



# CALIFORNIA STATE AUDITOR

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# FACT SHEET

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## The California State Auditor released the following report today: Department of Parks and Recreation

### *Weak Procedures Have Led to Inconsistent Budgetary Reporting and Difficulties in Measuring the Impact of Efforts to Keep Parks Open*

#### BACKGROUND

The State's General Fund, various bond funds, and special funds—such as the State Parks and Recreation Fund (parks fund) and the Off-Highway Vehicle Trust Fund (off-highway vehicle fund)—provide the Department of Parks and Recreation (department) with funding to manage more than 270 park properties that include state beaches, historic parks, recreational areas, historic homes, and off-highway vehicle parks. As the governor's chief fiscal policy adviser, the Department of Finance (Finance) directs the efforts of preparing the annual governor's budget while the State Controller's Office (State Controller) compiles the State's financial statements—both agencies report fund balance information in annual reports based on department-prepared reports.

#### KEY FINDINGS

During our review of the department's oversight and management of the state park system and budgeting practices, we noted the following:

- Over the last 20 years the department consistently underreported the fund balance amounts for its parks fund to Finance for use in the governor's budget when compared to the fund balances reported to the State Controller for its annual budgetary report.
  - ✓ The magnitude of these differences was substantial—the understatements reported to Finance averaged more than \$22 million per year over the past 12 years ending with a \$20.4 million understatement reported in fiscal year 2010–11.
  - ✓ Former high-level management of the department directed the current budget officer—who, like prior budget staff, noticed the differences in reporting when she first started working at the department—to continue underreporting the fund balance for the parks fund to Finance.
- Similarly, over the last 20 years the department has almost always reported fund balances to Finance for its off-highway vehicle fund that differed from the balances reported to the State Controller. These differences ranged from a \$35 million overstatement in fiscal year 2005–06 to the most recent \$33.5 million understatement reported in fiscal year 2010–11.
  - ✓ A main contributor to the fiscal year 2010–11 fund balance understatement occurred when Finance, in preparing the January 2012 Governor's Budget, reduced transfer amounts to the off-highway vehicle fund by nearly \$55 million based on proposed legislation.
- Although Finance notified the department of the differences in both these funds' balances as early as 1999, the issue was not resolved until the fall of 2012.
- The department identified up to 70 of its 278 parks to close in order to achieve a budget reduction, yet it had limited documentation of its analysis in making its selection of the parks chosen for closure and, thus, we could not evaluate the reasonableness of its selection.
- The department does not budget or track expenditures at the park level and used outdated and incomplete cost data to estimate operating costs for its parks, making it difficult to measure the impact of its recent efforts to keep the parks open.

#### KEY RECOMMENDATIONS

We made numerous recommendations to the department, including that it ensure that it reports consistent amounts to Finance and the State Controller, determine the amount necessary to fully operate its 278 parks at the 2010 level to ensure that it can adhere to a recent statutory requirement when contemplating reducing services or closing parks to achieve any required budget reductions in the future, and develop individual park operating costs and update these costs periodically.

