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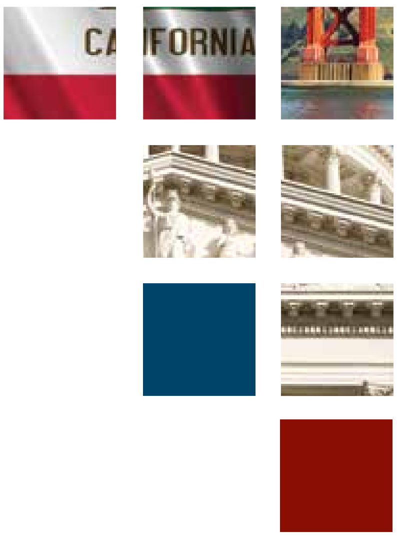

Department of Parks and Recreation

Flaws in Its Budget Allocation Processes Hinder Its Ability to Effectively Manage the Park System

Report 2012-121.2

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September 10, 2013 2012-121.2

The Governor of California
President pro Tempore of the Senate
Speaker of the Assembly
State Capitol
Sacramento, California 95814

Dear Governor and Legislative Leaders:

As requested by the Joint Legislative Audit Committee, the California State Auditor (state auditor) presents this audit report concerning the Department of Parks and Recreation's (department) budgeting and personnel practices. This report concludes that the department's informal processes for allocating budgets to its districts and for tracking district expenditures hampers its current efforts to budget and track expenditures at the park level. Specifically, the department provides districts with their budget allocations months after the fiscal year begins. As a result, the districts operate during the busy summer season using prior-year allocations as their budgets. However, this causes problems for districts when the allocations they ultimately receive are less than what they received in the prior year. Additionally, the department's process for tracking district expenditures generates duplicate information and is not helpful for districts to manage their allocations.

These issues if not addressed will negatively impact the department's current efforts to establish a process for budgeting and tracking expenditures at the park level. Despite state law requiring the department to determine whether it sustained a required budget reduction, we concluded in our February 2013 report that the department lacked the ability to comply with this law because it did not track expenditures at the park level. In June 2013 the director of the department distributed a memo describing the process the department intends to use in calculating each park's past expenditures and future costs. Although its process begins to address our concern, the department must complete and fully implement the process to calculate park unit costs to comply with the provisions of state law.

We also identified significant concerns related to some of the department's personnel processes. During our audit we identified additional instances in which the department inappropriately bought back leave. Moreover, despite the recent scrutiny over the unauthorized leave buybacks it processed in 2011, the department still has not done enough to prevent such practices from occurring again in the future. Although it disciplined four managers who were involved in the unauthorized leave buybacks, the department has not changed its processes or provided appropriate training to its staff. We also noted that although the department has established an Executive Personnel Review Committee (EPRC) to manage its staffing, it has not developed policies and procedures to govern the roles and responsibilities of the EPRC's members nor does EPRC communicate its decisions to the department director or executive office. Without better controls, training, and guidelines, the department may encounter future difficulties in its staffing and personnel actions.

Respectfully submitted,

Elaine M. Howle

ELAINE M. HOWLE, CPA
State Auditor

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Summary

Results in Brief

With a budget of nearly $574 million for fiscal year 2012–13, the Department of Parks and Recreation (department) manages 280 park units, such as state beaches, state historic parks, and off‑highway vehicle parks. Yet despite the magnitude of its budget and responsibilities, the department has not established effective processes for providing districts with their budget allocations and for tracking district expenditures. As a result, the five districts we visited identified significant concerns with the informal processes the department employs. Specifically, the department provides the districts with their budget allocations months after the fiscal year begins. As a result, the districts operate during the busy summer season using prior‑year allocations as their budgets, which some districts indicated was problematic in recent years because the official allocations they eventually received were sometimes significantly less than the prior‑year allocations. In addition, the department's process for tracking district expenditures to ensure that they remain within budget results in it performing unnecessary and duplicative work.

These concerns, if not corrected, will hamper the department's current efforts to establish a process for budgeting and tracking expenditures at the park level. State law requires that if the department sustains a required budget reduction after June 30, 2014, it must conduct a specific analysis prior to closing, partially closing, or reducing services at its parks. However, in a previous audit of the department that we issued in February 2013, we concluded that the department lacked the ability to comply with this law because it did not track expenditures at the park level. To address this issue, the director of the department distributed a memo in June 2013 to all managers and supervisors describing the process the department intended to use in calculating each park's past expenditures and future costs—the elements needed to complete the analysis required by state law. The methodology outlines three phases: calculating expenditures by park unit for fiscal year 2010–11, defining a process to track expenditures by park unit for fiscal year 2013–14, and developing individual park unit budgets to define what each park unit costs to operate.

Although the department received expenditure information for fiscal year 2010–11 by park unit from the districts in early August 2013, it still needs to allocate additional expenditures to park units, such as headquarters overhead, to complete phase one. Additionally, we have concerns about the department's ability to complete the remaining two phases of the methodology before the moratorium on park closures expires on June 30, 2014. Without a

Audit Highlights . . .

Our audit on the budgeting and personnel practices of the Department of Parks and Recreation (department) revealed the following:

» *The department has not established effective processes for providing districts with their budget allocations and for tracking district expenditures.*

  • *Districts do not receive their budget allocations until several months into the State's fiscal year, making planning of their expenditures challenging during critical summer months.*

  • *Untimely budget allocations cause districts to rely on prior‑year allocations to operate, resulting in problems when the official allocations are less than the prior‑year allocations.*

  • *The limitations of the department's Fiscal Tracking System generates duplicate information in tracking district expenditures.*

» *The department has not fully implemented a process for tracking expenditures at the park level to comply with the provisions of state law.*

» *The department has not done enough to prevent unauthorized leave buybacks from occurring in the future.*

» *The Executive Personnel Review Committee (EPRC) does not have policies and procedures in place to govern the roles and responsibilities of its members.*

» *The EPRC does not communicate its decisions to the department director or executive office to ensure its decisions are consistent with the vision of the department.*

complete and fully implemented process to calculate park unit costs, the department cannot comply with the provisions in state law or provide information to decision makers concerning the funding needed compared to the funding available to operate the parks.

We also noted significant concerns related to some of the department's personnel processes. In 2012 three state agencies reported on the department's unauthorized leave buybacks caused by weak controls and certain employees' circumvention of state policies and procedures. A leave buyback occurs when a department purchases accumulated leave time from employees in lieu of those employees taking the time off in the future. Although the State allows departments to purchase accumulated leave from employees covered by collective bargaining unit agreements in some specific circumstances, it has not authorized leave buybacks for employees not covered by bargaining unit agreements since 2007. However, in March 2012 the department's internal audit office reported that the department had inappropriately bought back nearly $271,000 in leave from 56 employees, primarily in its administrative services division, during 2011. Additionally, the internal audit report indicated that the department's Off-Highway Motor Vehicle Recreation Division (OHMVR division) had allowed unauthorized leave buybacks in 2007 and 2008. In May 2012 the Office of the Attorney General issued an investigative report concerning the administrative services division's 2011 buybacks and recommended the termination of the deputy director of administrative services—the highest-ranking employee who had knowledge of the buybacks at the department. Further, in December 2012 the State Controller's Office (state controller) released a payroll review in which it identified details on the controls the department breached to perform the 2011 buybacks.

During our current audit, we found additional instances in which the department inappropriately bought back leave. In its payroll review, the state controller identified three employees as possibly participating in the administrative services division's 2011 unauthorized leave buybacks. We determined that, although these three employees were not part of the administrative services division's buyback, the department did inappropriately buy back leave from them in 2011 totaling $15,400. We also found that the department inappropriately paid five other employees nearly $16,400 in leave. Specifically, in May 2010 the department's training officer at the time submitted a request to the personnel office to pay down compensating time off (CTO) balances for three support staff employees, even though their bargaining unit agreement did not allow for it. In addition, one staff services analyst who participated in the May 2010 buyback received an additional unauthorized CTO buyback of $8,721 in March 2011, and two other employees received inappropriate buybacks for personal holidays totaling $820 and $410 in October 2010 and February 2011, respectively. The managers authorizing these leave buybacks either relied on past practices or misunderstood the requirements related to leave buybacks, and the department's personnel office processed the transactions even though the department did not have the authority to do so. Despite all the recent concern over and scrutiny of the unauthorized leave buybacks, the department still has not done enough to prevent such practices from occurring. This is because, although it disciplined four managers who were involved in the 2011 leave buybacks, it has not changed its processes or provided appropriate training to its staff.

In the course of this audit we also noted weaknesses in some of the department's other personnel processes. For example, although the department established an Executive Personnel Review Committee (EPRC) to manage its staffing, it has not developed policies and procedures to govern the roles and responsibilities of the EPRC's members. As a result, we noted that the EPRC may not make consistent decisions on staffing requests and does not communicate its decisions to the department director or executive office.

Finally, until early 2012, the department's position control unit had a practice of circumventing state law to prevent the state controller from abolishing positions that were vacant for six consecutive monthly pay periods. The position control unit would temporarily transfer employees into vacant positions to avoid having those positions abolished. By making it appear as though vacant positions had been filled, the department avoided having to justify the need for those positions. The department told us that it has now discontinued this practice, which appears to be consistent with the data we reviewed. However, the department should improve its oversight of the employees who process these types of transactions to ensure that it does not violate state law in the future. Without better controls, training, and guidelines, the department may encounter future difficulties in its staffing and personnel actions.

Recommendations

To ensure that districts receive timely budget allocations, the department should establish and implement a formal allocation process by January 2014 that includes the following:

- A timeline that describes when the department will provide park districts with draft allocations, revisions to draft allocations, and final allocations.

- A description of the roles and responsibilities of key staff involved in the process, including budget office staff, the deputy directors and division chiefs for park operations and the OHMVR division, and district superintendents.

To reduce duplicate expenditure tracking and increase the effectiveness of its budget process, the department should develop procedures requiring the districts to prepare and submit spending plans and to periodically submit their total expenditures after reconciling them with its internally developed accounting system.

To ensure that it can comply with state law in the event that it must close parks or reduce park services in the future, the department should improve its methodology for developing individual park unit budgets and determining and tracking park-level costs.

To ensure that the Legislature has the information necessary to make any future decisions related to service reductions or park closures, beginning in fiscal year 2014–15 the department should provide it with an annual report that includes the costs to operate each park unit.

To prevent unauthorized leave buyback transactions, the department should do the following:

- Provide training by December 2013 to all department managers and personnel staff who might be involved in leave buyback transactions to ensure that they understand the State's requirements regarding leave buybacks.

- Establish written policies and procedures requiring the personnel office's transactions unit to obtain documentation from managers who request leave buyback transactions. The documentation should specify the authority for the leave buyback and include appropriate authorizing signatures.

- Increase the level of supervisory review to ensure that transactions unit staff process only authorized and properly coded leave buyback transactions.

To improve the effectiveness of the EPRC, the department should take the following actions by March 2014:

- Update its administrative manual to specify the members of the EPRC, the members' roles and responsibilities, and the personnel actions that the EPRC is responsible for reviewing.

- Establish policies and procedures to govern the EPRC's decisions on personnel actions. These policies and procedures should include the specific factors and their relative importance that the members must consider when making decisions and should require the EPRC to document its decisions and the reasons for those decisions.

- Require the EPRC to periodically provide a summary report of its decisions to the director's office so that the director can monitor whether those decisions are consistent with his priorities.

To ensure that its position control unit staff do not circumvent state law to preserve vacant positions, the department should establish a process to periodically review any personnel transactions that are not subject to EPRC review. It should provide a summary report of this review to the director's office and the EPRC.

Agency Comments

The department indicated that it plans to implement our recommendations.

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Introduction

Background

The Department of Parks and Recreation (department) is responsible for preserving the State's biological diversity; protecting natural, cultural, and historical resources; and creating opportunities for high-quality outdoor recreation for current and future generations to enjoy. With more than 3,800 positions and a budget of nearly $574 million for fiscal year 2012–13, the department manages 280 park properties or units, such as state beaches, state historic parks, recreational areas, historic homes, and off-highway vehicle parks. The department's park system is organized into 25 districts, five of which include off-highway vehicle parks. Many of the districts are further organized into 68 smaller groupings called sectors, with each sector comprising several park properties or units.

The Department's Structure

The department's director plans and controls the department's programs and activities. Under the director, the chief deputy director is responsible for the coordination and implementation of the department's mission as articulated by the director. The responsibilities of other key management positions are shown in Table 1 on the following page. The department's park operations and the Off-Highway Motor Vehicle Recreation Division (OHMVR division) each operates under the direction of its own deputy director. A deputy director also oversees the administrative services division, which is composed of several sections, as discussed below.

Park operations is responsible for the administration of all field operations. Its duties include providing technical leadership for the department's facilities maintenance program, cultural and natural resources, interpretation and education, public safety, and dispatch responsibilities.

Through its field divisions, park operations provides direct day-to-day service to the public in the state parks. The department's field divisions are divided into districts that are under the supervision of district superintendents. District superintendents provide leadership to the districts and ensure that district operations and programs are consistent with the department's mission, policies, and goals.

Table 1
Summary of Responsibilities for Certain Managers at the Department of Parks and Recreation

POSITION	KEY RESPONSIBILITIES
Chief deputy director	Coordinates the executive staff in planning, acquiring, developing, operating, and maintaining park units; develops budget strategy to adequately finance operations; and represents the Department of Parks and Recreation (department) in the director's absence.
Personnel officer	Manages and supervises the personnel services program under the general direction of the assistant deputy director of administration. Develops, administers, and evaluates all policies related to the department's personnel services, while acting as the policy authority on personnel issues for other department divisions and executive management. Provides direction and supervision to the personnel services division and labor relations office.
Budget officer	Oversees the preparation of the department's annual budget instructions and budget change proposals as well as its portion of the governor's budget under the general direction of the assistant deputy director for administration. Works with and makes recommendations to the director's office for policy or funding adjustments. Oversees the process of determining initial allocations to districts and divisions and adjusting those allocations during the year. Reviews and approves various documents, including personnel action requests, equipment requests, and out-of-state travel requests.
Deputy director for park operations	Directs the overall administration of the park units. Advises and assists the director in the formulation, administration, and continuing evaluation of departmental programs. Provides general direction to the division chiefs and district superintendents concerning the operation and maintenance of the park units.
Park operations northern and southern division chiefs	Implements the general policies established by the director and the State Park and Recreation Commission, with general direction from the park operations deputy director. Establishes operating procedures consistent with the department's policies. Plans, organizes, and directs the operation of park units within their respective divisions. Manages division programs for park operations.
Deputy director of Off-Highway Motor Vehicle Recreation Division	Directs and manages the Off-Highway Motor Vehicle Recreation Division (OHMVR division) and the Off-Highway Motor Vehicle Recreation Program. Represents the director of the Off-Highway Motor Vehicle Recreation Commission (OHMVR commission). Administers the grants and cooperative agreement program, including budgeting, public hearings, and auditing. Oversees the management, maintenance, administration, and operation of lands in the off-highway vehicle system.
OHMVR division chief	Implements the general policies established by the director, deputy director, and the OHMVR commission. Establishes operating procedures consistent with those policies. Plans, organizes, and directs the operation of park units within the division. Manages all programs within the division.
District superintendent	Manages a district under the supervision of a division chief. Plans, organizes, implements, directs, reviews, and controls activities that contribute toward achieving the overall district and department mission and objectives. Reviews and approves district budget and management plans. Monitors district funds and expenditures and assures effective utilization of resources.
District administrative officer	Oversees all components of the district's administration program under the direction of the district superintendent. These components include personnel, fiscal administration, management and supervision, contract preparation, budget preparation and management, and information technology.

Source: Duty statements provided by the department's personnel office.

Under administrative direction of the deputy director, the OHMVR division is responsible for the planning, acquisition, development, management, operation, and conservation of the state vehicular recreation area and trail system. It also provides facilities for the use of off-highway vehicles and is responsible for minimizing the deleterious impact of off-highway vehicles on the environment and native wildlife.

Finally, the administrative services division is responsible for the department's budget, accounting, business services, training, information technology, and personnel management programs and their related support requirements. Each of these sections has its own duties, as the following examples show:

- The accounting section prepares financial and statistical reports, controls the expenditure of funds, maintains accounting records, and assists other units in resolving fiscal issues.

- The budget section reviews proposed legislation to determine the fiscal impact on the department, assists management in planning and developing the department's budget, evaluates budget requests, and sets budget standards and procedures.

- The personnel section comprises several units that provide a variety of centralized personnel services. For instance, the transactions unit is responsible for managing the department's payroll and monitoring employees' attendance and leave balances. The classification and pay unit establishes new types of positions and monitors transfers between classifications.

The State's Process for Buying Back Employee Leave

The State provides its employees with a number of different types of leave, such as vacation, annual, sick, and holiday. Depending on the type of leave, employees may accrue it, use it with the department's approval, or transfer it to other employees. Additionally, certain employees may be eligible to earn compensating time off (CTO) when they work more than 40 hours in a week. Under certain circumstances, the State's collective bargaining unit agreements may authorize or require departments to purchase accumulated CTO. For example, the bargaining unit 7 agreement between the State and the California Statewide Law Enforcement Association requires departments to reduce employees' CTO balances to 80 hours or less when the employees transfer between park districts.

State regulations specify that the Department of Personnel Administration will determine annually whether or not departments can offer to buy back leave from employees who are not covered by collective bargaining agreements, such as employees in managerial and supervisory positions. However, this responsibility shifted to the California Department of Human Resources (CalHR), which the governor's reorganization plan recently created by consolidating the Department of Personnel Administration with certain programs of the State Personnel Board. CalHR maintains the *Benefits Administration Manual*, which is an online resource that covers all employee benefit programs. The *Benefits Administration Manual* has contained an admonition since October 2008 that the State has indefinitely suspended its leave buyback program in all instances that are not covered by bargaining unit agreements.

In the event that CalHR or the bargaining unit agreements authorize leave buybacks, CalHR or the bargaining unit agreements provide specific instructions to departments detailing when they are authorized to buy back employee leave credits, what types of leave credits they can buy back, and the specific types of employees from whom they can buy leave. According to the *Benefits Administration Manual*, the State Controller's Office (state controller) is responsible for providing instructions for requesting leave buyback payments. The state controller maintains a *Payroll Procedures Manual*, which provides personnel staff at departments with specific instructions for processing payroll transactions such as leave buybacks and identifies the specific coding that departments should use in each type of transaction.

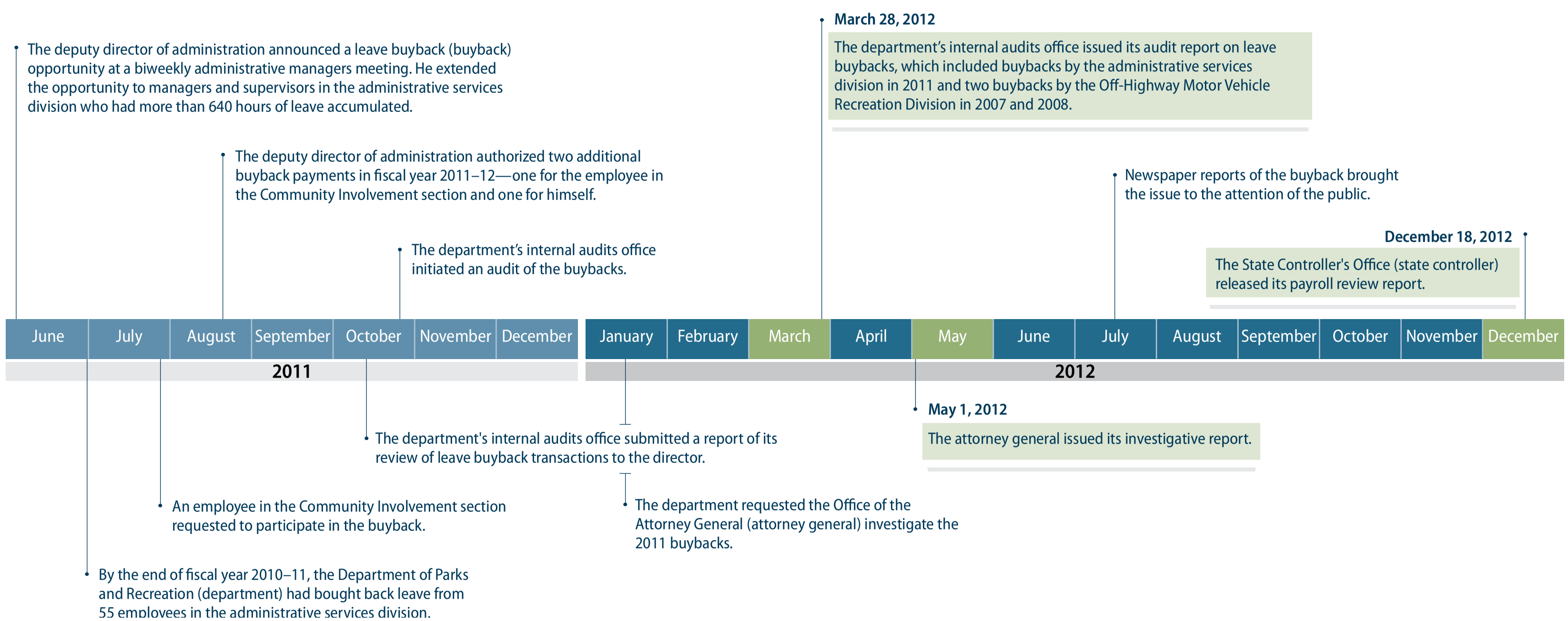
Other Audits, Investigations, and Reviews of the Department's Unauthorized Leave Buybacks

In 2012 three different entities issued reports discussing the department's unauthorized leave buybacks. Specifically, in March 2012 the department's internal audit office reported that during June and August 2011 the department's administrative services division inappropriately bought back nearly $271,000 in leave from 56 employees, primarily in the administrative services division. The report noted that personnel services section management at the time of the 2011 buybacks stated that its intention was to spend surplus funds in the administrative services division's budget for fiscal year 2010–11 that would otherwise have reverted at the end of the fiscal year. The report also disclosed that the department's former deputy director of administrative services authorized buyback payments for two employees using funds from fiscal year 2011–12, as shown in Figure 1.

In addition, the internal audit report indicated that the department had facilitated two earlier unauthorized leave buybacks in the OHMVR division in 2007 and 2008. The department bought back leave from 20 employees in a July 2007 leave buyback, for a total of more than $111,000, and from 40 employees in a July 2008 leave buyback, for a total of nearly $198,000. The report states that in both instances the department deliberately circumvented controls by processing the transactions as overtime payments. This is similar to the method used for the buyback that occurred in 2011, which we discuss in more detail in Chapter 2. Additionally, the department's internal audit report identified concerns with the personnel services section's lack of documentation for the 2007 and 2008 buybacks, which made it difficult to determine who initiated and approved them.

Figure 1

Timeline of Events Related to the Previously Reported 2011 Unauthorized Leave Buybacks at the Department of Parks and Recreation



Sources: The department's internal audit report, the attorney general's report of investigation, the state controller's payroll review, and newspaper articles.

As depicted in Figure 1, in January 2012 the department requested that the Office of the Attorney General investigate the 2011 buyback. In May 2012 the attorney general released its investigative report, which disclosed that the deputy director of administrative services authorized the buybacks and was the highest-ranking employee who had knowledge of them. The report stated that the deputy director had relied on his subordinates—the acting and assistant personnel officers at the time—who informed him that the department had previously bought back leave. According to the investigative report, he assumed that these subordinates had performed the appropriate research to establish the propriety of the buybacks and made no effort to determine if the department had the necessary authority. The report concluded that the self-serving behavior of the deputy director of administrative services caused him to be insubordinate and act with willful disobedience and therefore recommended that the department terminate his employment.

The state controller also performed a review of the department's payroll processes for the period of July 1, 2009, through June 30, 2012, and issued its report in December 2012. The report identified concerns with the department management's circumvention of controls, lack of proper supporting documentation, and failure to follow state personnel and payroll procedures. In Chapter 2 we describe in more detail some of the specific control weaknesses the state controller identified related to the leave buybacks.

Scope and Methodology

The Joint Legislative Audit Committee (audit committee) directed the California State Auditor (state auditor) to conduct an audit of the department's oversight and management of the state park system and its personnel, program, and budgeting practices. We conducted this audit in two phases. We discuss the methodology and findings for the first phase's objectives in our audit report titled *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*, Report 2012-121.1, February 2013. Within this current report, we have included the methodology and findings related to the objectives in the second phase, which we identify in Table 2.

Table 2
Audit Objectives and the Methods Used to Address Them

	AUDIT OBJECTIVE	METHOD
1	Review and evaluate the laws, rules, and regulations significant to the audit objectives.	We reviewed relevant laws, regulations, and other background materials applicable to the state park system and to state budgeting and accounting requirements.
2	Determine the Department of Parks and Recreation's (department) current number of vacant positions. Further, determine the amount budgeted for these vacant positions.	• We obtained position roster data from the State Controller's Office (state controller) and determined the department's number of full-time equivalent (FTE) vacant positions as of March 2013. • We used salary range information to calculate the value of the FTE vacant positions as of March 2013.
3	Review and assess the department's process for monitoring staffing decisions. Determine whether improvements in the process are necessary to ensure management is aware of significant staffing decisions.	• We interviewed members of the department's Executive Personnel Review Committee (EPRC) to gain an understanding of its processes. • We interviewed district staff about their interactions with the EPRC. • We interviewed executive management to understand the extent to which the director and chief deputy director are informed and involved in the EPRC's staffing decisions.
4	For any vacation buyouts that occurred at the department in the most recent three-year period, determine the following: a. The number and dollar amount of the vacation buyouts. b. The source of funds used for the vacation buyouts. c. The extent to which programs were affected by the vacation buyouts. d. The legal or regulatory authority the department cited to support the vacation buyouts. e. Whether any internal controls were breached to perform the vacation buyouts. f. Whether any additional controls should be implemented to ensure only properly authorized vacation buyouts occur in the future.	• Using leave balance and payroll information from the state controller, we identified transactions from July 2009 through March 2013 in which the department paid employees for leave that were identified as buyback transactions in the leave accounting system. We also identified buyback transactions based on our knowledge of the process the department used in the 2011 buybacks. Further, we requested documentation from the department to show the authority for all new buyback transactions we identified. • Using the position number information for the employees who participated in the buybacks, we determined which funds the department used to support those payments. • We determined the impact that unauthorized leave buybacks have had on the department's programs. • We reviewed previously issued audits, investigations, and reports to identify any authority the department cited to authorize the buybacks. • We reviewed control weaknesses identified in previously issued audits, investigations, and reports and followed up with key department staff to determine whether the department had addressed those control weaknesses. We also determined the control weaknesses that allowed the new leave buybacks we identified to occur and suggested the additional controls needed to prevent future unauthorized buybacks.
5	For the State Parks and Recreation Fund and the Off-Highway Vehicle Trust Fund, perform the following for the most recent three-year period: a. Identify the statutory purposes for which the revenue in each fund is to be expended. b. Identify the revenue sources for each fund. c. Identify any reserve balances and the accounts in which the reserve balances are held. d. Determine the period of time over which the reserve amounts grew and whether the reserve balances were accurately reported to the Department of Finance (Finance) and the Legislature during that time period. If this information was not accurately reported to Finance and the Legislature, determine the reasons. e. Determine the methods used by the department, Finance, and the state controller to ensure the accuracy of financial data in their respective reports.	We addressed this objective in our previous report, *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*, Report 2012-121.1, February 2013.

continued on next page . . .

	AUDIT OBJECTIVE	METHOD
6	Determine the status of any cost reduction or revenue enhancing measures, such as operational agreements, donations, and concessions, which have been or are being negotiated by the department in an effort to keep park units open. Determine the total amount of these cost reduction or revenue enhancing measures and their impact on the operations of the department, including its park unit closure plan.	We addressed this objective in our February 2013 report.
7	Review and assess the process the department uses to track the budget of each park unit. Determine whether the department should take any corrective action to ensure the accounting and reporting of funds and eliminate any deficiencies in the methods it uses to track those funds.	• We interviewed relevant staff in the budget office, Off-Highway Motor Vehicle Recreation Division, and park operations to understand the department's process for allocating budget amounts to districts and for tracking their budgeted allocations throughout the year. • We visited five park districts and interviewed key staff to understand the budget allocation process and the challenges the districts face as they begin to determine individual park operating costs.
8	Review and assess any other issues that are significant to the department's oversight and management of the state park system.	• We performed limited procedures on three recommendations that were outstanding after one year from our report *Off-Highway Motor Vehicle Recreation Program: The Lack of a Shared Vision and Questionable Use of Program Funds Limits Its Effectiveness,* Report 2004-126, August 2005, as shown in Table A of the Appendix. • We reviewed the state controller's audit workpapers relating to employees who received overtime pay during furlough periods and workpapers related to potential additional leave buybacks. We followed up with key staff at the department and reviewed relevant personnel documents.

Sources: California State Auditor's analysis of Joint Legislative Audit Committee audit request number 2012-121, the planning documents, and analysis of information and documentation identified in the table column titled *Method*.

Assessment of Data Reliability

In performing this audit, we relied on various electronic data files extracted from the information systems listed in Table 3. The U.S. Government Accountability Office, whose standards we follow, requires us to assess the sufficiency and appropriateness of computer-processed information that we use to support our findings, conclusions, or recommendations. Table 3 shows the results of our assessment.

Table 3
Methods to Assess Data Reliability

INFORMATION SYSTEM	PURPOSE	METHODS AND RESULTS	CONCLUSION
Department of Parks and Recreation (department) Uniform State Payroll System (payroll system) Department's payroll data as maintained by the State Controller's Office (state controller) for the period from July 1, 2009, through March 31, 2013.	For the period from July 2009 through March 2013, identify all instances in which the department changed an employee's position number but did not change his or her civil service class or exempt position title.	• We performed data-set verification procedures and electronic testing of key data elements and found no significant issues. • We relied on the completeness testing performed as part of the State's annual financial audit for payroll transactions between July 2009 and June 2012. Since the State's financial audit for fiscal year 2012–13 is still in progress, we cannot rely on this report to verify completeness for the period from July 2012 through March 2013. However, because we found the payroll data to be complete between July 2009 and June 2012, we have reasonable assurance that the payroll data for the period from July 2012 through March 2013 are also complete. • We performed accuracy testing on a random sample of 29 payroll transactions by tracing key data elements to supporting documentation and found no errors.	Sufficiently reliable for the purpose of this audit.
Department Payroll system Payroll data as maintained by the state controller for employees of the department between July 1, 2009, and March 31, 2013.	For the period from July 2009 through March 2013, determine the total number and dollar amount of potential leave buyback transactions by fiscal year.*	• We performed data-set verification procedures and electronic testing of key data elements and found no significant issues. • We relied on the completeness testing performed as part of the State's annual financial audit for payroll transactions between July 2009 and June 2012. Since the State's financial audit for fiscal year 2012–13 is still in progress, we cannot rely on this report to verify completeness for the period from July 2012 through March 2013. However, because we found the payroll data to be complete between July 2009 and June 2012, we have reasonable assurance that the payroll data for the period from July 2012 through March 2013 are also complete. • We did not perform accuracy testing because the department miscoded some of the buyback transactions.	Not sufficiently reliable for the purpose of this audit. We present these data despite the problems noted because they represent the best available electronic source of this information.
Department California Leave Accounting System (leave accounting) Department's leave accounting data as maintained by the state controller for the period from July 1, 2009, through March 31, 2013.	For the period from July 2009 through March 2013, determine the total number and dollar amount of potential leave buyback transactions by fiscal year.	• We performed data-set verification procedures and electronic testing of key data elements and found no significant issues. • We did not perform accuracy and completeness testing of the leave accounting data because the department miscoded some of its leave transactions as though the employee was using leave when the employee was actually receiving a payment in exchange for the leave. Further, the department's internal audit report confirmed the miscoding of leave transactions from as early as 2007. As a result, we determined that additional testing of this data was not warranted.	Not sufficiently reliable for the purpose of this audit. We present these data despite the problems noted because they represent the best available electronic source of this information.

continued on next page . . .

INFORMATION SYSTEM	PURPOSE	METHODS AND RESULTS	CONCLUSION
Department Position Roster File (position roster) Department's position data as maintained by the state controller for the period from July 1, 2009, through March 31, 2013.	For the March 2013 pay period, identify all positions for which the full-time equivalent units paid were less than the full-time equivalent units authorized. For the period from July 2009 through March 2013, identify all vacant positions and determine the length of time they remained vacant. For the period from July 2009 through March 2013, identify all instances in which a position was vacant for six or more consecutive months.	• We performed data-set verification procedures and electronic testing of key data elements and found no significant issues. • We were unable to verify the accuracy and completeness of the position roster data because the state controller erroneously destroyed its hard-copy source documents. Specifically, as of fiscal year 2012–13, the state controller's record retention schedule required it to retain the hard-copy documents that support changes to established positions occurring on or after July 1, 2009. However, the state controller prematurely destroyed the documents for the period from July 2009 through April 2010.	Not sufficiently reliable for the purposes of this audit. We present these data despite the problems noted because they represent the best available electronic source of this information.

Sources: California State Auditor's analysis of various documents and data obtained from the state controller.

* A leave buyback occurs when eligible employees receive payment at their regular salary rate in exchange for certain leave benefits.

Chapter 1

WEAKNESSES IN THE DEPARTMENT OF PARKS AND RECREATION'S PROCESSES FOR ALLOCATING BUDGETS AND TRACKING EXPENDITURES LIMIT ITS ABILITY TO MANAGE THE PARK SYSTEM

Chapter Summary

The Department of Parks and Recreation's (department) informal processes for providing park districts their budget allocations and tracking their expenditures are inefficient and ineffective. Because the department has not developed a formal process for allocating budgets to park districts, the five districts we visited identified concerns that make it difficult for them to manage their operations. Specifically, the districts told us they do not typically receive their budget allocations until several months into the State's fiscal year, which begins on July 1. This makes planning their expenditures challenging because they do not know their budgets during the summer months, which are their busiest and most important in terms of spending. In addition, the districts stated that the process the department uses to ensure that they remain within their allocations is unnecessarily redundant.

These concerns, if not addressed, will hamper the department's current efforts to budget and track expenditures at the park level. The success of these efforts is critical for the department to comply with state law, which requires, beginning July 1, 2014, that the department close parks or reduce park services to achieve any required budget reductions if its funding falls below the amount needed to fully operate its 278 parks at the 2010 level.

In June 2013 the director of the department distributed a memo to all managers and supervisors that described the methodology the department intends to use to determine past expenditures and future park unit costs. The methodology outlines the three phases that the department intends to complete to accomplish the process of identifying past expenditures and future costs for each park. However, the methodology lacks critical information about how the department will implement each phase and fails to provide a time frame for accomplishing certain key steps. Specifically, the department does not explain how it will reconcile individual park costs to the actual expenditures for fiscal year 2010–11, when it will provide necessary training to the districts to ensure consistency in the way it captures and retrieves data in its fiscal tracking system, and how and when it will define service levels at parks. Given the fact that the department has less than a year to establish an effective process for determining park costs, we are concerned about these significant omissions.

The Department Lacks a Formal Budget Allocation Process

Although the department tracks budgets and expenditures at the district level, its existing informal processes are at times inefficient and ineffective. Key staff at the department's headquarters and the five park districts we visited confirmed that the department has no documented process that describes how and when it will distribute budget allocations to park districts. Based on conversations with the budget officer, the deputy director and division chiefs in park operations and the Off-Highway Motor Vehicle Recreation Division (OHMVR division), and district staff, we developed Figure 2 to show the informal budget allocation process the department used for fiscal year 2012–13. District superintendents and administrative managers at the five park districts we visited identified significant concerns with this informal budget process.

The Five Park Districts We Visited

- **Marin***: Headquartered in Petaluma, the Marin district operates 26 parks within four sectors. It received a budget allocation of $7.6 million for fiscal year 2012–13.
- **Gold Fields**: Headquartered in Folsom, the Gold Fields district operates eight parks within four sectors. It received a budget allocation of $5 million for fiscal year 2012–13.
- **San Diego Coast**: Headquartered in San Diego, the San Diego Coast district operates 12 parks within three sectors. It received a budget allocation of $9.3 million for fiscal year 2012–13.
- **Central Valley:** Headquartered in Columbia, the Central Valley district operates 14 parks within three sectors. It received a budget allocation of $8.6 million for fiscal year 2012–13.
- **Oceano Dunes**: Headquartered in Pismo Beach, the Oceano Dunes district operates two parks, including one state vehicular recreation area, within two sectors. It received a budget allocation of $6.3 million for fiscal year 2012–13.

Sources: The Department of Parks and Recreation's (department) Web site, the department's *California State Park System Statistical Report* for fiscal year 2011–12, and budget information provided by the department's budget officer and the northern division chief of park operations.

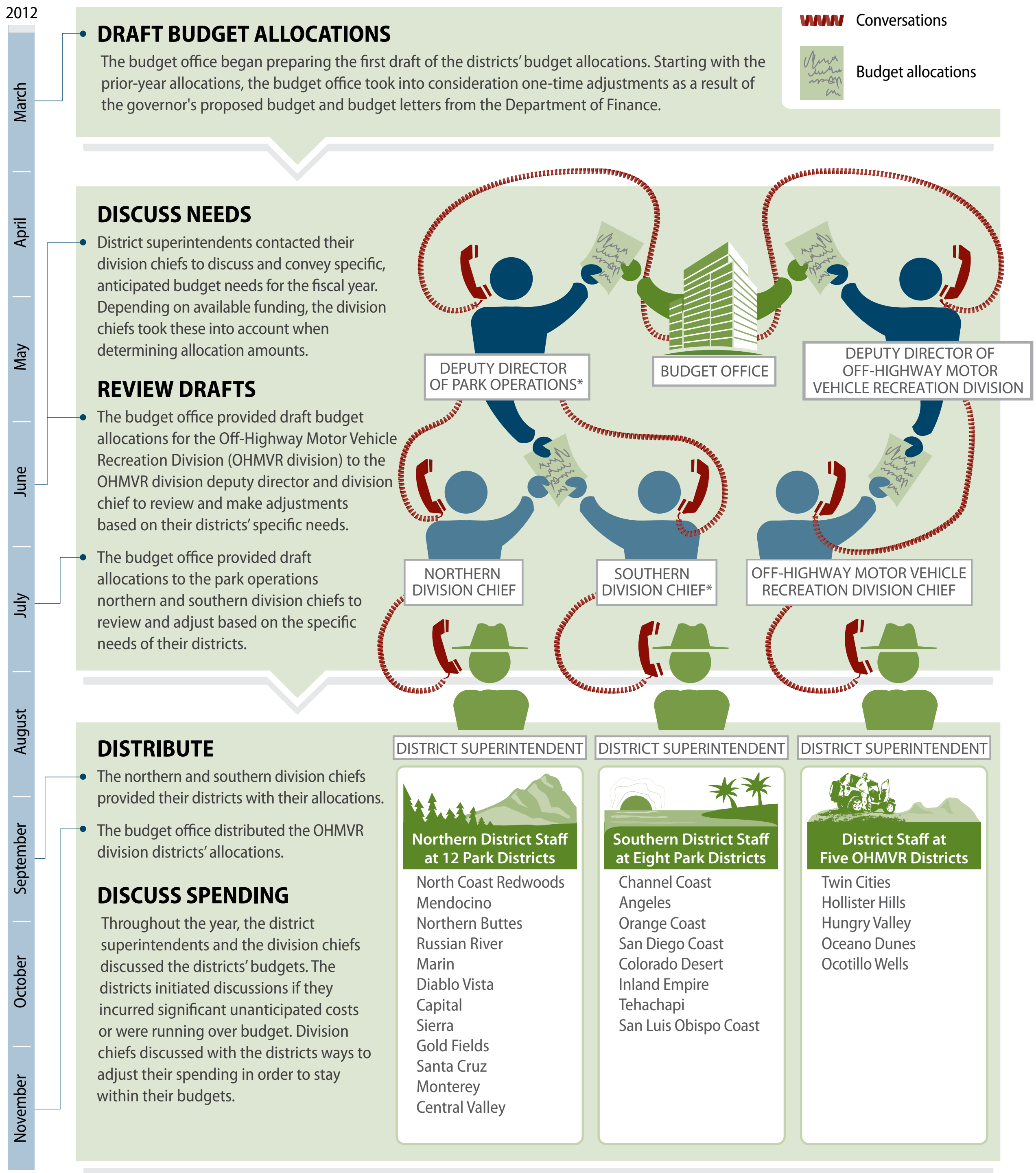
* According to the Marin district superintendent, the Marin district is in the process of merging with the Diablo Vista district. We, therefore, included both districts when presenting the number of the Marin district's parks and the amount of its allocation.

The Department Does Not Provide Districts With Their Budget Allocations in a Timely Manner

Although the State's fiscal year begins on July 1, managers at the five districts we visited—identified in the text box—told us that the department generally provides them with their budget allocations sometime between August and November. This delayed distribution creates difficulties for districts when planning their expenditures during the critical summer months. When we asked the budget officer when the districts received their allocations for fiscal year 2012–13, the only documentation she could provide us was a memorandum addressed to the districts dated in September 2012. This corresponds with statements by the park operations division chiefs, who told us they provided allocations to their districts in a meeting in September 2012. The administrative chief for the OHMVR division told us that the budget office provided the off-highway vehicle districts with their allocations in November 2012.

Conversations we had with the park operations division chiefs indicated that poor communication between park operations management and the budget office contributed to the late distribution of allocations to districts for fiscal year 2012–13. As shown in Figure 2, in July 2012 the budget office provided draft budget allocations to the park operations division chiefs to give them an opportunity to make adjustments based on the specific needs of each district. According to the park

Figure 2
Department of Parks and Recreation's Informal District Budget Allocation Process
Fiscal Year 2012–13



Sources: Department of Parks and Recreation's chief deputy director, deputy director of administrative services, park operations division chiefs, budget officer, and OHMVR division chief.

* The park operations chief for the southern division was also the acting deputy director of park operations from July 2012 through March 2013.

operations division chiefs, the budget officer verbally informed them that the department had an additional $14 million, but it was not included in the draft allocations.[1] However, the park operations division chiefs stated that they were unable to obtain confirmation from the budget office as to how much, if any, of the additional $14 million would go to park operations. Despite their attempts to obtain clarification regarding the $14 million, the division chiefs stated that they provided each district with its allocation—the original allocations provided by the budget office in July 2012—during a district superintendents meeting in September 2012. According to the division chiefs, in October 2012 the deputy director of administrative services at the time confirmed that the additional $14 million would go to park operations, and the park operations division chiefs emailed the revised allocations to the districts later that month.

We expected that the park operations division chiefs would have provided the initial allocations to the districts in July and then amended them later after confirming that the additional allocations would go to park operations, rather than waiting to distribute them in September. According to the park operations southern division chief, she did not provide the districts with their initial allocations in July because she was concerned that the allocation reductions were so extreme that they would cause massive cuts in park operations. She stated that she had hoped to confirm sooner that the additional $14 million would go to park operations in order to provide the districts with more realistic allocations. However, we believe that park operations management should have communicated such massive cuts in July so the districts could plan accordingly in the event park operations did not receive the additional $14 million. Additionally, the department would benefit from a more formal budget allocation process that establishes clear lines of communication so that management in park operations can provide clear budgetary information to park districts.

As a result of districts not receiving their budget allocations in a timely manner, they would use the prior year's allocation to budget their expenditures during the first crucial months of the fiscal year.

The districts explained to us that as a result of not receiving their allocations in a timely manner, they would use the prior year's allocation to budget their expenditures during the first crucial months of the fiscal year. Some stated that they also take into consideration any anticipated budget cuts. Four of the five districts explained that relying on their prior year's allocation has been problematic in recent years because the official allocations the department eventually provided to them were at times significantly less than the allocations they had received in previous years. As a result, these four districts stated that they spent the remainder of those fiscal years adjusting their spending to stay within their budget allocations.

1 The park operations chief for the southern division was also the acting deputy director of park operations from July 2012 through March 2013.

In addition to receiving their allocations after the fiscal year was underway, four of the districts told us that at times the department has informed them in April or May that they would receive extra funding. However, district staff explained that receiving additional allocations that late in the fiscal year makes it difficult to increase staffing levels or enter into contracts before the end of the fiscal year. The park operations southern division chief stated that when the districts could not use the additional money, the department management tried to use it for general operational support that could accomplish critical tasks that would carry over into the next fiscal year, such as performing deferred maintenance or entering into a paving or trash contract. However, she could not provide documentation for a specific example.

Although the deputy director of administrative services and the park operations division chiefs agree that the department needs to formally outline its budget allocation process, they have not worked to develop written policies and procedures. The deputy director of administrative services stated that recent changes in management have made it difficult for the budget office to find the time to document its process. However, she agreed that the written procedures should define the roles and responsibilities of the parties involved in the budgeting process. She further stated that she expects the budget office will begin to develop a formal budget allocation process in September 2013 and that it should take at least two months for the department to finalize and implement the necessary policies and procedures. When we spoke with the two park operations division chiefs, neither could provide an explanation of why the department had not developed written policies and procedures, but they agreed that it should do so in the future to ensure that information received by the districts is timely and useful.

When the department establishes a formal budget process, we believe that it should follow a timeline similar to the one the State employs. The deputy director of administrative services explained that late budget hearings in May or June can cause delays in the park districts receiving their budget allocations, and she believes it is more effective to wait until the hearings are over before providing districts with their allocations, because changes in the allocations would create more confusion and questions from the districts. However, we believe the department should establish a process that mirrors the State's, in which the governor's budget proposes funding in January, is adjusted and revised in May, and is finalized in June. If the department followed this timeline, it could distribute allocations to districts at the beginning of the fiscal year in July. Just as state departments manage the fluctuations from the preliminary allocations they receive, the districts could manage fluctuations if the department administered the process consistently.

We believe the department should establish a process that mirrors the State's, in which the governor's budget proposes funding in January, is adjusted and revised in May, and is finalized in June; thus, it could distribute allocations to districts at the beginning of the fiscal year in July.

When we spoke with the chief deputy director, he agreed that a process similar to the State's would be a reasonable alternative to the department's current approach, and he indicated that he would consider implementing such a process. Developing a formal budget allocation process with set timelines would alleviate district uncertainty, because districts would know when to expect their allocations or changes to allocations. Moreover, we believe that providing the districts with their allocations earlier in the year—even draft allocations that are subject to change—would allow them to manage their operations more effectively.

The Department's Process for Tracking District Expenditures Results in Duplicative Work

Although districts and headquarters use the department's internally developed Fiscal Tracking System (FTS) track expenditures and monitor spending, four of the five districts we visited told us they also use other tools to separately track their expenditures to manage their operations. These districts stated that they developed other means of tracking their spending because of FTS's limitations.

The FTS limitations noted by some districts we visited involve the inability to run necessary reports and access current information.

The FTS limitations noted by some districts we visited involve the inability to run necessary reports and access current information. The department's FTS manual states that FTS is more flexible in reporting because it allows users to view more data in a single system and provides the ability to create custom reports. However, two districts we visited told us that even though they can enter park-level expenditures into FTS, its reports show only activity at the sector level. In addition, the districts explained that the expenditures reflected in the FTS may not be up to date. For example, the administrative officer at the Oceano Dunes district explained that credit card purchases may take several weeks to show up in the FTS because of the length of time it takes accounting services to pay the bill and key the information into the California State Accounting and Reporting System. The administrative officer added that as of early June 2013, the most up-to-date credit card expenditure information reflected in the FTS was for late March—a lag of more than two months.

As a result, four of the five districts we visited indicated that they have developed their own spreadsheets or databases to track their expenditures on a more real-time basis. For example, the San Diego district superintendent told us that the district uses spreadsheets to track its expenditures and then reconciles the spreadsheets with the FTS. He also stated that the district develops a spending plan for the entire year that breaks down how much the district will spend on salaries and operating expenditures. He indicated that this tracking of expenditures in real time allows the district to have a better sense of what it has actually spent than the budget office does. Similarly, the

Central Valley district superintendent said that his district develops annual spending plans for its sectors and uses an internal database to track sector expenditures on a real-time basis.

Although the department uses the FTS to oversee district spending, its efforts duplicate work some of the districts are already performing. Specifically, the division chiefs stated that they use the FTS to monitor the districts' spending during the fiscal year so that they can follow up with district superintendents if districts overspend or are projected to overspend their budget allocations. However, because the information the districts separately maintain is more current than the information in the FTS, the division chiefs may have inaccurate or outdated information. A more effective oversight process would include having the districts periodically update their spending plans, internal expenditure tracking reports, and reconciliations with the FTS and provide these documents to the division chiefs for review. The chief deputy director told us that the approach we suggested is something he would consider implementing.

Additionally, the budget officer told us that her office uses the FTS to monitor district spending and develop and provide expenditure projections to the districts to help them stay within their budget allocations. However, because districts track their own expenditures and generally use more up-to-date information than is available in the FTS, the budget office's projection reports may not be useful. For example, the administrative chief at the Gold Fields district stated that it is unclear to most field staff exactly what formula or calculations the budget office uses to arrive at its year-end projections. Further, she explained that the budget office sends data produced from the FTS to the districts with emails detailing transactions that the districts themselves entered into the FTS, which she does not find useful. The San Diego district superintendent also said that the reports the budget office provides cannot take the place of his district's internal tracking process and that the budget office's projections are either inflated or underestimated because the budget office bases them on data from the FTS that is not current. However, he did state that regular contact with the budget office is valuable because it provides an opportunity to clarify the status of the district's expenditures.

Because districts track their own expenditures and generally use more up-to-date information than is available in the FTS, the department's budget office's projection reports may not be useful.

Moreover, because its projections may not be accurate, the budget office's recommendations to approve or deny personnel action requests may be flawed. As we discuss more fully in Chapter 2, the Executive Personnel Review Committee (EPRC) considers the availability of funds as a factor when it makes decisions regarding personnel requests. To aid this process, the budget office provides the EPRC with recommendations to approve or deny requests based on the availability of funds. However, the information on which the budget office bases its recommendations may not be accurate or up to date.

On the whole, the time the budget office uses to develop the information it sends to districts could be better spent providing support to districts in other ways. For example, rather than providing the districts with out-of-date projections or information that district staff have already entered into the FTS, the budget office could provide oversight by working with the districts to develop a better understanding of their spending plans and real-time expenditures. With this better understanding, the budget office may be better positioned to make accurate recommendations to the EPRC.

Until It Fully Implements a Process for Tracking Park Costs, the Department Cannot Comply With State Law

On July 1, 2014, state law mandates that the department achieve required budget reductions by closing, partially closing, or reducing services at its parks if its funding falls below the amount necessary to fully operate its 278 parks at the 2010 level.

In our February 2013 report titled *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*, Report 2012-121.1, we reported that the department did not track expenditures at the park level, which it needs to do to comply with state law. Specifically, on July 1, 2014, state law mandates that the department achieve required budget reductions by closing, partially closing, or reducing services at its parks if its funding falls below the amount necessary to fully operate its 278 parks at the 2010 level. To calculate the need for potential park closures, state law requires the department to consider, among other factors, the net savings that would result from closing each park unit to maximize savings to the state park system. To make this calculation, the department needs to know how much it costs to operate each park in the system.

Since the issuance of our February 2013 report, the department has taken steps toward tracking individual park costs. In March 2013 it created a team charged with the task of producing a methodology for calculating park unit expenditures. Some team members included the budget officer, the accounting chief, and superintendents from various park districts. As a result of the team's work, in June 2013 the director distributed a memo to all managers and supervisors describing the process that the department plans to use for calculating park unit costs. Specifically, the department's plan outlines three phases to determine past expenditures and future costs:

- Calculating expenditures by park unit for fiscal year 2010–11.
- Defining a process to track expenditures by park unit for fiscal year 2013–14.
- Developing individual park unit budgets to define what each park unit costs to operate.

This process begins to address the statutory requirement; however, the department has not yet fully explained how it will accomplish all of its goals. For example, the first phase of the department's methodology requires districts to calculate and compile the cost to run each park unit in fiscal year 2010–11 by determining a number of factors, such as the percentage of time each employee spent at each park unit in that year. Although the department's process provides districts with a detailed plan for determining these costs, it does not address how the department will reconcile all of the individual park costs to that fiscal year's actual expenditures to operate the parks, as we recommended in our prior report issued in February 2013. The June 2013 memo required the districts to calculate expenditures for fiscal year 2010–11 and report them through their chain of command by August 1, 2013. However, although the expenditures the department received show the breakdown by park unit, some expenditures for overhead had not yet been allocated at the park unit level. For example, the districts provided their departmentwide overhead amounts but some did not allocate those expenditures to the individual parks. Also, the districts' park-level expenditures do not include headquarters' overhead amounts, which, according to the deputy director of administrative services, are being generated by administrative services and will be allocated to the individual parks by September 2013.

Although the districts' reported expenditures show the breakdown by park unit, some expenditures for overhead amounts had not yet been allocated at the park unit level.

The department's descriptions of the second and third phases of the process are also incomplete and lack the detail that the districts will need to successfully track expenditures and budget by park unit going forward. The department's description of the second phase of the methodology states that several changes must occur in the way the department captures and retrieves data before it can track expenditures at the park unit level. For instance, one change involves resolving the current limitations of the department's FTS so that the system can generate reports by park unit. In August 2013 the department was able to demonstrate that the FTS can now generate such reports. The description of the second phase also states that the department must provide training to the districts to ensure consistency with data collection. However, the methodology does not address when the training will occur. Although the director's memo states that the department will begin its process of capturing all expenditures by park unit in July 2013, we are concerned that the department has not established a detailed timeline for completing each of the key components of this phase, such as identifying when it plans to complete the training for the districts. Until they receive the necessary training, the districts may not capture and report the data consistently, which could result in inaccurate or incomplete expenditures.

The department's description of the third phase focuses on developing park unit budgets but does not provide enough detail for us to determine whether its approach is reasonable. Specifically, the description explains that in order to determine a cost or budget for each park unit, the department must define the service level for each park unit and develop measures that quantify whether the service levels are being met. Although the department identifies some examples of possible measures and the related data it would need to capture, it does not specify a time frame for when it will define service levels or determine which measures it will actually use. Therefore, we cannot comment on the reasonableness of the department's plan or its time frame for this phase of the methodology. Until the department defines the service levels for its park units, it may be difficult for the department to convince the Legislature and other decision makers of the necessity or appropriateness of proposed increases to its budget to operate the park system.

State law has placed a moratorium on the department closing any parks through June 30, 2014. However, it is critical that the department complete and fully implement its process for determining individual park costs soon so that it has the capability to comply with state law regarding future park service reductions or closures. Moreover, the department's ability to provide information on park-level expenditures is key for decision makers to make fully informed decisions regarding funding for the park system.

Recommendations

To ensure that districts receive timely budget allocations, the department should establish and implement a formal allocation process by January 2014 that includes the following:

- A timeline that mirrors the State's budget process and describes when the department will provide park districts with draft allocations, revisions to draft allocations, and final allocations.
- A description of the roles and responsibilities of key staff involved in the process, including budget office staff, the deputy directors and division chiefs for park operations and the OHMVR division, and district superintendents.

To reduce duplicate expenditure tracking and increase the effectiveness of its budget process, the department should develop procedures requiring the districts to prepare and submit spending plans and to periodically submit their total expenditures after reconciling them with the FTS. The procedures should specify how often districts should provide this information to the department to ensure that the budget office and park management can appropriately oversee the districts' budgets and spending.

To ensure that it can comply with state law in the event that it must close parks or reduce park services in the future, the department should improve its methodology for developing individual park unit budgets and determining and tracking park-level costs. Specifically, the department should take the following steps:

- Update its description of phase one to adequately explain how it will reconcile individual park costs for fiscal year 2010–11 to the department's total actual expenditures to operate the parks.

- Develop specific time frames and deliverables for the completion of phases two and three of its plan. These time frames should include specific completion dates for each key component of the phases.

- Provide training as soon as possible to park operations staff to ensure that they consistently collect the data necessary for phase two.

- Determine how it will define service levels and measure whether those levels are being met so it can provide budgets for each park unit, as phase three of its process requires.

To ensure that the Legislature has the information necessary to make any future decisions related to service reductions or park closures, beginning in fiscal year 2014–15 the department should provide it with an annual report that details the costs to operate each park unit.

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Chapter 2

THE DEPARTMENT OF PARKS AND RECREATION LACKS SUFFICIENT CONTROLS AND PROCESSES RELATED TO SOME PERSONNEL ACTIVITIES

Chapter Summary

The Department of Parks and Recreation (department) must improve its controls to ensure that unauthorized leave buybacks do not occur. As discussed in the Introduction, the department's 2012 internal audit report concluded that the department had inappropriately bought back nearly $271,000 in leave from 56 of its employees. Specifically, a former deputy director of administrative services authorized the inappropriate leave buybacks and the department's payroll transactions unit purposely circumvented statewide controls to process the transactions. In our review of payroll transactions between July 2009 and March 2013, we found nearly $16,400 in additional inappropriate leave buyback transactions. When the department participates in inappropriate leave buybacks, it spends funds that it could use for more critical needs. Furthermore, the department has done little to prevent future unauthorized buybacks. Although it took disciplinary action against four managers involved in the 2011 buybacks, it has neither changed its processes nor provided training to the appropriate personnel.

In addition, the department established the Executive Personnel Review Committee (EPRC) to manage its staffing, but it has not developed policies and procedures identifying the structure of the committee, the roles and responsibilities of its members, or the factors members should use to make decisions on staffing requests. Further, the director's office has not provided the EPRC with formal guidance and direction about the director's vision, goals, and priorities related to staffing, nor has it required the EPRC to submit a summary of its decisions to the director to allow him to determine whether those decisions are consistent with his goals. Without written policies and procedures for carrying out its responsibilities, and formal direction from the director, the EPRC's members may have different understandings of their responsibilities.

Finally, the department's position control unit had a practice of temporarily transferring employees into vacant positions to prevent the State Controller's Office (state controller) from abolishing those positions when called for by state law. Although our review of data for personnel transactions between July 2009 and March 2013 supports the department's claim that it discontinued this practice as of February or March 2012, we are concerned that it does not have controls to prevent similar transactions from occurring. Without better controls, training, and guidelines the department may encounter future difficulties in its personnel section.

The Department Has Not Implemented Sufficient Controls to Prevent Unauthorized Leave Buybacks

As discussed in the Introduction, three different entities issued reports in 2012 disclosing the department's history of unauthorized leave buybacks. These buybacks, which took place in 2007, 2008, and 2011, were the result of the department's weak controls and its employees' circumvention of state policies and procedures. The 2011 buybacks in particular damaged the department's credibility because they occurred at a time when it was announcing the need to close up to 70 parks to achieve budget reductions. In addition to the nearly $271,000 in buybacks that the department's internal audit office reported as occurring in 2011, we confirmed $15,400 in inappropriate leave buybacks that the state controller had previously identified as possible buybacks. We additionally found inappropriate leave buybacks totaling nearly $16,400 that had not been previously reported. Yet despite the numerous instances in which the department allowed unauthorized buybacks to occur, it has not yet made sufficient changes to prevent them in the future.

We found additional inappropriate leave buybacks totaling nearly $16,400 that had not been previously reported.

The Department Engaged in More Leave Buybacks Than Initially Reported

Our review of the state controller's payroll information found that the department participated in a few more inappropriate leave buybacks than previously reported. As we described in the Introduction, the department reported in 2012 that its administrative services division had inappropriately purchased nearly $271,000 in leave from 56 employees the previous year. According to the department's internal audit report, the catalyst for the buyback was the administrative services division's anticipation of a surplus in its fiscal year 2010–11 budget that it wanted to use rather than letting the surplus revert back to the State's General Fund.

In its December 2012 report, the state controller identified three additional employees who may have participated in the leave buyback approved by the then-deputy director of administrative services during 2011. We reviewed payroll documentation related to these three employees and found that, although the department inappropriately paid the three employees a total of $15,400 in leave buybacks, these buybacks were not part of the administrative services division's 2011 buyback. Rather, the three employees worked in the Auburn sector of the Gold Fields district. According to the then-acting sector superintendent, he proposed the idea of buying compensating time off (CTO) from employees in the sector, as he believed it would be an appropriate way to reduce future liabilities, prevent rangers and maintenance staff from taking additional time off while the park was understaffed, and help meet the service levels in the sector's federal contract. The district superintendent at the time of the leave buyback told us he approved the proposal because the Auburn sector was federally funded and was able to support the cost of the buybacks.

The acting sector superintendent stated that he, the district superintendent, and the district administrative chief determined how much leave each person could cash out, with the goal of bringing the employees' CTO balances down to 40 hours. Although the bargaining unit agreements for these three employees allow the department to reduce CTO balances to specified amounts, they do not allow for the buyback of vacation or annual leave in lieu of CTO. However, for one of the three employees, the department inappropriately authorized a reduction of the employee's CTO balance to zero and paid him for 100 hours of annual leave. The department inappropriately paid the other two employees for 100 and 275 hours of vacation, respectively.

Further, our review of payroll transactions for the period July 2009 through March 2013 identified an additional five employees to whom the department inappropriately paid a total of nearly $16,400 for leave, as shown in Table 4 on the following page. In the first instance, in May 2010 the department's training officer at the time submitted a request to the personnel office to pay down CTO balances for 31 employees. The buybacks for 26 of these employees were allowable because the employees were cadets whose bargaining unit agreement required the department to reduce their CTO balances when they graduated from the cadet training academy. Two additional buybacks were for trainers for the cadets, and the applicable bargaining unit agreement allows the department to buy back CTO at its discretion. However, the department also bought back a total of $6,443 in CTO from three employees who were academy support staff, even though their bargaining unit agreement did not allow for it. According to the training officer at the time, the training unit's practice that had been in place prior to her arrival was to buy down the CTO balances of support staff along with the cadets. The former training officer stated that her supervisor at the time, a former deputy director of administrative services, approved the transactions.

Table 4
Additional Inappropriate Leave Buybacks at the Department of Parks and Recreation

MONTH OF LEAVE BUYBACK	AMOUNT PAID	NUMBER OF HOURS	TYPE OF LEAVE	NUMBER OF EMPLOYEES	ORGANIZATIONAL UNIT	WHO AUTHORIZED BUYBACK	SUMMARY
May 2010	$6,443	258	Compensating time off (CTO)	3	Administrative services	Training officer*	The training officer at the time requested the personnel office to pay down CTO for employees, including three who were part of bargaining unit 1, which covers professional, administrative, financial, and staff services. The leave buyback circumstances did not meet the requirements for CTO buybacks under the bargaining unit agreement.
October 2010	820	32	Personal holiday	1	Administrative services	Transactions unit manager	The transactions unit manager authorized the buyback of personal holiday credits. Although the bargaining unit 1 agreement allows buybacks of personal holiday credits when an employee is denied use, the documentation for the buyback indicated this was not the case.
February 2011	410	16	Personal holiday	1	Administrative services	Acting personnel officer†	The personnel officer authorized a buyback of personal holiday credits. Although the bargaining unit 1 agreement allows buybacks of personal holiday credits when an employee is denied use, the documentation for the buyback indicated this was not the case.
March 2011	8,721	340	CTO	1‡	Administrative services	Unknown	A staff services analyst in the training section who also participated in the May 2010 buyback above and the 2011 administrative services division buyback was paid for an additional 340 hours of leave that was not previously reported. The transactions unit staff could not locate the supporting documentation for this transaction. The relevant bargaining unit agreement does not include a provision that allows CTO buybacks.
Total	**$16,394**						

Sources: California State Auditor's analysis of data obtained from the State Controller's Office Uniform State Payroll and California Leave Accounting systems for the period from July 2009 through March 2013 and supporting documentation obtained from the Department of Parks and Recreation.

* The training officer at the time submitted a memorandum to a personnel specialist requesting the leave buyback and copied the deputy director of administrative services at the time. However, the documentation we reviewed did not indicate whether the deputy director of administrative services approved or denied the request.

† The acting personnel officer at the time reviewed the request and allowed the transaction to be processed based on the approval of the employee's supervisor.

‡ This employee also participated in the May 2010 buyback.

As shown in Table 4, we also noted three other instances in which the department inappropriately bought back leave from employees. One involved a staff services analyst in the department's training section who participated both in the 2011 unauthorized leave buyback in the administrative services division and in the training unit's May 2010 buyback. This same analyst received an additional buyback of $8,721 in March 2011. The transactions unit could not locate documentation related to the buyback, although payroll records show the department paid her for CTO. In addition, the department inappropriately bought back leave from two other employees for personal holidays totaling $820 and $410, respectively. Although the applicable bargaining unit allows the department to buy back this leave in certain circumstances, the documentation approving the buyback did not meet these circumstances.

In each instance we identified in which the department inappropriately bought back leave, we noted a lack of documentation specifying its authority for doing so. When we discussed the inappropriate leave buybacks with the managers who authorized them and reviewed the documentation available, we found that the managers relied on past practices or had a misunderstanding of the requirements that must be met for appropriate leave buybacks. For instance, the training officer stated that she was not aware of any bargaining unit provisions that would not authorize payment for CTO for the support staff. Further, she believed that the personnel and labor relations offices were responsible for being aware of the bargaining unit provisions before processing the transactions. However, the personnel office processed the requests for the leave buybacks even though the department did not have the authority to do so. We would have expected the personnel office to reject requests to process inappropriate buyback transactions, but as we discuss in the next section, weak controls allowed the transactions to occur. Moreover, these weaknesses continue to exist in the personnel office.

As part of our audit, we considered the impact on individual programs resulting from the administrative services division's unauthorized 2011 leave buybacks. We found that although the leave buybacks did not significantly impact any individual program because of the way the administrative costs are distributed, the department could have used the amounts involved to meet more critical needs at a time when funds were scarce. Specifically, the department uses a cost allocation plan to distribute the costs of shared functions—such as the accounting, budgeting, and personnel functions of the administrative services division—to its various funds. Thus, because 55 of the 56 employees that participated in one of the 2011 buybacks worked in the administrative services division, the cost of the buybacks was

Although the leave buybacks did not significantly impact any individual program, the department could have used the amounts involved to meet more critical needs at a time when funds were scarce.

shared by different funds, minimizing the degree to which it affected any one program. However, in the Office of the Attorney General's (attorney general) report, the former deputy director of administrative services who authorized the buybacks acknowledged that the administrative services division could have transferred the extra funds in its budget to other divisions within the department. He chose to inappropriately authorize leave buybacks instead.

The Department Must Do More to Prevent Unauthorized Leave Buybacks

The three public reports issued in 2012 disclosed a variety of weak controls over payroll that leave the department at risk of additional unauthorized buybacks if not corrected. Specifically, the department's internal audit report and attorney general's investigation described department employees' efforts to circumvent the state controller by keying buyback transactions as overtime payments, even though they were actually buying back vacation leave, annual leave, CTO, personal holidays, personal leave, holiday credits, and excess hours. Further, the transactions unit manager who keyed the majority of the 2011 buyback transactions confirmed that she assigned inaccurate codes to exempt employees on the forms she used to process the buybacks because this allowed them to receive overtime payments for which they would not have otherwise been eligible. The attorney general's investigation and the department's internal audit report also disclosed that department employees backdated some of the leave buybacks to previous months to avoid having the transactions declined because the number of overtime hours claimed in one month exceeded the limits allowed by the state controller.

Further, the state controller's payroll review report stated that managers who should not have had access to the payroll system keyed the buyback transactions. The state controller's *Decentralized Security Manual* restricts access to the payroll system to personnel services specialists and payroll technicians. According to the state controller's report, the employees who keyed in the transactions had access to the system before becoming managers. The department's designated security monitor should have revoked this access when the employees became managers but did not do so. In fact, one of the employees with inappropriate access was also the assistant security monitor during the time she keyed in the 2011 buyback transactions. She stated that it did not occur to her that she should not still have access to the payroll system in her new position, which we found surprising. She stated that the department had not provided her with any formal training when it assigned her the role of assistant security monitor but that she used the state controller's *Decentralized Security Program* manual as a reference, which outlines the duties of security monitors, as shown in the text box.

In February 2013 the state controller's personnel/payroll services division updated the manual, which now states clearly that managers are allowed to have only inquiry, or read-only, access.

Summary of Security Monitor Responsibilities

- Ensures compliance with the policies and procedures set forth in the *Decentralized Security Program* manual.
- Serves as departmental liaison to the personnel/payroll services division (PPSD) decentralized security administrator in the State Controller's Office (state controller).
- Acts as the security resource for all departmental personnel/payroll office staff for questions related to the state controller's security requirements.
- Maintains the *Decentralized Security Program* manual and the most current security authorization form, as well as a supply of other security forms.
- Submits security authorization forms to the state controller.
- Reviews turnaround security authorization forms for accuracy of changes.
- Trains new authorized staff on log-on procedures into the PPSD data base.
- Immediately reports all security infractions and violations to the PPSD decentralized security administrator, training services, and security section.

Source: State controller's PPSD *Decentralized Security Program* manual.

Because three entities had already reported the control weaknesses and management overrides that allowed the department to perform the unauthorized leave buybacks, we focused our efforts on identifying actions the department has since taken to address these problems. According to the chief deputy director, the department disciplined four employees who were involved in the unauthorized 2011 leave buybacks. The department disciplined three administrative services managers with adverse actions, including a demotion, a 12-month pay reduction, and a reprimand. In addition, it terminated the career executive assignment of the deputy director of administrative services who authorized the inappropriate 2011 leave buyback.[2]

Additionally, the chief deputy director referred us to a May 2012 memo to the former director in which he described actions the department was taking and planning to take to prevent future violations from occurring. The memo stated that the department had initiated training of employees on leave buyback procedures and had implemented a leave buyback chart to help staff evaluate whether the department could or should cash out various types of leave. The memo also stated that within the next quarter—fall 2012—the personnel section would ensure that its employees and the department's administrative services managers and officers received training on the rules and procedures regarding leave buybacks. However, the personnel office's transactions unit manager told us that as of July 2013 she had not received the leave buyback chart. She also confirmed that neither she nor her staff have received training related to buybacks that occurred in 2011. She provided a copy of a state controller's payroll letter issued in late October 2012—which she sent to her staff in November 2012—regarding new restrictions on buyback transactions. Although she believes that specialists in the transactions unit have exercised greater caution since the issuance of the 2012 reports, she stated that the department has not implemented any new controls to prevent unauthorized buyback transactions.

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[2] Career executive assignments are high-level managerial positions held by state employees who develop and implement policy and sometimes are part of a department's executive staff.

Given the scrutiny that the department received as a result of the unauthorized leave buybacks in 2011, we expected it to have improved its controls to prevent similar problems. For example, we expected the department to have developed written policies and procedures requiring the personnel office to obtain documentation supporting the authority for any leave buyback transactions that it processes. Such policies should require that all requests for leave buybacks be in writing with appropriate manager approvals. Additionally, we expected the department to have established a process that includes periodic supervisory or manager reviews of leave buyback transactions to ensure that staff are following such policies. Finally, we expected the department to have a more robust process for its security monitor to follow for allowing access to the Uniform State Payroll System.

The Executive Personnel Review Committee Lacks a Formal Process for Making and Communicating Its Decisions

The department established an EPRC, which currently meets biweekly, to review and decide whether to approve personnel action requests. This type of oversight committee can be a reasonable approach for a department to ensure that it creates, fills, and eliminates positions in a way that is consistent with its strategic and budgetary goals. However, in this case, the department lacks formal processes for ensuring that its EPRC effectively manages staffing decisions and communicates those decisions to the director's office and to the affected parties. The department has also failed to provide the EPRC with formal direction to ensure that its members have a clear and consistent understanding of the director's priorities in terms of staffing. Without establishing a more formal process, the department cannot ensure that the EPRC is making consistent staffing decisions that align with the director's staffing priorities.

The department lacks formal processes for ensuring that its EPRC effectively manages staffing decisions and communicates those decisions to the director's office and to the affected parties.

According to the deputy director of administrative services, the EPRC has four voting members—the deputy directors of the administrative services division, the acquisitions and development division, the Off-Highway Motor Vehicle Recreation Division (OHMVR division), and park operations. These voting members are responsible for deciding whether to approve or deny a variety of personnel action requests, such as requests to reclassify or upgrade positions. Currently, various other managers also attend the meetings as nonvoting members to provide information and guidance. These managers include the assistant deputy director of administrative services, the classification and pay manager, the budget officer, and the personnel officer.[3]

[3] The assistant deputy director of administrative services stated that until recently she attended EPRC meetings as a voting member because she was serving as the acting deputy director of administrative services.

Personnel Actions That the Executive Personnel Review Committee Reviews, as Listed in the Department of Parks and Recreation's Administrative Manual

- Revenue or bond funding.
- Fee reduction positions.
- Newly established positions.
- Reclassifying a significantly different classification (a resource classification to a maintenance classification, for example).
- Reclassifying a peace officer position to a non-peace officer position (state park ranger to archaeologist, for example).
- Reclassifying a rank-and-file position to a supervisory position (associate governmental program analyst to staff services manager I, for example).
- Making a classification change that may have statewide impact or may set precedence (superintendent I to superintendent II, for example).
- Reviewing a position that has raised concern between division chiefs and/or the personnel services division.

Source: Department of Parks and Recreation's Department Administrative Manual.

As shown in the text box, the Department Administrative Manual (administrative manual) specifies the personnel actions that the EPRC is responsible for reviewing. However, the department has not updated this section of the administrative manual since September 2005, and consequently it does not accurately reflect the EPRC's current responsibilities. For example, according to the OHMVR division chief, the list of personnel actions in the administrative manual is not complete: He stated that the EPRC also reviews requests for retired annuitants, permanent intermittent positions, and out-of-class assignments.[4] Moreover, the assistant deputy director of administrative services stated that she was not aware of the EPRC making decisions related to revenue or bond funding. She added that the EPRC also reviews "reasonable accommodation" requests—requests for modifications or adjustments to job or work environments to enable qualified persons with disabilities to perform the essential functions of their positions.

The portion of the administrative manual describing the EPRC does not include any other provisions describing its activities. For instance, the manual does not include policies and procedures for carrying out the EPRC's responsibilities or identify factors members should consider when deciding whether to approve personnel actions. Although all of the current and recent EPRC members with whom we spoke stated that they considered the critical nature of the position, appropriateness of classification, and availability of funds when deciding whether to approve requests, some members considered other factors as well. Specifically, the OHMVR division chief stated that he considers how long a position has been vacant, and the deputy director of park operations stated that he believes vacancy rates are an important factor in reaching decisions.

Determining how the EPRC reaches decisions on personnel action requests can be difficult because it provides limited documentation regarding its reasoning. According to the classification and pay and certification unit manager (classification and pay manager), a technician prepares a spreadsheet before each meeting that lists new personnel action requests as well as any requests the EPRC held over from the previous meeting because it did not reach a decision.

[4] The OHMVR division chief stated that until recently he attended EPRC meetings as a voting member because he was serving as the acting deputy director of the OHMVR division.

The classification and pay manager who attends the meetings, records the EPRC's approval on the requests, then updates the log after the meeting with the EPRC's decisions and provides the logs to her staff to communicate the decisions to the field or headquarters. However, the logs do not include detailed reasons for the EPRC's decisions or explanations of why it held over requests.

The EPRC's meeting logs do not include detailed reasons for its decisions or explanations of why it held over requests, which causes frustration or confusion for some districts.

Some districts we visited told us that at times they become frustrated or confused by the EPRC's decisions. For instance, in January 2013 the EPRC reviewed two personnel requests from the Gold Fields district. One of the requests was for an upgrade of one position, and the second was for a downgrade of another position. According to the district administration chief, the district's requests included its rationale for the two changes, which would have resulted in only a small net increase in the annual cost. However, the EPRC approved the downgrade request but placed the upgrade request on hold. Because it did not provide an explanation with its decision to put the upgrade request on hold, the district administrative chief emailed her district superintendent asking for clarification of the EPRC's reasons. The district superintendent contacted a park operations division chief, who then contacted the acting deputy director of administrative services—a lengthy email chain that might have been avoided had the EPRC provided its rationale when communicating the decision. When we reviewed the EPRC log, we found no explanation for why it did not approve the request to upgrade the position or why it was placed on hold. The log for the subsequent meeting—which was held after the emails requesting reasons for the decision were sent—states that the EPRC approved the position upgrade. However, the only notes in the log were "why did we hold" and "okay to move forward now." This limited documentation does not allow the EPRC to recall or defend the reasons for its decisions. We spoke with the department's park operations southern division chief, who was the acting deputy director of park operations and a voting member of EPRC at that time. Regarding the position upgrade request that was held, the southern division chief stated that she had concerns about the park operations budget and, based on her own analysis of the budget status of the district, she approved only the downgraded position and not the upgrade. She also stated that after discussion with the district superintendent and division chief about the critical nature of the position, she and the EPRC approved the upgrade at the next meeting. Documenting the EPRC's reasons for its decisions would reduce requestors' frustration and enable them to better address the EPRC's concerns when necessary.

Although the chief deputy director confirmed that the EPRC is the department's only decision-making body for staffing decisions, we found that the department has not formally made the EPRC responsible for ensuring that its review of personnel action requests corresponds with the director's vision and priorities for the department. The department does not require the EPRC to submit a summary of staffing decisions to the director. Additionally, the director has provided no formal direction to the EPRC. Although the chief deputy director and the EPRC members stated that the director conveys staffing priorities at weekly executive staff meetings, without formally conveying the priorities, members may have a different understanding.

We found that the department has not formally made the EPRC responsible for ensuring that its review of personnel action requests corresponds with the director's vision and priorities for the department.

Further, two of the EPRC members told us that the department does not require them to provide any documentation of their meetings or staffing decisions to the director. The chief deputy director stated that the EPRC reports its decisions through the publication of career opportunity bulletins. Although these bulletins may be a periodic indicator of the positions the EPRC has approved for advertisement, we believe requiring the EPRC to report a summary of its decisions to the director provides a more complete and immediate tool for him to assess whether those decisions are consistent with his staffing priorities.

Until the department provides an updated and complete description of the EPRC's responsibilities, as well as policies and procedures for carrying out those responsibilities, in its administrative manual, it risks having the EPRC reach inconsistent decisions. Additionally, until the process includes the director formally communicating staffing priorities to the EPRC, each of the members may have a different understanding of the department's vision, and the EPRC's decisions may not align with the director's staffing priorities.

The Department's Circumvention of State Law Prevented the Abolishment of Some Vacant Positions

According to the Salaries and Wages portion of the fiscal year 2013–14 Governor's Budget, the State authorized the department a total of 3,803 positions for fiscal year 2012–13. Of these, 2,381 were regular/ongoing positions and 1,422 were temporary positions. Using the Position Roster file's position data obtained from the state controller, we determined that in March 2013 the department had roughly 436 vacant full-time equivalent (FTE) positions, or about an 18 percent FTE vacancy rate.[5] As shown in Table 5 on page 41, the department's vacancy rate arrayed by organizational unit ranged from a low of 4 percent in the Office of Historic Preservation to a high of 23 percent in administrative services. Using pay scale

[5] We included positions that were less than full-time, such as half-time or three-quarters time, as an FTE vacancy. These 436 FTE positions do not include positions for temporary or seasonal help.

information from the California Department of Human Resources, we determined that the amount budgeted for the department's vacant FTE positions as of March 2013 was roughly $21 million.

Elements of a Position Number

- **Agency code:** Three-digit code identifying the agency or major subdivision for personnel/payroll use, and the fund from which salaries are payable. This number is assigned by the State Controller's Office.
- **Reporting unit code:** Three-digit code identifying the budgetary function and the location of attendance reporting units within the agency code. The agency assigns these codes to conform with its organizational structure.
- **Class code:** Four-digit code identifying the civil service class or exempt position title, as shown in the Civil Service Pay Scales or Exempt Pay Scales.
- **Serial number:** Three-digit code identifying the individual position within the class and function.

Source: *State Administrative Manual,* Section 8533.

State law requires the state controller to abolish on July 1 any state position that remained vacant for six consecutive monthly pay periods regardless of fiscal year. Further, state law prohibits departments from executing any personnel transactions for the purpose of circumventing the abolishment of vacant positions by the state controller. However, during our review of the department's payroll and position data obtained from the state controller, we identified 495 transactions between July 2009 and March 2013 in which the department paid an existing employee under a new position that was previously vacant for at least a month and had the same class code as the employee's previous position but a different agency, unit, and/or serial number, as defined in the text box.[6] We considered these transactions potentially suspicious because changes in elements of the position number other than the class code indicate that the employee's duties and pay have remained the same.

In reviewing 20 of these 495 transactions, we found that the department had documentation for 13 supporting the validity of the transactions. However, for the remaining seven instances, the position control/certification unit lead (position control lead) had temporarily transferred employees into vacant positions to avoid having the positions abolished. He told us that the previous position control lead had explained to him this method of saving vacant positions. He also told us that he understood this to be a practice that was expected by the deputy director of administrative services at the time and that the practice had been in place for a long time. He stated that the department's position control unit temporarily moved permanent intermittent employees into positions that had been vacant for over six months to avoid having the positions abolished. He also indicated that the position control unit backdated these transactions so that it would appear in the state controller's records that the department had been paying the positions for a period of time. The position control lead explained that when he processed these types of transactions he used a specific serial number range to differentiate those transactions from true reclassifications. When we searched the 495 potentially

[6] According to the state controller's *Payroll Procedures Manual*, it has assigned the department two agency codes.

suspicious transactions we had previously identified, we found a total of 145 transactions with serial numbers within this range and a new position start date between August 2009 and March 2011.

Table 5
Department of Park and Recreation's Full-Time Equivalent Vacancy Rates by Organizational Unit

ORGANIZATIONAL UNIT	VACANT FULL-TIME EQUIVALENT (FTE) POSITIONS AS OF MARCH 2013	AUTHORIZED POSITIONS FOR FISCAL YEAR 2012–13	FTE VACANCY RATE
Acquisition and Development Division	16	128	13%
Administrative Services	52	230	23
Executive Office	11	65	17
External Affairs	4	35	11
Office of Historic Preservation	1	23	4
Off-Highway Motor Vehicle Recreation Division	40	210	19
Park Operations	312	1,690	18
Totals	**436**	**2,381**	**18%**

Sources: Salaries and Wages portion of the fiscal year 2013–14 Governor's Budget and California State Auditor's analysis of data obtained from the State Controller's Office position roster file.

The position control lead stated that the department's current chief deputy director, who started in January 2012 as the deputy director of administrative services, had directed the position control unit to discontinue this practice in February or March 2012. In our review of the personnel transactions between July 2009 and March 2013, we did not identify any transactions with a new position start date after March 2011 with the serial numbers in the range specified by the position control lead. However, we are concerned that the department does not have sufficient controls in place to prevent similar actions in the future. Specifically, the personnel officer explained that some administrative personnel action requests do not require EPRC review, such as requests to end a limited-term appointment or to correct a position number error. In the past, the position unit prepared administrative personnel action requests to move employees in and out of vacant positions to avoid abolishment of those positions, and the transactions were not reviewed. To ensure that these types of transactions do not occur in the future, the department needs to establish procedures that include a process to periodically verify that the position control unit staff are performing only appropriate actions. It could accomplish this by having the position control unit supervisor periodically review documentation prepared by the unit listing personnel actions that have not been subject to EPRC review. Further, it could provide a summary report of this review to the director's office and the EPRC.

Recommendations

To prevent unauthorized leave buyback transactions, the department should do the following:

- Provide training by December 2013 to all department managers and personnel staff who might be involved in leave buyback transactions to ensure that they understand the State's requirements regarding leave buybacks.
- Establish written policies and procedures requiring the personnel office's transactions unit to obtain documentation from managers who request leave buyback transactions. The documentation should specify the authority for the leave buyback and include appropriate authorizing signatures.
- Increase the level of supervisory review to ensure that transactions unit staff process only authorized and properly coded leave buyback transactions.
- Limit access for keying transactions to the payroll system only to authorized personnel staff.

To improve the effectiveness of the EPRC, the department should take the following actions by March 2014:

- Update its administrative manual to specify the members of the EPRC, the members' roles and responsibilities, and the personnel actions that the EPRC is responsible for reviewing.
- Establish policies and procedures to govern the EPRC's decisions on personnel actions. These policies and procedures should include the specific factors and their relative importance that the members must consider when making decisions and should require the EPRC to document its decisions and the reasons for those decisions.
- Require the EPRC to periodically provide a summary report of its decisions to the director's office so that the director can monitor whether those decisions are consistent with his priorities.
- Establish a process through which the director's office provides formal direction to the EPRC regarding staffing priorities.

To ensure that its position control unit staff do not circumvent state law to preserve vacant positions, the department should establish procedures that include a process to periodically review any personnel transactions that are not subject to EPRC review. It should provide a summary report of this review to the director's office and the EPRC.

We conducted this audit under the authority vested in the California State Auditor by Section 8543 et seq. of the California Government Code and according to 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 specified in the scope section of the report. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Respectfully submitted,

Elaine M. Howle

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State Auditor

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For questions regarding the contents of this report, please contact Margarita Fernández, Chief of Public Affairs, at 916.445.0255.

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Appendix

STATUS OF SELECT RECOMMENDATIONS FROM OUR 2005 OFF-HIGHWAY MOTOR VEHICLE RECREATION PROGRAM REPORT

In August 2005 the California State Auditor (state auditor) issued a report titled *Off-Highway Motor Vehicle Recreation Program: The Lack of a Shared Vision and Questionable Use of Program Funds Limit Its Effectiveness*, Report 2004-126. This report concluded that the Off-Highway Motor Vehicle Recreation Commission (OHMVR commission) and the Department of Parks and Recreation's (department) Off-Highway Motor Vehicle Recreation Division (OHMVR division) had not developed the shared vision, goals, and strategies necessary to balance off-highway vehicle recreation with concerns for the environment. In addition, the report found that the OHMVR division and the department spent or planned to spend $38 million for three land acquisition projects that offered little or no additional OHMVR recreation. Further, based on a questionable legal interpretation and inadequately supported cost estimates, the department was using off-highway vehicle trust fund money—$3.6 million during fiscal year 2003–04—to support state parks that did not have off-highway vehicle recreation.

In our 2005 report we made six recommendations to the OHMVR division, three recommendations to the OHMVR commission, three joint recommendations to the OHMVR division and the OHMVR commission, and two recommendations to the department. We reviewed the information the OHMVR division, the OHMVR commission, and the department provided to us in response to our August 2005 audit to assess their implementation of our recommendations. We presented this assessment in our February 2007 report titled *Implementation of State Auditor's Recommendations, Audits Released in January 2005 Through December 2006*, Report 2007-406. If applicable, we also presented these determinations in subsequent special reports consistent with the Omnibus Audit Accountability Act of 2006. During this audit, we performed limited work on three recommendations that had not been fully implemented as of our last assessment in February 2007. Table A on the following page summarizes the follow-up procedures we performed during this audit and our determinations regarding the implementation of those three recommendations.

Table A

Status of Select Recommendations From Report 2004-126 Issued by the California State Auditor in August 2005

RECOMMENDATION	FOLLOW-UP PROCEDURES	STATUS OF RECOMMENDATION
To ensure that advanced funds are adequately accounted for and spent on allowable activities, the Off-Highway Motor Vehicle Recreation Division (OHMVR division) should develop processes for tracking advanced funds to recipients of grants and cooperative agreements, determining the status of those funds, and promptly recovering any unspent amount. Further, the OHMVR division should promptly follow up with the Bureau of Land Management, Los Angeles County, and the Bureau of Reclamation on the outstanding advances we identified.	• Gain an understanding from OHMVR division staff of the process for tracking advanced funds to recipients of grants and cooperative agreements, determining the status of those funds, and recovering any unspent amount. • Review three grants with funds advanced to determine compliance with the OHMVR division's process. • Review any legislative changes since the prior audit to determine any changes in allowable activities for off-highway motor vehicle funds.	**Fully implemented:** The OHMVR division has developed and implemented a grant administration procedures manual that includes a section on advances. According to the OHMVR division chief, this section was crafted to provide a controlled process in providing advances to recipients of grants and cooperative agreements while allowing the OHMVR division to monitor how the funds were expended before approving further advances. Based on our review of three grants with funds advanced, the OHMVR division is using its process for allowing and tracking advanced funds. We reviewed changes in state law from 2007 that affected the OHMVR division and found no significant changes in allowable activities.
To provide accountability for the off-highway vehicle program (OHV program) funds awarded through the grants program, the OHMVR division should ensure that all grants and cooperative agreements receive annual fiscal audits and performance reviews. Further, it should ensure that audit findings are promptly resolved and ineligible costs collected.	Gain an understanding from OHMVR division staff of the extent to which they audit OHV program funds awarded through grant programs. Obtain documentation to support any claims of audits that it may have conducted.	**Partially implemented:** State law requires the Department of Parks and Recreation (department) to conduct an annual financial audit of the grants and cooperative agreements program, and also includes an audit of the performance of a minimum of 20 percent of grants and cooperative agreement recipients. However, the department's internal audit office is not meeting the 20 percent requirement. Specifically, in 2011 and 2012 the department audited less than 20 percent of the grant projects. According to the chief of audits, his office has not been able to meet the 20 percent requirement because recent budget cuts to staffing have affected the number of audits that can be completed. He also stated that furloughs and personal leave days have affected how quickly staff can complete audits over the past four years.
To ensure that recipients of funds from the grants program spend the money only on projects that meet the intent of the OHV program, the Off-Highway Motor Vehicle Recreation Commission (OHMVR commission) should ensure that it allocates funds only for purposes that clearly meet the intent of the OHV program.	• Review the OHMVR commission's competitive grant process to understand how it ensures that grantees spend funds only on projects that meet the intent of the OHV program. • Select five recent grants and review documentation to determine whether the grant expenditures met the intent of the OHV program.	**Fully implemented:** Effective January 1, 2008, state law was amended from requiring the approval of the OHMVR commission to requiring the approval of the director. The five grants we reviewed had approval from the director, acting chief deputy director, and chief counsel. Therefore, our follow-up work for this recommendation focused on the OHMVR division's competitive process and on whether grantees are spending money on projects that meet the intent of the OHV program. The OHMVR division chief stated that the awarding of grants is completed through a transparent, public, competitive process that is based on scores of applicants' responses to a predetermined set of criteria questions. Based on our review of the department's competitive grant process and five grants, we conclude that the recommendation has been implemented.

Sources: The reports by the California State Auditor (state auditor) titled *Off-Highway Motor Vehicle Recreation Program: The Lack of a Shared Vision and Questionable Use of Program Funds Limit Its Effectiveness,* Report 2004-126, August 2005; *Implementation of State Auditor's Recommendations: Audits Released in January 2005 Through December 2006*, Report 2007-406, February 2007; *Recommendations Not Fully Implemented After One Year, The Omnibus Audit Accountability Act of 2006*, Reports 2007-041, 2008-041, 2010-041, 2011-041, January 2008, 2009, 2011, and 2012, respectively; and the state auditor's analysis of information provided by the Off-Highway Motor Vehicle Recreation Division and the department's chief of audits.

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RE: Department of Parks and Recreation Response to Audit Findings 2012-121.2

Dear Ms. Howle:

The Department of Parks and Recreation (the Department) submits the following in response to the Audit Findings 2012-121.2:

Recommendation:
To ensure that districts receive timely budget allocations, the department should establish and implement a formal allocation process by January 2014 that includes the following:

- A timeline that mirrors the state's budget process and describes when the department will provide park districts with draft allocations, revision to draft allocations, and final allocations.
- A description of the roles and responsibilities of key staff involved in the process, including budget office staff; the deputy directors and division chiefs for park operations and the OHV division; and district superintendents.

Response:
The Budget Section will prepare a formal allocation process that includes timelines for producing initial and final allocations to be distributed to the divisions within the department. The formal allocation process will clarify the review process of budget allocations by the various management levels within the department. This formal allocation process will be drafted by December 13, 2013 for use in preparing the 2014-15 budget allocations.

Recommendation:
To reduce duplicate expenditure tracking and increase the effectiveness of its budget process, the department should develop procedures requiring the districts to prepare and submit spending plans and to periodically submit their total expenditures after reconciling them with FTS. The procedures should specify how often districts should provide this information to the department to ensure the budget office and park management can appropriately oversee the districts' budgets and spending.

* California State Auditor's comment appears on page 53.

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Response:
The Budget Section will develop procedures by which to reconcile expenditures with the various divisions within the department and to report monthly to the department's executive management team so they are better able to manage the budget throughout the year and make adjustments to planned expenditures as necessary.

Recommendation:
To ensure it can comply with state law in the event it must close parks or reduce park services in the future, the department should improve its methodology for developing individual park unit budgets and determining and tracking park-level costs. Specifically, the department should take the following steps:

- Update its description of phase one to adequately explain how it will reconcile individual park costs for the fiscal year 2010-11 to the department's total actual expenditures to operate the parks.
- Develop specific timeframes and deliverables for the completion of phases two and three of its plan. These timeframes should include specific completion dates for each key component of the phases.
- Provide training as soon as possible to park operations staff to ensure that they consistently collect the data necessary for phase two.
- Determine how it will define service levels and measure whether those levels are being met so it can provide budgets for each park unit as phase three of its process requires.

Response:
An explanation of the methodology used to reconcile the park unit expenditures for the fiscal year 2010-11 to the department's total actual expenditures will be provided as a part of the report to the Legislature due in December 2013.

1 Specific timeframes and deliverables already exist for the completion of phases two and three of the plan. Phase two is underway. Park operations staff has been trained on reporting expenditures to the park unit level and are currently entering data into FTS on a monthly basis. All districts are tasked with reporting expenditures to the park unit and recording the information in FTS. This is ongoing month-by-month and will allow the department to produce reports showing expenditures by park unit.

1 Phase three of the plan calls for establishing park unit budgets and development of budget allocations to the park unit level for fiscal year 2014-15. Completion of phase three will be tied to the procedures for preparing budget allocations and defining service levels within each park unit.

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Recommendation:
To ensure the Legislature has the information necessary to make any future decisions related to service reductions or park closures, beginning in fiscal year 2014-15 the department should provide it with an annual report that details the costs to operate each park unit.

Response:
The department concurs that the Legislature needs timely and reliable information. The department will provide an annual report that details the costs to operate each park.

Recommendation:
To prevent unauthorized leave buyback transactions, the department should do the following:

- Provide training by December 2013 to all department managers and personnel staff who might be involved in leave buyback transactions to ensure they understand the state's requirements regarding leave buybacks.

Response:
The department will develop and provide this training by December 2013. The department will request CalHR's participation in the training.

Recommendation:

- Establish written policies and procedures requiring the personnel office's transaction unit to obtain documentation from managers who request leave buyback transactions. The documentation should specify the authority for the leave buyback and include appropriate authorizing signatures.

Response:
The Departmental Administrative Manual will be updated with appropriate written policies and procedures to address this issue. The manual will clearly identify our responsibilities and commitment to adhere to the state's policies and procedures regarding leave buyback.

Recommendation:

- Increase the level of supervisory review to ensure that transaction unit staff process only authorized and properly coded leave buyback transactions.

Response:
The department will require that all proposed leave buyback transactions are reviewed by the personnel supervisor I, personnel supervisor II, staff services manager I over the

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Transactions Unit, the assistant personnel officer over the Transactions Unit, and the personnel officer prior to the transactions being entered into the State Controller's Office's (SCO) payroll system. That same supervisory/management chain will also monitor and audit transactions reports from the State Controller's Office on a weekly basis. The department will maintain records of the audited transactions reports for two years from the date of audit.

Recommendation:
To improve the effectiveness of the EPRC, the department should take the following actions by March 2014:

- Update its administrative manual to specify the members of the EPRC, the members' roles and responsibilities and the personnel actions that the EPRC is responsible for reviewing.
- Establish policies and procedures to govern the EPRC's decisions on personnel actions. These policies and procedures should include the specific factors and their relative importance that the members must consider when making decisions and should require the EPRC to document its decisions and reasons for those decisions.
- Require the EPRC to periodically provide a summary report of its decisions to the Director's Office so that the director can monitor whether those decisions are consistent with his priorities.
- Establish a process through which the Director's Office provides formal direction to the EPRC regarding staffing priorities.

Response:
The department will update the administrative manual to specify the members of the EPRC, their roles and responsibilities and the personnel actions that EPRC is responsible for reviewing.

The department will establish policies and procedures to govern the EPRC's decisions on personnel actions including specific factors and their relative importance to be considered when making decisions on personnel actions and will establish a method to document its decisions including reasons for the decisions.

The EPRC will establish a protocol to provide a summary report of its decisions to the Director's Office in conjunction with establishing a process through which the Director's Office will provide formal direction regarding staffing priorities.

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Recommendation:

- To ensure that position control unit staff do not circumvent state law to preserve vacant positions, the department should establish a process to periodically review any personnel transactions that are not subject to EPRC review. It should provide a summary report of this review to the director's office and the EPRC.

Response:
The department will establish a process to review any personnel transactions that are not subject to EPRC review prior to the transactions being entered into the SCO system. The review will be conducted by the Position Control Unit manager, the assistant personnel officer over the Position Control Unit, and the personnel officer. This process will include a monthly summary reporting component to the Director's Office and the EPRC.

Sincerely,

Aaron S. Robertson
Chief Deputy Director
California Department of Parks and Recreation

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COMMENT

CALIFORNIA STATE AUDITOR'S COMMENT ON THE RESPONSE FROM THE DEPARTMENT OF PARKS AND RECREATION

To provide clarity and perspective, we are commenting on the response to our audit from the Department of Parks and Recreation (department). The number below corresponds to the number we placed in the margin of the department's response.

1

We are confused by the department's assertion that specific time frames and deliverables already exist for the completion of phases two and three of the plan. As we describe on page 25, to implement phase two the department acknowledged in its methodology that several changes must occur before it can track expenditures at the park level. The department's methodology states that the department must provide training to the districts to ensure consistency with data collection. In its response the department asserts that park operations staff have been trained; however, it did not provide us with documentation to show that it provided training to the districts. Without the necessary training the districts may not capture data consistently, which could result in inaccurate or incomplete expenditures. Further, the department has not identified other key components for completing phase two including interim deadlines for those components. Although the department states that districts are tasked with reporting expenditures to the park unit on an ongoing month-by-month basis, it has not identified any key steps, deliverables, or timelines to ensure that it is capturing the data it will need to comply with state law regarding future park closures or park service reductions in response to any required budget reductions. Additionally, as we state on page 26 regarding phase three, the department has not specified a time frame for when it will define service levels nor has it determined which measures it will actually use to determine if service levels are being met. Until the department defines the service levels for its park units, it may be difficult for the department to convince the Legislature and other decision makers of the necessity or appropriateness of proposed increases to its budget to operate the park system. The department also states that phase three calls for establishing park unit budgets and development of budget allocations for fiscal year 2014–15. However, this information is not specified in its methodology and the department has not established time frames and deliverables for each of the key components of phase three.

cc: Members of the Legislature
Office of the Lieutenant Governor
Little Hoover Commission
Department of Finance
Attorney General
State Controller
State Treasurer
Legislative Analyst
Senate Office of Research
California Research Bureau
Capitol Press