

RHODE ISLAND DEPARTMENT OF
ENVIRONMENTAL MANAGEMENT

CASH RECEIPTS REVIEW

March 4, 2013



State of Rhode Island and Providence Plantations

Department of Administration
BUREAU OF AUDITS
One Capitol Hill
Providence, RI 02908-5889
TEL #: (401) 574-8170

March 4, 2012

Ms. Janet Coit
Director
Department of Environmental Management
235 Promenade Street
Providence, RI 02908-5767

Dear Director Coit:

The Bureau of Audits has completed its audit of the Department of Environmental Management revenues collected for fees, licenses, and services during the fiscal year ended June 30, 2012. Our audit was conducted in accordance with Rhode Island General Laws §35-7-3. The findings and recommendations included herein have been discussed with members of management, and we considered their comments in the preparation of our report.

RIGL §35-7-3(b), entitled "Audits performed by bureau of audits," states that "Within twenty (20) days following the date of issuance of the final audit report, the head of the department, agency or private entity audited shall respond in writing to each recommendation made in the final audit report..." Accordingly, management submitted its response to the audit findings and such response is included in this report. Pursuant to RIGL §35-7-3 (b), the Bureau may follow up on recommendations included in our reports within one year following the date of issuance of the report.

We would like to express our appreciation to the officials and staff of the Department of Environmental Management for the cooperation extended to the members of our staff during the course of this review.

Respectfully yours,

Michael Sprague
Deputy Chief

c- Richard A. Licht, Director, Department of Administration
Honorable Daniel DaPonte, Chairperson, Senate Committee on Finance
Honorable Helio Mello, Chairperson, House Finance Committee
Dennis Hoyle, CPA, Auditor General
Tom Evans, State Librarian (5)
Kenneth Kirsch, Deputy Director, Department of Administration
Marc Leonetti, CPA, State Controller

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INTRODUCTION

Background

The Department of Environmental Management (DEM) established by RIGL §42-17.1 operates programs that protect the Rhode Island environment, protect the citizens from public health threats from pollution, and provide facilities that support a diversity of outdoor recreational activities. The programs are managed by the Bureau of Natural Resources and Bureau of Environmental Protection. These programs and the associated state laws and regulations require the payment of fees for a wide range of services that are provided.

The Office of Management Services is responsible for managing the financial, budget, licensing, and business support services for the department, as well as the issuance of boat registrations, and hunting and fishing licenses. The accounting for the revenues generated by fees, licenses, permits, and other services from the department's various programs is done by the Office of Management Services in coordination with the divisions. Receipts come to the department through several types of payments, including checks, credit cards, and cash, and are received by mail in person or via the Internet. Payments are received directly by the Office of Management Services, as well as at beaches, parks, and other DEM locations.

Audit Objective

The Bureau of Audits (Bureau) conducted a review of the DEM revenues collected for fees, licenses, and services during the fiscal year ended June 30, 2012. The purpose of this engagement was to determine if revenues are being collected in accordance with applicable statutes, state procedures, fee schedules, contracts, and with adequate controls to ensure safeguarding of assets and accurate reporting.

Audit Scope

The Bureau reviewed the fees collected and the controls and process in place for the collection of these fees for the fiscal year ended June 30, 2012. The fees, licensing, and permit revenues that the Bureau reviewed included the following:

- Beach Parking Fees
- Recreation Fund Activities
- Rentals and other Receipts Galilee
- Boat Registration Fees and Penalties
- Fishing Licenses
- Hunting Licenses
- Shellfish and Marine
- Outboard Motor Registration Fees
- Boats Titles Application + Filing Fees

- License Fees Trapper + Buyer Furs
- Receipt Newport Piers
- Water and Air Protection
- State Forestry
- Water PRTN ISDS
- Clean Air Permits
- Underground Storage Tanks
- Feed and Fertilizer
- Vessel Piloting Fees

Audit Methodology

The DEM Office of Management Services primarily performs the functions of receipt of payments, posting to cash receipt system, preparation of and making deposits, reconciliations, and preparation of journal entries. However, some of these functions are also performed at the various DEM divisions. In order to meet the objectives of the engagement, the Bureau also had to visit various locations to review receipt procedures, including cash collections, deposits, reconciliations, posting to receipts, and preparing documents to be sent to the Office of Management Services.

We gained an understanding of and reviewed these procedures through interviews, observations, and review of documents. We then sampled and tested receipt transactions from various accounts pertaining to fees, licenses, and services to determine if procedures were adhered to and if there was adequate supporting documentation.

FINDINGS, RECOMMENDATIONS AND MANAGEMENT RESPONSE

Overall, the Department of Environmental Management (DEM) is collecting revenues for fees, licenses, permits, and other services in accordance with applicable statutes, state procedures, and fee schedules with adequate controls to ensure safeguarding of assets and accurate reporting. However, there are areas where controls can be strengthened to improve operational effectiveness and efficiencies.

Beach Parking Contract

DEM has a contract with Propark, Inc, ("Propark") for a Rhode Island State Beach Parking Management Concession System. The contract period is May 1, 2010, to September 1, 2014. Propark has not complied with two of the contract's provisions directly related to transmitting cash receipts to DEM and providing supporting information via web access for DEM monitoring purposes.

Propark Payments to DEM

The DEM contract with Propark requires Propark to transmit payments to DEM electronically on the following dates each year: June 1, July 1, August 1, day after Labor Day, and October 1. Propark is sending payments to DEM-, Division of Parks and Recreation, by check instead of electronically, therefore, requiring DEM to process the receipts and make manual bank deposits. Additionally, the October 1, 2011 payment (which is the settlement payment for the season) was received November 14, 2011. Propark stated that they were not aware of the electronic payment requirement; and according to DEM, the reason DEM did not enforce the requirement was that they believed having manual checks would allow for better tracking of payments. Since Propark is not complying with the contract electronic payment requirement, the State is not getting the funds in the bank account on the proper dates.

Finding

1. Propark failed to provide payment to DEM in the required electronic format (payment was provided by check). Additionally, Propark provided the final payment six weeks late.

Recommendation

DEM should require Propark to transmit the required receipt payment electronically on the specified date into the State's bank account as required by the contract.

Subsequent to our raising these issues with DEM, Parks and Recreation, they communicated with Propark, and the company stated that, in the future, they will transmit the receipts to the state electronically.

Management Response

Department Agrees.

Propark Reporting to DEM

Propark is providing revenue reports by email to DEM, Parks and Recreation, instead of providing web-based access to the reports. These reports are not provided daily; therefore, DEM, Division of Parks and Recreation, does not have the ability to monitor the information supporting the receipts in a timely fashion. Propark stated that the emails sent to DEM, Parks and Recreation, provide the same information from the revenue control system generated by the web-based system.

The emailed reports are dependent on manual transmission and are not received the next business day. There is usually a delay of several days or more which can reduce the ability of DEM to monitor them on a real-time basis.

Finding

2. DEM does not monitor daily receipts from Propark in a timely manner.
- 3.

Recommendation

DEM should require access to web-based revenue reports on a real-time basis to ensure revenue data by totals and in specific categories so that it can be monitored in a timely manner.

Subsequent to our raising these issues with DEM, Parks and Recreation, Propark, has agreed to provide daily revenue reports auto-emailed the next business day to DEM staff.

Management Response

Department Agrees.

Beach Shower Collections

DEM has installed coin-operated shower stalls at many of the State beaches. The coin operation devices do not provide for any means to track the number of coins deposited. Parks and Recreation does not have formal procedures for the collection of monies from the various State beaches coin-operated showers. Monies are collected and deposited either by a regional manager, assistant to the regional manager, or a beach manager. Amounts collected are entered on a Beach Daily Revenue Reporting form. The form and copy of the deposit slip are sent to the Office of Parks and Recreation where it is processed; information sent to the Office of Management Services is for accounting purposes.

There should be adequate controls over the collection of cash from coin-operated machines. Since, in this case, there is no total provided by the machine to reconcile to, the amounts should be collected, counted, and recorded by two people. Further, the revenue reporting sheet should list the names of the individuals that conducted the collection.

Finding

4. Sufficient controls due not exist over the collection of cash from coin-operated shower devices installed at State beaches.

Recommendation

Dual control over the collection, counting, and recording of beach shower monies should be instituted at State beach locations. The revenue collection form should be signed and dated by the two individuals performing the function.

Management Response

Department agrees in theory, however, with the Division losing over 32% of their its FTEs over the last eight years, having two people collect quarters is not a priority.

Ports of Galilee and Newport Dockage and Land Lease Management System

The DEM, Division of Coastal Resources, is responsible for the oversight and management of dockage and land leases associated with State properties in Galilee and Newport. The port manager approves vessels for permanent, temporary, and daily dockage and sends approval paperwork to the Office of Management Services. Management Services performs the billing, collection of the fees, updating of the database, and following up on late payments, as well as the deposit of monies and the accounting.

The billing application utilizes an outdated Informix database that has severe limitations, weak controls, and inadequate reporting capabilities to support the DEM mission adequately. Some of the weaknesses include a great deal of manual data entry to update records to get needed information, lack of aging to obtain receivable balances, weak reporting capability for arrearages and collections, and data history fields that can be changed. These weaknesses were among those previously identified in an audit report the Bureau issued in 2008 that recommended that DEM conduct a needs assessment in order to determine how best to upgrade the software to meet their needs. DEM agreed with the previous audit findings.

The current DEM port manager and Office of Management Services staff confirmed that the deficiencies noted in the previous audit report are still relevant and result in significant operational reporting and port management inefficiencies. DEM management is currently evaluating port management software that could improve the billing and collection weaknesses, and also provide a more comprehensive dockage management system.

Finding

5. The current management information, billing, and accounts receivable system being utilized by DEM to manage its port facilities does not provide a sufficient foundation for the efficient management of the States ports.

Recommendation

DEM needs to strengthen controls, improve efficiencies, and help maximize the utilization of the State port facilities. To accomplish this, DEM must replace the outdated and unsupported software presently used to record land lease and dockage billings and collections, and implement software to effectively manage port operations.

Management Response

Department agrees; we are in the process of preparing an RFP to purchase an “off-the-shelf” software program to address the above concerns.