

**Reviewing U.S. Army Corps of Engineers Records
Supporting the State's Share of
Development Costs for El Dorado State Park**

PERFORMANCE AUDIT REPORT
Executive Summary
with Conclusions and Recommendations

**A Report to the Legislative Post Audit Committee
By the Legislative Division of Post Audit
State of Kansas
April 1996**

Legislative Post Audit Committee

Legislative Division of Post Audit

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April 18, 1996

To: Members of the Kansas Legislature

This executive summary contains the findings, conclusions, and recommendations from our completed performance audit, *Reviewing U.S. Army Corps of Engineers Records Supporting the State's Share of Development Costs for El Dorado State Park*.

This report shows that the State owes about \$8.5 million for its share of development costs at El Dorado State Park. Appendix A of the report--which is included in this summary as well--shows how cost estimates for the Park's development increased over the years.

The report includes a number of recommendations for finalizing and establishing a repayment schedule to meet the State's obligation. If you would like a copy of the full audit report, please call our office and we will send you one right away. We would be happy to discuss these recommendations or any other items in the report with you at your convenience.


Barbara J. Hinton
Legislative Post Auditor

**Reviewing U.S. Army Corps of Engineers Records
Supporting the State's Share of
Development Costs for El Dorado State Park**

**EXECUTIVE SUMMARY
LEGISLATIVE DIVISION OF POST AUDIT**

**Question: What is the State's Current Financial
Obligation to the U.S. Army Corps of Engineers
for Development Costs at El Dorado State Park?**

**The State has a current financial obligation to pay its share of page 4
the development costs incurred at El Dorado State Park.** *In 1972, the Chairman of the Park and Resources Authority (one of the predecessor agencies to the Department of Wildlife and Parks) signed a contract with the U.S. Army Corps of Engineers agreeing to pay 50% of the development costs for El Dorado State Park. The contract included language specifying that it didn't obligate future appropriations of the Kansas Legislature. This language is consistent with that found in any long-term contract signed by a State agency. These contracts don't obligate future appropriations but do create a financial obligation for the State. The State has a financial obligation to pay for its share of the development costs incurred at El Dorado State Park.*

**The State's share of the development costs at El Dorado State page 5
Park have risen from an estimated \$2.6 million to about \$8.5 million,
largely because of inflation and design changes or additions.** *When the State and the Corps signed the contract to develop recreational facilities at El Dorado State Park, the total development costs were estimated at \$5.1 million. The State's share of this total was \$2.6 million. In 1975, the two parties agreed to a master plan for the Park's development. This Plan, and its later supplements, authorized many changes and additions to the Park, which caused the development costs to increase considerably. In addition, the development costs were affected by inflation. Overall, about half of the cost increases were caused by design changes and additions and about half were caused by inflation.*

**From 1988 to 1992, the Department ignored the Corps' page 7
repeated requests to meet on and discuss its cost figures.** *The actual development of El Dorado State Park began in 1978. The contract required the Corps to begin finalizing the project's cost figures 10 years after development of the Park began. In June 1988, the Corps notified the Department that it had awarded the final construction contract for the Park and was finalizing cost figures. The Corps asked the Department to submit estimates for costs the State had incurred in working on the Park. The Corps also requested a meeting between the two parties to discuss the Park's development costs. The Department did not respond to this request, nor to similar requests from the Corps in November 1989 and April 1991. The April request included a proposed payback schedule based on costs incurred by the Corps, with the first payment due in August 1992.*

When the Corps contacted the Department in August 1992 to learn why no payment had been made, the Department finally responded by providing its list of costs incurred during the Park's development. The Corps agreed to credit the State for about \$750,000, which left the State with a balance due of \$8.45 million.

The Corps of Engineers' financial records generally support the \$8.5 million it claims the State owes, although it is possible the State shouldn't pay the \$214,000 cost of buying an area that may become a wildlife management area. *Corps officials told the Department's internal auditor that most of the original contracts supporting the accounting records had been destroyed. This caused Department officials to question whether the Corps' accounting records were reliable.*

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We reviewed the Corps' supporting worksheets and accounting records and found that these generally supported the Corps' cost figures. We found three discrepancies but these were in the Corps' favor and, if adjusted, would increase the Corps' final cost figures by about \$16,000.

The status of an area known as Lost Lake needs to be resolved. The State currently is being charged for part of the purchase price of this area. But it is unclear whether the area is to be developed for recreation or for wildlife management. The State should not be charged for wildlife management.

Although the Corps may not have some original documents to support development costs due from the State, the Department assigned a project manager to oversee development activities. This individual closely monitored the work as it progressed, and he also reviewed copies of some of the original documentation.

The Department first requested appropriations to fund this repayment in its fiscal year 1995 budget request. *The Department requested funding to begin payments to the Corps in each of its C-level budget requests for fiscal years 1995, 1996, and 1997. However, in each request, the Department gave this item the lowest priority of all items. The Division of Budget denied the requests, recommending that the Department seek funding from other sources. The Department has not done this.*

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Conclusion: *Cost figures developed by the Corps were reasonable and logical compared with project cost estimates reviewed and approved by the State, and generally were internally consistent with other Corps records. Based on our review, it appears the Department of Wildlife and Parks owes the U.S. Army Corps of Engineers about \$8.5 million for the State's share of development costs at El Dorado State Park. In annual installments over the time allowed, total*

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payments will add to about \$15 million, including interest. Although some cost issues still need to be resolved--such as the intended use of the Lost Lake area--resolution of these issues would not need to delay the process of repayment.

Recommendations: A brief summary of the report's recommendations, with a summary of applicable comments from the agencies, is presented below.

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We recommended that the Department work with the Corps of Engineers, the Governor's Office, and the Legislature to agree to a schedule of repayments for the State's share of development costs at El Dorado State Park, and that the Department and the Corps clarify the designation of the Lost Lake area.

We recommended that the Department consider requesting and reviewing any records for the development of El Dorado State Park that the Corps may have available at its records retention center in Fort Worth.

Finally, we recommended that the 1996 Kansas Legislature consider authorizing the Department to make the first annual payment due to the Corps.

The Department of Wildlife and Parks concurred with these recommendations, but noted it was uncomfortable about spending its staff time to review records from the Corps' retention center because these records appear to be incomplete. The Department said the initial payment to begin repaying the Corps should occur this calendar year to avoid potential litigation with the Corps.

The Corps of Engineers also concurred with these recommendations, and agreed to work with the Department to resolve any issues with the Lost Lake area and to negotiate a payment schedule. The Corps also said receipt of the initial payment would facilitate the Corps' ability to negotiate with the Department.

APPENDIX A: Incremental Changes to the 1972 Estimate
For Costs of El Dorado State Park
For this summary, Appendix A has been included on page iv

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APPENDIX B: Agency Response

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This audit was conducted by Cindy Lash and Tracey Elmore. If you need any additional information about the audit's findings, please contact Cindy Lash at the Division's offices. Our address is: Legislative Division of Post Audit, 800 SW Jackson Street, Suite 1200, Topeka, Kansas 66612. You also may call (913) 296-3792, or contact us via the Internet at: LPA@PostAudit.ksleg.state.ks.us.

APPENDIX A

Incremental Changes to the 1972 Estimate for Costs of El Dorado State Park

Item	Year	Description	Added Amount	Running Total for State Park
Contract	1972	Stage I Facilities		\$4,300,000
Master Plan	1976	Expansion of Stage I facilities based on detailed plan that specified roads, buildings, boat ramps, picnic tables, etc. to be included in the park	\$3,745,000	\$8,045,000
Supplement No. 3	1980	Added two buildings to the park at the State's specific request	\$288,000	\$8,333,000
Supplement No. 4	1980	Added fencing at the State's specific request	\$23,000	\$8,356,000
Supplement No. 5 (a)	1980	Added excavation, breakwaters, topsoil	\$470,000	\$8,826,000
Supplement No. 7	1983	Stage II. Added docks, camping and picnicking areas, bathhouses, playgrounds, roads. (b)	\$4,845,600	\$13,671,600
Supplement No. 9	1985	Added quarry road at the State's specific request	\$323,000	\$13,994,600
State Development Expenses (c)			\$289,828	<u>\$14,284,428</u>
Total Estimated Costs				\$14,284,428
Corps' Final Cost Determination (d)				\$18,398,639
Difference Between Estimates and Corps' Final Costs				\$4,114,211
Minus Interest During Construction (e)				(\$1,449,242)
Net Difference Not Explained by Estimates				\$2,664,969
Percent Difference				18.7%

- (a) no authorization letter from State Park and Resources Authority, but work appeared to be for recreational purposes, and it appeared the Authority was informed
- (b) in the 1972 contract, Stage II costs were estimated at \$800,000; by the time the 1976 Master Plan was issued the estimate for these facilities had risen to \$1.8 million
- (c) total amount was \$889,828; however, \$600,000 for roads appeared already to be included in the estimate from 1976; it was excluded here to avoid duplication
- (d) the State's share--\$8.5 million--equals half the total cost, minus credit for work performed by the State
- (e) payment of interest during construction was agreed to in the 1972 contract, but was not included in the estimates

This table outlines the increases in the costs for El Dorado State Park from 1975 until the park's completion. The estimate provided to the U.S. Congress in 1975 was based on a rough outline of the park facilities to be built. In 1976, the master plan was completed, which specified the exact facilities to be built. From 1980 to 1985, changes were made to the master plan which added to the park's total estimated costs.

All cost estimates were based on current dollars for the year the changes were approved. However, some construction contracts were not let until up to ten years after the construction was approved, which meant costs were higher than estimated because of inflation, not because of changes in the facility. When the Corps determined the park's final costs, the total was almost \$2.7 million more than the total estimated costs. Inflation is likely to have accounted for most of this difference.

