



A REPORT  
TO THE  
ARIZONA LEGISLATURE

Financial Audit Division

---

Procedural Review

# Arizona State Parks Board

As of January 31, 2012

---



**Debra K. Davenport**  
Auditor General

The **Auditor General** is appointed by the Joint Legislative Audit Committee, a bipartisan committee composed of five senators and five representatives. Her mission is to provide independent and impartial information and specific recommendations to improve the operations of state and local government entities. To this end, she provides financial audits and accounting services to the State and political subdivisions, investigates possible misuse of public monies, and conducts performance audits of school districts, state agencies, and the programs they administer.



Copies of the Auditor General's reports are free.  
You may request them by contacting us at:

**Office of the Auditor General**

2910 N. 44th Street, Suite 410 • Phoenix, AZ 85018 • (602) 553-0333

Additionally, many of our reports can be found in electronic format at:

**[www.azauditor.gov](http://www.azauditor.gov)**



**DEBRA K. DAVENPORT, CPA**  
AUDITOR GENERAL

**STATE OF ARIZONA**  
OFFICE OF THE  
**AUDITOR GENERAL**

**MELANIE M. CHESNEY**  
DEPUTY AUDITOR GENERAL

June 25, 2012

Bryan Martyn, Executive Director  
Arizona State Parks Board  
1300 W. Washington St.  
Phoenix, AZ 85007

**Subject: Procedural Review Letter**

Dear Mr. Martyn:

We have performed a procedural review of the Arizona State Parks Board's (Board) internal controls in effect for the period July 1, 2011 through January 31, 2012. Our review consisted primarily of inquiries, observations, and selected tests of internal control policies and procedures, accounting records, and related documents. The review was more limited than would be necessary to give an opinion on internal controls. Accordingly, we do not express an opinion on the effectiveness of internal controls or ensure that all deficiencies in internal controls are disclosed.

Specifically, we reviewed cash receipts, cash disbursements, purchasing, payroll, journal entries and transfers, and capital assets.

As a result of our review, we noted certain deficiencies in internal controls that the Board's management should correct to ensure that it fulfills its responsibility to establish and maintain adequate internal controls. Our findings are described below.

The Office of the Auditor General is also conducting a performance audit and sunset review of the Arizona State Parks Board. The results of that audit will be issued on a subsequent date.

**The Board should strengthen its  
controls over cash receipts**

The Board receives a significant portion of its operating revenues from entrance fees, camping fees, and other fees and permits charged to visitors of the State's operating parks. The fees vary by type, location, and the amenities available at the park, such as electric, water, or sewer connections. During our review period of July 1, 2011 through January 31, 2012, the Board recorded revenues from these fees and permits of approximately \$5 million, and we determined that approximately 26 percent of the revenues were received at the parks in the form of cash. Therefore, since cash collections are significant to the Board, and cash is susceptible to loss or theft, it is imperative that the Board adequately control and safeguard these monies. Further, the *State of Arizona Accounting Manual*, Sections II-C-1 and II-Q, requires all state agencies to adopt written policies and procedures for cash receipts that include adequate separation of responsibilities, limiting access to cash to as few employees as possible, adequately controlling cash receipts using prenumbered receipts or other methods, restricting cash

drawers and safe combinations to essential personnel, and prohibiting the disbursement of cash receipts prior to deposit. However, we identified several deficiencies in the Board's internal controls over cash receipts that are described below.

#### **Lack of Policies and Procedures Over Cash Receipts**

The Board did not develop written cash receipt policies and procedures detailing how the employees at the parks should collect, record, and process cash receipts. As a result, we found that the parks did not always have adequate procedures in place, and there were inconsistencies between the parks in how receipts were collected and processed. According to the Board's management, sufficient resources have not been available to develop detailed procedures because of budget cuts in recent years, and management indicated that it relied on the *State of Arizona Accounting Manual* for its policies and procedures. However, some of the procedures outlined in the manual were not specific enough to address the Board's specific needs, and accordingly, the manual required state agencies to develop their own written cash receipts procedures. Our review found that most board employees interviewed were not familiar with the manual or where it could be located. In addition, board employees at most parks stated that they were taught the cash receipts procedures from other employees since there were no written policies and procedures.

#### **Lack of Internal Controls Over Park Receipt Collections**

Visitors entering the parks during normal business hours should have paid the applicable fees to the attendant at the park's office or gate. These receipts were either recorded in a cash register or in the agency's new cash receipts system, ITINIO. In December 2010, the agency began using ITINIO to replace cash registers at Kartchner Caverns State Park. Subsequently, the agency converted other parks to the new system, and as of January 31, 2012, 14 of 23 parks used ITINIO.<sup>1</sup> This system performs the same functions as the cash registers and also allows visitors to reserve and pay for a campsite online with a credit card prior to arrival.

Our review of the procedures for cash receipts collected at the individual parks found that cash receipt responsibilities were not adequately separated since the same employees at each park were responsible for collecting, recording, reconciling, and depositing cash receipts. Further, we found that most employees had access to the cash drawers and combinations to the safes where cash was secured. According to the Board's management, the parks did not have enough employees to properly separate cash receipt responsibilities and restrict access to cash drawers and safes because of a limited number of employees. However, most of the parks we reviewed had several full-time and seasonal employees, as well as volunteers, and therefore, it appeared there were enough employees for the Board to appropriately separate responsibilities and restrict access to cash.

Also, prenumbered receipts were not always used and receipt forms and records maintained by the board employees at the individual parks were not sufficiently detailed. We found that the employees at parks who used a cash register provided a receipt to park visitors, but

---

<sup>1</sup> Arizona State Parks manages 30 parks including 7 parks that are operated through contracts with outside organizations.

those employees at parks who used ITINIO did not always provide receipts to visitors. However, the prenumbered receipts did not separately identify each fee charged, and therefore, the employees did not maintain a record of fees collected by type. Therefore, it was not practical to extend our procedures sufficiently to determine whether revenues recorded were reasonable and consistent with the attendance records, campsite usage, and applicable fee and permit rates.

Management indicated that it was in the process of determining how best to track the receipt detail with prenumbered tickets. Management also stated that ITINIO was not programmed to record all detailed fee information, but it could look into modifying the system to record additional detail.

#### **Lack of Internal Controls Over Park Self-Pay Receipts**

Visitors who entered the parks after normal business hours use self-pay stations to pay park fees. The fees were placed in an envelope that was marked by the visitor with the vehicle and occupancy information, and then the envelope was placed in a secure metal pay station. The following day, park employees collected the fees from the pay station and recorded them as entrance or camping fees into ITINIO or a cash register, reconciled the records, and deposited the cash. The receipts were not numerically controlled, and a log of self-pay receipts was not prepared. As a result, the self-pay receipts cannot be distinguished from other cash receipts. Therefore, it is not possible to determine the total amount of cash and checks the parks received through self-pay receipts. Further, one employee collected and recorded these receipts. As a result, self-pay cash receipts could be stolen. The Board's management indicated that it had tried to use numerically controlled self-pay receipts; however, it was not practical to use them because of weather and other conditions. Management also stated that because of staff reductions, the parks did not have enough employees to separate cash receipt responsibilities. However, as noted earlier, we determined that the individual parks appeared to have enough employees to adequately separate responsibilities.

#### **Lack of Internal Controls Over Refunds of Park Fees**

The cash receipt procedures followed by employees at the parks did not prohibit the disbursement of refunds from cash receipts, and refunds were processed by the same employees responsible for collecting and recording cash. Refunds were given to visitors if they left the park because of weather, injury, or illness, or if visitors canceled their reserved camping days and gave more than a 24-hour notice. These refunds were made from cash receipts on hand if sufficient monies were available. Employees making the refunds were the same employees responsible for collecting and recording the cash receipts, and therefore, cash receipts could be stolen or improperly recorded and the errors might not be detected by management. Employees at most parks required visitors to complete a refund form that included their address and signature. However, not all parks consistently followed this practice. If the park did not have sufficient cash on hand from collections, the refund form was sent to the Board's Phoenix office, where it was processed and a check was mailed to the visitor.

We questioned why management did not require all refunds to be made by check, and management indicated that since many refunds were for day use and were generally less than \$20, it was more practical to have the parks process the refunds directly.

### **Lack of Internal Controls Over Donations**

Some parks had locked donation boxes where visitors could donate monies to support the parks. During our review, we found that internal controls over these donated receipts were also inadequate since one employee opened the donation boxes and counted, recorded, and deposited the receipts. As a result, donated monies could be stolen.

### **Management Did Not Analyze Cash Collections by the Parks**

The Board's management indicated that it did not analyze trends in cash collections to identify unusual fluctuations in the amounts recorded at the individual parks. During our review, we analyzed total receipts by month for fiscal years 2007 through 2011 for 13 parks to identify any unusual trends related to recorded cash receipt activity. This analysis identified various months for several parks during which the amount of cash receipts recorded appeared to be lower than would be expected based on estimated attendance figures and the amounts recorded in prior months and previous years. A few of the variances were the result of park closures, but management was unable to provide sufficient explanations for most of the variances. Further, since the supporting receipts and records were not sufficiently detailed as described earlier, we were unable to determine the reasons for the variances and whether all cash receipts were properly recorded and deposited.

### **Recommendations**

To help strengthen controls over cash receipts, help ensure park fees are properly recorded and deposited, and comply with the *State of Arizona Accounting Manual*, the Board should:

- Develop and maintain detailed written cash receipt policies and procedures and distribute them to all board employees and volunteers who work at the parks and are responsible for handling cash.
- Separate cash receipts responsibilities to ensure that the same person is not responsible for collecting, recording, reconciling, and depositing cash receipts.
- Require two employees to count and record self-pay receipts, which includes opening the self-pay box, preparing a receipt log, and recording the receipts in the cash register or ITINIO. Alternately, the Board's management could determine if it is practical to install and use an electronic self-pay system that accepts credit cards or cash and would automatically record the transactions and issue self-pay receipts.
- Develop and use detailed receipts forms and records to support the revenues recorded. This could be done through the use of prenumbered cash receipts that included a detailed listing of each fee charged.
- Prohibit the disbursement of refunds from cash receipts, and require the Phoenix office to process all refunds and issue checks. Alternately, if the Board considers it necessary to process refunds at the parks, the Board should consider requiring a copy of identification, such as a driver's license, so that employees can compare the address and signatures to those provided on the Board's refund form.

- Require two employees to count and record donation receipts, which includes opening the donation boxes, preparing a receipt log, and recording the receipts in the cash register or ITINIO.
- Analyze cash collections periodically to identify unusual variances at individual parks and investigate the reasons to identify potential breakdowns in internal controls.

## The Board should conduct a complete annual physical inventory of all capital assets

Effective stewardship over capital assets requires the Board to perform an annual physical inventory of its capital assets, such as vehicles, computers, and other equipment valued at \$5,000 and above. Also, the *State of Arizona Accounting Manual*, Section II-G-1, requires each agency to conduct an annual physical inventory of all capital assets. However, we determined that the Board did not conduct a complete physical inventory. The Board's management indicated that it did not have sufficient employees available to conduct a complete annual physical inventory because of staff reductions caused by budget cuts. Therefore, the Board divided its capital assets into 33 inventory areas and placed these areas on a rotational inventory schedule to occur every 18 to 24 months. We examined the agency's inventory schedule and determined that 11 areas had already been inventoried during fiscal year 2012. However, the Board did not anticipate completing the other inventory areas during the fiscal year. Thirteen areas had not been inventoried since fiscal year 2010, and the remaining nine areas had not been inventoried since fiscal year 2009.

### **Recommendation**

To help ensure that the Board's capital assets are adequately controlled and to ensure the accuracy of the State's capital assets listing and financial statements, the Board should conduct a complete physical inventory of all capital assets at least annually.

This letter is intended solely for the information and use of the Arizona State Parks Board and is not intended to be and should not be used by anyone other than the specified party. However, this letter is a matter of public record, and its distribution is not limited.

Should you have any questions concerning our procedural review, please let us know.

Sincerely,

Jay Zsorey, CPA  
Financial Audit Director

cc: Members, Arizona State Parks Board  
Kent Ennis, Assistant Director, Administrative Services  
Tom Sarratt, Chief—Budget, Finance, and Procurement, Administrative Services  
Miryom D. Snyder, Fiscal Services Manager, Administrative Services  
Debby Lopez, Fiscal Services Specialist III, Administrative Services





Janice K. Brewer  
Governor

Bryan Martyn  
Executive Director



#### Board Members

Walter D. Armer, Jr., Vail, *Chair*  
Maria Baier, State Land Commissioner, *Vice Chair*  
Kay Daggett, Sierra Vista  
Alan Everett, Sedona  
Larry Landry, Phoenix  
William C. Scalzo, Phoenix  
Tracey Westerhausen, Phoenix

June 22, 2012

Mr. Jay Zsorey, CPA  
Financial Audit Director  
Office of the General Auditor

Dear Mr. Zsorey:

The Arizona State Parks Board would like to thank you for the opportunity to respond to the findings of the recent procedural review of the agency. The agency would also like to express its appreciation to your staff for their professionalism while conducting the review.

#### **FINDING**

Lack of Policies and Procedures Over Cash Receipts

#### **RESPONSE**

The agency does have written cash receipt policies and procedures however, they are outdated and were not readily available to park staff. Therefore, the agency will review and update its cash receipt policies and procedures and distribute copies to all the parks.

#### **FINDING**

Lack of Internal Controls Over Park Receipt Collections

#### **RESPONSE**

The agency will implement procedures that separate, to the extent possible and practical, the responsibilities for collecting, recording, reconciling and depositing cash receipts. The agency will also implement procedures to limit the access to cash drawers and safe combinations to the extent practical. At parks where complete segregation of duties is not possible or practical, the agency will do its best to develop and implement mitigating controls to help safeguard cash collections.

Due to the complexity of the parks' fee schedules, which includes numerous types of fees and various ranges of fees for the same product, the use of prenumbered receipts cannot be practically implemented at this time. The agency will continue to record all cash receipts collected at the parks using ITINIO, (i.e., the agency's cash receipts system), or a cash register, with all cash receipts reconciled at the end of each day. The agency will contemplate the development and use of prenumbered receipts in the future.

**FINDING**

Lack of Internal Controls Over Park Self-Pay Receipts

**RESPONSE**

The agency will implement procedures that call for two employees, whenever possible and practical, to be present when opening the self-pay stations to help ensure that all cash receipts are properly counted and recorded. At parks where complete segregation of duties is not possible or practical, the agency will do its best to develop and implement mitigating controls to help safeguard cash collections

**FINDING**

Lack of Internal Controls Over Refunds of Park Fees

**RESPONSE**

The agency will address the processing of cash refunds as part of its update to its cash receipt policies and procedures. Management will identify which types of refunds can be processed by park staff, at the park, and which types will be required to be processed by the Phoenix Office, through the issuance of a check.

**FINDING**

Lack of Internal Controls Over Donations

**RESPONSE**

The agency will implement procedures that will call for two employees, whenever possible and practical, to be present when opening the donation boxes, to help ensure that all cash receipts are properly counted and recorded. At parks where complete segregation of duties is not possible or practical, the agency will do its best to develop and implement mitigating controls to help safeguard cash collections

**FINDING**

Management Did Not Analyze cash collections by the parks

**RESPONSE**

Agency management will develop a method of analyzing the monthly cash collections to help identify unusual variances at individual parks and a procedure for investigating the variances.

**FINDING**

The agency did not conduct a complete annual physical inventory of all capital assets

## **RESPONSE**

The agency will review and update its capital asset inventory policies and procedures to help ensure that a complete physical inventory of its capital assets, (i.e., assets valued at \$5,000 and more), is taken annually. If an annual physical inventory of capital assets cannot be completed in a timely manner, the agency will request, through the State Comptroller, a written exception.

The agency recognizes the importance of a strong internal control system and will work hard to make improvements to address the deficiencies noted during your procedural review to help ensure that adequate internal controls are in place.

Sincerely,

Bryan Martyn  
Executive Director

cc: Kent Ennis, Deputy Director  
Tom Sarratt, Chief of Budget, Fiscal and Procurement  
Miryom Snyder, Fiscal Service Manager

