

PERFORMANCE AUDIT
OF THE
MACKINAC ISLAND STATE PARK COMMISSION
DEPARTMENT OF NATURAL RESOURCES

April 2000

EXECUTIVE DIGEST

MACKINAC ISLAND STATE PARK COMMISSION

INTRODUCTION

This report, issued in April 2000, contains the results of our performance audit* of the Mackinac Island State Park Commission, Department of Natural Resources.

AUDIT PURPOSE

This performance audit was conducted as part of the constitutional responsibility of the Office of the Auditor General. Performance audits are conducted on a priority basis related to the potential for improving effectiveness* and efficiency* .

BACKGROUND

The Mackinac Island State Park Commission, Department of Natural Resources, consists of seven members appointed by the Governor. Its responsibilities are provided for in Sections 324.76503 - 324.78306 of the *Michigan Compiled Laws* and the Executive Organization Act of 1965 (Act 380, P.A. 1965), being Sections 16.101 - 16.608 of the *Michigan Compiled Laws*. The Commission is responsible for operating three historic parks: Mackinac Island State Park, Fort Michilimackinac State Park in Mackinaw City, and Mill Creek State Historic Site located west of the City of Cheboygan.

The Commission's historic park operations are accounted for in an enterprise fund. The financial transactions of the enterprise fund for fiscal year 1998-99 resulted in revenue

* See glossary at end of report for definition.

totaling \$3,711,535, expenses totaling \$2,557,478, and transfers totaling \$945,870 to reimburse General Fund appropriations.

The Legislature also appropriates General Fund/general purpose funds and some restricted revenue for park operations and historical facilities. Appropriated expenditures for the Commission, some of which were funded by the transfers from the enterprise fund, were \$2,757,820 for fiscal year 1998-99.

The Commission appoints a director to administer its day-to-day operations. As of September 30, 1999, the Commission had 38 full-time and part-time permanent employees and 30 seasonal employees hired through the civil service system. It also had 14 full-time non-civil service contractual employees. In addition, the Commission hired 59 seasonal non-civil service employees (guides, cashiers, etc.) during the summer.

**AUDIT OBJECTIVES,
CONCLUSIONS, AND
NOTEWORTHY
ACCOMPLISHMENTS**

Audit Objective: To assess the effectiveness and efficiency of the Commission's management practices related to personnel, leases, and procurement of services and supplies.

Conclusion: The Commission's management practices were effective and efficient. We did not note any reportable conditions* .

Noteworthy Accomplishments: Since our prior audit, the Commission has improved the effectiveness of its business practices by establishing procedures to routinely update lease rates and obtain competitive bids for procurement of services and supplies.

* See glossary at end of report for definition.

Audit Objective: To assess the effectiveness of the Commission in preserving the three historic parks that it operates.

Conclusion: The Commission was effective in preserving the three historic parks that it operates. We did not note any reportable conditions.

Noteworthy Accomplishments: The Commission's parks were among the first museums ever accredited by the American Association of Museums. The parks were accredited in 1973 and were reaccredited in 1986 and 1997.

AUDIT SCOPE AND
METHODOLOGY

Our audit scope was to examine the program and other records of the Mackinac Island State Park Commission. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

Our methodology included the testing of records primarily covering the period October 1, 1997 through September 30, 1999.

We evaluated the Commission's procedures for hiring employees, establishing lease rates, and obtaining bids and selecting vendors. Also, we toured the parks, observed how the Commission stored and preserved artifacts, and reviewed the latest American Association of Museums evaluation report.

PRIOR AUDIT
FOLLOW-UP

The Commission had complied with all 7 of the prior audit recommendations included within the scope of our current audit.

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Mr. Keith J. Charters, Chairperson
Natural Resources Commission
and
Mr. Dennis O. Cawthorne, Chairperson
Mackinac Island State Park Commission
Stevens T. Mason Building
Lansing, Michigan

Dear Mr. Charters and Mr. Cawthorne:

This is our report on the performance audit of the Mackinac Island State Park Commission, Department of Natural Resources.

This report contains our executive digest; description of agency; audit objectives, scope, and methodology and prior audit follow-up; comments; and a glossary of terms.

We appreciate the courtesy and cooperation extended to us during this audit.

AUDITOR GENERAL

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Description of Agency

The Mackinac Island State Park Commission, Department of Natural Resources, consists of seven members appointed by the Governor. Its responsibilities are provided for in Sections 324.76503 - 324.78306 of the *Michigan Compiled Laws* and the Executive Organization Act of 1965 (Act 380, P.A. 1965), being Sections 16.101 - 16.608 of the *Michigan Compiled Laws*. The Commission is responsible for operating three historic parks: Mackinac Island State Park, Fort Michilimackinac State Park in Mackinaw City, and Mill Creek State Historic Site located west of the City of Cheboygan.

The Commission's historic park operations are accounted for in an enterprise fund. Bonds were issued to finance the acquisition, construction, and improvement of Commission-controlled land and properties. Revenues from admissions, publication sales, and concessions are dedicated to the retirement of bonds and are also used to pay expenses related to revenue-producing activities of the enterprise fund. The enterprise fund financial statements are annually audited by a public accounting firm and are included in the *State of Michigan Comprehensive Annual Financial Report*. The financial transactions of the enterprise fund for fiscal year 1998-99 resulted in revenue totaling \$3,711,535, expenses totaling \$2,557,478, and transfers totaling \$945,870 to reimburse General Fund appropriations. The Commission maintains the enterprise fund accounting records.

The Legislature also appropriates General Fund/general purpose funds and some restricted revenue for park operations and historical facilities. Appropriated expenditures for the Commission, some of which are funded by the transfers from the enterprise fund, were \$2,757,820 for fiscal year 1998-99.

Fiscal year 1998-99 operating costs by category for park operations' and historical facilities' appropriated funds and the enterprise fund were:

	Park Operations	Historical Facilities	Enterprise Fund
Wages, benefits, and unemployment insurance claims	\$ 910,074	\$1,034,433	\$985,165
Advertising, promotion, dues, and subscriptions	1,987		191,248
Travel and vehicles	52,485	11,764	28,488
Telecommunications and utilities	145,435	95,458	
Insurance and bonds	10,949	3,568	
Purchased services	99,253	31,252	118,923
Supplies and materials	202,560	108,993	203,137
Accounts receivable write-off		48,435	
Bond issue costs			8,173
Grants			60,072
Cost of sales			439,270
Depreciation			305,815
Conferences and seminars	849	325	
Loss on disposal of equipment			13,681
Miscellaneous			19,861
Interest expense			183,645
Total Operating Costs Before Transfers	\$1,423,592	\$1,334,228	\$2,557,478
Operating transfers	0	(945,870)	945,870
Total Operating Costs After Transfers	\$1,423,592	\$ 388,358	\$3,503,348

The Commission appoints a director to administer its day-to-day operations. As of September 30, 1999, the Commission had 38 full-time and part-time permanent employees and 30 seasonal employees hired through the civil service system. It also had 14 full-time non-civil service contractual employees. In addition, the Commission hired 59 seasonal non-civil service employees (guides, cashiers, etc.) during the summer.

Audit Objectives, Scope, and Methodology and Prior Audit Follow-Up

Audit Objectives

Our performance audit of the Mackinac Island State Park Commission, Department of Natural Resources, had the following objectives:

1. To assess the effectiveness and efficiency of the Commission's management practices related to personnel, leases, and procurement of services and supplies.
2. To assess the effectiveness of the Commission in preserving the three historic parks that it operates.

Audit Scope

Our audit scope was to examine the program and other records of the Mackinac Island State Park Commission. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

Audit Methodology

Our audit procedures were performed between August and October 1999 and included the testing of records primarily covering the period October 1, 1997 through September 30, 1999.

To assess the effectiveness and efficiency of the Commission's management practices related to personnel, leases, and procurement of services and supplies, we evaluated its procedures for hiring employees, establishing lease rates, and obtaining bids and selecting vendors. We conducted tests of the Commission's records to determine if it followed its procedures and good management practices.

To assess the effectiveness of the Commission in preserving the three historic parks that it operates, we toured the parks, observed how the Commission stored and preserved artifacts, and reviewed the latest American Association of Museums evaluation report.

Prior Audit Follow-Up

The Commission had complied with all 7 of the prior audit recommendations included within the scope of our current audit.

COMMENTS

MANAGEMENT PRACTICES

COMMENT

Audit Objective: To assess the effectiveness and efficiency of the Mackinac Island State Park Commission's management practices related to personnel, leases, and procurement of services and supplies.

Conclusion: The Commission's management practices were effective and efficient. We did not note any reportable conditions.

Noteworthy Accomplishments: Since our prior audit, the Commission has improved the effectiveness of its business practices by establishing procedures to routinely update lease rates and obtain competitive bids for procurement of services and supplies.

PRESERVATION OF HISTORIC PARKS

COMMENT

Audit Objective: To assess the effectiveness of the Commission in preserving the three historic parks that it operates.

Conclusion: The Commission was effective in preserving the three historic parks that it operates. We did not note any reportable conditions.

Noteworthy Accomplishments: The Commission's parks were among the first museums ever accredited by the American Association of Museums. The parks were accredited in 1973 and were reaccredited in 1986 and 1997.

Glossary of Terms

effectiveness	Program success in achieving mission and goals.
efficiency	Achieving the most outputs and outcomes practical for the amount of resources applied or minimizing the amount of resources required to attain a certain level of outputs or outcomes.
performance audit	An economy and efficiency audit or a program audit that is designed to provide an independent assessment of the performance of a governmental entity, program, activity, or function to improve public accountability and to facilitate decision making by parties responsible for overseeing or initiating corrective action.
reportable condition	A matter coming to the auditor's attention that, in the auditor's judgment, should be communicated because it represents either an opportunity for improvement or a significant deficiency in management's ability to operate a program in an effective and efficient manner.