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REPORT BY THE,

Comptroller General

OF THE UNITED STATES

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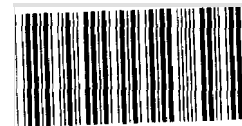
Why The National Park Service's Appropriation Request Process Makes Congressional Oversight Difficult

The National Park Service uses contingency reserves obtained for emergency purposes and unforeseen events to pay for a variety of routine projects not specifically considered by the Congress. In fiscal 1977, for example, the Service obtained \$10 million for contingencies from the operations appropriation but used about \$7 million, or 70 percent, for projects that could have been reasonably estimated and justified to the Congress through the normal budget review process.

The Service usually requests construction funds for projects that have not progressed to the firm design stage where a reasonable cost estimate can be made. As a result, the requested amount usually includes large contingency reserves to cover additional costs.

GAO believes that the Park Service's method of obtaining contingency reserves without adequate disclosure to the Congress is unacceptable and should be discontinued. This report recommends actions the Service and the Subcommittee on Interior and Related Agencies can take to eliminate or minimize the need for reserves.

This report was requested by the Chairman, Subcommittee on Interior and Related Agencies, House Committee on Appropriations.



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FGMSD-79-18

MARCH 1, 1979





COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-192036

The Honorable Sidney R. Yates
Chairman, Subcommittee on Interior
and Related Agencies
Committee on Appropriations
House of Representatives

Dear Mr. Chairman:

This report is in response to your March 20, 1978, request that we review the National Park Service's use of discretionary funds.

The Park Service has several types of discretionary funds. This report deals primarily with contingency reserves which are the Service's main source of discretionary funds.

We made specific recommendations to eliminate or minimize the amount of contingency reserves available to the Park Service and to reduce the need for reserves. We believe that the recommendations, when implemented, will provide the Congress with more financial control over the Service and will improve the accuracy and accountability of the Service's construction program.

The report also identifies certain expenditures of operating funds for construction projects that may have been for unauthorized purposes that may not have been in compliance with a statutory requirement that building construction costs in excess of \$3,000 be expressly approved by the Congress.

As agreed with your office, because of the condition of the Park Service's records and the desired release of the report by March 1, 1979, we did not determine the amount of operating funds that were used for construction or examine the supporting vouchers in detail when differences between estimated and actual construction costs were identified.

The listing that you requested of contingency reserve expenditures from the Service's operations appropriation for the period fiscal 1971 through fiscal 1978 was delivered to your office at an earlier date.

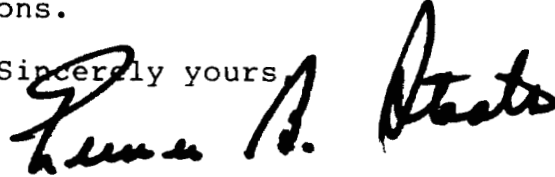


B-192036

As also agreed with your office, we have obtained informal comments on this report from officials of the National Park Service and their comments have been reflected in the report.

This report contains recommendations to the Secretary of the Interior. As agreed with your office, we are forwarding copies of the report to the Department of the Interior and to the Subcommittee on Interior and Related Agencies, Senate Committee on Appropriations.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Kenneth A. Statts". The signature is written in a cursive style with a large, prominent initial "K".

Comptroller General
of the United States



COMPTROLLER GENERAL'S REPORT
TO THE SUBCOMMITTEE ON INTERIOR
AND RELATED AGENCIES
COMMITTEE ON APPROPRIATIONS
HOUSE OF REPRESENTATIVES

WHY THE NATIONAL PARK
SERVICE'S APPROPRIATION
REQUEST PROCESS MAKES
CONGRESSIONAL OVERSIGHT
DIFFICULT

D I G E S T

The National Park Service's use of contingency reserves became an issue during congressional hearings on the Service's 1979 appropriation request. During the hearings, it was disclosed that substantial reserves were obtained from most of the Service's appropriations by increasing budget line-items by a predetermined percentage. Service officials said this practice was used to provide funds for emergencies and unforeseen events. When the existence of these funds became known to the congressional subcommittee responsible for the Service, the Chairman requested this review.

Contingency reserves from the operation of the National Park system appropriation are used to pay for a variety of routine projects that never receive specific consideration by the Congress. About 70 percent, or \$7 million of the \$10 million available in fiscal 1977, should have been approved and funded through the normal budget and congressional review process.

The Service frequently depends upon contingency reserves to pay for additional construction costs that could be anticipated if it had adequate planning, estimating, and accounting procedures. Those reserves amounted to almost \$13 million in fiscal 1978. The need for construction contingency reserves could be reduced if the Service improved their project formulation, planning, and estimating procedures.

USE OF CONTINGENCY RESERVES
AVOIDS CONGRESSIONAL REVIEW
OF PROJECTS

Although the Park Service maintains that it needs contingency reserves for unexpected emergencies, most reserve dollars are spent on routine projects. By using contingency funds, the Service avoids congressional review of projects, such as a study of the habits of the grizzly bear. If funded as planned, this program will cost well in excess of \$1 million. (See pp. 4-7.)

GAO found that regional office accounting records for contingency reserve expenditures are incomplete and inaccurate. The Park Service has not established guidelines for proper accounting of reserves, and reserve expenditure reports are inaccurate. (See pp. 7 and 8.)

The Service frequently uses contingency reserves or maintenance funds from their operations appropriation to supplement their construction program. GAO believes that this is an inappropriate use of funds which could result in an expenditure of funds for unauthorized purposes and possibly a violation of a \$3,000 statutory limit on building construction expenditures. GAO also identified several specific expenditures which may be in violation of these acts.

Service officials agreed with the GAO recommendations and are taking actions to discontinue the percentage add-on procedure and request funds for emergency purposes and unforeseen events separately. (See p. 11.)

RECOMMENDATIONS TO THE
SECRETARY OF THE INTERIOR

GAO recommends that the Secretary direct the National Park Service to

- discontinue the practice of obtaining funds through including a percentage add-on to appropriation requests and present requests for contingency reserves as a separate line-item in the budget,
- include all reasonably anticipated costs in its budget request and reduce the reserves now used by limiting them to emergency and unforeseen items, and
- establish guidelines to properly account for reserve funds and require the regions to submit complete and accurate annual reports on reserve fund expenditures.

RECOMMENDATION TO THE APPROPRIATIONS
SUBCOMMITTEES

GAO recommends that the House and Senate Subcommittees on Interior and Related Agencies, Committees on Appropriations, eliminate the Service's operating contingency reserves and provide funds for estimated emergency and unforeseeable events on the basis of a separate line-item in the budget.

HIGH CONSTRUCTION CONTINGENCY
RESERVES USED TO OFFSET EFFECTS
OF POOR PLANNING AND ESTIMATING PROCEDURES

The Service frequently bases requests for construction funds on incomplete preliminary information. In many cases, the project scope and objectives are not defined prior to requesting funds. Reliance on outdated cost estimates and on inadequate planning has led to the Service's dependency on contingency reserves to pay for additional costs. For example, relying on a superficial project description, the Service estimated in 1971 that a sewage treatment plant, trunk sewer line, and three operator residences at El Portal, California, would cost \$5.5 million. As of October 1978, the cost of the project totaled \$12.6 million. The three residences were not built. A part of these additional costs were funded from contingency reserves. (See pp. 15-18.)

The Service does not always study project alternatives prior to requesting funds, which occasionally results in the need for contingency reserves to pay for additional costs. For example, the Service estimated that it needed \$323,000 to modify three sewage disposal systems in Rocky Mountain National Park. After this estimate was prepared and the funds received, the Service selected an alternate method for accomplishing the project at an additional cost of \$380,000, which was paid for out of the contingency reserves. (See p. 17.)

The Service does not always comply with congressional reprogramming criteria. For example, in November 1977, savings of \$1.1 million were transferred from a road construction project in Yosemite Park to contingency reserves. These savings should have been reprogrammed, with congressional approval, instead of being transferred to reserves, thus allowing the Service to use the funds at its discretion. (See pp. 18-20.)

Fixed property construction costs not recorded

The Service's accounting for fixed property does not provide a reliable basis for developing and reporting costs. For example, GAO found that at Wolf Trap Farm Park over \$2 million of property is not recorded on the fixed asset accounts as required by GAO. (See pp. 20 and 21.)

Service officials generally concurred with the GAO findings and are planning actions that should satisfy the recommendations in this report. (See p. 25.)

RECOMMENDATIONS TO THE SECRETARY OF THE INTERIOR

GAO recommends that the Secretary direct the National Park Service to:

- Formulate a construction program based on the clear definition and assessment

of park needs. This program should include more complete and more technical information and the assistance of the Denver service center technical staff in determining how to best meet park needs.

- Submit construction appropriation requests that are based on detailed project planning and cost estimates disclosing contingency reserves and other costs separately.
- Comply with congressional reprogramming criteria which requires formal reprogramming and reporting when the reallocation of project funds equals 10 percent or \$250,000.
- Establish formal procedures and guidelines for the use of contingency reserves.
- Develop an accounting system with effective controls and procedures that will properly record all construction costs in fixed asset accounts. The system should be submitted to the Comptroller General for approval.
- Study and consider adopting features of other agency construction programs, such as requesting advance planning, project planning, and construction funds in separate stages to facilitate cost control.



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CHAPTER 1

INTRODUCTION

We made this review at the request of the Chairman, Subcommittee on Interior and Related Agencies, House Committee on Appropriations. The Chairman requested this review as a result of hearings with the National Park Service, during which the Subcommittee learned that the Service had a 4-percent contingency reserve for operations and a 10-percent contingency reserve for construction. The Chairman asked us to determine if

- the use of discretionary funds is an acceptable accounting procedure,
- the use of discretionary funds circumvents the will and intent of the Congress, and
- the National Park Service has discretionary funds other than the 4-percent levy on the Operation of the National Park System account and the 10-percent levy on the construction account.

A subsequent request from the Chairman's office asked us to

- examine the construction program and the use of contingency reserves at Wolf Trap Farm Park for Performing Arts, and
- obtain a Service-wide listing of all contingency reserve expenditures, from the operations appropriation, for the period fiscal 1971 through fiscal 1978.

DISCRETIONARY FUNDS

The Service's primary sources of discretionary funds are (1) contingency reserves and (2) administrative services funds. The Service creates contingency reserves and administrative services funds through a budgetary procedure it refers to as an override program. This program works in the following manner. The Service's central office accumulates budget requests from all Park Service organizations and for all appropriation activities. These requests are broken down by appropriation and budget activity. The central office then increases over one-half of all budget activities by a percentage amount for contingency reserves, and increases almost every budget activity by a percentage amount for administrative services. After appropriation, the additional funds created in this manner are used at the discretion of Park Service officials.

The largest category of discretionary funds is contingency reserves. In fiscal 1978, the available contingency reserves totaled almost \$26 million. Although these funds were obtained from four separate appropriation accounts, the most came from the construction appropriation (about \$13 million) and the operations appropriation (about \$12 million). The Service maintains separate accounts for each appropriation's contingency reserves. Contingency reserves are not budgeted or appropriated for specific purposes, so the Service has great latitude in their use as long as they are used for the general purpose of the appropriation from which they are taken.

The second category of discretionary funds is used to finance the Service's administrative operations, which include the administration of the Service's central and regional offices. Administrative services funds are not specifically appropriated, but the Service does budget their use and earmarks them for specific purposes. In fiscal 1978 this category totaled almost \$24 million.

The Service also has other types of discretionary funds. Some of these are created during the normal operation of the park system when planned expenditures are not made, which happens frequently during the year for many different reasons. For example, an employee may leave the Service and not be replaced for a period of time, thus making funds available that are used for other purposes at the discretion of Service officials. Other funds, such as cyclic maintenance, are specifically appropriated to provide the Service with flexibility in completing maintenance projects that occur at infrequent intervals rather than annually. These funds are also used at the discretion of Service officials.

Our review was concentrated on the use of contingency reserves. However, the Service frequently uses these funds and other discretionary funds interchangeably. We were not always able to determine which funds were used when they were commingled. Therefore, we have included other discretionary funds in our report as appropriate.

The percentage amounts that the Service has added for contingency reserves and administrative services have varied over the years as have the Service's appropriations. In fiscal 1978, over \$49 million of the Service's \$715 million total appropriations was allocated to contingency reserves and administrative services. The table in appendix I shows the percentage and dollar amounts allocated to contingency reserves and administrative services in fiscal 1978.

CHAPTER 2

USE OF CONTINGENCY RESERVES AVOIDS

CONGRESSIONAL REVIEW OF PROJECTS

Contingency reserves are used to fund a variety of projects that are never specifically considered by the Congress. About 70 percent, or \$7 million of the \$10 million contingency reserve for operations in fiscal 1977, should have been funded through the normal budget and congressional review process.

The Service maintains that they need contingency reserves to cover unexpected emergencies, but most dollars are spent on routine foreseeable projects. We believe that the use of these reserves in park operations avoids congressional control over expenditures that could be reasonably anticipated.

THE BUDGET PROCESS

Contingency reserves are created through the budget process. About 18 months before the start of the fiscal year, the program and budget division of the Service's central office calculates individual budget line-items based on regional budget submissions. After increases and decreases are decided, the line-items are then increased by varying percentages to create funds for contingency reserves. The increased budget is then sent to the Office of Management and Budget for examination and approval. After approval by the agency, the budget is submitted to the Congress for approval and appropriation. When the appropriations are made, the central office retains the percentages that were added on before it allots annual operating funds to the regions. The central office allots 50 percent of the contingency reserve to the regions at the beginning of each fiscal year. The remaining 50 percent is withheld for distribution later in the year.

Halfway through the year the central office requests the regions to submit a priority list of projects that could be funded from reserves. A committee headed by the assistant director for park operations is convened to decide the highest priority park and program needs. The head of the committee decides the amount of contingency funds to be spent. For example, halfway through fiscal 1978 the assistant director decided that \$3.4 million of the available \$5.4 million should be allocated for projects, and approximately \$2 million should be retained for later distribution. During the last quarter of the fiscal year, the process is repeated and the remaining contingency reserves are expended.

CONTINGENCY RESERVES
USED FOR ROUTINE PROJECTS

Although Service officials testified that contingency reserves are needed for emergency and unforeseen events, we found that about 70 percent, or \$7 million of the \$10 million available in fiscal 1977, was used to fund routine projects.

During the fiscal 1979 House Subcommittee appropriation hearings, Park Service officials testified that reserves provide funding to cover those items of cost not likely to be considered in the normal budgetary process. They said that most often these items consist of costs for such occurrences as employee transfers, lump-sum leave payments to permanent employees, and emergencies such as search and rescue operations and extraordinary snow removal. However, we found these categories account for only a small portion of reserve expenditures.

The Service's expenditure report of contingency reserves for operations in fiscal 1977 showed that lump-sum leave, transfers, and employee incentive awards were approximately 18 percent of that year's total contingency reserve expenditures of \$10,412,600. These costs have averaged 18 percent since fiscal 1975. The portion of contingencies that search and rescue and storm emergencies have accounted for have approximated 10 percent or less since fiscal 1975. The other 72 percent of reserve funds was used for nonemergency routine items such as maintenance of buildings and utilities, plans and studies, and equipment purchase, repair, and rental. Such uses could have been anticipated and the necessary funds incorporated in the regular budget submission.

We examined contingency reserve expenditures for fiscal 1975 through 1978 in the Service's Western and Rocky Mountain regions. The following are examples of reserve uses we believe are routine regional expenditures.

Rocky Mountain region

The majority of the region's funded contingency reserve projects were for routine items that could have been included in the normal budget and congressional review process. About 75 percent, or \$1.6 million of funded reserve requests in fiscal 1977 and 1978, was spent for nonemergency items that could have been programmed for in advance. For example, in fiscal 1977, \$40,000 was spent to repair exhibits for a dedication at Bighorn Canyon, Montana, and \$10,000 was spent to design wayside exhibits at Fossil Butte National Monument, Wyoming.

The Rocky Mountain region's contingency reserve expenditures for the last 3 fiscal years were as follows:

	<u>Initial allocation</u>	<u>Subsequent allocation</u>	<u>Total</u>
1976 <u>a/</u>	\$ 529,700	\$1,117,000	\$1,646,700
1977	631,800	206,800	838,600
1978	<u>704,900</u>	<u>529,900</u>	<u>1,234,800</u>
Total	<u>\$1,866,400</u>	<u>\$1,853,700</u>	<u>\$3,720,100</u>

a/ Includes the transition quarter.

We found that contingency reserves are frequently used to finance projects that are inadvertently omitted from park operating budgets, thus requiring the Service to use contingency reserves to make up the operating deficit. For example:

- Yellowstone National Park in Wyoming did not receive \$90,000 for the operation of its medical clinic in fiscal 1976 and the transition quarter.
- Badlands National Monument in South Dakota did not include \$30,000 in its fiscal 1977 request to fund their fee collection operation.
- Golden Spike National Historical Site in Utah did not include \$18,000 for operating railroad locomotives in its fiscal 1978 budget submission.
- The regional office's budget did not include \$27,000 for a wind and wave study in its fiscal 1978 request.

In addition to funding these budget omissions from contingency reserves, the Park Service also deliberately finances continuing long-term programs using contingency reserves. For example, the Rocky Mountain region is sponsoring a 10-year interagency grizzly bear study which currently costs \$185,600 a year. Central office contingency reserves have paid for this research for the last 5 years. The study will cover all aspects of the bears' lives and is viewed as a way of preserving both the bears and their environment. The research is conducted in conjunction with the Fish and Wildlife Service and the Forest Service while the Park Service pays for most of the expenses.

We found the Service's funding of research studies with contingency reserves to be a common practice. We noted that nine different studies were funded by the Service with contingency reserves during 9 months of fiscal 1978 at a cost of over \$552,000. This was also a common practice prior to fiscal 1978.

Western region

Most of this region's contingency reserve expenditures were, like the Rocky Mountain region, routine and could have been estimated and included in a budget. Approximately 60 percent or \$1.6 million of the region's \$2.7 million of reserves, in fiscal 1977 and 1978, was programable. The region uses the contingency reserve fund to accommodate unfunded priority projects. As one park superintendent told us, "We try to get our first ten priorities funded with reserves each year." Such projects funded included:

--Constructing three toilets at Point Reyes National Seashore for a total of \$4,500 in fiscal 1977.

--Paying a portion of concessionaire utility costs at Grand Canyon National Park amounting to \$108,000 in fiscal 1978. This utility problem has existed since 1975 because the Service did not include all utility costs when negotiating the concessionaire's contract.

The Western region reported contingency reserve expenditures from the operations appropriation for the last 3 fiscal years as follows:

<u>Fiscal year</u>	<u>Initial allocation</u>	<u>Subsequent allocation</u>	<u>Total</u>
a/ 1976	\$1,322,500	\$ 146,900	\$1,469,400
1977	708,000	454,900	1,162,900
1978	<u>838,700</u>	<u>738,400</u>	<u>1,577,100</u>
TOTAL	<u>\$2,869,200</u>	<u>\$1,340,200</u>	<u>\$4,209,400</u>

a/ Includes the transition quarter.

In addition to the above \$4.2 million, the Western region created and spent other reserves totaling approximately \$3.2 million. These reserves exist for two reasons: (1) transfers from parks that did not expend normal operating funds for various reasons and (2) funds for a one-time project that

are included in an operating budget and erroneously continue to receive funding. These additional reserves and their uses are normally not reported to the central office.

RESERVE RECORDS AND
REPORTS ARE INACCURATE

We examined the allocation and expenditure of contingency reserves and compared those expenditures to regional reports of contingency reserve usage. The contingency reserve accounting records and annual reports prepared by the regions are incomplete and inaccurate because regions are not properly accounting for reserves and are reporting only what they believe to be appropriate expenditures. The central office does not require documentation on the use of reserves for projects and does not direct how the regions should spend the funds.

Guidelines for proper accounting of reserves do not exist at either the regional or central office level. Accounting and record control of contingency reserves was lacking in the regions we reviewed. For example, when parks in the Western and Rocky Mountain regions receive reserve funds they may establish a new account or use an existing account to control these funds. Usually the latter method is used. Once funds are placed in an existing account they lose their identity, and vouchered expenses cannot be traced to contingency reserves. Parks are not required to report on the use of reserve funds and the regional offices have no way to identify or trace park expenditures of reserve funds. Consequently, the regional offices lose control over reserves when allotments are made to parks.

Regional offices have decentralized authority to manage; therefore, each region may issue guidelines and recordkeeping policies concerning reserves. The Western and Rocky Mountain regional offices' reserve records were minimal or nonexistent and contained numerous errors. The Rocky Mountain regional office does require documentation of reserve requests. However, many requests come in over the telephone and the region does not always insure that documentation is provided. Most reserve records are informal (cuff records) and are not always accurate or complete. The few formal records, such as authorizations, were accurate but did not specify what was being funded or that reserves were being used.

The central office requires annual reports on contingency fund expenditures from each region. The amounts reported by the two regions for fiscal 1975 to 1978 were inaccurate because the reports contained errors and did not include all

items funded by reserves. As discussed on page 6, the regions create and spend their own reserves and they frequently commingle these reserves with contingency reserves provided by the central office. The amounts they report are based on total contingency reserves received from the central office and do not include the other reserves generated by the region. The two regions we examined had expenditures in fiscal 1977 from other generated reserves that were never reported and which totaled approximately \$1.8 million.

The Western region prepares a report on contingency fund expenditures that is based on expenditures they believe appear the most appropriate for identified categories of the report and equals the total reserves received from the central office. Some reported projects were never accomplished or were accomplished for different amounts than were reported. For example:

- In fiscal 1977, the region reported funding a living history project at Point Reyes National Seashore for \$4,500. However, no such project was funded or conducted at the National Seashore.
- In fiscal 1976 and the transition quarter, the report identified funding emergency water service for \$29,500 when the actual amount of funding was \$17,300.
- In fiscal 1977, \$265,000 of reserve funds was set aside to purchase radio systems, but the amount was never reported.

The Rocky Mountain region's records of reported reserve expenditures contained the following problems:

- Fiscal 1975 reserve records showed that some amounts were changed, were charged to different accounts, or were not allotted at all.
- Fiscal 1976 and 1977 reserve expenditures that were reported could not be verified due to the lack of regional records.
- Fiscal 1978 reported expenditures included funds transferred from one park to another but did not include nonrecurring project funds. Neither transferred nor nonrecurring project funds were disclosed in prior year reports.

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