



STATE OF WASHINGTON

October 28, 2008

The Honorable Brian Sonntag
State Auditor
P.O. Box 40021
Olympia, WA 98504-0021

Dear Auditor Sonntag:

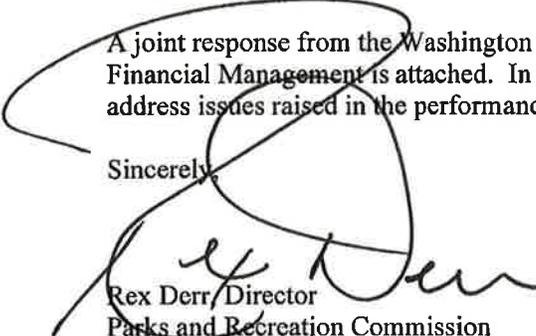
Thank you for the opportunity to respond to the performance audit of internal operations of the Washington State Parks and Recreation Commission. Like Governor Gregoire, we strongly support the use of performance audits as a potential tool to improve state government.

This performance audit comes at a perfect time for State Parks. The Commission and agency are halfway through the 10-year State Parks Centennial 2013 improvement campaign and we welcome the report's suggestions. Some recommendations, such as increasing documentation, are easily implemented and State Parks has already completed many related action steps.

The most significant recommendations involve upgrading information technology systems. These upgrades require longer implementation times and substantial financial investment. We appreciate the report's acknowledgement that "potential cost savings" depend on these longer-term investments. The potential savings do not reflect the cost of implementation. We will do what we can to realize savings now, but significant investments under the current economic conditions will be very difficult.

A joint response from the Washington State Parks and Recreation Commission and the Office of Financial Management is attached. In addition, we have included action steps State Parks is taking to address issues raised in the performance audit.

Sincerely,


Rex Derr, Director
Parks and Recreation Commission


Victor A. Moore, Director
Office of Financial Management

Enclosure

cc: Cindy Zehnder, Chief of Staff, Office of the Governor
Joyce Turner, Deputy Chief of Staff, Office of the Governor
Larisa Benson, Director, Government Management Accountability and Performance



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Agency staff of the State Parks and Recreation Commission (State Parks) and the Office of Financial Management (OFM) have provided a coordinated response for each issue. OFM jointly responds to performance audits to provide perspective on potential statewide issues, including policy, strategic planning, performance management, budget, accounting, purchasing, human resources, information technology, labor relations, and risk management. We prepared this document in response to the final audit report delivered on October 22, 2008. Our response immediately follows the appropriate report issue section.

Issue 1: The Commission's strategic plan lacks some key elements that can impact its achievement of its vision and goals.

STATE PARKS RESPONSE:

1-A: State Parks agrees that improvements can be made in documenting stakeholder interest and input into the park system and planning efforts. During our most recent planning process, we solicited and received input from many parties, including customers, staff, citizens, and stakeholders. We will improve our documentation of stakeholder input and how it is integrated into agency plans. We will also ensure the list of stakeholders is regularly updated.

1-B: In addition to the state-required strategic plan, the Commission created a farther-reaching "Centennial 2013" Plan. This plan looks ahead ten years as State Parks prepares for its second century and a 100th birthday celebration in 2013.

Centennial 2013 complements the Agency's strategic plans by providing a wider framework, long-term vision, and list of desired accomplishments. However, this plan was not intended as a replacement of the required strategic plans, nor written to the same state-required guidelines. Strategic funding for resource needs and implementation plans are accomplished through State Parks' biennial budget submittals.

We will continue to analyze available and needed resources for the Centennial 2013 Plan. Although the resources required for an optimum park system may be beyond the state's current capacity, we will continue to advocate for the needs of the park system. We have developed strategies to optimize the chances of acquiring the necessary resources, in accordance with guidelines from OFM.

1-C: State Parks uses employee evaluation policies that are established in DOP rules and collective bargaining agreements (CBAs). However, State Parks will improve documentation of agency procedures and accessibility of existing policies, CBAs, and agency procedures to employees.

State Parks agrees that training should be strengthened for managers and supervisors, and has begun to make improvements in the evaluation process. Implementation of a new employee performance evaluation policy is underway, with training to begin soon.

The Director will continue to improve the evaluation process for executive staff, including specific performance expectations as they relate to agency goals.

Action Steps and Timeframe:

- Ensure the list of stakeholders is regularly updated. **Completed.**

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- Improve stakeholder documentation and integrate into detailed plans (Classification and Management Plans) for each of the 120 parks. **Completed.** (We have already started and will continue.)
- Complete comprehensive analysis of resource needs and strategies to achieve vision and goals. By December 2009.
- Implement new employee performance evaluation policy. By December 2008.
- Continue to use the DOP evaluation form and ensure the employee responsibilities link to the mission and goals. **Completed.**
- Document procedures and step-by-step instructions for evaluations for employees, supervisors, and managers. **Completed.**
- Annually complete Performance & Development Plans (PDP), consistent with the DOP rules and terms of the Collective Bargaining Master Agreement. By March 2009.
- Begin training all supervisors to ensure employee evaluations are completed on time and with quality. By March 2009.
- Make existing policies, collective bargaining agreements, and agency procedures accessible to employees. By August 2009.
- Schedule regular meetings with direct report employees to coach and/or mentor employees on their performance. By March 2009.
- Continue to improve the Executive Leadership performance evaluations process. By February 2009.

OFM RESPONSE:

1-A: Requiring state agencies to document **and meet** all stakeholder or interest group expectations is unadvisable. There may be conflicting expectations between various individuals and/or a lack of available resources to meet all of the identified expectations.

1-B: OFM requires agencies to produce a four-year strategic plan every two years, which is then used as part of the budget process. In addition, the Commission decided also to write a ten-year plan. Centennial 2013 complements and supplements the state's required strategic plan. It aligns with the required strategic plan and should not be required to be combined with it. Neither should Centennial 2013 be held to the same guidelines, because it is not practical or advisable to tie resource expectations so far into the future.

Emerging best practice. Not mentioned in the report is State Parks' emerging best practice of developing separate Classification and Management Plans (CAMPs) for **each of their 120 parks**. The CAMPs engage citizens with a transparent, public participation model that provides an excellent model for other states and entities to follow. The model works well because it meets stakeholders on their own ground and captures their concerns and interests where they connect with parks. These plans also include measurable park objectives to meet the overall vision and goals of state parks.

1-C: We commend the Commission's use of a Director's Performance Agreement, which is noted as a best practice later in the report.

We agree that State Parks should strengthen their internal processes to improve employee evaluations and provide additional training of managers based on available resources. However, we believe the level and type of non-compliance seen in the employee evaluations does not warrant the characterization of "significant deficiencies."

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Issue 2: Governance. The Commission needs to make improvements in governance to ensure it meets its vision, goals and objectives.

STATE PARKS RESPONSE:

We appreciate the auditors' recognition of best practices used by State Parks, including the Director's Performance Agreement with the Commission and communication with the public.

Decentralization. With state parks in every county, State Parks staff are assigned across the state. To increase efficiency and effectiveness, State Parks has pursued a deliberate strategy of delegating more management decisions and authority to its four regional offices. This decentralization strategy moves decisions and resources closer to the places where service delivery occurs.

Required budget cuts in management along with fewer management layers has resulted in some reduced capacity. However, safeguards and internal controls can be strengthened further to make the decentralized approach more effective in maintaining consistency and achieving agency goals.

Risk Management and Internal Audit. State Parks has a risk management program and internal audit function commensurate with current resources. Lead risk management officers have taken OFM's enterprise risk management training. In addition, safeguards are in place to protect assets and maintain a system of internal controls. We would like to have an internal auditor and will consider options to add capacity, given available funding.

Employee Retention. As the report states, employee retention is not a significant issue for State Parks. Regardless, we will reinstate exit interviews and use guidance from DOP on employee retention.

Communication. A major cause of communication breakdown is the inadequacy of high-speed connectivity between Olympia administration and outlying parks across the state. We will address areas more immediately within our control such as feedback on employee performance.

Action Steps and Timeframe:

- Revisit and reconfirm roles and responsibilities to improve overall governance. By April 2008.
- Appoint an acting Assistant Director of Operations to centrally coordinate operations activities, ensure management consistency across regions, and integrate business development activities. **Completed.**
- Consolidate the Information Technology (IT) and Budget Offices for enhanced coordination and communication of similar activities. **Completed.**
- Consolidate the remaining administrative functions – payroll, risk management, finance – within the Finance, Technology, and Administration Office. By December 2008.
- Combine capital and operations staff functions in the field to create efficiencies and strengthen labor relations. By July 2009.
- Develop and implement agency risk management plan. **Completed.**
- Explore options for adding internal capacity (risk management, internal audit). By March 2009.

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- Annually complete Performance & Development Plans (PDPs) by March, consistent with the DOP rules and terms of the Collective Bargaining Master Agreement. By March 2009.
- Conduct exit interviews. By December 2008.
- Review and analyze the agency's staff turnover. **Completed.**
- Establish semi-annual meeting between executives and managers and monthly Executive Management meetings to enhance communications. **Completed.**
- Conduct monthly joint communication team meetings with the union represented and non-represented State Parks employees. By April 2009.

OFM RESPONSE:

We look forward to working with State Parks in the normal budget process to identify a cost-effective approach to improving risk management and internal audit capacity.

State Parks does not appear to be impacted by the lack of a formal agency retention plan. In Fiscal Year 2007, State Parks had one of the lowest turnover rates of all state agencies. The State Parks permanent employee turnover rate, at just 4.3 percent, was slightly over half of the statewide turnover rate (8.3 percent). While a formal retention or succession plan is a good idea, State Parks is doing an excellent job retaining employees without a formal plan.

Issue 3. The Agency does not have a performance management system that provides reliable information to assess its progress in meeting goals and that allows it to make budget and operating decisions.

STATE PARKS RESPONSE:

3-A: The collection of data and performance measurement is hampered by outdated computer systems and, therefore, the data may not be aggregated in the most efficient way.

Performance measurement aids decision-making and we agree that data collection, aggregation, and reporting should be improved. We have already adopted a revised framework for performance measurement, including providing definitions and identifying content to be reported. Staff will continue to build upon and refine that policy annually.

The Commission reviewed and updated the Centennial 2013 Plan and its measures in April 2008, to better align measures with goals. Staff will continue to review the Centennial 2013 performance measures regularly and will develop appropriate targets for these goals. These targets will be published and documentation about achievement of targets will be retained.

Agency management already follows the Governor's Executive Order (EO 05-02) to regularly review performance. We will continue to use these sessions to review progress at least quarterly, and take appropriate action to ensure objectives are met.

3-B: We believe the effect of imperfect information is overstated. State Parks staff do a good job of reporting results to the Board members, the Governor's Office, and the Legislature within available resources. As indicated above, we will continue to improve data collection, aggregation and reporting.

Action Steps and Timeframe:

State Parks has begun the following actions:

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- Review and update the Centennial 2013 Plan and its measures. **Completed.** (We have already started and will continue.)
- Develop policies, procedures, and training to improve performance management. By March 2009.
- Develop appropriate targets related to the Centennial 2013 Plan. By March 2009.
- Continue to use regular meetings to review, on a quarterly basis, progress toward achieving annual targets and take appropriate actions. **Completed.** (We will continue.)
- Assign a designated staff person to review and coordinate performance information. **Completed.**

OFM RESPONSE:

3-A: A performance **measurement** system, which gathers and reports performance **information**, is just one part of an overall performance **management** system. The terms “measurement” and “management” appear to be used interchangeably in the Background section, which makes the precise nature of recommendations somewhat unclear. For example, managing performance also requires regular agency and Commission review of information and decision-making based upon that review. State Parks holds regular sessions to review performance, in accordance with EO 05-02, to improve accountability.

There are a number of correct ways to establish targets. Targets should be related to strategic intent and answer the question, “Compared to what?” For example, if an organization wants to compare itself to its peers, then benchmarking may be an appropriate way to set targets. If it wants to compare performance over time, then historic performance by park may be appropriate. Ultimately, target-setting should be related to the agency’s strategic and operational plans.

We agree with tracking progress, and caution against progress reports that focus on why annual targets were not met or were exceeded. Variation in data is normal. Making decisions solely from the last data point (i.e., justifying why one data point, like this year’s annual performance, is above or below target) is a potential management fallacy.

3-B: Ideally, all performance information should be completely relevant, sufficient, reliable, and accurate. In reality, we cannot wait for perfect information to inform decisions. “Perfect” information is extremely elusive – and expensive – and State Parks is making the best use of the information available to them. OFM has strengthened processes and procedures to ensure that all budget requests including information technology are evaluated in partnership with the Department of Information Services (DIS). However, performance information is only one element that goes into consideration of a given budget proposal, and there is an imperfect relationship between budget inputs and actual results.

Issue 4: The Agency’s information technology systems do not support efficient operations.

STATE PARKS RESPONSE:

4-A-C: We agree that Park’s technology systems and the infrastructure to support them need significant improvements. We have already taken steps to modernize these systems within available funding. For example, we have shifted to an equipment lease program with DIS to replace obsolete computers and related equipment. An upgraded system that handles reservations of State Parks facilities and campsites is scheduled to be operational in December

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2008. This system is user-friendly and will meet security requirements and audit standards. We are pursuing acquisition of an upgraded system to manage capital and maintenance projects. We are also updating IT policies and procedures to improve security and accountability.

The lack of computer network connectivity from agency administration in Olympia to the 120 parks across the state is one of our biggest technology challenges. Connectivity is a necessary first step in realizing the computer-related benefits outlined in this report. Whenever possible, and as funding permits, we are working with DIS to install a Virtual Private Network (VPN) in our larger parks. The VPN will allow secure, remote access to centralized agency systems.

We also are working with DIS to explore options and costs for improving our technology. This past year, we worked with that agency to develop a 2009-11 budget request to fund upgrades. For these preparations, DIS provided an array of solutions together with funding quotes.

Even with available funding, it will take a substantial amount of time to achieve savings, since all systems will need to be operational before system-wide savings can occur. To date, seven parks have been provided with high-speed Internet connections. State Parks will continue to make connectivity a high priority as funds become available.

Action Steps and Timeframe:

- With DIS, explore options and costs for improving our technology. **Completed.** (We have already started and will continue.)
- Consolidate the IT and Budget Offices for enhanced coordination and communication of similar activities. **Completed.**
- Enter equipment lease program with DIS to replace obsolete computers and related equipment. **Completed.**
- Complete reservations system upgrade. By December 2008.
- Pursue acquisition of new capital and maintenance projects system. By December 2008.
- Issue written IT policies and procedures. By June 2009.

OFM RESPONSE:

4-A: Inclusion of funding for any initiative in OFM's proposed budget to the Legislature involves consideration of many factors. Since funding is limited, budget requests are prioritized based on the Priorities of Government process and include evaluation of an agency's business case, alignment with their strategic plan, demonstrated need, potential efficiencies and savings, benefits, and ongoing costs.

4-B: DIS will continue to work with State Parks to identify connectivity solutions. Decisions on funding from the IT Pool are dependent on a completed investment plan from agencies. This process is simpler and results in more timely decisions than the alternative of requiring agencies to develop feasibility plans for each request. Investment plans document project scope, schedule, and budget and allow decision-makers to evaluate and authorize projects. The early oversight through complete investment plans is a best practice for successful projects, and it has been used by the state for many years.

Agencies that had fully developed project plans consistent with the practices identified in the 2007-09 Biennial Operating Budget were quickly authorized access to the funds. DIS authorized

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both State Parks investment plans within thirty days of receiving the final versions of those investment plans from State Parks.

Issue 5: The Agency has not realized the efficiency and economy in its payroll and human resource processes that they expected to gain from the Human Resource Management System (HRMS).

STATE PARKS RESPONSE:

The audit highlights that State Parks has a complex array of personnel classifications that makes administration of the payroll uniquely challenging. Some of these unusual conditions include:

- Unique provisions related to work periods for staff (rangers) designated as law enforcement.
- Time for many capital project employees is charged to a number of different budgets in a single pay period.
- Nearly a doubling of staff in spring and summer months, due to the seasonal nature of park services.
- Irregular work weeks in parks (7-day coverage) to meet public service demand.

Due to a lack of network connectivity and technology in our parks, we rely instead on a manual, paper-based time-tracking process. These conditions have limited the improvements we have been able to make to meet the requirements of HRMS and gain the efficiencies this new system can provide.

State Parks staff are making internal improvements and will continue to send payroll and human resources staff to the appropriate training sessions for HRMS. We look forward to participating in DOP's Cross-Agency Function Team, which addresses special issues of concern.

As mentioned under Issue 4, we are working to provide connectivity in selected parks. However, we cannot realize major payroll system improvements until, and unless, this technology is implemented in more state parks. This upgrade will require additional resources over time.

Action Steps and Timeframe:

- Review the Agency's entire payroll process and seek additional ways to minimize processing efforts. By March 2009.
- Review and revise timesheet instructions. **Completed.**
- Provide training to all staff on new timesheets. By March 2009.
- Participate in DOP's Cross-Agency Function Team to address special issues of concern. **Completed.** (We have already started and will continue.)
- With DIS, explore options and costs for improving technology. **Completed.** (We have already started and will continue.)

OFM RESPONSE:

The Agency did not realize efficiencies from HRMS because it still relies on manual processes dictated by a lack of IT connectivity and automation internally.

We agree that the Agency would benefit from reviewing and improving its internal payroll processes. We encourage the Agency to work with DOP as it conducts the analysis so the new processes will leverage the HRMS capabilities.

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Contrary to the report, HRMS does support pay groups with schedules that vary daily. However, it requires daily time entry, which currently is too burdensome for the manual processes used by State Parks. We agree that the Agency should continue to send their HR representatives to the appropriate DOP training sessions, as necessary. The Agency should also ensure that new HR employees are trained timely to mitigate exposure from turnover. DOP will continue to provide HRMS training and ensure that it is accessible.

Issue 6: Economy and Efficiency of Operations. The agency's decentralized approach to governance and lack of documentation can lead to practices and procedures that do not comply with state law, Agency policy, and that do not promote the most efficient and economical use of state resources.

STATE PARKS RESPONSE:

The audit did not identify any violations of state law, or any unreasonable or unnecessary expenditures or operating costs. We agree that documentation can be increased and processes improved. We are working to update the framework for our policies and procedures, clarifying roles and responsibilities, and evaluating internal controls. As mentioned, we will be consolidating administrative functions including budget, finance, risk, and IT under one executive staff person in the next several months. This realignment should improve coordination and funding of the central control functions of the agency.

6-A: We have, and use, agency purchasing and contracting manuals and are taking steps to further tighten controls. We believe we provided sufficient evidence to justify most exceptions in the second table on contracts.

6-B: We have improved documentation for employees who coordinate Commission meetings, conferences, training sessions, and workshops. Many 2007 Commission meetings were held in public facilities, although not all were in state facilities. Regardless of location, the public was informed and invited to provide comments at the meetings. The audit commends our efforts to keep the public informed about Commission meetings.

6-C: We arranged a video conference for our October 2008 meeting with executive staff and managers. We will continue to investigate the feasibility of expanding use of on-line training at the four region offices and at Fort Worden State Park (locations that have connectivity). We also will work to conduct internal meetings by video and teleconference, when feasible and appropriate.

We will review and revise the training policy and assure records are retained based on the formal record retention schedule. We will continue to require that all staff complete the appropriate request forms before attending training.

6-D: Inaccurate overtime payments identified in the audit have been corrected. We finished revising our timesheet instructions and will provide training to all staff. We also will strengthen policy and procedures for overtime to be consistent with guidelines from DOP.

Action Steps and Timeframe:

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- Adopt the State Parks Development Contracts Manual policies and procedures and include the Purchasing Manual and State Administrative and Accounting Manual (SAAM) rules and regulations in a single agency-wide instrument. By September 2009.
- Review current spending authority delegation and incorporate into existing documentation. By December 2009.
- Adopt and implement a new Commission Meeting Location policy. **Completed.**
- Improve documentation for Commission meetings and provide training for staff. **Completed.**
- Communicate to all staff the importance of following the State Administration and Accounting Manual guidelines via the Deputy Director's monthly newsletter. **Completed.**
- Ensure staff receive prior approval for external training events. By November 2008.
- Maintain training registration/authorization records in accordance with the state record retention schedule. **Completed.**
- Conduct internal meetings by video and teleconference where appropriate. **Completed.** (We have already started and will continue.)
- Pursue on-line training in facilities with connectivity: four regional offices and Fort Worden State Park. By October 2009.
- Review and revise timesheet and instructions. By March 2009.
- Provide training on new timesheet instructions to staff. By March 2009.
- Develop procedures for overtime, consistent with DOP guidelines. By February 2009.

OFM RESPONSE:

OFM agrees that State Parks should improve documentation and policies that promote the most efficient and economical use of state resources.

6-A: In the first table, we would like to note that **100 percent of the tested expenditures under \$3,300**, and a combined 94 percent of tested expenditures over \$3,300, were compliant with OFM policies and procedures and best practices. Further, only one exception was noted (incomplete documentation) for transactions with high dollar amounts. In the second table, it appears that some of the exceptions were misunderstood. For example, several files did not contain a contractor evaluation form. While a best practice, completing an evaluation form was not required at the time those projects were completed.