



# DEPARTMENT OF CONSERVATION AND RECREATION

## AUDIT OF CAPITAL ASSETS JUNE 30, 2017

Auditor of Public Accounts  
Martha S. Mavredes, CPA

[www.apa.virginia.gov](http://www.apa.virginia.gov)

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## AUDIT SUMMARY

Our audit of capital asset additions at the Department of Conservation and Recreation (DCR) for the fiscal year ended June 30, 2017, found:

- proper recording and reporting of capital asset additions, in all material respects, in the Commonwealth's accounting and reporting system and the Commonwealth's fixed asset system;
- two matters involving internal control and its operation necessary to bring to management's attention; and
- no instances of noncompliance with applicable laws and regulations or other matters that are required to be reported.

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## AUDIT FINDINGS AND RECOMMENDATIONS

### **Improve the Timeliness of Recording Fixed Asset Additions**

**Type:** Internal Control

**Repeat:** No

DCR did not record asset additions timely in the Commonwealth's fixed asset system for 44 percent of asset acquisitions during fiscal year 2017 and, as of May 10, 2018, 64 percent of asset acquisitions during fiscal year 2018. DCR completed these untimely recordings, on average, for fiscal years 2017 and 2018, 102 and 95 days after acquisition, respectively.

The Commonwealth Accounting Policies and Procedures (CAPP) Manual Topic 30205 - Acquisition Method states, "All recordable assets, except constructed assets, should be recorded in the Commonwealth's fixed asset system as soon as possible after title passes. Except in unusual circumstances, assets should be posted within 30 days after receipt and acceptance of the assets." Untimely recording of fixed assets within the system limits DCR's ability to account for the agency's assets.

DCR is a decentralized agency; therefore, the responsibility of entering assets into the Commonwealth's fixed asset system is distributed among the fixed asset coordinators at each park or division. According to management, fixed asset coordinators prioritize other responsibilities over recording assets timely.

Management should ensure personnel involved with fixed assets understand the importance of timely asset recording as it affects the accountability over DCR's assets. Fixed asset coordinators should handle asset inspections and paperwork processing promptly to ensure assets are reported within 30 days of receipt.

### **Improve Property Asset Tagging**

**Type:** Internal Control

**Repeat:** No

Not all of the DCR capital assets have property asset tags. Ten out of 33 capital assets tested at Smith Mountain Lake State Park and Staunton River State Park did not have asset tags.

CAPP Manual Topic 30505 – Physical Inventory states, "Tagging provides a method of assigning a unique identification number to each capital asset equipment item, so that the item can be accounted for and identified within the Commonwealth's fixed asset system. The tag should provide a unique number and the property owner's name (agency name)."

Untagged assets, especially those which are mobile, increase the risk of theft or abuse and misappropriation. Asset tagging allows a physical display that the asset is the property of DCR. Additionally, asset tagging ensures there is a one to one connection between an asset and the financial records.

Currently, DCR does not have comprehensive tagging procedures to communicate responsibilities for fixed asset coordinators. Additionally, the assets were not properly tagged either due to the assets never being tagged when first received or the tags were destroyed over time due to the nature of the environment in which DCR used the asset. DCR uses many of their assets outdoors in their parks.

DCR should ensure that the fixed asset coordinators responsible for receiving and tagging assets understand the importance of asset tagging as it identifies the item as DCR property. DCR should develop comprehensive tagging procedures that implement the Commonwealth's asset tagging policy and establish a consistent location where the asset tags should be placed for each type of asset. The tag locations should not be exposed to excessive wear and tear. DCR has assets of the same major types across various locations (trucks, tractors, mowers, etc.) and establishing standard tagging locations will provide consistency throughout the parks and divisions. DCR should consider other forms of tags that are sustainable for the outdoor environment found in parks. As a part of their physical inventory process, DCR should review the tags and replace them when necessary.

## AUDIT SCOPE OVERVIEW

DCR works to conserve, protect, and enhance state lands and improve the quality of the Chesapeake Bay and other watersheds; promotes stewardship and enjoyment of natural recreational resources; and ensures the safety of Virginia's dams. DCR administers various conservation programs to achieve their mission.

Given the various facilities used to carry out its mission, DCR manages significant capital assets, including land, buildings, and equipment. Capital assets under DCR's control have a historical cost of over \$593 million as of the fiscal year ended June 30, 2017, as shown in the table below. DCR's capital assets continue to increase as shown in the fiscal year 2016 and 2017 comparative table below. Given the significance of these assets, capital asset additions and internal controls were the focus of this audit.

**Capital Asset Balances by Type as of June 30, 2017, and June 30, 2016  
(at historical cost)**

Capital Asset Type	Total as of June 30, 2017	Total as of June 30, 2016
Land	\$ 301,970,824	\$ 301,396,269
Buildings	145,969,654	139,432,873
Infrastructure	122,975,534	119,916,238
Equipment	16,291,266	15,331,687
Construction in Progress	6,173,493	8,995,014
<b>Totals</b>	<b>\$593,380,771</b>	<b>\$585,072,081</b>

Source: Commonwealth's accounting and financial reporting system



Martha S. Mavredes, CPA  
Auditor of Public Accounts

# Commonwealth of Virginia

*Auditor of Public Accounts*

P.O. Box 1295  
Richmond, Virginia 23218

July 23, 2018

The Honorable Ralph S. Northam  
Governor of Virginia

The Honorable Thomas K. Norment, Jr.  
Chairman, Joint Legislative Audit  
and Review Commission

We have audited capital asset additions of the **Department of Conservation and Recreation (DCR)** for the year ended June 30, 2017. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## **Audit Scope and Objectives**

Our audit's primary objectives with regard to capital asset additions were to evaluate the accuracy of transactions as recorded in the Commonwealth's accounting and financial reporting system and the Commonwealth's fixed asset system; review the adequacy of the DCR's internal controls; and test compliance with applicable laws, regulations, contracts, and grant agreements.

## **Audit Methodology**

DCR's management has responsibility for establishing and maintaining internal control and complying with applicable laws, regulations, contracts and grant agreements. 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, regulations, contracts, and grant agreements.

We gained an understanding of the overall internal controls, both automated and manual, as they relate to the audit objectives, sufficient to plan the audit. We considered significance and risk in determining the nature and extent of our audit procedures. We performed audit tests to determine whether DCR'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, regulations, contracts, and grant agreements as they pertain to our audit objectives.

Our audit procedures included inquiries of appropriate personnel, inspection of documents, records, and contracts, and observation of DCR's operations. We performed analytical procedures, including budgetary and trend analyses. We also tested details of transactions to achieve our objectives, including observing capital assets at two state parks.

A nonstatistical sampling approach was used. Our samples were designed to support conclusions about our audit objectives. An appropriate sampling methodology was used to ensure the samples selected were representative of the population and provided sufficient, appropriate evidence. We identified specific attributes for testing each of the samples and when appropriate, we projected our results to the population.

### **Conclusions**

We found that the Department of Conservation and Recreation properly stated, in all material respects, transactions recorded and reported in the Commonwealth's accounting and financial reporting system and the Commonwealth's fixed asset system, relating to the audit objectives.

We noted certain matters involving internal control and its operation pertaining to capital assets that we consider necessary to be reported to management. These matters are described in the section entitled "Audit Findings and Recommendations." The results of our tests of compliance with applicable laws, regulations, contracts, and grant agreements, as they pertain to capital assets, disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

### **Report Distribution**

We provided management with a draft of this report on August 8, 2018. Management's response to the findings identified in our audit is included in the section titled "Agency Response." We did not audit management's response and, accordingly, we express no opinion on it.

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

AUDITOR OF PUBLIC ACCOUNTS

GDS/clj



Molly Joseph Ward  
*Secretary of Natural Resources*

Clyde E. Cristman  
*Director*



Rochelle Altholz  
*Deputy Director of  
Administration and Finance*

David C. Dowling  
*Deputy Director of  
Soil and Water Conservation  
and Dam Safety*

Thomas L. Smith  
*Deputy Director of Operations*

**COMMONWEALTH of VIRGINIA**  
**DEPARTMENT OF CONSERVATION AND RECREATION**

July 9, 2018

Ms. Martha S. Mavredes, CPA  
Auditor of Public Accounts  
P.O. Box 1295  
Richmond, VA 23218

Dear Ms. Mavredes:

The Department of Conservation and Recreation (DCR) appreciates the time, effort and professionalism of your staff in their audit of DCR Capital Assets and Capital Outlay. The DCR appreciates the opportunity to provide a response to the two (2) Management Comments included in the report.

**Improve the Timeliness of Recording Fixed Asset Additions**

**Improve Property Asset Tagging**

The DCR discussed these issues with the APA staff during the audit and feel both issues are correctable through the following steps, which are already underway and should be completed soon.

1. Become a summary user of FAACS through the development and implementation a new user-friendly Asset Tracking System (ATS) to better enter, track and dispose of fixed assets.
2. Update the Fixed Asset Policy to include an asset tagging procedure to establish a consistent location where the asset tags should be placed for each type of asset. In addition, the DCR will consider other forms of tags that are more sustainable for the outdoor environment found in state parks.
3. The DCR now has a full-time Fixed Asset Accountant that is working with the Fixed Asset Coordinators to ensure they enter all assets in a timely manner.
4. Provide additional training for DCR staff on the Fixed Asset Policy and ATS, stressing the importance of getting assets properly tagged, entered timely and accurately inventoried.

Sincerely,

A handwritten signature in black ink, appearing to read "Clyde E. Cristman".

Clyde E. Cristman

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*State Parks • Soil and Water Conservation • Outdoor Recreation Planning  
Natural Heritage • Dam Safety and Floodplain Management • Land Conservation*

## DEPARTMENT OF CONSERVATION AND RECREATION

as of June 30 2017

Director  
Clyde Cristman

Deputy Director of Administration and Finance  
Rochelle Altholz

Deputy Director of Operations  
Thomas Smith

Deputy Director of Soil and Water Conservations and  
Dam Safety and Floodplain Management  
David Dowling

Comptroller  
Sharon Partee

Procurement Director  
Chris Cole

Internal Auditor  
Eric Surratt