

**DEPARTMENT OF CONSERVATION AND RECREATION
RICHMOND, VIRGINIA**

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2000**



AUDIT SUMMARY

This report contains the results of our audit of the Department of Conservation and Recreation including the Virginia State Parks Foundation, the Virginia Outdoors Foundation, the Virginia Land Conservation Foundation, and the Chippokes Plantation Farm Foundation for the year ended June 30, 2000.

We found:

- proper recording and reporting of transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- internal control matters that we consider reportable conditions, but not material weaknesses;
- no material instances of noncompliance with applicable laws and regulations tested that are required to be reported; and
- adequate implementation of corrective action on prior audit findings.

We recommend that the Department:

- retain proper receipts for petty cash reimbursements; and
- strengthen procedures for recording fixed assets.

- TABLE OF CONTENTS -

	<u>Pages</u>
AUDIT SUMMARY	
INDEPENDENT AUDITOR'S REPORT	1-2
INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS	3
AGENCY INFORMATION AND FINANCIAL HIGHLIGHTS	
Department of Conservation and Recreation	4-7
Foundations	7-8
AGENCY OFFICIALS	9

April 13, 2001

The Honorable James S. Gilmore, III
Governor of Virginia
State Capitol
Richmond, Virginia

The Honorable Vincent F. Callahan, Jr.
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

INDEPENDENT AUDITOR'S REPORT

We have audited the financial records and operations of the **Department of Conservation and Recreation**, including the Virginia State Parks Foundation, the Virginia Outdoors Foundation, the Virginia Land Conservation Foundation, and the Chippokes Plantation Farm Foundation for the year ended June 30, 2000. We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

Audit Objective, Scope, and Methodology

Our audit's primary objectives were to evaluate the accuracy of recording financial transactions on the Commonwealth Accounting and Reporting System, review the adequacy of the Department's internal control, and test compliance with applicable laws and regulations. We also reviewed the Department's corrective actions of audit findings from prior year reports.

Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of the Department's operations. We also tested transactions and performed such other auditing procedures, as we considered necessary to achieve our objectives. We reviewed the overall internal accounting controls, including controls for administering compliance with applicable laws and regulations. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances:

Revenues and Cash Receipts
Expenses
Capital Outlay

Grants Management
Cash and Investments

We obtained an understanding of the relevant internal control components sufficient to plan the audit. We considered materiality and control risk in determining the nature and extent of our audit procedures. We performed audit tests to determine whether the Department's controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws and regulations.

The Department's management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Our audit was more limited than would be necessary to provide assurance on internal control or to provide an opinion on overall compliance with laws and regulations. Because of inherent limitations in internal control, errors, irregularities, or noncompliance may nevertheless occur and not be detected. Also, projecting the evaluation of internal control to future periods is subject to the risk that the controls may become inadequate because of changes in conditions or that the effectiveness of the design and operation of controls may deteriorate.

Audit Conclusions

We found that the Department of Conservation and Recreation and the related Foundations properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System and in the Foundations' financial records. The Department and the Foundations record their financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System and the Foundations' financial records.

We noted certain matters involving internal control and its operation that we consider to be reportable conditions for the Department of Conservation and Recreation. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the Department's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial records. Reportable conditions, entitled "Retain Acceptable Receipts" and "Strengthen Procedures for Recording Fixed Assets" are described in the section titled "Internal Control Findings and Recommendations." We believe that none of the reportable conditions is a material weakness.

The results of our tests of compliance with applicable laws and regulations disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

The Department has taken adequate corrective action with respect to audit findings reported in the prior year.

This report is intended for the information of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

EXIT CONFERENCE

We discussed this report with management at an exit conference held on May 14, 2001.

AUDITOR OF PUBLIC ACCOUNTS

JMS:aom
aom:76

INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

Retain Acceptable Receipts

Department staff at Hungry Mother State Park submitted internally generated documentation instead of the vendor's invoice for three of the ten petty cash items tested. The Commonwealth Accounting Policies and Procedures Manual requires agencies to attach receipts for all petty cash disbursements to reimbursement requests. Acceptable receipts include such documents as the vendor's original invoice, sales slip or cash register ticket, all of which itemize and identify the items or services purchased, the date, and the amount paid. If an individual makes a cash purchase, they must have the sales document signed by the vendor or his agent to acknowledge receipt of payment. Inadequate internal controls over petty cash increase the risk of the theft, loss, or misappropriation of state funds.

Strengthen Procedures for Recording Fixed Assets

We noted instances where the Department failed to properly record assets in the Commonwealth's Fixed Asset Accounting and Control System.

When recording the land acquisition known as the Parsons Tract, the Department significantly understated the value by only recording the incidental costs of acquiring the land (\$86,680) and not the purchase price of \$1,470,000. The total acquisition cost was \$1,556,680.

When the Department replaced an old office and visitor center at Occoneechee State Park with a new facility, it incorrectly used the old building's identification number when recording the new building. Because the system read the acquisition date as July 1971 (the date of the old building) instead of the actual acquisition date of May 1997, the system did not calculate depreciation for the new building because the old building had gone past its useful life.

Finally, we found that the Department was inconsistent when recording multiple assets built at the same time under one construction contract. For example, staff entered six picnic shelters at James River State Park as one single asset in the system. However, they recorded three bathhouses constructed at the same park as three separate assets in the system. This inconsistent recording of multiple assets could lead to difficulties in deleting some of the picnic shelters from the system should the Department replace them. This recording method could also hinder the efficient completion of future asset physical inventories.

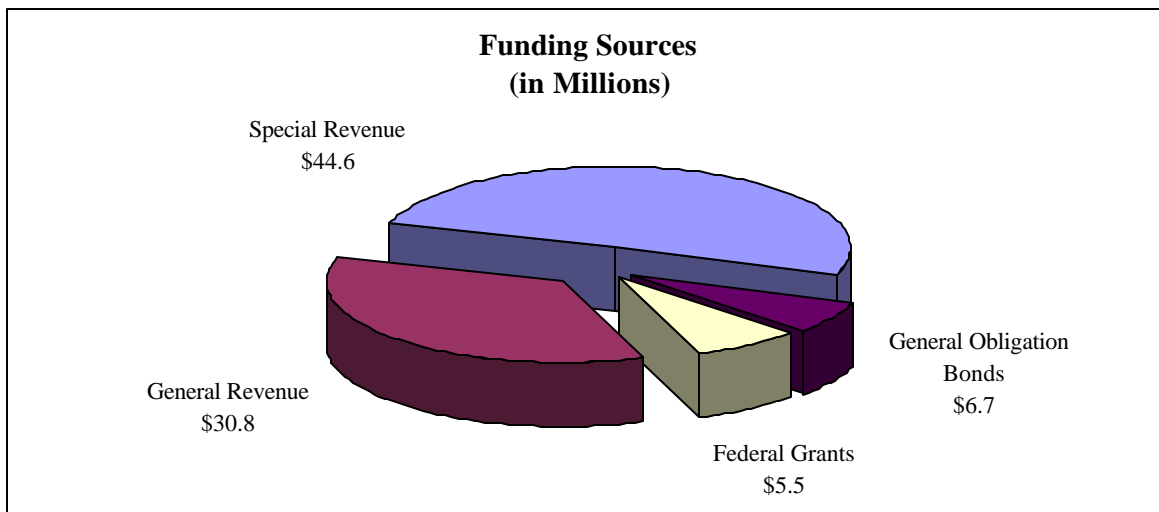
The Department should strengthen internal procedures to ensure the proper and consistent recording of items in the fixed asset system.

AGENCY INFORMATION AND FINANCIAL HIGHLIGHTS

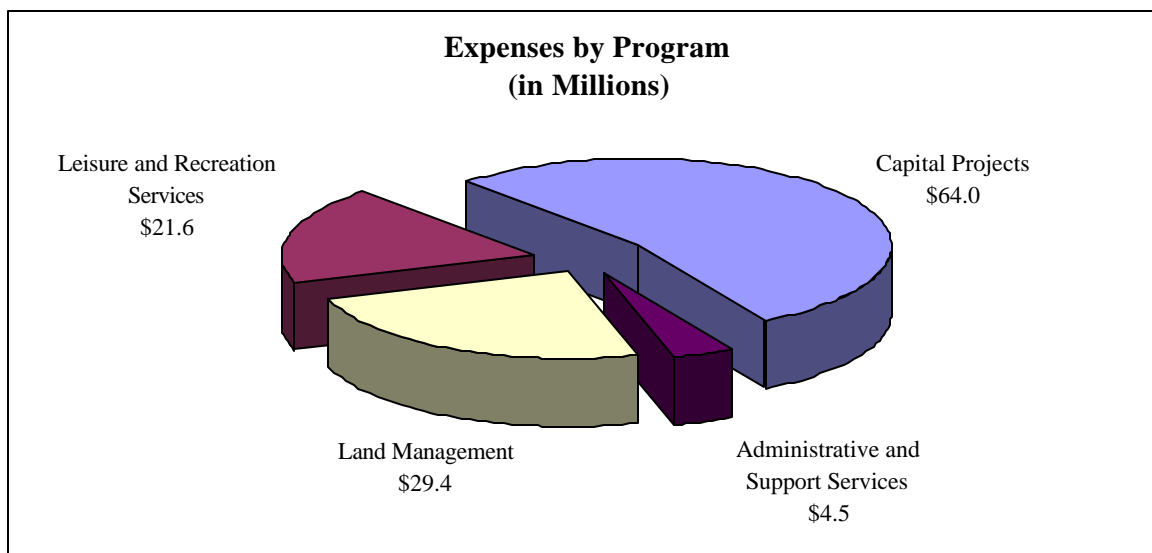
DEPARTMENT OF CONSERVATION AND RECREATION

The Department of Conservation and Recreation's programs seek to conserve, protect, enhance, and advocate the use of the Commonwealth's unique natural, historic, recreational, scenic, and cultural resources. The Department supports four foundations, which aid in its mission.

Funding for the Department in fiscal year 2000 totaled more than \$87.6 million; which consisted of general, special, and federal revenues, as well as general obligation bond proceeds. The following chart illustrates the total funding for the year.



The Department spent approximately \$119.5 million on programs and administrative support during fiscal year 2000. This includes almost \$32 million in general obligation bond proceeds received in prior years. The following chart shows total expenses for these programs for the year.



The Department has seven divisions: Administration, Finance, State Parks, Soil and Water Conservation, Dam Safety, Natural Heritage, and Planning and Recreation Resources.

Administration

The Administration Division provides executive management, human resources, information systems, procurement, and public information support to the Department and its Divisions.

Finance

The Finance Division does payroll and grant accounting, maintains petty cash, and sets the Department's financial reporting policies and procedures. Finance also provides fiscal support to the Virginia State Parks Foundation, the Virginia Land Conservation Foundation, and the Virginia Outdoors Foundation.

State Parks

The Division of State Parks operates 28 state parks and six historic sites and natural areas. Through interpretive and environmental education programs at state parks, staff provide information to visitors to help them learn to conserve and protect the environment. State Parks provide outdoor recreational activities including camping, hiking, horseback riding, boating, fishing, swimming, and rental cabins. Some parks have visitor centers, conference facilities, and environmental education centers. State Parks generate revenue from various sources including timber sales, park admission, parking, and swimming fees; cabin, campsite, picnic shelter, conference facility, and boat rentals; as well as food, beverage and merchandise retail sales. Revenues from these activities totaled \$7 million in fiscal year 2000. The sale of other state agencies' surplus property provided an additional \$261,894 for the State Parks Division during the fiscal year.

Soil and Water Conservation

The Division of Soil and Water Conservation has five units: Director's Office, Non-point Source Programs, Conservation Districts and Support Services and Programs, Chesapeake Bay, and Southern Rivers Watersheds.

The Director's Office manages the Division's fiscal resources, provides policy and planning direction, and oversees the program areas.

The Non-point Source Programs Section coordinates the Department's pollution control efforts and seeks to reduce non-point source pollution related to changes in land use. Programs administered by the section include: Erosion and Sediment Control, Storm Water Management, Nutrient Management, Data Management and Geographic Information System (GIS), Non-point Source Total Maximum Daily Load (TMDL) Development and Grants Management.

The Conservation Districts and Support Services and Programs Section provides administrative and financial management support to 46 local soil and water conservation districts. Soil and Water Conservation Districts are political subdivisions that operate at the county or city level and pool local, state, federal, and private resources to protect and preserve natural resources and reduce non-point source pollution from agriculture and urban activities. Other programs administered by the section, such as the Agricultural

Incentives Best Management Practices Program, the Shoreline Erosion Advisory Service and Stream Bank Stabilization, and Floodplain Management seek to reduce non-point source pollution and protect life and property through volunteer incentives and technical assistance.

The Chesapeake Bay and the Southern Rivers Watersheds Sections have technical staff located in nine regional watershed offices. Staff actions target efforts to reduce and prevent non-point source pollution. Regional staff works closely with local governments and organizations on the planning and implementation of programs to improve the quality of soil and water resources.

Dam Safety

The Division of Dam Safety administers the Virginia Dam Safety Act using regulations issued by the Virginia Soil and Water Conservation Board. The Division conducts a certification program to monitor almost 500 man-made dams throughout the Commonwealth. The Department has the authority to cause the lowering or drainage of any dam determined to be unsafe.

Natural Heritage

The Division of Natural Heritage inventories the Commonwealth's threatened, rare and endangered plants, animals, and natural areas, and provides data for conservation and natural resource decisions. The inventory program is part of an international network of Natural Heritage programs and Conservation Data Centers in all 50 states, Canada, and 13 countries of Latin America. Natural Heritage maintains site-specific data on over 8,000 locations for Virginia's 1,650 rare species and natural communities. Natural Heritage manages 30 natural area preserves.

Natural Heritage acquires land for natural areas with bond funds, donated funds, grants, and funds from the state income tax check-off system. State Natural Area Preserve Designation provides statutory protection against conversion to alternate uses.

The Virginia Registry of Natural Areas, a non-binding, non-regulatory program, recognizes property owners who voluntarily act to safeguard natural areas. Through its Stewardship Program, Natural Heritage conducts land management activities with landowners.

Planning and Recreation Resources

The Division of Planning and Recreational Resources provides short and long-range planning for the development and use of natural and recreational resources. The Division is organized into two units; the Planning and Grants Unit and the Design and Construction Unit.

The Planning and Grants Unit prepares the Virginia Outdoors Plan every five years and is currently working to complete the 2001 Virginia Outdoors Plan by September 2001. The Virginia Outdoors Plan is the Commonwealth's comprehensive outdoor recreation plan, which provides guidance in acquiring, protecting, and developing recreational and open space resources. The plan assesses current outdoor recreation areas and facilities, and determines the existing needs and who is responsible for developing them. The plan also qualifies Virginia for federal Land and Water Conservation Funds.

The Design and Construction Unit implements capital outlay and maintenance reserve projects for the State Park System and natural areas. For the past several years Design and Construction has had

responsibility for the planning and implementation of over 300 projects identified in the 1992 Parks and Recreational Facilities Bond Referendum. As of June 30, 2000, the Department expended or obligated \$91.1 million of the bond's \$95.3 million in available funds. At fiscal year-end, 15 projects were either in the design or construction phases.

FOUNDATIONS

Virginia State Parks Foundation

The Virginia State Parks Foundation assists the Department in conserving the state's parks and natural areas. The Foundation accepts gifts of money, securities, or other property designated for conserving and maintaining Virginia's parks and natural areas. The Department processes the Foundation's financial transactions, maintains its accounting records, and prepares the Foundation's financial reports and board minutes.

In fiscal year 2000, the Foundation received \$164,227 in contributions and interest revenue and spent \$126,063 for various projects and events. The Foundation's investments in the Local Government Investment Pool managed by the Treasurer of Virginia totaled \$145,771.

Virginia Outdoor Foundation

The Virginia Outdoors Foundation promotes the preservation of open-space lands and encourages private gifts of money, securities, land or other property to preserve the natural, scenic, historic, scientific, open-space, and recreational areas. The Foundation processes its financial transactions and maintains the related accounting records.

During fiscal year 2000, the Foundation received \$1,177,415 in appropriations, contributions, interest, and other miscellaneous income and spent \$1,071,971 for salaries and wages, and various projects. The Treasurer of Virginia maintains the Foundation's investment of \$1,561,506 in the Local Government Investment Pool. The Foundation also manages an account for the Open Space Lands Preservation Trust Fund. At fiscal year-end, the account totaled \$239,586.

Virginia Land Conservation Foundation

The Virginia Land Conservation Foundation purchases fee simple title to or other rights, interests, or privileges in property. The Foundation purchases land to protect or preserve ecological, cultural, or historical resources, lands for recreational purposes, state forests, fish and wildlife habitats, natural areas, open spaces, and agricultural and forest lands. The Foundation is authorized to make grants to state agencies and the Virginia Outdoors Foundation. The Foundation may also provide matching grants to localities and to "holders" under the Virginia Conservation Easement Act. During fiscal year 2000, the Foundation received \$1,831,119 in appropriations, donations, and interest.

Chippokes Plantation Farm Foundation

The Chippokes Plantation Farm Foundation plans, manages, and provides financial and material resources and technical assistance for the development, maintenance, and operation of the Chippokes

Plantation Model Farm and the Agriculture and Forestry Center. The Farm and the Forestry Center are located at the Chippokes Plantation State Park in Surry County. The Department acts as a fiscal agent for the Foundation.

During fiscal year 2000, the Foundation received \$200,000 in appropriations and \$45,500 in rental on land and buildings, donations, interest income, and admission receipts. The Foundation spent \$164,598 for museum operating expenses, administrative expenses, farm management, and other miscellaneous expenses.

DEPARTMENT OF CONSERVATION AND RECREATION
Richmond, Virginia

David G. Brickley
Director

VIRGINIA STATE PARKS FOUNDATION

Dr. Carl E. Stark
Chairman

VIRGINIA OUTDOORS FOUNDATION

Paul G. Ziluca
Chairman

VIRGINIA LAND CONSERVATION FOUNDATION

John Paul Woodley, Jr.
Chairman

CHIPPOKES PLANTATION FARM FOUNDATION

Senator Frederick M. Quayle
Chairman