



# Department of Natural Resources – Park Fees and Retail Sales

## Internal Controls and Compliance Audit

August 2020

**Financial Audit Division**

**OFFICE OF THE LEGISLATIVE AUDITOR**

STATE OF MINNESOTA

## Financial Audit Division

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## OFFICE OF THE LEGISLATIVE AUDITOR

STATE OF MINNESOTA • James Nobles, Legislative Auditor

August 13, 2020

### Members

Legislative Audit Commission

Sarah Strommen, Commissioner  
Department of Natural Resources

This report presents the results of our internal controls and compliance audit of the Department of Natural Resources park fees and retail sales for the period July 2016 through January 2019. The objectives of this audit were to determine if the department had adequate internal controls over selected financial activities and complied with significant finance-related requirements.

This audit was conducted by Lori Leysen (Audit Director), Emily Wiant (Audit Coordinator), Alec Mickelson (Senior Auditor), Paul Rehschuh (Senior Auditor), and Kris Schutta (Senior Auditor). However, due to our required work on the state's financial statements and Federal Single Audit, we had to delay the completion of this audit report until July 2020.

We received the full cooperation of the Department of Natural Resources staff while performing this audit.

Sincerely,

Lori Leysen, CPA  
Audit Director



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# Report Summary

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The Department of Natural Resources (department) oversees the 75 state parks and state recreation areas located throughout Minnesota. To manage and maintain these recreational areas, the department's Division of Parks and Trails receives approximately 21 percent of its funding from the General Fund, 14 percent from the Parks and Trails Legacy Fund, and the majority of the remaining funds come from the Natural Resources Fund, which includes fees collected at state parks and recreation areas.

The Office of the Legislative Auditor conducted this selected scope audit to determine whether the Department of Natural Resources had adequate internal controls and complied with significant finance-related legal requirements related to receipts collected from state park patrons. The period under examination was July 1, 2016, through January 31, 2019.

## Conclusions

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### Internal Controls

OLA found that internal controls over the areas in our audit scope were generally not adequate to ensure that it safeguarded assets and ensured compliance with applicable legal requirements.

#### Internal Controls



Specifically, this audit identified internal control weaknesses in the department as follows:

- Finding 1. The Department of Natural Resources did not always ensure employee separation during the receipt process. (p. 9)
- Finding 4. The Department of Natural Resources did not have adequate controls to ensure the accuracy of deposits in the state's accounting system. (p. 12)
- Finding 5. The Department of Natural Resources did not identify and remove unnecessary access in its point of sale system. (p. 14)
- Finding 7. The Department of Natural Resources did not always perform an annual physical inventory or, when the department completed a physical inventory, it did not always investigate identified differences. (p. 17)

## Legal Compliance

The Department of Natural Resources generally complied with most finance-related legal requirements.

### Legal Compliance



However, OLA found the following issues of noncompliance, discussed more thoroughly in the findings and recommendations in this report.

- Finding 1. The Department of Natural Resources did not always ensure employee separation during the receipt process. (p. 9)
- Finding 2. The Department of Natural Resources did not always identify and destroy instances of not public data. (p. 10)
- Finding 3. The Department of Natural Resources did not always deposit receipts in accordance with its daily deposit waiver. (p. 11)
- Finding 5. The Department of Natural Resources did not identify and remove unnecessary access in its point of sale system. (p. 14)
- Finding 6. The Department of Natural Resources employees did not always use their own unique login when using the point of sale system. (p. 15)
- Finding 7. The Department of Natural Resources did not always perform an annual physical inventory or, when the department completed a physical inventory, it did not always investigate identified differences. (p. 17)



# Audit Overview

This report presents the results of an internal controls and compliance audit of selected activities in the Department of Natural Resources (department). Management is responsible for establishing internal controls to safeguard assets and ensuring compliance with applicable laws, regulations, and state policies.

A strong system of internal controls begins with management's philosophy, operating style, and commitment to ethical values. It also includes processes to continuously assess risks and implement control activities to mitigate risks. A successful internal controls system includes iterative processes to monitor and communicate the effectiveness of control activities.



## State Parks Overview and History

The Department of Natural Resources oversees the 75 state parks and recreation areas located throughout Minnesota. We will refer to the state parks and recreation areas as state parks going forward. Each year, approximately ten million visitors use state parks. Exhibit 1 identifies the 75 state parks and recreation areas in Minnesota.

The Division of Parks and Trails, within the department, manages the state parks and recreation areas. Its vision is to create unforgettable park, trail, and water recreation experiences that inspire people to pass along the love of the outdoors to current and future generations. The division receives approximately 21 percent of its funding from the General Fund and another 14 percent from the Parks and Trails Legacy Fund. The division receives most of the remaining revenue from the Natural Resources Fund. State parks fees account for 17 percent of the Natural Resources Fund, which includes fees collected for state park permits and camping, recreation, and retail activities.<sup>1</sup>

The department has a central office located in Saint Paul, which oversees the administration of state parks. State park managers, located at most state parks, oversee the day-to-day operations. Forty-five parks are self-managed and the remaining parks are managed by another state park.

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<sup>1</sup> Department of Natural Resources, *Department of Natural Resources Biennial Budget 2018-2019* (St. Paul), 5, <https://files.dnr.state.mn.us/aboutdnr/budget/fy18-19-biennial-op-budget.pdf>, accessed May 21, 2020.

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# Audit Scope, Objectives, Methodology, and Criteria

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## Receipts

This audit focused on the collection of revenue from park fees and retail sales. We designed our work to address the following questions:

- Did the department have adequate controls over state park receipts?
- Did the department charge the correct park fees?
- Did the department collect, safeguard, and properly deposit all receipts in accordance with legal and administrative requirements?

To answer these questions, we interviewed and performed testing at nine locations. We judgmentally selected the central office and the two parks that generated the most revenue during our audit scope: Itasca State Park and Gooseberry Falls State Park. These three locations account for 15 percent of revenue collected. In addition, we randomly selected an additional six parks, which was approximately 4 percent of revenue collected.

The Office of the Legislative Auditor (OLA) interviewed central office and park staff to gain an understanding of the controls in place to ensure compliance with applicable statutes, and state and department policies and procedures. To determine whether the department had adequate internal controls and complied with legal and administrative requirements, we:

- Tested physical controls over receipts at sampled state parks by observing the presence of safes and the collection of receipts, and conducted spot checks of receipts on hand.
- Analyzed camping, lodging, and tour fees at sampled parks and reviewed documentation to ensure discounts were appropriate.
- Reviewed documentation on-site at sampled parks, including information on self-registration envelopes collected, to determine whether parks protected not public data.
- Randomly tested 450 of 8,850 sampled state park and the central office deposits to determine their timeliness.
- Reviewed the central office reconciliation process by testing 40 of 620 daily reconciliations and 6 of 31 monthly reconciliations.
- Reviewed security access to the point of sale system.
- Randomly selected 52 of 215 active user accounts from sampled state parks and tested the appropriateness of the roles assigned.

## Inventory

This audit focused on the department's controls over its permit and retail inventory at state park locations. We designed our work to address the following question:

- Did the department design and implement controls to safeguard its permit and retail inventory?

To answer this question, we obtained inventory reports from the department's point of sale system for each of the locations we visited. We conducted a physical inventory count for a random sample of 212 retail inventory items to determine the accuracy of the inventory counts in the point of sale system. We also requested documentation from the central office for all annual physical inventories conducted by the parks during the audit scope. We reviewed the documentation to determine the extent of the central office's review.

We also requested documentation from the central office for the 2016, 2017, and 2018 park permit counts performed to ensure all counts were received and completed.

## Rate Setting

The audit focused on how the department set camping and lodging fees not established in statute. We designed our work to address the following question:

- Did the department set camping and lodging fees in accordance with fee-setting guidelines established in state statute?

To answer this question, OLA interviewed department staff to assess how the department establishes fees for camping and lodging. In addition, for each year in our audit scope, we reviewed data from the point of sale system for parking permits, camping, lodging, reservations, tours, and other fees, and compared those amounts charged to the relevant Commissioner's Order fee documentation on a sample basis.

We conducted this performance audit in accordance with generally accepted government auditing standards.<sup>2</sup> 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. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. When sampling was used, we used a sampling method that complies with generally accepted government auditing standards and that supports our findings and conclusions. That method does not, however, allow us to project the results we obtained to the populations from which the samples were selected.

We assessed internal controls against the most recent edition of the internal control standards published by the U.S. Government Accountability Office.<sup>3</sup> To identify legal compliance criteria for the activity we reviewed, we examined state and federal laws, state administrative rules, state contracts, and policies and procedures established by the departments of Management and Budget, and Administration.

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<sup>2</sup> Comptroller General of the United States, Government Accountability Office, *Government Auditing Standards* (Washington, DC, December 2011).

<sup>3</sup> Comptroller General of the United States, Government Accountability Office, *Standards for Internal Control in the Federal Government* (Washington, DC, September 2014). In September 2014, the State of Minnesota adopted these standards as its internal control framework for the executive branch.

# Receipts

State parks collect a majority of receipts generated from the sales of permits, camping, lodging, and retail sales. Customers can pay by cash, check, or credit card in a state park office, gift shop, or with a self-registration envelope. Customers can also purchase permits and reservations online, through the call center, or at the central office.<sup>4</sup> Customers can purchase gift cards online, at a state park, or at the central office. The department records all receipts in its point of sale system. Exhibit 2 shows the total receipts collected at state parks from July 1, 2016, through January 31, 2019.

## Exhibit 2: State Park Receipts by Location, July 1, 2016, through January 31, 2019

Location	Total Receipts	Location	Total Receipts
Website	\$28,338,623	Buffalo River State Park	\$ 367,520
<b>Itasca State Park</b>	<b>6,836,656</b>	Cascade River State Park	359,947
<b>Gooseberry Falls State Park</b>	<b>4,028,326</b>	Temperance River State Park	355,016
Call Center	3,449,951	Judge C.R. Magney State Park	329,841
Tettegouche State Park	2,047,941	Lake Maria State Park	329,313
Jay Cooke State Park	1,440,878	McCarthy Beach State Park	318,897
Fort Snelling State Park	1,391,524	Crow Wing State Park	310,757
Whitewater State Park	1,363,554	Banning State Park	310,477
Forestville Mystery Cave State Park	1,307,258	Grand Portage State Park	292,076
Interstate State Park	1,206,672	Camden State Park	290,350
William O'Brien State Park	1,062,662	Savanna Portage State Park	274,758
St. Croix State Park	1,061,958	Lake Bronson State Park	273,585
<b>Afton State Park</b>	<b>883,169</b>	Glendalough State Park	268,523
Minneopa State Park	806,918	Sakatah Lake State Park	229,987
Sibley State Park	778,922	Blue Mounds State Park	229,510
Wild River State Park	762,132	Rice Lake State Park	191,419
Lake Carlos State Park	729,934	Big Bog State Recreation Area	184,834
<b>Frontenac State Park</b>	<b>725,487</b>	Lac qui Parle State Park	181,149
Lake Bemidji State Park	704,857	Great River Bluffs State Park	172,784
Split Rock Lighthouse State Park	691,497	Charles A. Lindbergh State Park	155,753
Bear Head Lake State Park	686,761	Beaver Creek Valley State Park	153,452
Maplewood State Park	609,375	Fort Ridgely State Park	149,261
Soudan Underground Mine State Park	602,323	<b>Zippel Bay State Park</b>	<b>126,757</b>
Flandrau State Park	534,313	Split Rock Creek State Park	120,335
Scenic State Park	516,336	Hayes Lake State Park	99,755
Red River State Recreation Area	513,959	Upper Sioux Agency State Park	81,461
<b>Nerstrand Big Woods State Park</b>	<b>504,478</b>	<b>Cuyuna Country State Recreation Area</b>	<b>80,109</b>
Father Hennepin State Park	474,507	Big Stone Lake State Park	74,519
Mille Lacs Kathio State Park	464,264	Hill-Annex Mine State Park	40,540
Myre-Big Island State Park	441,943	Kilen Woods State Park	34,249
<b>Central Office</b>	<b>429,042</b>	Old Mill State Park	16,667
<b>Lake Shetek State Park</b>	<b>423,678</b>	Schoolcraft State Park	12,520
		Total	<u>\$72,675,005</u>

NOTES: The locations that are in bold indicate those visited by OLA. We excluded state parks and state recreation areas that were managed by another location or did not generate revenue during our audit scope.

SOURCE: Department of Natural Resources point of sale system.

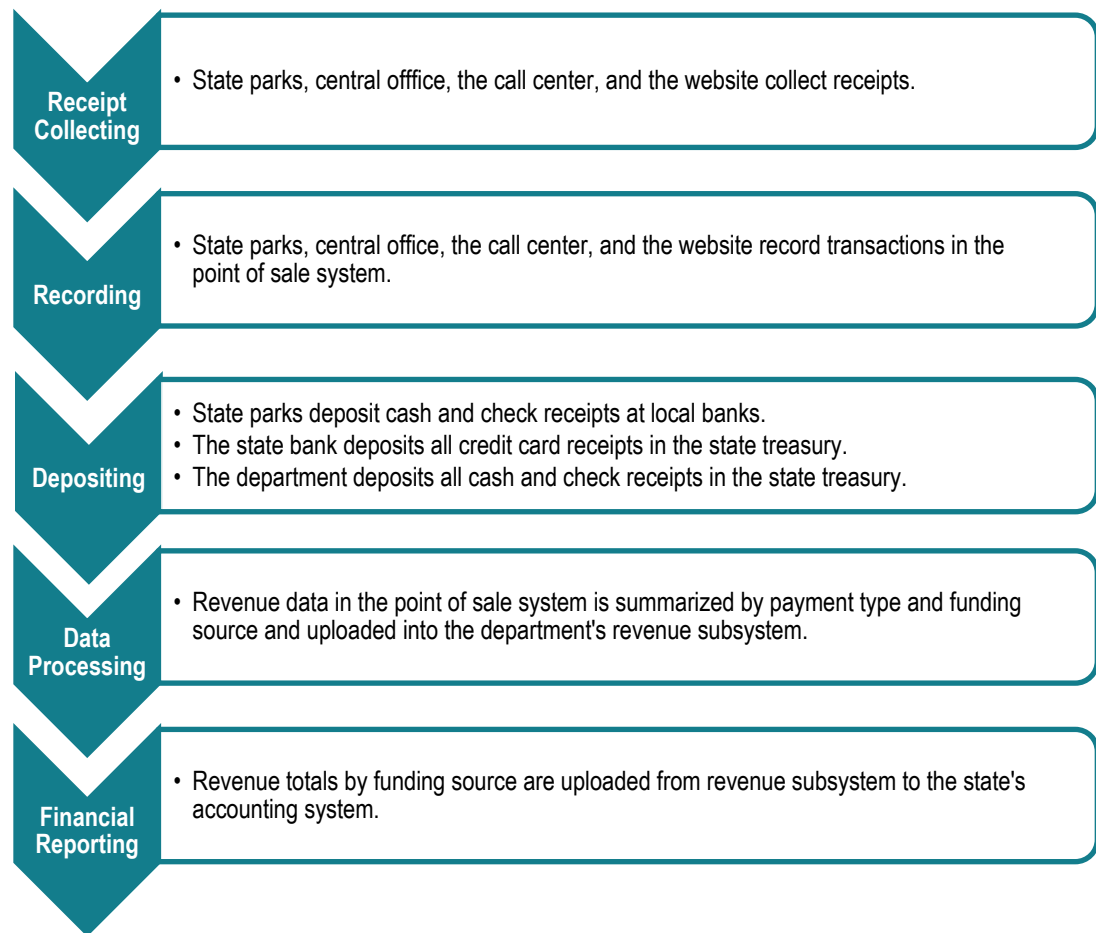
<sup>4</sup> The Department of Natural Resources manages the website. However, an external vendor manages the call center. Our audit did not include testing of the website or call center other than reviewing the accuracy of the revenue coming into the department's point of sale system.

After recording the receipt transactions in the point of sale system, the transactions are uploaded to the department's revenue subsystem, and then to the state's accounting system. The department performs various daily and monthly reconciliations at the state parks and the central office to ensure the accuracy of park receipts as the receipts move from local banks to the state treasury and as the documented transactions move from the point of sale system to the department's revenue subsystem and finally into the state's accounting system.

Exhibit 3 illustrates the process to collect, process, deposit, and record receipts.

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### Exhibit 3: Receipt Process



SOURCE: Office of the Legislative Auditor.

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## Separation of Duties

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According to state policy, an employee separate from the receipt and entry process should review and approve the daily deposits.<sup>5</sup> Furthermore, for the receipt process at state parks and recreation areas, the department's revenue manual requires separate individuals to handle cash, deposits, and reconciliations. When separation is not possible, park managers are required to implement compensating controls to reduce risk such as performing an unscheduled and unannounced cash count and review all shortages in revenue deposits for any potential trends related to an employee.<sup>6</sup>

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### FINDING 1

**The Department of Natural Resources did not always ensure employee separation during the receipt process.**

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At six of the eight parks sampled, we identified instances where the deposit did not always include evidence that an employee separate from the receipt and entry process reviewed and approved the deposits. At four of the six parks, 224 deposits sampled indicated no such separation of duties.

Limited staffing prevents adequate separation of duties at some state park locations, especially during the off-season. Often, a single staff person oversees all park operations during winter months. This includes the collection of receipts, preparation of deposits, and deposit at the local bank. We saw no evidence of compensating controls when state parks experienced limited staffing to the extent that they could not adequately separate duties.

There is a greater risk that receipts could be mishandled or misappropriated when the same employee collects and deposits the receipts.

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### RECOMMENDATION

**The Department of Natural Resources should implement compensating controls when park staff cannot adequately separate duties involved in collecting and depositing receipts.**

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<sup>5</sup> Minnesota Management and Budget, Statewide Operating Policy 0602-1, *Recording and Depositing Receipts*, issued July 1, 2011.

<sup>6</sup> Department of Natural Resources, Division of Parks and Trails, *Summary of Minnesota State Parks and Trails Revenue Collection & Reporting Policies* (St. Paul, 2015), 8.

## Safeguarding Nonpublic Information

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The department provides self-registration envelopes for customers to purchase permits in lieu of paying at a state park office. Customers can either insert cash or check or leave credit card information on the outside of the envelope. The customer then inserts the envelope into a secured box. After the envelopes are collected, state park employees process the transactions through the point of sale system, which does not store credit card numbers.

After confirming that the transactions were processed, the state parks retain the used envelopes for audit purposes. However, the department requires park staff to destroy or make illegible all instances of credit card data on self-registration envelopes through shredding or other permanent destruction methods.<sup>7</sup>

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### FINDING 2

#### **The Department of Natural Resources did not always identify and destroy instances of not public data.**

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In most cases, we observed that state parks appropriately destroyed customer credit card data. However, we identified 398 self-registration envelopes that had visible credit card numbers. This represents approximately 2.5 percent of self-registration envelopes we reviewed. In some cases, the state parks retained documentation of credit card numbers after noting that the respective park could not process the transaction. Generally, this occurred when a customer provided an invalid credit card number. In these circumstances, the department's policies do not address how long parks should retain the documentation.

State park employees did not consistently adhere to the department's internal policy and the parks did not provide oversight to ensure proper handling of credit card information by employees. According to the state parks, this was often due to unprocessed transactions, employees forgetting to destroy the data, or employees not understanding the policy.

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### RECOMMENDATIONS

- **The Department of Natural Resources should destroy credit card information immediately following the processing of a transaction.**
  - **The Department of Natural Resources should revise its policy on how long a park should retain credit card information for unprocessed transactions.**
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<sup>7</sup> Department of Natural Resources, Division of Parks and Trails, *Summary of Minnesota State Parks and Trails Revenue Collection & Reporting Policies* (St. Paul, 2015), 5.



## Deposits

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State statute requires agencies to deposit cash and check receipts exceeding \$1,000 daily. However, an agency can request a waiver if it can demonstrate that the cost of making daily deposits exceeds the lost interest earnings and the risk of loss or theft of the receipts.<sup>8</sup>

Due to the remote locations and limited staff at some state parks, the department has an approved waiver from the daily deposit requirement, which also includes the central office. The waiver allows most state parks up to four days to deposit receipts exceeding \$1,000 during the period from May 1 through September 30, and up to 14 days to deposit receipts during the period from October 1 through April 30. The waiver allows Itasca State Park only two days to deposit receipts from May 1 through September 30, and four days from October 1 through April 30. State parks keep receipts in a safe until deposited.

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### FINDING 3

#### **The Department of Natural Resources did not always deposit receipts in accordance with its daily deposit waiver.**

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We identified instances at all sampled locations where staff did not deposit receipts within the required timeframe. Out of the 450 deposits tested, we identified 12 that were not deposited timely. These untimely deposits were between one and eight days late. The location with the highest rate had 5 untimely deposits out of 60 sampled deposits totaling \$7,458.

In addition, we were unable to conclude on the timeliness of 34 samples due to data limitations in the point of sale system. The data available in the system, prior to the March 2018, included transaction dates but not payment types. Because of this, we were not always able to determine when the collected cash and check receipts exceeded \$1,000.

Furthermore, we observed unprocessed self-registration envelopes at two state parks. The combined total of unprocessed cash, check, and credit card receipts for the two locations was an estimated \$11,924.<sup>9</sup> This puts receipts at a higher risk because they could become unaccounted for or misappropriated if loss or theft occur.

The department stated that limited staffing and seasonality at some park locations prevented staff from making timely deposits.

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<sup>8</sup> *Minnesota Statutes* 2019, 16A.275.

<sup>9</sup> We calculated the estimate based on one daily \$7 permit per envelope.

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## RECOMMENDATION

### **The Department of Natural Resources should ensure timely deposits in accordance with state statute.**

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State policy requires an agency to establish policies and procedures to ensure the accuracy of deposits in the state's accounting system.<sup>10</sup> These policies and procedures should include an employee, who is separate from the collection, deposit, and entry of receipts, to reconcile deposits in the state's accounting system at least once a month.

At each state park location where receipts are collected, an employee performs a daily reconciliation by comparing cash and checks received to the bank deposit and to the point of sale system. At some parks, the reconciliation includes a comparison of cash and checks to the department's revenue subsystem, as well. The parks do not include credit card transactions in the daily reconciliations. Instead, the department relies on the point of sale system vendor to identify any differences between credit card transactions in the point of sale system and the transactions cleared through the credit card processing vendor.

The central office then performs a daily reconciliation of credit card receipts in the state treasury to its revenue subsystem and a monthly reconciliation by comparing all receipts, including cash, checks, and credit cards, recorded in its revenue subsystem to the state's accounting system. The department adjusts the revenue subsystem to match the bank balance but does not always investigate identified differences.

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## FINDING 4

### **The Department of Natural Resources did not have adequate controls to ensure the accuracy of deposits in the state's accounting system.**

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The department did not identify an error in its point of sale system that resulted in approximately \$80,000 of lost revenue in calendar year 2017. From May 2017 through August 2017, the point of sale system automatically voided some credit card payments. However, the system still showed these transactions as paid. For example, if a customer reserved a campsite using a credit card, the system showed that the reservation was paid, but the system voided the transaction before the department could deposit the transaction in the bank. Although the central office identified variances when performing daily reconciliations during this time, it took no action to identify the cause of the variances. Instead, the department continued to make adjustments in its revenue subsystem to match the bank balance. There is no established threshold for an adjustment and the department did not always investigate identified differences.

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<sup>10</sup> Minnesota Management and Budget, Statewide Operating Policy 0602-1, *Recording and Depositing Receipts*, issued July 1, 2011.

In August 2017, a customer contacted the department to modify their park reservation. In modifying the reservation, the department saw that the customer was never charged. The department contacted the point of sale system vendor but believed the issue to be isolated. The department was not aware of the pervasiveness of the issue. Instead, the vendor identified the error and credited the state \$20,696 in October 2018. As of the end of our audit, the department did not calculate the entire error or pursue payment for the total amount of the error.

Because the department does not have an established threshold to determine when identified differences should be investigated and no internal control to provide oversight over the reconciliation process, the department increases its risk of lost revenue or misappropriated funds.

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## RECOMMENDATIONS

- **The Department of Natural Resources should implement procedures to complete a full reconciliation of state park receipts between the point of sale system and the state's accounting system.**
  - **The Department of Natural Resources should determine the amount of remaining lost revenue and seek vendor reimbursement.**
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## Point of Sale System

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In 2011, the department contracted with an external vendor for its point of sale system. The system records all retail inventory, reservations, and sales. The department upgraded to a web-based system in March 2018, which allows an active user to access the system from a state or non-state computer. The point of sale system has defined user roles. Based on an employee's position and job duties, the department assigns them as an administrator, super manager, manager, or cashier. Administrators have the most access and are able to modify their own role along with all other roles. Each role is customizable, which allows the department to assign permissions other than those initially assigned to a role.

According to state policy, "Identity and access management controls must be in place to ensure users, systems, applications and networks have appropriate access to only that which is necessary to perform their function."<sup>11</sup> Furthermore, the creation and modification of accounts must be documented and approved, user accounts must be reviewed at least annually, inactive accounts must be disabled after 90 days and deleted within one year, and accounts no longer required must be removed or disabled within eight hours depending on cause.<sup>12</sup>

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<sup>11</sup> Minnesota IT Services, "Identity and Access Management Policy," version 1.4, effective January 1, 2016.

<sup>12</sup> Minnesota IT Services, "Enterprise Identity and Access Management Standard," version 1.3, effective January 1, 2016.

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**FINDING 5****The Department of Natural Resources did not identify and remove unnecessary access in its point of sale system.**

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The department did not implement the state policy on user access nor did it create an internal policy or procedure. The department assigned two administrators at the central office to manage the point of sale system and to grant super manager access to all park managers. Super managers and managers are then able to assign and modify roles to their employees. The administrators do not approve access or modifications for any of the roles assigned. Furthermore, there was no documentation of who had access and, if a role had been modified. The department was not able to produce an audit trail of the permissions assigned to any one employee.

We reviewed the security access assigned to employees at the central office and the eight state parks we visited. Of the 52 user accounts we sampled, we identified the following unnecessary access at four parks and the central office:

- Six former employees had active user accounts.
- Three employees, who transferred parks, retained user accounts at the former park.
- The department retained nine generic accounts that were no longer in use.
- Two employees at the central office had excessive administrator access rights based on their position title; the department was not able to identify why these employees needed this level of security access.

By not identifying and removing unnecessary access to the system, the department increased the risk that employees could inappropriately modify information in the point of sale system.

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**RECOMMENDATIONS**

- **The Department of Natural Resources should perform an annual review of user accounts to ensure appropriate access to the point of sale system and immediately terminate unnecessary access.**
  - **The Department of Natural Resources should design and implement a control to track access authorizations, modifications, and terminations in its point of sale system.**
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According to the department's internal policy, "All employees...responsible for processing transactions...must be assigned a unique log on id and use only that id when completing transactions."<sup>13</sup> Although some locations may only have one cash register, it is still required that employees use their own login credentials when processing transactions through the point of sale system.

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## **FINDING 6**

**The Department of Natural Resources employees did not always use their own unique login when using the point of sale system.**

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At three of the state parks tested, we observed employees using the login credentials of another employee. Furthermore, on the dates we visited, we observed one park's employees leaving the cash drawer ajar throughout the day. State parks stated that it was easier to have one person log in for the day as opposed to logging in and out each time a transaction occurs.

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## **RECOMMENDATION**

**The Department of Natural Resources should enforce the requirement for employees to use their own unique login when using the point of sale system.**

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<sup>13</sup> Department of Natural Resources, Division of Parks and Trails, *Summary of Minnesota State Parks and Trails Revenue Collection & Reporting Policies* (St. Paul, 2015), 4.



# Inventory

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All state parks manage inventory. For retail inventory, some parks may only sell a few souvenirs in the park office while larger parks, such as Itasca and Gooseberry Falls, have a separate gift shop(s) selling many retail items. We identified 62 parks and recreation areas with retail sales during the audit scope. All locations sell daily and annual permits, which include sales through the central office, the call center, and the department's website, as well.

State parks maintain retail inventory records in the point of sale system. State parks record inventory in the system when items are received and the system updates quantities on hand when items are sold. At the end of the calendar year, the department requires a physical count of inventory. However, there is no documented policy identifying this requirement. Each park will generate inventory reports directly from the point of sale system, count the actual inventory on hand, and update the records in the system. Itasca State Park, Gooseberry Falls State Park, and the central office hire a contractor to perform the physical inventory count. State parks send completed inventory reports to the central office.

State parks do not maintain permit inventory in the point of sale system. Instead, the parks retain purchase orders and invoices to assist in a physical, year-end count of annual permits, required by the department. However, there is no documented policy identifying this requirement. State parks will calculate the ending permit totals based on beginning totals and purchases, transfers, sales, discounted permits, and voids that occur during the year. Each park will then compare the calculated total with its physical count of remaining permits. State parks send completed counts to the central office, and the parks retain the permits for sale in the following year.

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## FINDING 7

**The Department of Natural Resources did not always perform an annual physical inventory or, when the department completed a physical inventory, it did not always investigate identified differences.**

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We found that the central office did not verify whether all state parks completed an annual, retail inventory. In addition, the central office did not always review the completed inventory reports. For calendar years 2016, 2017, and 2018, the central office did not have documented evidence that 65 of an expected 186 annual physical retail inventories were completed.

We also found that when state parks identify retail inventory differences, they are not required to investigate or reconcile any variances. Instead, the park adjusts the count in the system to reflect the physical count. In our testing, we identified three state parks with differences. At one park, 25 of the 40 inventory items tested did not match the count recorded in the system.

Additionally, while the central office did ensure that parks conducted all permit counts during our audit scope, it did not review the counts or follow up on any noted differences. We reviewed and tested the 2017 permit counts at the sampled state parks and identified that sampled state parks were not able to account for 209 annual permits out of the 38,050 available for sale. Without oversight of the annual retail inventories and permit counts, there is an increased risk that inventory could be lost or stolen.

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#### **RECOMMENDATION**

**The Department of Natural Resources should document an inventory policy to address the accuracy of inventory records.**

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# Park Fees

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Minnesota statutes establish state park vehicle permit fees, and the department establishes fees for camping, lodging, and other state park uses. Minnesota statutes require the department to set fees “in a manner and amount consistent with the type of facility provided for the accommodation of guests in a particular park and with similar facilities offered for tourist camping and similar use in the area.”<sup>14</sup>

The department reviews park fees for camping, lodging, and tours each year and establishes fees two years in advance. The department considers public demand and compares fees at state parks with those charged by other local public and private providers. We did not identify any issues in how rates were set and charged.

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<sup>14</sup> *Minnesota Statutes* 2019, 85.052. subd. 3.



# List of Recommendations

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- The Department of Natural Resources should implement compensating controls when park staff cannot adequately separate duties involved in collecting and depositing receipts. (p. 9)
- The Department of Natural Resources should destroy credit card information immediately following the processing of a transaction. (p. 10)
- The Department of Natural Resources should revise its policy on how long a park should retain credit card information for unprocessed transactions. (p. 10)
- The Department of Natural Resources should ensure timely deposits in accordance with state statute. (p. 12)
- The Department of Natural Resources should implement procedures to complete a full reconciliation of state park receipts between the point of sale system and the state's accounting system. (p. 13)
- The Department of Natural Resources should determine the amount of remaining lost revenue and seek vendor reimbursement. (p. 13)
- The Department of Natural Resources should perform an annual review of user accounts to ensure appropriate access to the point of sale system and immediately terminate unnecessary access. (p. 14)
- The Department of Natural Resources should design and implement a control to track access authorizations, modifications, and terminations in its point of sale system. (p. 14)
- The Department of Natural Resources should enforce the requirement for employees to use their own unique login when using the point of sale system. (p. 15)
- The Department of Natural Resources should document an inventory policy to address the accuracy of inventory records. (p. 18)



August 11, 2020

James R. Nobles  
Legislative Auditor  
Office of the Legislative Auditor  
Centennial Building, Room 140  
658 Cedar St.  
St. Paul, MN 55155-1603

**Subject: Minnesota Department of Natural Resources (DNR) response to the Office of the Legislative Auditor (OLA) audit of park fees and retail sales**

Dear Auditor Nobles:

Thank you for the opportunity to review and respond to the Office of Legislative Auditor's (OLA) findings and recommendations resulting from the recent park fees and retail sales audit for the period of July 2016 through January 2019. We appreciate the professional review conducted in the OLA audit. The Minnesota Department of Natural Resources (DNR) takes very seriously our responsibility to implement internal controls to safeguard public assets and ensure compliance with laws, rules and policies. Therefore, we also appreciate the objective evaluation and recommendations for improvement that the OLA audit provides. It is in this spirit of continuous improvement that the DNR offers the following specific responses to the audit findings and recommendations.

**Audit Finding #1**

**The DNR did not always ensure employee separation during the receipt process.**

***Audit Recommendation:** The DNR should implement compensating controls when park staff cannot adequately separate duties involved in collecting and depositing receipts.*

**DNR response:** The agency concurs with the finding that the Division of Parks and Trails did not always ensure separation of duties in the receipting process, and the recommendation that additional compensating controls are needed.

**The DNR will take the following Corrective Actions:**

- 1.1 Implement a more robust tracking and accountability procedure to ensure compliance with compensating controls.** As the OLA audit acknowledges, separation of duties is not always possible at state parks that have limited staffing, especially during off-peak times of the year. To address this, unit supervisors are required to submit a risk assessment plan, including compensating controls to address identified risks associated with low staffing, for the sites that collect and deposit receipts. The Division of

Parks and Trails will take the following actions to strengthen both the compensating controls in these plans and the implementation of these controls across the system:

- a. The Division and Fiscal Services (DFS) section manager will lead a team to develop and document a system of standardized compensating controls for collecting and depositing receipts consistent with the approved Parks and Trails deposit waiver no later than December 1, 2020. These policies and procedures will include a system to monitor compliance and accountability and include corrective actions for non-compliance. The DFS section manager will ensure that the Division of Parks and Trails fully implements compensatory controls regarding separation of duties by January 1, 2021.
- b. The DFS section manager will oversee the revision of the Parks and Trails Revenue Manual by December 1, 2020, and will provide revenue-handling training, including the use of compensating controls, to all division staff responsible for implementing and overseeing revenue operations no later than January 1, 2021, and annually thereafter. The training will also be provided to new employees, as applicable, during the onboarding process.
- c. The division will include periodic communication on the importance of compliance with fiscal controls to all Parks and Trails staff through the division newsletter and email. These communications will include reminders of policies, procedures and best practices.
- d. Unit supervisors will provide ongoing oversight, monitoring and documentation of all revenue operations within the unit, consistent with the monitoring systems and the standardized compensating controls addressed in Corrective Action 1.1a. Unit supervisors will complete risk assessments for each location by January 1, 2021. They will also implement the policies and procedures articulated in Corrective Action 1.1b to ensure staff compliance with all revenue handling responsibilities, including compensating controls, no later than January 1, 2021.
- e. District supervisors will be responsible for quarterly monitoring and documentation of compliance by unit supervisors within the district beginning January 1, 2021. If non-compliance is identified, the nature of the non-compliance and the resulting corrective actions will be documented and reviewed with the regional manager, and also shared with the DFS manager.
- f. The DFS manager will at least annually review documentation, identify any patterns in incidences of non-compliance and system-level corrective actions needed to avoid future noncompliance, and adjust training and communications accordingly. The DFS manager will also maintain the records on the I:\drive to document and ensure compliance.

## **Audit Finding #2**

**The DNR did not always identify and destroy instances of not-public data.**

***Audit Recommendation:*** The DNR should destroy credit card information immediately following the processing of a transaction.

***Audit Recommendation:*** The DNR should revise its policy on how long a park should retain credit card information for unprocessed transactions.

**DNR response:** The agency concurs with the finding that staff did not consistently comply with the existing policies and procedures regarding retention of data, and the recommendations that the policies should always be followed and also should be revised to address unprocessed transactions.

**The DNR will take the following Corrective Actions, some of which have already been implemented:**

**2.1 Revise the practice of redacting data.** It is evident that some Division of Parks and Trails procedures need revision to better guide staff in meeting the requirement of protecting not-public data. Based on the information shared at the OLA field exit interview last summer, the following actions have already been taken:

- a. In October 2019, the division discontinued the practice of using a black permanent marker to redact credit card data on self-pay envelopes. Not-public data on the envelopes is now cut away from the original document and shredded once the transaction has been validated.
- b. In October 2019, staff were reminded to keep all not-public data needed for future verification locked in a secure location and only make it available to those who need it for a business purpose. This policy will be included in the revised Parks and Trails Revenue Manual and will be reinforced in associated training materials delivered at least annually.

**2.2 Ensure compliance with redaction of not-public data requirements.** It is the local unit supervisor's responsibility to ensure that staff comply with procedures developed to protect non-public data.

- a. Unit supervisors will monitor compliance to ensure that staff processing self-pay envelopes promptly destroy not-public data after transactions are validated. The DFS manager will send an email to all unit supervisors about the importance of this practice by September 15, 2020, and at least annually thereafter. This need will also be emphasized in annual training.
- b. Unit supervisors will proactively communicate and reinforce the importance of complying with the redaction requirement, and will document non-compliance along with the appropriate corrective action in the employee's personnel file, up to and including progressive disciplinary actions if necessary. Communications will occur at least annually, in association with annual training.
- c. District supervisors will be responsible for quarterly monitoring and documentation of compliance by unit supervisors within their district (as developed in corrective action 1.1b above) and for implementing corrective actions for non-compliance. This quarterly monitoring for compliance with redaction of not-public data requirements will begin no later than January 1, 2021.

**2.3 Revise policy on retaining credit card information for unprocessed transactions.** The Division of Parks and Trails will clarify the policy for retaining, protecting and destroying not-public data related to the revenue system. Some actions have already been taken, and others are in process, as follows:

- a. In October 2019, the DFS section provided the following guidance to staff on credit card transactions that do not correctly process: Following the first attempt, staff verify that the credit card numbers were entered correctly. Following the second attempt, staff attempt to contact the cardholder to verify the number. If these attempts are unsuccessful, staff note the failure on the self-pay envelope

and deposit records and then destroy the not-public data. The self-pay envelopes are retained for audit.

- b. The DFS section manager will include this policy and procedure in the revised Parks and Trails Revenue Manual and associated training materials, to be completed by December 1, 2020, and will ensure that unit supervisors receive training on the new procedures by January 1, 2021.
- c. The unit supervisor will ensure that all revenue-handling staff understand the policies on retaining, protecting and destroying not-public data related to the park revenue system.

**2.3 Continue to explore alternatives to self-pay envelopes.** A move away from self-pay envelopes would avoid the need to collect not-public data in the first place, thereby eliminating any risk that the data are not properly destroyed. The division began a pilot project to use electronic pay stations in five parks in the fall of 2019. In recent months, the DNR has had some success in using QR codes to encourage online payments via internet-enabled mobile phones. The DFS manager will continue to explore alternatives to using envelopes to conduct self-pay transactions and to provide more secure fee collection boxes at locations where electronic options are not available, and, in some instances, may not be feasible. By April 1, 2021, the DFS manager will convene a group to develop a plan to reduce the use of fee collection boxes over the next five years.

**2.4 Reinforce and enhance staff training.** The DFS section manager will develop a division-specific Enterprise Learning Management (ELM) training and a revised Parks and Trails Revenue Manual to clarify the retention policies and procedures with regard to processing transactions. The training will be developed by December 1, 2020, with the expectation that unit supervisors have completed it by January 1, 2021, and that all seasonal staff have completed it by May 31, 2021, and annually thereafter.

Unit supervisors will ensure that all staff who process transactions complete this training by May 31 of each year. The ELM system will allow unit supervisors to track who has completed the training each spring, to ensure staff are training on an annual basis. The DFS reservation coordinator will disable user logins for all staff who do not complete training by May 31 each year.

### **Audit Finding #3**

**The DNR did not always deposit receipts in accordance with its daily deposit waiver.**

***Audit Recommendation:** The DNR should ensure timely deposits in accordance with state statute.*

**DNR Response.** The agency concurs with the finding that staff did not always deposit receipts in accordance with required timelines and the recommendation to ensure timely deposits in accordance with state statute.

**The DNR will take the following Corrective Actions:**

**3.1 Ensure compliance with the specified timelines in state statutes and existing daily deposit waivers.** Division of Parks and Trails staff are not always ensuring that receipts are deposited in accordance with the approved deposit waiver timelines. These situations usually arise from reduced off-peak staffing levels.



- a. The DFS section manager will review the audit findings with unit supervisors, remind them of current practices, and share interim corrective actions by September 15, 2020. The DFS section manager will convene a group of unit supervisors and DFS fiscal staff to determine how best to ensure compliance and more effective handling of deposits; the recommendations of the group will be documented and implemented by January 1, 2021.
- b. Unit supervisors will be responsible for ongoing oversight, monitoring and documentation of all revenue operations within the unit, consistent the standardized compensating controls identified in 1.1a. Unit supervisors will monitor compliance with the deposit waiver and will document any incidents of failure to comply and the appropriate corrective action taken to prevent reoccurrence.
- c. District supervisors will be responsible for monitoring and documenting compliance by unit supervisors within their district and for implementing corrective actions for non-compliance, which will begin on January 1, 2021.
- d. Every January, the DFS section manager will compile and review all deposit violation forms and will provide a summary to the deputy director. The DFS manager will at least annually review documentation, identify any patterns in incidences of non-compliance and system-level corrective actions needed to avoid future noncompliance, and adjust training and communications accordingly. The DFS manager will also maintain the records on the I:\drive to document and ensure compliance.

#### **Audit Finding #4**

**The DNR did not have adequate controls to ensure the accuracy of deposits in the state's accounting system.**

***Audit Recommendation:** The DNR should implement procedures to complete a full reconciliation of state park receipts between the point of sale system and the state's accounting system.*

***Audit Recommendation:** The DNR should determine the amount of remaining lost revenue and seek vendor reimbursement.*

**DNR Response:** The agency concurs that the controls to ensure the accuracy of deposits in the state's accounting system need to be examined and modified to ensure a full reconciliation between the vendor's system and the state accounting system. The agency also concurs with and has implemented, as documented further in 4.3 below, the recommendation to determine and seek vendor reimbursement of the full amount of lost revenue.

#### **The DNR will take the following Corrective Actions:**

- 4.1 Review and improve the reconciliation process and procedures.** The Division of Parks and Trails and OMBS are responsible for reconciliation between SWIFT, WIRES and any applicable sub-system. The reconciliation process is conducted daily by the DFS section revenue staff. When a delay of more than a day in payment to the bank from a credit card company occurs, DFS revenue staff have a tracking procedure that documents the resulting daily overages and shortages. Staff add a correcting entry to temporarily balance the account for the day of the credit card purchase and flag the transaction. If the flagged transaction is not reconciled by the end of the week, DFS revenue staff contact the gateway

provider to reconcile payment and follow up on any discrepancies. Better documentation of this process is needed, and the following actions will be taken to strengthen the reconciliation process:

- a. By January 1, 2021, the DFS manager will review, revise and document this reconciliation process in consultation with OMBS, the reservation system vendor, the gateway provider, and Parks and Trails fiscal staff to ensure full documentation and reconciliation of receipts between the point of sale system and the state's revenue systems.
- b. The DFS section manager will work with OMBS staff to establish a standardized process to review, reconcile and document discrepancies by January 1, 2021.

**4.2 Review the threshold above which discrepancies will be investigated and establish a standardized discrepancy investigation process.** The Parks and Trails Revenue Manual currently indicates that any revenue shortage in excess of \$50 must be investigated and signed off on by the unit supervisor. When a discrepancy is found, the information is provided to DFS revenue staff. DFS staff then review the fiscal reports from the reservation and accounting systems, and resolve or document the discrepancies in the WIRES report. Patterns of discrepancies are documented and reported to the reservation coordinator and/or the Parks and Trails business manager to investigate.

- a. By December 1, 2020, the DFS manager will work with OMBS staff to review the specific threshold for investigating discrepancies in receipting and to establish a standardized process to review, reconcile and document discrepancies.
- b. Unit supervisors will be responsible for ongoing oversight, monitoring and documentation of all revenue operations within the unit, consistent with the policies and procedures outlined in the Parks and Trails Revenue Manual. Unit supervisors are also responsible for timely addressing and documenting all instances where discrepancies above this threshold occur and the corrective action taken to both resolve the specific instance and prevent reoccurrence.
- c. District supervisors will be responsible for quarterly monitoring and documentation of compliance by unit supervisors within their district and for implementing corrective actions for non-compliance, which will begin on March 31, 2021.

**4.3 Determine and recover lost revenue due to the auto-void.** Prior to the audit commencing, the DNR began working with the vendor to identify and document a system flaw whereby the reservation system software could automatically void a transaction prior to funds being deposited. This flaw was also identified by the OLA. Voids are common when customers either change their minds mid-transaction or make a reservation error and back out of the system. Consequently, it was difficult to catch errors that resulted in actual lost revenues. It is only when park staff checked someone into a campsite, and found that a payment wasn't processed, that the discrepancy in payment was found. Parks and Trails staff have identified and recovered the total revenue loss. Specifically, a contract amendment was fully executed on February 27, 2020 to reduce the total payout to the vendor by \$133,417.16 as a means of recovering the remaining lost revenue (this includes \$80,000 to address the auto-void error and \$53,417.16 to address call center response time issues).

## **Audit Finding #5**

**The DNR did not identify and remove unnecessary access in its point of sale system.**

***Audit Recommendation:** The DNR should perform an annual review of user accounts to ensure appropriate access to the point of sale system and immediately terminate unnecessary access.*

***Audit Recommendation:** The DNR should design and implement a control to track access authorizations, modifications, and terminations in its point of sale system.*

**DNR Response:** The agency concurs with the finding that the agency did not identify and remove unnecessary access to the system and the recommendations to address the finding.

### **The DNR will take the following Corrective Actions:**

**5.1 Conduct regular reviews of user accounts and update training materials and manuals.** In October 2019, the Division of Parks and Trails conducted a training that emphasized the need to suspend access that is no longer needed, and reviewed the roles and responsibilities of staff who grant that access. Consistent with MNIT Identity and Access Management Standards, the DNR implemented new procedures on January 29, 2020 to better manage access to the system. The DNR is putting into place these additional measures to assure full compliance with the MNIT standard by the end of 2020:

- a. The DFS reservation coordinator will send out monthly reports of access roles and use to the unit and district supervisors, who will review for compliance with unique logins and for any unnecessary logins in need of suspension.
- b. Unit supervisors will immediately suspend access for employees separating from service or going on seasonal layoff. They will also review and manage user access at least monthly to ensure user access is correct and up-to-date.
- c. District supervisors will quarterly review employee access and ensure that proper access roles are established.
- d. By December 31 each year, the reservation coordinator will ensure the division is meeting the MNIT standards through the following actions:
  - i. Spot check access documents to ensure appropriate access suspensions have been made.
  - ii. Review the access roles for the system and update manuals and training materials as needed.
  - iii. Add the following information to the MNIT access report: 1) who authorized access for each person included in the report, 2) the job classifications for both those who authorized access and those having access, and 3) a comment field to note any special circumstances.
  - iv. Review the access report to ensure that similar job classifications have the same level of access and that those authorizing access are also at the same job class. Include a justification for any special circumstances in the comment field and review/revisit each year.
  - v. Unit supervisors will work with the reservation coordinator annually to review the staff access and assess whether the access level assigned to each staff member is appropriate for their work responsibilities.

- vi. Information on managing user access will be included in the updated Parks and Trails Revenue Manual and associated trainings.

**5.2 Design and implement an automated procedure to deactivate access after 30 days of inactivity.** The DNR's reservation and point-of-sale system is provided by a third party. At the time of the audit, the vendor's system did not have a mechanism to automatically manage access to the system after a period of inactivity; instead, this had to be accomplished manually. In November 2019, the DFS manager began working with the vendor to program an automatic deactivation of users if they have not used the system within a 30-day period. This is equivalent to what is programmed into SWIFT and SEMA4 to manage user access. A deadline of March 31, 2021 has been established for the vendor to implement this tool.

#### **Audit Finding #6**

**The DNR employees did not always use their own unique login when using the point of sale system.**

***Audit Recommendation:** The DNR should enforce the requirement for employees to use their own unique login when using the point of sale system.*

**DNR Response:** The agency concurs with the finding that DNR employees did not always use their unique system login and with the recommendation that the DNR should fully enforce the requirement.

**The DNR will take the following Corrective Actions:**

- 6.1 Increase oversight of staff and conduct unscheduled site visits to ensure compliance.** DNR will enforce compliance with this requirement through increased unit supervisor oversight, emphasizing the reasons for and importance of this requirement, and peer discouragement of using another staff member's login. The following actions will be taken:
- a. Unit supervisors will be required to proactively reinforce the reason for and importance of this requirement and document, with corrective actions up to and including progressive discipline, all instances where staff are observed in non-compliance (those allowing the use of their login and those using a login not their own).
  - b. The DFS reservation coordinator will send out monthly login and use reports to the unit supervisors, who will review for compliance with unique logins and for any unnecessary logins in need of suspension.
  - c. District supervisors will quarterly observe and document front-desk transactions and ensure internal control practices are being followed by all units in their district.
  - d. Assistant regional managers will be responsible for tracking spot-check documentation by the district supervisors and will submit that documentation to the DFS manager in October of each year. Documentation will be reviewed with regional staff in December of each year.

**6.2 Establish a shortened automatic logout timeframe.** Since staff are not consistently complying with the requirement that they use their unique log in for transactions they complete, DNR implemented on August 6, 2020 an automatic logout after 5 minutes of inactivity (previous logout window was every 15 minutes) as a way to prompt and enhance compliance. This is similar to the automatic logout implemented by MNIT for state computers. If compliance has not improved by October 31, 2021 (as measured by three quarters of district supervisor observations according to 6.1c), the DFS manager will work with the vendor to log out users automatically after every transaction.

#### **Audit Finding #7**

**The DNR did not always perform an annual physical inventory or, when the department completed a physical inventory, it did not always investigate identified differences.**

***Audit Recommendation:** The DNR should document an inventory policy to address the accuracy of inventory records.*

**DNR Response:** The agency concurs with the finding that local units did not always perform and/or document an annual physical inventory and investigation of differences and the recommendation that DNR should document an inventory policy to address the accuracy of inventory records.

**The DNR will take the following Corrective Actions:**

**7.1 Ensure staff at every local unit follows a standard process to complete an annual physical retail inventory, document the inventory in a report, and file the report in a central location.** All completed inventory audits (permits and sales merchandise) are required to be submitted electronically to the Visitor Services and Outreach (VSO) section's state program coordinator on forms approved for this purpose. Permit audits are conducted each January and submitted in February. Merchandise audits are conducted between October and November for retail locations that close for the cold-weather season, and between January and February for the central warehouse and those locations that are open year round. Reports are submitted no later than one month after close or after the independent vendor counts are done. The following actions are being taken to ensure compliance with this established control:

- a. The Visitor Services and Outreach (VSO) section manager will lead a team to review and revise retail inventory policies and standardized procedures for the Division of Parks and Trails no later than April 1, 2021. The policies and procedures will address the inventory control, reconciliation and reporting for retail inventory. They will also include monitoring compliance and accountability including corrective actions for non-compliance. These policies and procedures will be included in the Parks and Trails Revenue Manual.
- b. The VSO section will provide inventory management training, including inventory control, reconciliation and reporting requirements to all division staff responsible for implementing and overseeing retail operations no later than April 1, 2021 and to all applicable new employees as part of their onboarding process.
- c. Unit supervisors will be responsible for implementing inventory management procedures and ensuring compliance with all policies and procedures in units they manage.

- d. District supervisors are responsible for monitoring and documenting compliance by unit supervisors within their district and for implementing corrective actions for non-compliance, which will begin on April 1, 2021.
- e. The VSO state program coordinator will ensure that all annual inventory reports are filed on the DNR internal I:\drive by March 1 each year.
- f. The VSO section will review documentation including compliance and corrective actions and maintain the records on the I:\drive annually to ensure compliance by January 1, 2021.
- g. The VSO state program coordinator will review the documents and report any questionable or potential systemic patterns to the VSO manager for further investigation. All related documentation of any corrective actions taken will be securely stored the DNR internal I:\drive

**7.2 Establish a threshold for when to investigate retail inventory discrepancies.** The VSO section manager will work with a group of retail staff, unit supervisors, and central office fiscal staff to determine a process by which discrepancies above an industry-standard threshold (for example, 2-5% is regarded as standard “shrinkage”) must be investigated, including a timeline for reconciling those discrepancies. The work group will develop and implement a new review process by January 1, 2021. Fall/winter 2020 inventories will be reviewed before reopening in the spring of 2021 using this new process.

**7.3 Ensure compliance with monthly spot checks.** The Parks and Trails Revenue Manual indicates locations with merchandise for sale should conduct a random inventory spot check on a monthly basis. A recent survey indicated that only a few sites were conducting these checks. If they were conducted, it was usually for firewood inventory, and the spot checks were often not documented.

- a. The VSO section manager will work with retail staff to develop new training and standard documentation for spot checks that will be implemented in January 2021. This will include emphasizing with retail staff and supervisors the importance of compliance with this requirement to further ensure – and demonstrate – our commitment to excellence in public service and fiscal management.
- b. Unit supervisors will be responsible for implementing inventory management procedures and ensuring compliance with all policies and procedures in units they manage.
- c. District supervisors will be responsible for quarterly monitoring compliance by unit supervisors within their district and for implementing corrective actions for non-compliance.

**7.4 Use the permit inventory process to annually reconcile differences.** Parks and Trails will review and revise its permit inventory policies and procedures by January 1, 2021. This information will be included in the Parks and Trails Revenue Manual.

- a. Unit supervisors will be responsible for implementing permit audit policies and procedures and ensuring compliance with all policies and procedures in units they manage.
- b. District supervisors will be responsible for quarterly monitoring and documenting compliance by unit supervisors within their district and for implementing corrective actions for non-compliance, which will begin on April 1, 2021.

- c. In February of each year, the VSO reservation system coordinator will review annual permit audits and reconcile counts between the units and central inventory. The VSO state program coordinator will provide a report of discrepancies to the VSO section manager.
- d. Audits will be filed on the DNR internal I:\drive with all audit paperwork. The VSO section manager will review the audit and investigate any discrepancies by April 1 each year.

Thank you again for the opportunity to review and discuss the OLA findings and recommendations resulting from the recent park fees and retail sales audit, and to provide this response. DNR is committed to developing and rigorously implementing the corrective actions identified here, to ensure the findings of this audit are expeditiously resolved.

Please direct any questions or feedback about the information and actions included in this response to Parks and Trails Division Director Erika Rivers at [Erika.rivers@state.mn.us](mailto:Erika.rivers@state.mn.us) or (651) 259-5591.

Sincerely,



Sarah Strommen

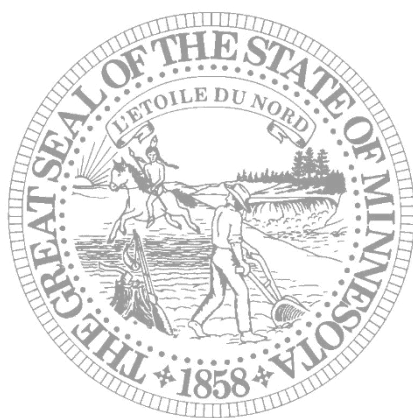
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CC: Lori Leysen, Audit Director, OLA  
Barb Naramore, Deputy Commissioner, DNR  
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Mary Robison, Chief Financial Officer, DNR  
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