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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

ACCOUNTING AND FINANCIAL MANAGEMENT DIVISION

DECEMBER 22, 1981

B-205828

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The Honorable James G. Watt
The Secretary of the Interior

Dear Mr. Secretary:

SUBJECT: Weaknesses in Internal Financial and Accounting Controls at National Park Service Accounting Stations (AFMD-82-31)

This report contains the results of our survey of internal controls over revenue and expenditure transactions of eight regional accounting stations of the National Park Service and the accounting station of the Park Service's headquarters in Washington, D.C. The survey identified weaknesses in internal controls over receivables, collections, imprest funds, and disbursements. In addition we noted a lack of internal audits of regional financial activities and a need for a comprehensive accounting procedures manual for day-to-day guidance of employees. We are informing you of the identified weaknesses to help you in discharging your responsibilities under the Accounting and Auditing Act of 1950 (31 U.S.C. 66a) which requires agency heads to provide effective control over, and accountability for, all funds for which they are responsible.

Our survey was based on questionnaires designed to identify potential internal control problems and on interviews and discussions with accounting station officials. When responses indicated potential weaknesses, we tested selected transactions to determine if the weaknesses existed, but we did not attempt to establish their extent or the precise corrective actions needed. The weaknesses are discussed in enclosure I and their locations are shown in enclosure II.

We discussed our survey results with responsible accounting station and headquarters officials and, in most instances, they initiated or promised corrective action. Therefore, we did not obtain written comments on this report. Because weaknesses were noted at each location we visited, however, we are recommending that you (1) implement followup procedures to ensure correction of the weaknesses we have identified, (2) develop written procedures covering all aspects of accounting and financial operations, including internal controls, and issue them to all appropriate Park

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Service offices, and (3) request the Inspector General's office to increase its coverage of the National Park Service's financial operations with particular emphasis on internal controls.

As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the Senate Committee on Governmental Affairs and the House Committee on Government Operations no later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

We are sending copies of this report to the Director, National Park Service and to your Inspector General.

We appreciate the courtesies and cooperation extended to us at each location visited.

Sincerely yours,

W. D. Campbell
Acting Director

Enclosures

INTERNAL CONTROL WEAKNESSES AT NINE NATIONAL PARK SERVICE ACCOUNTING STATIONS

The Accounting and Auditing Act of 1950 (31 U.S.C. 66a) requires the head of each executive agency to establish and maintain a system of accounting and internal controls to provide effective control over, and accountability for, all the agency's assets. Our survey, which evaluated accounting controls at nine National Park Service (NPS) accounting stations, disclosed the following.

--Accounts receivable were not well controlled at most accounting stations. They were not always billed before their due dates, and late-payment charges were not assessed for amounts overdue. Further, travel advances were not periodically reviewed or analyzed to recover outstanding advances.

--Collections were not adequately controlled; they were not properly logged in or promptly deposited; transfers between organizational units were not properly documented; and unidentified collections either were not deposited and recorded in a suspense account or were allowed to remain in a suspense account for an unreasonable length of time. In addition, many accounting stations were not monitoring recreation fee collection activities, and some collection officers were also designated as imprest fund cashiers.

--Imprest funds at most accounting stations were not adequately controlled or safequarded. Separate cash funds for cashiers and their alternates were not maintained; safe combinations were not changed annually; and periodic reviews of procedures to prevent loss or misuse of the funds were not made. In addition, imprest funds were not used to the fullest extent practical for small purchases of supplies and nonpersonal services, as required by Department of the Interior regulations.

--Disbursements were not scheduled to coincide with due dates, and reasons for lost cash discounts were not documented.

--Internal audits of regional financial activities have not been performed recently and the Park Service lacked a sufficiently comprehensive procedures manual to guide employees in all aspects of day-to-day financial and accounting transactions.

These internal control weaknesses, most of which existed at several locations, are discussed in detail on the following pages. Enclosure II identifies the types of weaknesses noted at each location visited.

NEED TO ENCOURAGE MORE PROMPT COLLECTION OF ACCOUNTS RECEIVABLE

Accounts receivable represent amounts due from operations and therefore are Government assets to be controlled, safeguarded, and--most importantly--collected. We noted that the Park Service was lax in two important aspects of its controls over receivables--billing debtors promptly and encouraging prompt payment by imposing late charges. Further, employees were not required to promptly clear travel funds advanced to them. As a result, amounts owed the Government were often not collected when due.

Receivables from concession fees and rents not billed before date due

Concession fees under contractual arrangements are one of the Park Service's largest sources of revenue. Concession contracts are for terms of up to 30 years, and many have annual payment dates, usually 60 or 90 days after the concession season ends. Under such agreements the fees are often based, in part, upon a percentage of the concessionaire's gross receipts. Accordingly, the Park Service does not always know how much these fees should be until after it receives financial statements from the concessionaires.

Because the Park Service often did not receive the financial statements until after the due date, billings and collections were frequently late. We reviewed 123 concession contract collections and found that 74 of them had been billed after the due dates. Moreover, collections of contract fees can involve large amounts. The nine concession contract collections reviewed in the Rocky Mountain region amounted to $789,126, and we noted that none of the billing documents for these collections was dated before the due date. We found late billings and collections at all eight regional offices we visited.

In some cases an extended period of time elapsed before the fees were collected. For example, the southwest region had a $2,953.74 concession fee due February 27, 1977, which was not billed or collected until July 1979. We also noted that the 1978 fee due from this same concessionaire was billed and collected in 1979, and the fee due in 1979 had not yet been billed at the time of our survey in April 1981. We understand this contract has been terminated and is now in litigation.

These situations could be avoided if guidelines published in Treasury's Fiscal Requirements Manual (1 TFRM 6-8020.10) were adhered to. The manual generally provides that billings be sent to individuals and organizations outside the Federal Government 30 days before the due date, but it recognizes that the exact amounts of such billing may not always be known. In such cases, the manual provides for billing of estimated amounts when the estimate is $50,000 or more and for billing of lesser amounts when to do so would be cost effective. Annual payments on many concession contracts exceed $50,000; moreover, in our view it would be cost effective to prepare estimated billings on most concession contracts, even when the estimated amount due is less than $50,000. We believe reasonable estimates could be developed in many cases by considering such factors as experience with a concessionaire and current park attendance.

We also reviewed billings and collections under rental agreements in the midwest region. Although rental amounts are due at the beginning rather than the end of the agreement period, we found that both billings and collections under rental agreements were late--occuring up to 8 months after the due dates. To illustrate, we reviewed 53 rental collections totaling $23,792 and found that 41 billings totaling $17,063 were made after the payment due dates by an average of 53 days.

Late charges not assessed for overdue payments

We noted that the Park Service generally did not impose late charges under existing concession contracts when payments were not received by the due date. To encourage prompt payment of debts due the Government, the Treasury manual (1 TFRM 6-8020) requires assessment of late charges on overdue debts and specifies how such charges are to be calculated.

In conforming with Treasury's requirement, the Department of the Interior, in August 1980, required that provisions for late charges be stipulated in all contracts. However, only one of the eight regional accounting stations we visited was assessing charges for late payments on existing contracts.

Because Treasury provides for late charge calculations based upon recent rates in the money market, such charges can represent substantial amounts, especially in times of high interest rates. For example, one accounting station could have assessed over $1,300 for late payment on a single concession contract. The payment, amounting to $267,709, was due on December 29, 1980, but was not received until January 13, 1981--15 days late. If the late charges had been assessed, the concessionaire might have been more likely to make future payments by the due date.

Travel advances not well controlled

The GAO Policy and Procedures Mannual for Guidance of Federal Agencies (7 GAO 25.6) provides that agency accounting systems should include procedures for periodic review and analysis of outstanding travel advances. All advances determined to be in excess of immediate needs should be promptly recovered to keep outstanding balances to a minimum. Permitting excessive advances or allowing them to remain outstanding for unnecessarily long periods ties up funds otherwise needed for travel and also increases the risk that the advances may never be recovered.

Eight of the nine accounting stations we visited were extremely lax in monitoring and recovering travel advances. Records at two accounting stations showed travel funds totaling over $2,500 advanced to employees who had left the organization without repaying the advance. Another accounting station had not reviewed its outstanding travel advances for about 18 months. Our review indicated that outstanding travel advances at some accounting stations may not be warranted. To illustrate, travel records showed:

--The Mid-Atlantic region had a $925.75 advance with no travel undertaken for about 4 months; a $150 advance with no travel for about 12 months; and a $62 advance with no travel for about 16 months.

--The Southeast region had 16 advances totaling $5,588 with no travel for over 90 days, including three with no travel for 6 months.

--The Southwest region had 7 advances totaling $2,357.65 with no travel for over 90 days.

--The Pacific Northwest region had 17 advances totaling $6,608.94 with no travel for over 90 days.

Park Service officials generally agreed with the need for more timely billings, imposition of charges for late payments, and improved controls over travel advances. However, they pointed out that some older concession contracts may contain terms that would preclude or limit late charges.

NEED TO IMPROVE CONTROLS OVER MONEYS COLLECTED

Control requirements have been specified in manuals issued by the General Accounting Office and the Departments of the Treasury and the Interior to assure that collections are properly accounted for and promptly deposited. In the National Park Service many of these controls have not been effectively used. We found that some Park Service regional offices did not (1) handle collections properly, (2) make timely deposits to the Treasury, or (3) monitor recreation fee collection activities. In addition, six regional offices had assigned employees dual responsibilities as collection officers and imprest fund cashiers.

Collections not placed under immediate accounting control

As specified in the GAO manual (2 GAO 12), collections should be logged in immediately upon receipt and properly accounted for until deposited. This procedure establishes immediate control and provides a means of determining whether all receipts are subsequently processed and deposited.

These controls, however, were not being exercised at many accounting stations we surveyed. For example, at three accounting stations, the employees opening the mail did not immediately record or otherwise account for all collections upon receipt. Two of these stations did not open all mail at one central location and did not record incoming mail receipts until they reached the finance office.

We also noted that three accounting stations did not document the transfer of the custody of collections from the mail rooms to the messengers who delivered the collections to the collection officers. This practice would hamper fixing responsibility for a loss should a shortage occur.

<u>Unidentified collections not handled properly</u>

Unidentified cash collections are those collections for which sufficient information does not exist to permit identification of accounts to be credited. The GAO manual (7 GAO 12) requires such collections to be promptly deposited in the Treasury and temporarily credited to a deposit fund suspense account until the identity of accounts to be credited can be determined. Such collections should be cleared from the suspense account as soon as possible so they can be credited to appropriate accounts.

Although Park Service procedures provide for unidentified collections to be placed in a suspense account until their proper disposition can be determined, four accounting stations were not complying with this requirement. Three stations were not depositing such collections until they were identified, and another station allowed collections to remain in the suspense account for up to 7 years. In February 1981, collections in this station's suspense account amounted to $21,468.

<u>Collections not deposited promptly</u>

When collections are not deposited promptly, access to the funds by Treasury is delayed and the potential for loss, theft, or misuse of the funds is increased. Undue delays in depositing moneys collected mean that the Treasury is denied use of the funds and, as a result, must borrow--thus increasing the Government's interest costs.

Because timely deposits are important, both GAO and the Treasury manuals contain guidance on how frequently collections should be deposited. According to the GAO manual (7 GAO 12.2), collections should be deposited daily whenever possible. More specifics on the frequency of deposits are provided in the Treasury manual (1 TFRM 6-8030), which states that collections of $1,000 or more should be deposited daily, and collections of a lesser amount may be accumulated and deposited when the total reaches $1,000. However, the manual points out that all deposits must be made at least weekly regardless of the amount accumulated.

Despite the above requirements, eight of the regional accounting stations we visited were not depositing collections promptly. Many of the late deposits were for concession fees of many thousand dollars each. The following examples illustrate concession fee collections that were not deposited promptly.

Region	Amount collected	Date received	Date deposited	Days deposit delayed
National Capitol	$154,719.00	Apr. 6, 1981	Apr. 10, 1981	4
Southwest	127,108.95	Mar. 6, 1979	Mar. 15, 1979	9
	111,701.43	Mar. 3, 1980	Mar. 7, 1980	4
	18,194.00	Dec. 31, 1980	Jan. 9, 1981	9
	14,994.00	Nov. 30, 1979	Dec. 10, 1979	10
	7,273.00	June 19, 1980	June 30, 1980	11
Pacific Northwest	30,711.00	Feb. 18, 1981	Mar. 16, 1981	26
	16,912.00	Feb. 19, 1981	Feb. 27, 1981	8
Rocky Mountain	58,165.00	Mar. 6, 1980	Mar. 14, 1980	8
Southeast	18,609.77	Feb. 24, 1981	Mar. 13, 1981	17
	4,375.63	Mar. 2, 1981	Mar. 13, 1981	11
North Atlantic	3,300.00	Mar. 2, 1981	Mar. 12, 1981	10
Midwest	2,980.00	Feb. 28, 1981	Mar. 6, 1981	6
	2,851.00	Feb. 22, 1980	Mar. 5, 1980	12
	1,815.00	Jan. 12, 1981	Jan. 19, 1981	7
	1,500.00	Apr. 24, 1980	May 2, 1980	8
Mid-Atlantic	908.36	Nov. 14, 1980	Dec. 11, 1980	27
	793.67	Oct. 15, 1980	Nov. 3, 1980	19
	703.43	Dec. 12, 1980	Jan. 5, 1981	24
	640.50	Jan. 15, 1981	Feb. 10, 1981	26
	150.68	July 15, 1980	Sept. 16, 1980	63

These delays were caused in part by the practice of park offices sending the collections to their regional offices for deposit instead of sending them directly to the nearest Federal Reserve Bank or other designated depository. Although Treasury requires that deposits be made at the nearest Federal Reserve Bank, it also permits agencies to deposit them in a general depository if one is located near the depositor and it is specifically authorized by the Treasury.

The deposit of the receipts was further delayed in the regions. For example, one of the regional offices delayed deposits until the concessions management division had reviewed the concessionaires' financial statements on which the payment amounts were based.

Park Service officials told us they would take action to assure that receipts are deposited promptly.

Recreation fee collection activities were not monitored by regional offices

The Department of the Interior requires unannounced reviews of collection officer activities to be made at least quarterly to check on the adequacy of internal control procedures to ensure that all receipts are accounted for, deposited, and properly recorded. To comply with this requirement, the Park Service developed recreation fee collection guidelines for the quarterly reviews performed by park offices, and specified that copies of reports on the reviews should be sent to the regional finance offices for monitoring and review.

However, six regional finance offices were not taking action to ensure compliance with these requirements. We noted in three of these regions that park offices had not been performing the reviews of collection activities even though collections at these areas represented significant amounts. For example, fiscal 1980 collections in the Pacific Northwest region were about $650,000, but officials said none of the park offices in that region was conducting the reviews of recreation fee collections. Further, three other regional finance offices failed to obtain and monitor the results of the reviews even though they had been performed by the park offices within these regions.

Regional officials agreed to assure that all park offices conducted the reviews as required and to obtain copies of the reviews that had been performed.

Collection officers should not be imprest fund cashiers

One of the basic principles of internal control is dividing critical functions between two or more persons, a technique referred to as separation of duties. Errors are more likely to be detected when duties are separated, and fraud is less likely to occur when its success depends on collusion. The GAO manual (7 GAO 11.2) provides that persons responsible for handling cash receipts should not participate in accounting or operating functions which would permit them to conceal the misuse of cash receipts.

We found that six regions had designated a total of 57 employees as both collection officers and imprest fund cashiers. These employees were responsible for imprest funds totaling $36,800. When cash receipts are handled by imprest fund cashiers, opportunities are provided for the cash receipts to be used to cover up shortages in imprest funds, thereby increasing the risk of fraud or misuse of funds. This is particularly true when collections are allowed to accumulate over a period of time before being deposited.

Park Service officials generally acknowledged the need to strengthen controls over collection activities and agreed to make the necessary improvements.

NEED FOR MORE EFFECTIVE USE AND CONTROL OF IMPREST FUNDS

Imprest funds are "cash on hand" funds comprising currency, coin, or Government checks advanced by a U.S. Treasury disbursing office to agency imprest fund cashiers. By their nature, imprest funds are susceptible to misuse, loss, and theft, and accounting and physical controls are needed to minimize these opportunities. Department of the Interior regulations encourage the use of imprest funds for small purchases of supplies and nonpersonal services because this method is less costly than processing the purchase orders, vouchers, and checks required by the purchasing procedures for more costly items.

Basic control procedures not followed

Accounting and physical controls to minimize opportunities for misuse or loss of the imprest funds are specified in the GAO manual (7 GAO 27), Treasury's Manual of Procedures and Instructions for Cashiers, and Department of the Interior instructions. Despite the widely recognized value of such controls, we noted that they were not being complied with at a number of Park Service accounting stations. To illustrate:

--At five stations officials did not comply with requirements to conduct unannounced examinations of imprest funds. Such examinations are required quarterly to verify cash balances and at least semiannually to determine whether the funds are (1) properly accounted for, (2) consistent with cash requirements, (3) adequately protected from loss or misuse, and (4) used only for authorized purposes.

--At three stations, officials did not change safe combinations annually. Annual combination changes provide a minimum level of protection should the combination's confidentiality be compromised.

--At three stations the imprest fund cashier and alternate cashier did not have separate cash funds and were using the same cash boxes. Under these circumstances it is difficult to determine accountability for a shortage of funds should, as happened recently at one of these accounting stations, a loss occur.

Small purchases were not made with imprest funds

Department of the Interior regulations (41 CFR 14-3.604-4) require that imprest funds be used to the fullest extent practical for small purchases of supplies and nonpersonal services. In a June 1978 report on selected administrative functions of the National Park Service's western region, Interior's Office of the Inspector General pointed out that purchase order precedures were being used for small purchases that should have been made through less costly imprest fund procedures. The Inspector General recommended that the park areas be instructed to use imprest funds whenever possible for small purchases.

However, at six of the nine accounting stations we visited, we noted that purchase order procedures were still being used for small purchases. For example, we found that purchase orders had been issued for auto repairs, film processing, curtain rods, and miscellaneous supplies. None of these purchases was for more than $50, and some were for less than $10.

We discussed this matter with appropriate officials, who agreed to tighten control over imprest funds and encourage their operating personnel to use imprest funds for small local purchases whenever practical.

NEED TO CONTROL TIMING OF DISBURSEMENTS

A number of fiscal offices we visited did not systematically schedule their disbursements to coincide with invoice due dates or to take advantage of discounts offered by some vendors for prompt payments. The GAO manual (7 GAO 24.8) provides that (1) procedures be established to ensure that vendors' invoices offering discounts for prompt payment are handled quickly so that payments may be made within the time prescribed and (2) failure to take cash discounts be fully explained on appropriate documents. Further, the Treasury requires that agencies schedule the issuance and mailing of checks as close as possible to the due date of the invoice, contract, or other agreement.

Even though Park Service headquarters issued instructions to implement this requirement, seven accounting stations did not systematically schedule payment of vendor's invoices to coincide with due dates. As a result, both early and late payments were made. Early payments unnecessarily accelerate the flow of cash from the Treasury, thus adding to the Government's interest costs on borrowed funds. Late payments are not only contrary to good business practices but also prevent the Government from taking advantage of cash discounts offered by vendors for prompt payments.

The GAO manual also provides that when such discounts are missed, the failure to take the discounts must be fully explained on the appropriate documents. Five accounting stations did not comply with this requirement and, as a consequence, management may find it difficult to identify and eliminate the problems that prevent discounts from being taken.

Park Service officials agreed to take actions to strengthen controls over the timing of disbursements.

NEED FOR A COMPREHENSIVE ACCOUNTING PROCEDURES MANUAL

According to the GAO manual (2 GAO 32), the head of each Federal agency should publish a comprehensive accounting manual containing sections that detail authorized procedures for employees' day-to-day use. The manual should describe the system in detail, display the forms used, state the procedural steps, and illustrate the reports issued. The instructions should be developed in such a manner that accounting and other personnel can use them in day-to-day maintenance and operation of the system.

Although the Park Service has developed some manuals and guidelines, they are not, in our view, sufficient to assure that all prescribed procedures, including internal control procedures, are clearly understood and uniformly applied. Officials at Park Service headquarters agreed. They said that a comprehensive procedures manual was being developed as part of the accounting system design submitted to the Comptroller General for approval in September 1981. That system design is currently under review.

NEED FOR INCREASED INTERNAL AUDIT COVERAGE

In our view, adequate internal audit coverage could have detected most of the control weaknesses noted previously, thus providing management with the opportunity to take prompt, corrective action. Moreover, internal audits are widely recognized as a part of an agency's system of financial controls. Under section 113 of the Accounting and Auditing Act of 1950, agency heads are required to establish accounting and internal controls, including internal audit.

We noted that the Park Service's regional financial operations covered in our survey had not received comprehensive internal reviews for over 3 years. However, the Inspector General's June 1978 report on administrative functions at the western region, which we did not cover in this survey, did address several deficiencies in financial areas. Among the deficiencies discussed in the Inspector General's report were several that were also noted in our survey. These included unjustified travel advances, failure to make small purchases with imprest funds, and a lack of unannounced examinations of imprest funds. This indicates that the types of control deficiencies noted in our survey are not confined to the locations we visited.

We believe expanded internal audit coverage of the Park Service's financial activities would help ensure compliance with the legal requirements for all agency heads to maintain effective systems of internal control.

CONCLUSIONS AND RECOMMENDATIONS

As discussed in the preceding pages, internal control weaknesses at the Park Service are widespread. Taken individually, any one weakness at a single accounting station may not be likely to have a significant impact on the Park Service's financial condition. However, we believe that in the aggregate, such weaknesses could be detrimental to the Service's overall financial operations.

In response to our findings, accounting station and headquarters officials generally agreed to take appropriate corrective actions. Such actions, however, will yield significant benefits only if implemented at all accounting stations rather than just at the ones we visited. Experience has also shown that constant vigilance by top management is necessary to insure continued effective operation of any internal control. Accordingly, we are recommending that the Secretary of the Interior:

--Implement followup procedures to ensure that the weaknesses we have identifed are corrected.

--Develop written procedures covering all aspects of financial and accounting operations, including related internal controls, and issue them to all appropriate offices.

--Request the Department of the Interior's Inspector General office to increase its audit coverage of the Park Service's internal financial operations with particular emphasis on internal controls.

SUMMARY OF WEAKNESSES NOTED AT NINE

NATIONAL PARK SERVICE ACCOUNTING STATIONS

Weaknesses	Location									
	Mid-Atlantic	Mid-west	National Capital	North Atlantic	Pacific North west	Rocky Mountain	South-east	South-west	Head-quarters	Total
NEED TO IMPROVE CONTROLS OVER ACCOUNTS RECEIVABLE										
Receivables not billed before due date	x	x	x	x	x	x	x	x		8
Late payment charges not assessed	x	x	x	x	x	x	x	x		8
Travel advances not reviewed or collected	x	x	x		x	x	x	x	x	8
NEED TO IMPROVE CONTROLS OVER COLLECTIONS										
Collections not properly logged in			x		x		x			3
Collection transfers not receipted			x	x					x	3
Suspense account not always properly used			x				x	x	x	4
Collections not deposited promptly	x	x	x	x	x	x	x	x		8
Recreation fee collection activities not monitored	x	x	x		x		x	x		6
Collection officers designated as imprest fund cashiers	x	x		x	x	x		x		6
NEED TO IMPROVE CONTROLS OF IMPREST FUND										
Unannounced verification not made quarterly				x	x	x		x	x	5
Safe combination not changed annually		x			x			x		3
Imprest fund cash boxes shared					x	x		x		3
Small purchases not made with imprest funds	x	x	x			x	x	x		6
NEED TO IMPROVE CONTROLS OVER DISBURSEMENTS										
Bills not paid at proper time	x	x		x	x	x	x	x		7
Lost discounts not explained	x	x	x	x					x	5