on the Division's planning and management activities as they relate to park acquisitions, construction, and concession operations. In addition, we reviewed the implementation status of the recommendations made in our 1996 performance audit of Division fees and costs.

Park Acquisition and Oversight

Chapter 1

Overview

By statute, it is the policy of the State of Colorado that the natural, scenic, scientific, and outdoor recreation areas of the State are protected, preserved, enhanced, and managed for the use, benefit, and enjoyment of both Colorado citizens and visitors to the State. Statutes also declare that to carry out such a policy, "there shall be a continuous operation of acquisition, development, and management of outdoor recreation lands, waters, and facilities." In this chapter we discuss issues related to the Division's and the Board's management and oversight of the State Park System as it relates primarily to acquisition. Specifically, we focus on the State's long-term ownership of property designated as park land but never opened to the public. In addition, we discuss the ongoing issue of water use leases, which has impacts not only for the Division of Parks, but for other state entities, such as the Division of Wildlife.

Staunton State Park Remains Closed to the Public

In 1961 approximately 1650 acres of land near the Denver metropolitan area were bequeathed to the Division of Parks and Outdoor Recreation for use as a state park. The Division took title to the property in 1986. The donated Staunton property (named for the donor) is located about 40 miles from Denver off Highway 285 and Elk Creek Road, near Conifer. Since taking title to the property, the Division has purchased an additional 1900 acres of surrounding lands, bringing the total park acreage to 3550 acres. Despite owning title to the land, purchasing adjacent property with public funds, assigning a full-time park ranger to the site, and including it among its inventory of 40 parks on official documents, the Division has never opened Staunton State Park to the public.

As the following table shows, from Fiscal Year 1993 through Fiscal Year 2000 the Division spent more than $4.3 million for acquisition, development, and maintenance and operations, relative to Staunton. These expenditures included payments for back taxes, development and environmental studies, as well as budgeted operating costs of more than $116,000 in Fiscal Year 2000. The largest portion of the expenditures—almost $4 million—was for the 1999 purchase of additional land to increase the size of the park and to create better public access.

Staunton State Park Expenditures
Fiscal Years 1993 - 2000

Operating Costs - Fiscal Years 1993-99 (1)	$ 63,000
Operating Costs - Fiscal Year 2000 (2)	116,487
Development Planning	130,907
Environmental Assessment	20,817
Taxes (3)	32,109
Additional Land Purchase - 860 acres, Davis Ranch	1,930,000
Additional Land Purchase - 1040 acres, Elk Falls Ranch	2,010,000
TOTAL	**$ 4,303,320**

Source: Office of the State Auditor analysis of Division documents.
Notes:
(1) Auditor estimate.
(2) Beginning in Fiscal Year 2001, more than $27,000 of this Fiscal Year 2000 base funding figure for Staunton will be shifted to the operating and seasonal work program budget for the soon-to-be—opened Brush Creek State Park.
(3) In 1984 the Division paid outstanding property taxes from Jefferson and Park counties to redeem the Staunton property.

It is important to note that the $4.3 million in costs we have identified is a conservative figure. It does not include the operating or seasonal work program costs for any fiscal years prior to 1993. Neither does it take into account the value of some of the physical structures that once existed on the Staunton property but have since deteriorated into unusable condition. There was potential for these structures to have been used as rental cabins. However, because of their current condition, they will need to be removed or renovated (at additional cost) for safety reasons before the park can be opened to the public.

Two Reasons Have Been Given for Not Opening the Park

According to Department and Division management, the following are reasons why the Park has yet to be opened:

- **There is strong opposition from neighbors.** In the spring and summer of 1999 the Division sponsored public meetings about Staunton. Neighbors articulated their concerns and opinions. In addition to traffic and access issues, some community members objected to the opening of the park unless its use was limited to daytime only, with no overnight camping, including the use of RVs and car and tent camping. Also, neighbors raised questions about fire danger and the impact of park development on existing resources and wildlife. After the last public meeting, Department of Natural Resources' management made a decision to postpone indefinitely the opening of the Park.

- **The park has remained closed due to vehicle access and traffic volume issues**. Neighbors living adjacent to the park objected to routing park visitors via a roadway located next to their subdivision. According to Division management, the purchase of the Elk Falls and Davis Ranch properties will enable them to provide alternative points of entry and exit that will not encroach upon the neighboring residents' properties. Currently the Division is pursuing the purchase of one remaining in-holding that will eliminate entirely the need to access the park via roadways adjacent to residential neighbors' properties. Another concern is that increased traffic will result from the establishment of a state park at this location. The concern is that one intersection leading into the park is dangerous and the highway leading to the park (Hwy. 285) is already overburdened. A traffic study conducted in October 1999 addressed this argument and posed several solutions for improving conditions at the intersection in question. Also, the outside engineering firm retained by the Division to conduct the traffic study found that service for weekday and weekend traffic, on the portion of the highway in question, is currently at acceptable levels. The study went on to say that by the Year 2020, with or without additional traffic from the park, the level of service will drop to unacceptable for some days and times. Traffic congestion and the increased risk for accidents are legitimate concerns that require the Division's attention. They are not unique problems, however. The Division must address them and find solutions for every new park it opens.

Staunton is currently off limits to the public. Signage, placed by both the Division and by neighbors around the gated park, indicates that no trespassing, parking, or access is allowed, and that "violators will be prosecuted." It is understandable that the Division develop and maintain good communications and relationships with the neighboring residents and local governments. This is something the Division actively pursues throughout the State. However, in the case of Staunton, by acquiescing to neighbors' demands, the Division is essentially operating a neighborhood park at public expense.

The Conditions of the Bequest Required the Use of the Staunton Land as a Public Park

By not opening Staunton as a public park, the Division is not honoring the intent of the bequest, and therefore, the State could lose title to the property. According to the conditions of the property's deed, the Staunton land is restricted to use as a public park for the **citizens of Colorado** (emphasis added). Furthermore, the deed states that if the land is not used in this manner by the State, then it shall become the property of the City and County of Denver. Specifically, the deed states that the property was bequeathed:

> ...to the State of Colorado for the use and benefit of the Department of Natural Resources Division of Parks and Outdoor Recreation for so long as the property shall be used as a park for the use and benefit of the public and maintained to the maximum extent practical in an undeveloped state, consistent with the need to provide appropriate means of access and facilities for the public. If the property should cease to be so used, then title shall automatically vest in the City and County of Denver to be used as a park for the benefit of the public. The citizens of the State of Colorado are designated third-party beneficiaries of this deed and agreement and are hereby given standing to enforce its terms with respect to the use of the property."

The Division Should Open Staunton State Park to the Public

We do not find any compelling reason why Staunton is not open to the public. The property clearly meets criteria related to the ease of acquisition, scenic quality, wildlife habitat value, and regional demand. As far back as 1984, Division documents indicate that Staunton would contribute positively to the existing park system. For example, in 1984 the Division found that the "intrinsic natural amenities of the original Staunton donation and the Elk Falls Ranch property would enable each to stand alone as a park, if necessary." This 1984 planning document also stated that "the need for open space and park land to provide recreational opportunities along the Front Range has been well established."

Since 1984 the demand and desire for additional park and outdoor recreation opportunities have increased throughout the Metro Region. In Fiscal Year 1997 an estimated 2.9 million people visited state parks in the Metro Region. By 1999 the number of visitors had increased by 10 percent to 3.2 million. For Fiscal Year 2001, the Division estimates visitation in the Metro Region will grow to about 3.6 million.

Also, one recent opinion poll indicates a majority of Coloradans prefer acquired open lands to be developed as parks with easy public access rather than preserved with little public access. Finally, Division staff told us that when newspaper articles appeared about Staunton in 1999, the Division was inundated with inquiries from citizens wanting to visit the park.

Division management told us that although the opening of Staunton has been postponed, they do intend to someday open it to the public. Prior to that time, the Division and the Board plan to open several other parks around the state. These are Brush Creek, John Martin, Cheyenne Mountain, and Lone Mesa. Division management stated that Staunton has not been taken off its schedule of new parks. Rather, its opening has been reprioritized, given the issues of neighbor opposition and access. At the same time, the planning and development of the four other new parks has progressed more smoothly. Therefore, the Parks Board placed them higher on the priority list than Staunton. We understand that priorities change and that plans are modified. In the case of Staunton, however, we believe that sufficient time has past and that significant investments have been made such that the Division needs to make a firm commitment to opening the park, including the establishment of date-specific milestones.

According to Division documents, the two most popular outdoor activities in the nation--hiking and walking--rely heavily on public agencies to provide appropriate settings. We believe the Staunton, Elk Falls Ranch, and Davis Ranch properties would provide, at a minimum, an excellent setting for these activities and possibly others. The Division can determine the particular amenities to be available at the park. As always, consideration should be given to uses and amenities that minimize the negative impact to neighbors while at the same time offering appropriate access to Colorado citizens.

As stated previously, we can find no compelling reason why the park remains closed to the public and believe the Division should take the necessary steps to open Staunton as a state park. Indeed, the opening of Staunton would be particularly fitting and significant, given the Governor's recent designation of 2000 as the Year of Colorado State Parks.

Recommendation No. 1:

The Division of Parks and Outdoor Recreation should open Staunton State Park to the public as soon as possible by:

a) Setting a specific date for concluding on the type of park Staunton will be, including its uses and amenities.

b) Adopting and committing to a timeline for planning, designing, developing, and opening Staunton to the public.

c) Providing regular, public reports on the progress of development and accomplishment of timeline milestones.

Division of Parks and Outdoor Recreation Response:

Partially agree. The Division would like to open Staunton State Park, but there remains substantial public opposition to doing so. Opening such a property to the public will require a minimum level of facilities and adequate staff/operating funds to provide assistance to the visiting public while also attending to maintenance and other needs of the resource.

Over the past two years, State Parks has acquired five wonderful new parks that must now be built and opened to the public. State Parks has limited resources to allocate toward new park construction, staffing and operational needs. To determine the priorities for getting these new parks opened to the public, the State Parks Board looked at a number of factors such as geographic need, strength of financial partners and trespass issues. Based on this assessment, the Board developed a construction priority list which includes:

- Brush Creek
- John Martin
- Cheyenne Mountain (JL Ranch)
- Lone Mesa
- Staunton/Elk Falls

Development goals for all properties remains the same – to open these parks to the recreating public as soon as practical.

Reasons why Staunton is not currently a top priority are numerous. Adequate access to the park property, as well as entering and exiting Highway 285 on to the county road, continue to be major issues that should be resolved before the park is opened. Neighbors who were initially opposed to conceptual plans for the park are watching these issues carefully. Some concerned neighbors have contacted their state legislators on this issue. Adequate planning and public outreach have yet to be completed to ensure that the state has public support for the types of recreational opportunities that will ultimately be provided at Staunton State Park.

This recommendation also suggests that regular public reports should be made available on the progress of the development and accomplishment of timeline milestones. This is being provided through the new Quarterly Reports on the status of new park projects, required by Footnote 172 of HB 00-1451 (Long Bill). Colorado State Parks submitted its first such report on July 1, 2000 to the Joint Budget Committee, Capital Development Committee, and other offices of the Colorado General Assembly.

Proposed Implementation Date: We are going through the process to begin planning in four to six years. The scope and timing of development will be determined during the planning phase.

In Addition to Leasing Land, the Division Leases Water Rights

Of the 40 parks within the State Park system, more than 30 provide some sort of water-based activities such as boating, swimming, and fishing. The three most highly visited parks—Cherry Creek, Chatfield, and Pueblo—are all well known for their water-based recreational activities. Given the overall ratio of water to land in Colorado, the Division has done a good job of providing citizens with parks that include some type of water-based recreation.

Water is a precious commodity in the western United States, and its scarcity makes it expensive to obtain and use. The fact that Colorado leases the majority of its park lands means that its also leases most of the water rights on those lands. For example, the Division leases Cherry Creek and Chatfield State Parks from the U.S. Army Corps of Engineers. These leases encompass both land and water and are long-term arrangements with the federal government. The Division pays nothing for the two leases. However, it is responsible for the costs associated with operations and upkeep. Not all of the Division's leases, however, are as stable or straightforward as those for Cherry Creek and Chatfield. For example, at Jackson Lake Park, the Division owns the surrounding lands and the land under the lake but leases the rights to the water itself.

Water Lease Negotiations Have Recently Been Problematic

The Division’s water leases with entities like the federal government have not traditionally presented any problems with regard to renegotiations. However, other leases have recently been difficult in terms of renewal as well as initial negotiations. For example, in recent years the Division has been faced with difficult negotiations related to:

- **Jackson Lake.** The water rights at Jackson Lake Reservoir are owned by a private reservoir and irrigation company. However, most of the land under the lake and part of the land surrounding it are owned by the Division. More than two years ago the Division and the irrigation company began negotiations for the Division's right to continue using the surface of the water for recreational purposes. However, by December 31, 1999, negotiations had broken down, a new agreement had not been reached, and the previous 14-year lease had been terminated. For a six-month period between January and June 2000, use of the lake was closed to the public. The park itself remained open for camping, hiking, and other activities, but no fishing or water-based activities were permitted.

  In late May 2000 the two parties entered into a new lease agreement. The financial terms of the new agreement generally revolve around the costs for repair and modification of the Jackson Lake Reservoir Dam, which is owned by the reservoir and irrigation company. According to the lease, the parties agree that substantial repair is needed to ensure the "integrity of the dam and to maximize recreational opportunities." It is anticipated that the costs for repairs and improvements will be at least $3 million. The total amount to be paid by the Division is $1.7 million.

  The majority of the $1.7 million payment—$1.4 million—is to take the form of a 30-year repayment of a construction financing loan from the Colorado Water Conservation Board. The irrigation company is responsible for any additional construction costs. In exchange for the total $1.7 million, the Division will have use of the water surface for 30 years. The average annual payment by the Division for the new lease—$56,666—is significantly more than the previous payment of about $7,107 per year. However, the new lease amount is less than the $60,000 per year current appraised value of the water lease. It is also important to note that the 30-year lease arrangement is contingent upon the Water Conservation Board's approval of the Division's and the irrigation company's loan application(s) as well as the General Assembly's approval of the Water Conservation Board's loan.

- **Harvey Gap.** Harvey Gap State Park had to be closed for three months, from December 1997 to March 1998, while the Division negotiated a new lease agreement with the owners of the reservoir. The new lease is for the same term of five years with a lease amount double the previous lease—$4,000 per year.

- **Great Plains.** During our audit the Division was planning a new park in southeast Colorado, near Lamar. The land for this park was to be donated by a local economic development group. The water rights were to be acquired from an irrigation company. Because of the recent difficulties arising from water rights lease renewals, the Parks Board determined that staff should obtain a perpetual easement, rather than a lease, at the Great Plains reservoir. However, according to staff, irrigation companies have historically been reluctant to grant perpetual easements. Negotiations which were under way at the start of our audit had broken down by the end of our audit. In April 2000 the Division announced that it had terminated plans for a park at this particular location, although it is still planning to open a park in the area.

The amount of payment for water rights leases appears to be the most difficult detail to negotiate. The irrigation companies in both the Jackson Lake and Harvey Gap situations were asking significantly more in payment in the lease renegotiations than the Division had paid in the past. At Great Plains the cost for leasing the water rights also appears to have been at issue. In all of these cases the Division has been reluctant to enter into lease agreements in which payments were considerably more than in the past. The influx of lottery funds has provided the Division with a significant source of additional resources. According to Division staff, this point is not lost on potential lessors. Also, staff told us that in the case of Great Plains the potential water rights lessor expressed an interest in awaiting the outcome of the Jackson Lake negotiations before proceeding with those at Great Plains.

Conclusion

We support the Division's and the Board's decisions to carefully evaluate the costs for water rights leases. As stated previously, the Division has done a commendable job of providing citizens with water-based recreational activities. Although there is a demand for water parks in the State, the Division should continue to evaluate the relative costs and benefits to citizens from developing water parks. For example, Division management told us that in evaluating the costs and benefits from the new lease at Jackson Lake, they considered a number of factors. Among the considerations were the impacts the Park's closure would have on annual visitors (about 300,000) and the effects closure would have on the Division's existing facilities' investment of about $8 million at the park.

The Division and the Board have a responsibility to ensure that the public funds within their control are spent wisely, and that the terms of water leases are mutually beneficial to both the State and to the lessors. Although it is not the most desirable situation, it may be appropriate that the Division and the Board, from time to time, not enter into agreements that are too costly or that do not provide citizens with an appropriate return in exchange for the costs. This may mean that certain parks will be closed either permanently or temporarily. Because the Division and the Board have developed water parks in at least 30 locations around the State, citizens do have alternatives. It would also be prudent for the Division to position itself, through access controls, easements, and other means, to minimize the lessor's leverage in future contract negotiations.

Park Construction

Chapter 2

Background and Overview

Managing the existing state park system to realize its full potential and securing new parklands to meet the State's future outdoor needs are two of the Division's primary goals, as well as statutory purposes. As the Division states in its 1998-2003 Horizon's plan:

> Care and upkeep of our parks is essential to preserving the quality experience our visitors have come to expect. With this in mind, efforts to invest in our parks through rehabilitation of facilities, roads and trails must be strongly emphasized. At the same time, the attitudes and preferences of Coloradans about parks and amenities continue to change and grow. To address these demands over the next five years, we must respond with significant, sustained investments to rehabilitate the existing park system, provide facilities to meet the ever-changing needs of our visitors, and look for opportunities for new, improved ways of doing business.

To achieve these goals, the Division annually engages in various new construction, renovation, and controlled maintenance projects. In Fiscal Year 1999 the Division spent at least $12 million for these purposes. So far in Fiscal Year 2000 the Division has spent $9.9 million, and for Fiscal Year 2001 the Division has requested $9.4 million. Of all the projects the Division engages in each year, about 20 could be classified as major park development and renovation projects. These projects are typically funded over several years. Some recent major projects include the Lathrop State Park renovation and the Yampa Valley Legacy Project. In addition, during any given year, the individual parks conduct basic park maintenance such as repairing buildings, campgrounds, and trails.

In reviewing the Division's capital construction and controlled maintenance projects and processes, we found the need for greater accountability and for improvements in the areas of planning, budgeting, reporting, and project management. Each of these areas is discussed in detail in this chapter.

Basic Accountability for Construction Projects Is Lacking

The Division's capital construction and controlled maintenance funds derive primarily from Lottery and Great Outdoors Colorado (GOCO) sources. For example, Article XXVIII, Section 3, (1),(b), of the Colorado Constitution specifies that 10 percent of net lottery proceeds will go directly ("off-the-top") to the Division for the "acquisition, development, and improvement of new and existing state parks, recreation areas, and recreational trails." As such, these funds are not appropriated by the General Assembly. Consequently, the Division of Parks and Outdoor Recreation is exempt from the standard capital construction budgeting requirements that most other state agencies are subject to. These exemptions are established in statute. Specifically, Section 24-30-1303, (3) and (5)(b), C.R.S., states;

> All buildings and facilities, **except public roads and highways and projects under the supervision of the Division of Wildlife and the Division of Parks and Outdoor Recreation**, erected for state purposes shall be constructed in conformity with a construction procedures manual for state facilities and state-assisted facilities prepared by the department and approved by the governor. Such construction shall be made only upon plans, designs, and construction documents which comply with approved state standards and rules and regulations promulgated pursuant to this section. **(Emphasis added.)**

Because of this statutory exemption, the Division is not required to have a capital construction plan approved by the Capital Development Committee (CDC). However, the Division, on a voluntary basis, does prepare an annual plan, which it presents to the CDC for its review. The CDC-reviewed plan, including the construction budget, is then presented in a modified format in the Long Bill. Also, beginning in July 2000, the Division is to report, on a quarterly basis, to the Joint Budget Committee (JBC) on all new park development projects.

Although the Division undergoes these legislative review processes, they are not meaningful for two basic and interrelated reasons. First, as stated above, legislative approval is not required for the Division to receive its Lottery and GOCO proceeds. Second, the Division does not adhere to the construction plans and budgets it presents to lawmakers and other oversight entities. One reason for this is that there are no consequences associated with the Division's failure to do so. As the following sections detail, the lack of accountability and consequences can be demonstrated both on the large scale, as related to the Division's overall construction planning and budgeting, and at the individual project level.

The Division Frequently Moves Funds Between Projects

The Division regularly shifts significant amounts of funding between capital construction and controlled maintenance projects after it presents its construction plan to the CDC and after the Long Bill has been approved by the General Assembly. For example, in Fiscal Year 2000 the Division transferred at least $5.7 million in capital construction funding from and among the projects delineated in its plan to the CDC. The transfer of funds occurred during the "May reallocation" following the passage of the Fiscal Year 2000 Long Bill. The $5.7 million that the Division moved represented 52 percent of its original $10.9 million capital construction budget. In all, the Division made 16 fund transfers. Among the changes were:

- **Funds moved between projects.** The Division moved funds among seven projects that were included in the Long Bill. These fund transfers totaled $3.1 million.

- **Projects are delayed.** Three of the original seventeen projects were taken off the CDC-reviewed list. According to Division management, these projects have not been canceled, but rather, they have been delayed. The total budgeted amount for these three projects was $1.6 million. The funds were reallocated to various projects, some of which had been reviewed by the Capital Development Committee and some of which were added and had not been reviewed, as described below.

- **Funds were moved to projects that had not been reviewed by the CDC.** The Division transferred funds to nine projects that were not included in the Long Bill. These included renovation projects at Bonny, Boyd, and Golden Gate State Parks. Funds were also moved to a project at the unopened Staunton State Park. In total, $2.3 million was moved to projects that the Division had not presented to the CDC for its review.

Because of the statutory provisions that exempt the Division from the standard capital construction requirements, nothing precludes the Division from making these kinds of transfers.

Excessive Fund Movement Diminishes Accountability

Moving funds and changing project schedules as frequently as the Division does presents problems in terms of tracking, monitoring, and accountability. Specifically:

- **Excessive fund movement can create unlimited project timelines.** The frequency with which the Division moves funds means it could prolong indefinitely the life of certain projects. This is especially true of projects with multi-year budgets. For example, in Fiscal Year 2000 the Division identified $669,000 as being needed for the renovation of Lathrop State Park. This allocation represented the second-year funding for a three-year planned renovation. In May 2000 the Division transferred all of the second-year funding for the Lathrop project to other projects. This means that what was originally planned as a three-year project will extend to at least four, and possibly more, years. Construction costs typically increase over time. Extending projects in this manner will likely result in additional future costs.

- **Extensive movement makes it difficult to track spending.** The Division does not have any mechanism for reconciling original capital construction plans and budgets with final budgets and completed projects. This fact, coupled with the frequency at which the Division transfers funds, makes it almost impossible to track spending. Consequently, there is no reliable or easily accessible way in which to determine total project costs, including cost overruns or whether projects came in under budget.

- **Funds may not be spent as intended.** The regular transfer of funds among and between projects compromises achievement of Division plans, goals, and objectives. In addition, presenting capital construction plans and budgets to the General Assembly that are subsequently and radically changed negates the purpose of legislative scrutiny.

The Lack of Accountability Is Also Evident in Individual Projects

In 1996 the Division, along with the Division of Wildlife and local government and nonprofit partners, received funding from Great Outdoors Colorado (GOCO) for a Legacy Project Grant for the Yampa River System. Legacy project grants provide multiyear funding in conjunction with matching funds, for projects that address at least two of GOCO's four funding categories of outdoor recreation, wildlife, open space, and local government projects. Legacy projects are large-scale, of a statewide and/or regional significance, and typically involve multijurisdictional partnerships. The GOCO Board approved a Legacy grant of $6 million for the first three years of the Yampa project. Of this total, $2 million was awarded to the Division of Parks and Outdoor Recreation, primarily for the acquisition and development of a headquarters/campground and for access/recreation leases on the Yampa River. Since this initial $2 million award, the Division has made requests for and has been awarded two more Legacy grants totaling $1.8 million for its portion of the Yampa project.

As of January 2000, GOCO had awarded a total of $10.5 million to the partners in the Yampa Legacy Project.

The Division's additional GOCO Legacy funding is primarily needed to address cost overruns related to the planning and construction of the Yampa Headquarters/Campground Center outside of Hayden, Colorado. The costs for the Headquarters/Campground have increased by more than 225 percent in three years, from about $1 million in 1996 to more than $3.28 million in Fiscal Year 1999.

Costs Are Difficult to Identify and Track

According to the Three-Year Progress Report, Budget, and Follow-On Funding request submitted by the Yampa partners in 1999, the reasons for the Division's cost overruns on the Yampa Headquarters/Campground project are:

> A number of unforeseen issues has made the establishment and construction of a headquarters site considerably more expensive than was first estimated. The fee title purchase of a 70-acre property, numerous additional planners and consultants, poor soil types, construction of accel/decel lanes on Highway 40, construction cost increases over three years, and the added cost of developing a sophisticated domestic water system due to failed attempts to locate well water and an on site water system have all contributed to the greater need for funding.

In analyzing the Yampa Headquarters/Campground project, it seems likely that more comprehensive, timely, and detailed planning would have identified "poor soil types" and the lack of available well water before land acquisitions were made, initial budgets were presented, and funding was requested. In addition, we found two other problematic areas specific to the Yampa project, that we believe the Division needs to address to improve accountability for all construction projects.

- **There is no consistency in the items included in Yampa Headquarters' project budgets.** Therefore, it is difficult to identify or track particular items or areas in which spending has been over or under budget. The following illustrates this for two Yampa Headquarters/Campground reports:

April 1998 Report		January 2000 Report	
Campsites	$150,000	Property acquisition	$350,000
Roads	100,000	Campground, roads, parking	750,000
Accel/decel lanes	200,000	Accel/decel lanes	425,000
Utilities	250,000	Domestic water system	350,000
Maintenance Bldg	200,000	Wastewater treatment facility	395,000
Headquarters	300,000	Buildings	905,000
Camper Services Bldg .	300,000	Primary electric	33,000
		Site work, sidewalks, landscaping	72,000
TOTALS	**$1,500,000**		**$3,280,000**

- **Budget requests to legislative entities are not reliable.** In its Fiscal Year 2000 Capital Construction Request to the Capital Development Committee, the Division reported that the FY 2000 Request would complete the **$2.4 million** Yampa River System project, including recreational river access leases, park headquarters development, and campground additions. However, in the following Fiscal Year (2001) the Division "requested" another $200,000 for the **$2.2 million project**. This time, the additional funds were requested to "create additional river access leases, to complete the Elkhead Reservoir development, including a small campground, boat ramp improvements, a picnic area, and restrooms." **(Emphasis added.)**

Consistent, accurate, and detailed reporting on construction projects would provide greater accountability for the expenditure of public funds for state park projects. In our Fiscal Year 1999 Financial Audit of the State Board of the GOCO Trust Fund, we arrived at a similar conclusion related to the Division of Wildlife's documentation and reporting for its Legacy projects. Specifically, we found that the Division had not provided detailed project descriptions related to Legacy grant expenditures. According to the audit, "Without such detail, the Board is unable to determine the nature of the expenditures and thus is unable to determine compliance with the provisions of Article XXVII of the Colorado Constitution." More detailed and consistent reporting would also provide the Division with budget and expenditure information critical for effective project management.

Other Exempted Agencies Have Similar Problems

We believe there are good reasons for having some flexibility with regard to capital construction funds. Unforeseen emergencies such as flooding or lightning strikes have resulted in immediate responses from the Division. However, these kinds of events are infrequent. We have concerns with the Division’s overall lack of accountability for capital construction funds and budgets. This is a concern we have expressed in audits of other agencies as well. Recent audits of the other two agencies—the Division of Wildlife and the Colorado Department of Transportation—which are excluded from the statutory capital construction budget requirements revealed that they, too, have problems managing construction projects and reconciling planned and actual budgets. In both cases we made recommendations for improved accounting and reporting, including the preparation of budget to actual reports. In another, soon-to-be-released, statewide audit of Capital Construction Contingency Funds, we make further recommendations for improved accountability and oversight at the Divisions of Parks and Wildlife and at the Department of Transportation.

There Are No Consequences for Construction Cost Overruns

The Division of Parks and Outdoor Recreation has a responsibility to ensure that public funds, regardless of their source, are spent wisely and in accordance with constitutional, statutory, and public intent. However, there are no consequences when the Division does not meet construction deadlines or overspends its construction budget. As previously stated, the Division's Lottery and GOCO funds are not subject to legislative appropriation, and statutes specifically exclude the Division from the level of scrutiny most other agencies must undergo.

Nonetheless, there is statutory precedent for the Division to provide accountability for its major acquisition plans and expenditures. For example, statutes mandate that the Parks Board submit a report to the Capital Development Committee whenever the Board intends to acquire the fee title to any real property (exceeding $100,000) or to acquire an easement lasting longer than 25 years, or to sell or dispose of such property. According to Section 33-10-108, (h)(2), C.R.S., the report is to outline the anticipated use of the real property, the maintenance costs related to the property, the current value of the property, and any limitations restricting the use of the property. The Division could develop and implement similar kinds of reporting mechanisms for capital construction plans and budgets. Furthermore, the Division should work with the Office of State Planning and Budget (OSPB), the Joint Budget Committee (JBC), and the Capital Development Committee, to develop recommendations for statutory change requiring legislative oversight for all capital construction projects and expenditures.

In addition, budget to actual reports would go far to improve accountability. The Division should also adopt standard, consistent categories for construction project detail. Finally, until legislative changes are made, the Division needs to adhere, as much as possible, to construction plans and budgets by adopting a policy of limiting fund transfers after documents have been reviewed and approved by the General Assembly.

Recommendation No. 2:

The Division of Parks and Outdoor Recreation should improve accountability for its use of capital construction funds by:

a. Developing and implementing reports reconciling budget to actuals for all construction and controlled maintenance projects.

b. Adopting standard, consistent categories or expenditure lines within all construction projects.

c. Adhering to approved plans and budgets.

d. Making recommendations for statutory change by working with the OSPB, JBC, and CDC.

Division of Parks and Outdoor Recreation Response:

a. Agree. State Parks recognizes the need for more effective construction project tracking mechanisms. This has long been identified as a planning tool that that would greatly benefit our agency. Working with Capital Development Committee staff, we jointly developed a much more detailed and consistent template for Parks development information submitted for CDC consideration of pending real estate acquisitions/leases. The new quarterly reporting requirement for new parks (see description in previous answer) has also helped tighten the methods we use to track and report on construction projects.

   We will attempt to implement a more effective procedure for reconciling budgets to actuals, however, staffing levels are insufficient to fully implement and administer the reporting we would like to see. The extent of our ability to address this will be tied to the success of an initiative to acquire additional FTEs in the 2001 legislative budget process.

b. Agree. The Division will look hard at tightening the categories.

c. Agree. Sticking to an agreed-to plan/budget makes good sense, and may require fine tuning our existing process. The current system enables us to be responsive to changing priorities and to take advantage of new opportunities that may arise. We understand, however, that reporting this information to the legislature only once a year has created confusion. As we respond in part (d) of this recommendation, we are soliciting comments from CDC, JBC and OSPB staff on how we can report budget changes quickly and accurately.

   The nature of our business requires a reasonable level of flexibility. For instance, some renovations and other capital construction projects were not pursued at identified parks because of the USFWS Federal Aid Audit. With the potential that certain parks could end up reverting to the Division of Wildlife to be managed as wildlife areas it would not have been a wise to expend funds for recreation facilities at these areas until the future use of the areas had been determined. In another case, Cherry Creek, Chatfield and Trinidad have not and will not receive badly needed renovation funds until the state successfully establishes an agreement with the US Army Corps of Engineers to costs share renovations at the three parks. Proceeding with renovations at the three parks before the cost sharing agreement negotiations would threaten the potential for obtaining $15 million in federal funds.

d. Partially Agree. The Division would like to pursue administrative solutions to this recommendation before statutory changes are contemplated. The past five years have brought enormous changes for State Parks' capital construction process. During that time, GO Colorado has become very entrepreneurial, requiring State Parks to come up with a 20 percent match on grants we have received. This has required our agency to shift funding priorities frequently. We believe this period of disruption to our planning process has settled down and are anticipating going for longer term grants from GO Colorado in the future. The growth in State Parks' capital budget during that time has also required some adjustments, particularly in the project management aspects of our business.

   The Division has identified the shortcomings highlighted by this recommendation and has been proactive in establishing solutions. Again, the improvement in the information provided to the CDC and the new Quarterly Report on new parks will greatly improve our current efforts to improve construction fund accountability. The concept of regular reporting was actually an idea that we brought forward with JBC staff.

Additional reporting requirements that are not accompanied by additional staff would be difficult to implement.

Responsibility for Project Planning and Oversight Should Be Reviewed

As previously stated, it is likely that better preconstruction planning and design would have detected or foreseen many of the problems that arose on the Yampa Headquarter's project. As capital construction projects become more and more of a priority for the Division, it is important that planning errors are reduced, adequate design work is conducted, and overall project management is strengthened. Often, parks' managers and staff are responsible for the planning and management of controlled maintenance, renovation, and capital construction projects. For routine maintenance and less complex building projects, this may be appropriate. However, as projects become more complex and costly, it is essential that the Division ensure that personnel with appropriate expertise are assigned to planning and oversight. In some cases this may mean contracting out preconstruction, design, and project management responsibilities. In other cases, conducting these activities, in-house, may be appropriate and cost-effective. The Division should examine the costs and benefits of various arrangements. Among the factors that should be considered are the costs and benefits of having park managers oversee construction projects in conjunction with their other duties. It must be remembered that when park managers and staff are overseeing construction projects, they are not able to perform many of the other park-related tasks for which they were hired and trained. The Yampa River System Legacy Project could serve as one case study for the Division to review and evaluate. The Division should also examine other construction projects to determine how improvement can be made in project planning and management.

Recommendation No. 3:

The Division of Parks and Outdoor Recreation should determine whether it has the appropriate, qualified, in-house staff to effectively and efficiently plan and manage construction projects or whether alternatives such as outside contractors should be identified and developed.

Division of Parks and Outdoor Recreation Response:

Agree. The Division agrees that as much engineering, design and construction work as possible should be contracted out. We need, however, to ensure that we retain in-house project managers. Although the Division currently contracts out for design and engineering work associated with our construction projects, much of it is the responsibility of existing staff to oversee this work. Each of the four park regions employees a landscape architect and a professional engineer to manage the Division's construction projects, with little or no clerical or accounting support staff. The Division is currently receiving approximately $18 million per year for construction projects; many of these are multi-year projects. These projects and contractors require a significant amount of oversight – much more than our existing full-time professional staff can reasonably be expected to handle. As a result, the regional architects and engineers must rely on park managers for on-site construction management coordination. The Division agrees that this is an inefficient use of park managers' time. The Division has clearly not maximized contracting opportunities with construction inspectors. We will place high priority on improving this. Additionally, to correct the heavy reliance on park managers for construction-related tasks, we intend to pursue a legislative initiative to gain additional FTEs.

The Division Needs to Review the Parks' Uses of the Controlled Maintenance Category

In 1998 the Division completed a survey of its park and regional managers concerning service levels at the parks and gaps in the system. In February 1999 the Division presented a summary of the survey findings, as well as a discussion of other issues, in a report entitled *Project 98 - A Look at Our System*. One of the topics of the survey was infrastructure needs, including controlled maintenance and renovation/capital construction. The survey asked the managers to assess their controlled maintenance needs over the next five to twenty years. The Division intends to use the survey results to develop a sustainable 20-year maintenance and renovation plan for each park in the system. According to the Division's Horizons document, the renovation plans are expected to be in place and operating in the parks by 2003.

Controlled maintenance projects as defined in Section 24-30-1301(2), C.R.S., are:

> Corrective repairs or replacement used for existing state-owned, general funded buildings and other physical facilities, including, but not limited to, utilities and site improvements, which are suitable for retention and use for at least five years, and replacement and repair of the fixed equipment necessary for the operation of such facilities...

In its *Project 98* report the Division defines controlled maintenance as "the minor maintenance and repair work that is needed to keep our parks in good working order and acceptable to our visitors." The Division considers building repairs, grounds, roads, vegetative management, sign repair and replacement, technology (e.g.,computer upgrades,) capital equipment, and miscellaneous projects to be controlled maintenance.

Some "Miscellaneous" Controlled Maintenance Projects Appear to Be Misclassified

As a result of our review of the *Project 98* report, Division budget requests, and the Colorado Financial Reporting System (COFRS) reports, we question the appropriateness of some of the projects the regions identified as controlled maintenance, particularly within the "miscellaneous" category. All four regions included a "miscellaneous" category in their 1998 controlled maintenance surveys. This category contained different projects for each region. Some of the projects are not adequately identified. Therefore, their exact nature cannot be determined. Others do not appear to be appropriately classified as controlled maintenance projects. In some cases the requested amounts are significant. Without more complete identification, it is difficult to determine whether the requested funding is reasonable or justified. Some of the questionable projects we identified in the miscellaneous controlled maintenance category include:

- **Metro Region.** Listed a cultural resource study, land acquisitions, and training materials with the miscellaneous category. The region estimated that these items, along with site planning, design, and other "special projects" will cost $250,000 over the next five years.

- **North Region.** Included clerical development, contingency, computer and technical assistance, park furniture, and playground equipment in its miscellaneous category. The region estimated that these and other miscellaneous items would require $592,000 over the next five years.

- **South Region.** In the *Project 98* report, the Division states that the south region identified "many of the things that the other regions listed under miscellaneous." The estimated five-year costs for these unidentified items were $60,860.

- **West Region.** Provided a broad category of "projects to rehabilitate the park." Estimated five-year costs were set at $202,500.

Many of these items do not fit the statutory definition or the Division's definition of controlled maintenance detailed above. For example, statutes require that land acquisition such as that cited by the Metro Region, regardless of the value, be treated as a capital construction item and not controlled maintenance.

As with the need to improve accountability for capital construction funds, the Division needs to ensure greater accountability for the controlled maintenance projects undertaken by the regions. All of the regions should be identifying, assessing, and monitoring controlled maintenance projects and budgets in a consistent and appropriate manner. To do this, the Division should establish what projects and expenditures satisfy the statutory definition of controlled maintenance. In addition, the Division should consider limiting the amount allowable under the heading of "miscellaneous." In its five-year controlled maintenance budget, "miscellaneous" projects represent 10 percent, or $1.1 million, of the total $11.2 million controlled maintenance budget. Only the controlled maintenance categories of "buildings" and "grounds" represented larger portions of the total budget (33 and 17 percent, respectively). The Division also should provide written budget guidelines for the regions to use in preparing budget requests. Finally, the Division needs to regularly review regional and park controlled maintenance requests.

Recommendation No. 4:

The Division of Parks and Outdoor Recreation should ensure accountability for controlled maintenance projects and budget requests by:

a. Defining the types of projects and expenditures allowable within the controlled maintenance category.

b. Limiting the use of the miscellaneous category, including the amounts that can be requested.

c. Providing the regions with regular review and instruction regarding preparation of controlled maintenance budgets.

Division of Parks and Outdoor Recreation Response:

Agree. We will re-define the controlled maintenance category and ensure that expenditures are properly coded.

The Division Should Develop Project Management Systems

During our audit we requested that the Division provide us with an up-to-date rendering of all the capital construction and controlled maintenance projects currently under way. Specifically, we wanted information comparing budget to actual expenditures, project timelines, and milestones. The Division was not able to provide us with this information in either an aggregate fashion for all projects or in a summary fashion, for individual projects.

It appears that individual park staff, who oversee various construction projects, may have information about project specifics. The Division, however, does not have a system in place to track or compile this information. Therefore, construction project data are not readily accessible, collected in a consistent fashion among the parks, or compiled and reviewed at the Division level. We consider the information we requested to be basic management information necessary for cost-effective project oversight and completion. Without these kinds of data being readily available and routinely analyzed, the Division cannot effectively monitor its activities, measure progress, determine where improvements are necessary, and provide information for sound decision making. The Division needs to adopt methods of tracking that promote accountability for the efficiency, effectiveness, and outcomes of its capital construction operations. Finally, accountability is incomplete unless the Division provides such information to the General Assembly and to the public. Decision makers and taxpayers need evidence that the Division is spending money wisely and as it was intended. The Division could provide this evidence by following more closely the plans it develops and submits for approval to the CDC. It could also do so by developing a system to track, at a Division level, the progress, timeliness, and spending on its capital construction and controlled maintenance projects.

Recommendation No. 5:

The Division of Parks and Outdoor Recreation should implement systems for managing construction projects, including providing accountability for project milestones and individual park and regional performance.

Division of Parks and Outdoor Recreation Response:

Agree. Over the past decade, State Parks' construction funding has increased dramatically. Our capital budget has almost doubled to $19.1 million in the past five years alone, and the number of annual projects has also significantly increased. A tremendous increase in construction project management and accounting responsibilities have accompanied this growth as well. State Parks understands that our agency needs to change the way we manage our construction projects.

Within one year the Division will put in place a system to manage our construction projects. In addition, State Parks is committed to providing relevant training to our staff, including professional project management methodology. We will also work to secure additional support staff for these areas.

The Division Is Committing Additional Funds to Roadway Repair

Since at least 1995, the Division has identified the need to improve roadways within the state park system. Consequently, the Division has taken steps to commit additional resources toward this effort. Beginning in Fiscal Year 2001, the Division will use a portion of its Lottery Funds, in addition to its annual $300,000 allocation from the Highway Users Tax Fund (HUTF), for this purpose. In total, the Division plans to spend $5 million in lottery dollars over the next four years for road construction and repair. According to its current Capital Construction Request, the Division plans to spend $1.35 million in Fiscal Year 2001 alone.

Although the Division appears to be addressing this issue by earmarking funds, our review raised questions about the Division's specific road repair decisions. As we discuss in the following sections, the Division does not have a systematic method or a reliable source of information for use in prioritizing and scheduling its road projects.

The Most Current Road Assessment Was Conducted in 1995

In 1995 the Division contracted for an assessment of the condition of the paved roads within 16 parks. The Division paid $50,000 to the firm that also conducted the Colorado Department of Transportation's road assessment in that year. The outside study was supplemented by an internal Division review of the parks' gravel roads. On the basis of the two assessments, it was determined that in addition to repairing and resurfacing existing paved roads, some gravel roads would be upgraded to pavement. The estimated total cost for these improvements and upgrades was $16.5 million in 1995.

The findings of the two studies showed that of the 54 roads assessed, only about 9 percent, or 5 gravel roads, were rated as being in good condition. As the following table shows, the majority—49, or 91 percent—of the total roadways (gravel and paved) were rated fair or poor.

Road Conditions in State Parks
as of 1995

Rating	Paved Roads		Gravel Roads		Total Roads	
	Number	Percent	Number	Percent	Number	Percent
Good	0	0%	5	13%	5	9%
Fair	11	69	17	45	28	52
Poor	5	31	16	42	21	39
TOTAL	**16**	**100%**	**38**	**100%**	**54**	**100%**

Source: Office of the State Auditor analysis of the Division's 1995 Road Assessment.

Since the 1995 assessments, the Division has made some road repairs. However, the Division's decisions about which roads to repair were not necessarily based upon the 1995 findings. Additionally, the 1995 assessment is the most current available. In the absence of a more up-to-date assessment, we question the value of using five-year-old road survey results to prioritize and schedule future road projects. It is reasonable to assume that five years of wear and tear, in addition to any repair work that has been done, has changed road conditions significantly, Without an up-to-date assessment, the Division may be wasting resources by not accurately determining which roads are most in need of repair.

The Rationale for the Division's Road Construction and Repair Decisions Is Unclear

As stated above, we found that the Division has not prioritized or conducted its road work in a manner consistent with the findings of the 1995 assessments. In addition, we identified other examples in which the Division's rationale for road construction and repair decisions is not clear:

- **Some parks' roadways have been repaired, yet they were not indicated as being in need of repair.** The Division's Fiscal Year 2001 budget request indicates that several parks have had road repairs completed, yet none of these had previously been shown to be in need of repair. These parks include Castlewood, estimated for completion in 2000; Eldorado, completed in 1999; and Roxborough, completed in 1998.

- **Some parks on the urgent list are not scheduled for repair as of 2001.** At least five parks that appear in the Fiscal Year 2000-2001 Budget Request as being in urgent need of repair are not scheduled for repair before 2001. These parks include Pueblo, Lathrop, Eleven Mile, Bonny, and Vega.

- **Some parks are simultaneously shown to have been repaired and urgently in need of repair.** According to Division documents, Jackson Lake State Park had roads repaired in Fiscal Year 1998. However, in the Division's Fiscal Year 2001 Budget Request, Jackson Lake Park is identified as being in urgent need of road work.

In order to fix roads in need of repair in a cost-effective and timely manner, the Division should update its assessment of road conditions. In a 1996 performance audit of the Department of Transportation, we found that the costs for resurfacing roads are four to five times greater when conditions decline from "fair" to "poor." Waiting until the condition of the road declines to poor, or until the pavement fails entirely, results in higher costs because more extensive treatments are required to return the road to acceptable condition. Because the Division did not always use the 1995 study as the basis for its repair decisions, the current condition of the State Parks' roadways is unknown. An up-to-date assessment would provide the data needed to prioritize and schedule projects so that costs are minimized.

Recommendation No. 6:

The Division of Parks and Outdoor Recreation should ensure the cost-effectiveness of its road construction and repairs by:

a. Conducting an updated road assessment.

b. Developing and implementing a road construction and repair schedule based on the findings of the road assessment.

Division of Parks and Outdoor Recreation Response:

Agree. The Division is concerned about the condition of park roads, so much so that the 5-year development plan includes an infusion of a $5 million road initiative. The Project 98 document that is described in the audit includes an updated estimate on the Division-wide road construction needs. It was not, however, developed through any reliable scientific means. An updated, accurate road assessment would be of tremendous value to the Division and should be implemented as soon as possible. We also plan to implement regional road plans that prioritize the needs we have throughout our system.

Park Concessions

Chapter 3

Concession Sales Generate Revenue for the Division

One of the statutory intents of Colorado's State Park System is to provide a comprehensive program of outdoor recreation that offers the greatest possible variety of outdoor recreational opportunities to residents and visitors. One way in which the Division addresses this legislative declaration is through park concessions. In Fiscal Year 1999 there were 120 concessions ranging from snack bars and food stands to river outfitters, stables, rock climbing schools, and boat marinas, operating within Colorado State Parks. Unlike some other states, Colorado does not directly operate any concessions. Rather, it contracts with outside providers. The majority of concession contracts (83, or 69 percent, in 1999) are considered "long-term," extending for more than one year. The remainder—short-term concessions—are those that operate for less than a year, usually during the peak of the park's season.

In exchange for the ability to operate in a state park, concessionaires pay the Division annual fees. Depending upon the contractual arrangement, concessionaires may pay an administrative fee, an annual flat fee, and/or a percentage of their monthly sales revenues to the Division. The monthly percentage rate ranges from 1 to 10 percent of gross concession sales. Most concessions (67 percent) operate on the percentage basis, paying the Division, on average, about 5 percent of gross sales. In Fiscal Year 1999 the Division collected almost $918,000 in revenue through its concession contracts. As we describe in this chapter, accurately establishing and monitoring the amount of concession revenues is important because the Division receives a percentage of revenues based on the concessionaires self-reported gross sales. If concessions underreport sales, the State loses revenues. We also found other opportunities for improving the Division's oversight of ongoing concession operations. Specifically, basic methods for conducting inspections, and price approvals are generally not documented and in many cases are not conducted.

Neither the Division nor the Department Audits Concessions' Financial Operations

The last formal audit of concession operations was conducted nine years ago in April 1991 by Department of Natural Resources' internal auditors. At that time the auditors conducted five audits of four different concessions operating at one park—Cherry Creek—during the period 1988-1991. The concessions audited were one marina (audited twice—one time each for two different operators,) one stable, one jet ski rental, and one sailboat school. Among the auditors' findings were internal controls that were not in compliance with administrative regulations and financial information that was not being properly reported. The audit also found that concessionaires were not tracking all financial records, including the numbers of customers served, as well as daily and monthly reports and business receipts. Data were inconclusive or incomplete in some cases, and the auditors found instances of underreporting of revenues.

Each month, concessionaires are to submit revenue reports to the Division. Division management stated that they conduct a cursory review of these self-reported documents. However, staff do not compare receipts, cash register tapes, or validated deposit slips with reported revenues on a daily or weekly basis. Furthermore, there is no documentation of the items reviewed or the time period covered by the review.

Verifying Sales Is Necessary to Ensure Correct Payment to the State

If just one large concession fails to accurately or completely report sales, it could result in a significant loss of revenues to the Division. For example, Park staff estimate that the three largest marinas in the State have daily sales ranging from about $1,940 to over $4,000. Depending upon the percentage rate paid to the Division, revenue losses could be significant if these concessions underreported by a day, a week, or a portion of either. We estimate that if all concessions were to underreport:

- By 1 percent, the Division would lose approximately $9,200 in revenues.
- By 5 percent, the Division would lose approximately $45,900 in revenues.
- By 10 percent, the Division would lose approximately $91,800 in revenues.

It is also important to note that if concessions overreport the amount of sales, they lose revenues by remitting more than is required to the Division. Therefore, audits of financial operations have value for both the Division and the concessionaires.

According to Division Staff, concession reviews not only help to ensure that revenues are reported accurately to the State but also provide assurances to the concession operator that his or her staff are following procedures.

The Division Could Use a Risk-Based Approach in Selecting the Concessions to Be Audited

According to the Division's Administrative Directives, concessions are to be audited on a timely basis. In addition, Directives state that "exact times and specific audit procedures will be identified and prioritized by the Division and then coordinated and scheduled with the Department of Natural Resources' auditor." We found that the Division needs to take steps to implement these procedures. First, the Division should take a risk-based approach to selecting the concessions it will audit. For example, concessions that generate higher sales also pose a risk for higher revenue losses to the State if proper accounting and reporting practices are not in place. Second, concessions that are primarily cash operations may pose risks for revenue losses to both the concessionaires and to the State if the proper internal controls are not present. The Division needs to assess the risks associated with its concessions and develop an audit schedule for each region. Some of the audits should be conducted by park managers and staff as part of their ongoing management and oversight of individual park operations. In other cases audits should be conducted by Department auditors.

The Division should also develop a standard audit program that delineates the steps to be followed by the staff conducting the review. Because many of the concessions operate primarily on a cash basis, audit steps should be designed accordingly. Staff should review items such as daily cash journals, validated deposit slips, cash register tapes, and bank statements, as well as reservation books, and inventories. They should ensure that cash boxes are secured and that the duties associated with handling, recording, and reconciling cash transactions are assigned to different concession employees whenever possible. Finally, audit requirements should be outlined in the concession contract.

Recommendation No. 7:

The Division of Parks and Outdoor Recreation should ensure the accuracy of concessions' financial records, including reported gross sales, by conducting periodic audits. This process should include the adoption of an audit schedule, a standard audit work program, and mechanisms for reporting and correcting problems or deficiencies.

Division of Parks and Outdoor Recreation Response:

Agree. We will work with the Department of Natural Resources accounting staff to develop a risk based model for conducing audits of our concession contracts.

Inspections Are Not Routinely Conducted

In Fiscal Year 1999, Parks' staff conducted fewer than 30 percent (33 of 120 concessions) of the required inspections of all long- and short-term concessions. In fact, we found no evidence that inspections were conducted on any of the Division's 37 short-term concessions. Short-term concessions include guided snowmobiles, horseback riding, and rock climbing. For its 83 long-term concessions, staff conducted only about 40 percent of the required annual inspections. Most of the Division's long-term concessions (62, or about 75 percent) are river outfitters. All 62 of the river outfitter concessions operate in the Division's southern region; specifically, in the Arkansas Headwaters' Recreation Area (AHRA). Arkansas Headwaters' staff told us that they inspected only about one-third (32 percent) of the river outfitter concessions in 1999.

By statute, the Parks Board and the Division have the responsibility to provide necessary sanitation, health, and safety measures in all state parks and recreation areas. To this end, the Division has adopted procedures for park employees to use in monitoring concession operations. According to the Division's Administrative Directives, Park Managers are to meet with concessionaires at the start of each season and review the facilities, services, and products to be provided. The Directives state that the park manager is to "ensure that all licenses, permits, taxes, and fee requirements have been satisfied at that time." Typically, this involves a review of documentation. Park managers also are to conduct monthly inspections for compliance with contract requirements, laws, ordinances, codes, rules, etc. These monthly inspections appear to be more for the purpose of ensuring that proper health and safety requirements are being met. Finally, regional managers are to monitor each concession annually, including an on-site review to ensure compliance with various contractual obligations.

Risks to Visitor Safety Should Be Minimized

By their very nature, many of the outdoor recreational activities and amenities provided by concessionaires, such as boating, snowmobiling, rafting, and horseback riding, all involve a measure of risk. Between Fiscal Years 1991 and 1999 there were 16 commercial fatalities on the Arkansas Headwaters Recreation Area. In addition, each year, park visitors file claims against the Division for accidents or incidents occurring within the parks. In some cases these claims result in lawsuits. Although it is not clear how many of the cases involve concessions, it does appear that regular inspections could minimize the risk of some accidents and the Division's liability in these cases. For example, one suit involves a dock's giving way. Other claims have included a broken boat ramp, a flag pole rope snagging an outboard motor, a transformer malfunction, and an individual who stepped off a ramp edge.

The Division needs to ensure that risks to safety and well-being are minimized. Although inspections cannot detect or prevent every potential problem, they can help to minimize the State's liability in the event of claims and lawsuits, particularly if it can be shown that the State provided adequate, timely oversight and review. Monitoring for visible safety or health hazards and reviewing documentation to ensure proper licensing and certification are methods the Division should employ and document. Frequency of inspections is also a factor. Currently it is not clear whether the current required frequency of reviews and inspections is appropriate. Possibly, the Division should consider adopting a risk-based approach to inspecting concession operations. Those concessions that provide goods and services with a greater potential for risk to health and safety could be reviewed more thoroughly and frequently. Tracking and reviewing prior claims would be one way to determine the risks associated with the various types of concessions or with specific concession operations. On the basis of these determinations, the Division could establish a tiered system of review and inspection. For those operations posing fewer risks, a less frequent and detailed review of documents (permits, licenses, etc.) might be all that is needed. In other cases regular on-site inspections of equipment, structures, and facilities as well as reviews for employee training and certification may be in order. In all cases, the Division needs to ensure proper documentation by having staff record their inspections and reviews.

Recommendation No. 8:

The Division of Parks and Outdoor Recreation should improve its reviews and inspections of concession operations for health and safety purposes by:

a. Reviewing the existing policies and procedures to determine their appropriateness, including the frequency of inspections.

b. Establishing a system of reviews and inspections that adequately addresses risks.

c. Ensuring that staff properly document reviews and inspections.

Division of Parks and Outdoor Recreation Response:

Agree. We will review our entire concessions program and make changes as needed to address the problems identified in this audit.

Price Approvals Should Be Documented

Once a year concessionaires are permitted to request price changes to the existing prices they charge park visitors for goods and services. The requests are to be submitted to the Division for review and approval. The Division is responsible for comparing the requested price with the prices charged by local merchants in similar businesses to ensure that the park concessionaires' rates and prices are reasonable and appropriate. For example, the prices concessionaires charge for services such as snowmobile, sailboat, and stable rentals are to be compared, when possible, with the rental prices charged for the same services by businesses operating in the area. The Division may then approve or deny the price or rate change.

According to the Park Managers we spoke with, they do conduct comparison reviews when price changes are requested. However, we found very limited documentation of these reviews. For example, in Fiscal Year 1999, 15 of the 21 (71 percent) long-term concessions that are not river outfitters requested price changes. All of the requests were approved by the Division. However, we found documentation in only two cases that staff made price comparisons. As with the inspection process, it is important the Division conduct and document the procedures followed and the results of its price approvals. Staff should indicate the number of comparisons made, where the businesses they contacted are located, and the rationale for their ultimate approval or denial of the request. Documentation of the price comparisons and of the decisions made would provide the Division with support if, and when, complaints arise. In addition, it would provide the public with assurances about the reasonableness and comparability of the prices they must pay for concession goods and services.

Recommendation No. 9:

The Division of Parks and Outdoor Recreation should improve its price approval process by documenting the comparisons made and the factors considered in approving or denying concessionaires' requests.

Division of Parks and Outdoor Recreation Response:

Agree. Effective immediately all concession price increase requests will need to be submitted to the Region Managers and the Division Deputy Director, with appropriate documentation, for approval.

The Division Assesses Some Concessionaires Three Different Annual Fees

According to the Division's Concession Procedures Manual, the concession contract may require the contractor to pay an annual fee, plus an administrative fee, and a percentage of the gross receipts. The procedures specify that each contract is to identify the fees payable to the Division and the time frame for payment. The manual also states that the percentage of gross receipts is generally set at about 5 percent. Other than these guidelines, there are no standards establishing the purpose for the various fees or criteria for park personnel to use in setting the appropriate fee amounts.

In reviewing concession files and contracts, we found that Division staff assess various combinations of fees. However, we could find no pattern or rationale for the fees or for the amounts at which they are set. Most long-term concessions are assessed all three fees. However, as the following exhibit shows, one concession pays no administrative fee, while others pay as much as $2,500-$3,000 for the first year of their respective contracts. Some concessions pay an administrative fee the first year only, and others pay an administrative fee on an annual basis, although the amount of the administrative fee may decrease after the first year of the contract.

Division of Parks and Outdoor Recreation Long-Term Concession Fees					
Region/ Concession	**Length of Contract**	**Annual Fee**	**Admin. Fee**	**Admin. Fee (After 1st yr)**	**Percentage of Gross**
South					
Marina	20 years+2 five-year extensions	$1,000	$2,500		5 % old contract 7.5% new contract
Marina	20 years+2 five-year extensions	$1,000	$2,500		5 % old contract 7.5% new contract
Metro					
Livery	5 years	$500	$1,000	$500	6%
Food Stand	5 years+3-year extension	$6,000	$3,200	$1,200	6%
Shooting Range	5 years+5-year extension	$500	$1,000	$500	5%
Marina	10 years+5-year extension	$10,000	$1,500		3.5%
Livery	5 years+5-year extension	$500	$1,000	$1,500	6%
Swimbeach	5 years	$2,000	$1,800	$1,000	8%
Marina	(1)	$5,000			5% after 1st 100K
North					
Marina	5 years+5-year extension	$2,500	$1,000	$500	1%

Source: Office of the State Auditor analysis of concession contract files.
Note:
(1) Information was not available in the concession file.

The Division Should Evaluate Fees and Develop a Fee-Setting Methodology for Concessions

A fee methodology is a systematic process used to determine an appropriate fee amount. Before an appropriate amount can be set, however, the purpose for the fee(s) must be established. Currently Division staff are unclear about the purpose(s) for the fees concession contractors are assessed. In addition, individual park personnel appear to have considerable discretion in setting fee amounts. According to Division staff, the annual and administrative fees may have been instituted to provide some revenue at the front end of a concession contract.

The Division should review the different fees it assesses concessionaires. To do this, the Division should first determine what it intends the fees to reflect. If the fees or a portion of the fees are to cover costs for administrative activities such as issuing contracts, inspecting concession facilities and operations, and reviewing documents, then the Division needs to determine its costs for these activities. After costs are determined, an appropriate fee structure should be set. Factors such as the length of the concession contract (long- or short-term), the nature of the business, the concessionaire's capital investment in the operation, and the relative profitability of the particular concession could also be considered in setting fee amounts. Next, the Division needs to determine the most cost-effective method of assessing and collecting the fee(s). The current practice of assessing (in some cases) three separate fees may not be the most efficient method. Combining or eliminating one or more fees, could be more convenient for all concerned. The Division then needs to document its fee methodologies and policies. As we stated in our 1994 performance audit of statewide fees and costs,

> Documenting the methodology will support a consistent approach to fee-setting. It reduces the risk that when employees leave agencies, the information about the fee and how it was determined leaves with them.

Finally, if the Division determines that it is appropriate to assess more than one fee, then it should develop systems to account for the revenues it collects from each source. Statutes authorize the Director of the Division to establish "an adequate system of accounting which will accurately record all moneys received and from what sources." Currently the Division does not know what portion of the total concession revenues derive from the annual fee, the administrative fee, or the percentage of gross sales. This type of information is necessary to monitor the effectiveness and appropriateness of the fee-setting methodology and to make adjustments where needed.

Recommendation No. 10:

The Division of Parks and Outdoor Recreation should develop a concession fee methodology that is appropriate, equitable, and efficient to administer by:

- Determining the purpose(s) for concession fees.
- Establishing a fee structure that addresses the purpose of the fees, including cost recovery.
- Documenting and distributing the fee methodology and policies.
- Assessing, collecting, and accounting for fee revenues in an efficient manner.

Division of Parks and Outdoor Recreation Response:

Agree. This will be addressed in our review of the concession program.

There Is Little Competition for Concession Contracts

The Division receives few bids in response to its requests for proposals (RFPs) for concession contracts. We reviewed the files for ten concession contracts and found that for these ten concessions, the Division sent out a total of 167 RFPs and received a total of 17 responses (in one case the Division did not document the number of RFPs it sent out). The single largest number of responses was four. In three cases, the Division received only one response. On average, the Division received one or two responses for each concession contract.

For two of the ten concession files we reviewed, the initial contract length was 20 years. For both of these concessions, the Division granted contract extensions totaling ten years. This means the same contractor held the concession contract for a total of 30 years. The length of concession contracts is one area we believe the Division should review. Shortening the length of contracts could encourage greater competition. In addition, as described in the following sections, we believe the Division should make improvements in its bid solicitation procedures and practices.

The Division Needs to Be More Proactive in Soliciting Bids

Part of the reason for the limited number of bidders is that the Division is not sufficiently proactive in its efforts to solicit bids and encourage competition. We found the following weaknesses in the Division's existing practices:

- **There is no systematic process for tracking potential bidders or sharing information about bidders among the Division's four regions.** In reviewing concession and park files at the regional level, we noted numerous instances in which staff had indicated that particular individuals expressed interest in operating concessions. However, we found no evidence that these inquiries were compiled, centrally filed for easy access, or shared with other parks or regional offices that may have similar concession contract needs.

- **The Division has not identified other methods of increasing the number of bids and encouraging greater competition.** State Procurement Rules dictate that if an agency does not receive an adequate number of bids, other methods of notification should be used. Procurement Rules do not set a requirement for the minimum number of bids. As stated previously, the Division often has not received three or more bids in response to its RFPs. Of the ten concession files we reviewed, the Division received three or more bids in only two cases. Some additional methods of soliciting bids include direct telephone contact, e-mail or fax notification, and use of the Division's Web site.

- **There is a lack of adequate documentation of the bid solicitation, review, and award processes.** Of the ten concession files we reviewed, only four contained complete documentation. Documentation of the bid solicitation and contract award processes is critical in the event disputes arise. Without adequate documentation, the Division has no evidence to support the fairness of or the rationale for its concession contract decisions. In addition, documenting the procedures followed could provide the Division with historical or trend information about the types of contracts that attract more than the average number of bids or the kinds of procedures that may generate greater numbers of responses.

We also found that staff do not always apply existing bid solicitation policies and procedures. The Division's policies state that RFPs for concession contracts are to be advertised in a major newspaper with general circulation, a local newspaper near the park in question, and a statewide contractor's journal The ads are to run once during the week and once on the weekend. In the case of the Cherry Creek Marina RFPs, for example, the ads ran on two weekdays, not a weekday and a weekend, and in two, not three, newspapers. It is not clear why staff do not always follow the current procedures or whether following them would increase the number of bids. The Division should review its newspaper advertisement policies and procedures to determine whether they are adequate with regard to frequency, duration, and extent.

Contract Length Should Be Evaluated

Colorado's long-term concession contracts are significantly longer in duration than are other states' contracts. Specifically, the average length of a long-term concession contract is 10.2 years in Colorado. This is twice the average five-year length of park concession contracts in six other states we contacted—Alabama, Florida, Indiana, Missouri, Nebraska, and Texas. In addition, Colorado often extends the initial contract with the same provider. For example, for the 20 contracts we reviewed, the Division renewed the contracts of 14, or 70 percent, of the concessionaires. For 6 of these 14, this meant that the same contract was in effect for 20 or more years with the same provider. Overall, with contract extensions the average concession contract extends to more than 15 years.

The length of concession contracts in Colorado may serve as an impediment to competition. Those interested in bidding on particular concession operations in any given year will likely not be available or interested 10, 15, or 20 years later. Reducing the length of contracts would mean that the contracts would come up for bid more frequently. For those operations in which concessionaires have made significant capital investments in structures or facilities, longer-term contracts may be appropriate.

Increasing competition for concession contracts could help to keep prices down and improve the quality of service and customer satisfaction. In addition, shortening contract lengths would provide the Division greater flexibility with regard to adjusting contract provisions. This could be especially beneficial to the State because of the revenues it derives from concessions sales. As stated previously, the percentage of gross sales revenues the Division receives is set in each concession contract. Shorter contract lengths would allow the Division to be more responsive in adjusting percentage rates in keeping with market fluctuations.

Recommendation No. 11:

The Division of Parks and Outdoor Recreation should improve competition for concession contracts and enhance bid solicitation processes by:

a. Reviewing and modifying, as needed, existing bid solicitation policies and procedures (including methods of advertising RFPs) to ensure they maximize the number of potential bidders.

b. Developing a system for compiling and disseminating the names of potential bidders among all four regions.

c. Reducing the duration of contracts for the same concessions.

d. Developing procedures to ensure that staff document the RFP and contract award processes.

Division of Parks and Outdoor Recreation Response:

Agree. The Colorado State Parks Board has also recently expressed their concern to staff regarding the duration of concession contracts. These issues will also be addressed in our review of the concession program.

1996 Fees and Costs Follow-up

Chapter 4

Background

In March 1996 the Office of the State Auditor released a performance audit of the Division of Parks and Outdoor Recreation's Fees and Costs. At that time the General Assembly was considering legislation (House Bill 96-1086) to authorize the Parks Board to set fees. The General Assembly subsequently passed the legislation (codified as Section 33-10-111 (5) (a), C.R.S.), which increased the statutory annual and daily pass fees and authorized the Board to set other fees, up to a cap of $30. During the most recent legislative session, the General Assembly passed House Bill 00-1261 which makes additional changes to the Board's fee-setting authority, as described earlier in this report.

Although changes in the amount of fees and in fee-setting authority have occurred since our 1996 audit, our prior audit recommendations are still relevant because they deal primarily with fee policy, costs and revenues, and visitation estimates. As we stated in 1996, the Division "needs to focus on these issues if it and the Board are to develop a fee system that is consistent with the needs of the parks, mindful of legislative intent, and responsive to public concerns." In this chapter we discuss the implementation status of the six recommendations we made in 1996. Overall, we found that the Division has either fully or partially implemented all of the prior audit recommendations.

Recommendation No. 1: The Division of Parks and Outdoor Recreation should thoroughly analyze various fee scenarios prior to changing fees to ensure consistency with statutory intent and Board policy.

> **Current Status**: **Implemented.** The Division has conducted analyses of various fee changes since the 1996 audit. For example, in 1999 the Division considered requesting increases in several fees. Included in the Division's briefing papers and other documents were various fee options for specific programs and passes, comparisons with other states' park fees, reasons for the increases, calculations of additional revenues to be generated, and TABOR considerations.

Recommendation No. 2: The Division of Parks and Outdoor Recreation should develop a cost allocation methodology for assigning indirect costs to the state parks by:

a. Identifying the indirect costs that should be allocated among the parks.

b. Determining the factors to be considered in allocating costs.

c. Using total costs as one basis for establishing fees.

Current Status: Implemented. The Division developed and has maintained a cost allocation methodology since 1996. The Division states that it has "found the information to be invaluable as an analytical tool."

Recommendation No. 3: The Division of Parks and Outdoor Recreation should quantify and analyze the future costs resulting from park improvements and ensure that proposed revenue sources will be sufficient to address them.

Current Status: Implemented. The Division includes information regarding potential operating cost impacts in the data presented to the Capital Development Committee when new park acquisitions or capital improvements are being considered.

Recommendation No. 4: If a different fee structure is established, the Division should improve its method of identifying the revenue generated at each park and use this information to forecast future fee revenues.

Current Status: Implemented. The Division tracks revenue by fee type for each park and program for use in forecasting future revenues.

Recommendation No 5: The Division of Parks and Outdoor Recreation should:

a. Identify the reasons for discrepancies between estimated visitation and actual pass sales.

b. Develop and implement a reasonably accurate, cost-effective method of determining visitation at the state parks. Once developed, the method should be uniformly used throughout the park system and should be reevaluated on a periodic basis to ensure its continued validity.

Current Status: Implemented. In 1997 the Division undertook a study of its visitation tracking methodology. The study included consultation with the National Park Service and used three methods to collect visitation data—traffic counters, a visitor survey, and on-site counts. On the basis of the study's results, the Division has reduced its estimates of the numbers of visitors to Colorado State Parks each year. Division staff believe that overestimates of the numbers of visitors in 1996 resulted in the discrepancies we found between visitation numbers and revenues from the sale of park passes. Fiscal Year 1999 was the first full fiscal year in which the new methodology was used to estimate visitation.

Recommendation No. 6: The Division of Parks and Outdoor Recreation should:

a. Propose amendments to Section 33-60-105, C.R.S., to clarify the extent and circumstances under which general funds may be used to finance Great Outdoors Colorado-funded projects.

b. Develop procedures to identify the operating costs associated with GOCO-funded projects in compliance with statutes.

Current Status: Partially Implemented. The Division has made progress in identifying and obtaining GOCO support. The Division did not agree to the implementation of Part a of the recommendation in 1996.

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