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**REPORT ON REVIEW OF PROCEDURES
FOR DEVELOPMENT OF FEDERAL LANDS AT
RESERVOIR PROJECTS FOR PUBLIC RECREATION**

**CORPS OF ENGINEERS (CIVIL FUNCTIONS)
DEPARTMENT OF THE ARMY**



**UNITED STATES
GENERAL ACCOUNTING OFFICE**

AUGUST 1966

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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

CIVIL ACCOUNTING AND
AUDITING DIVISION

AUG 17 1966

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Dear Mr. Secretary:

The General Accounting Office has reviewed the procedures for development of Federal lands at selected reservoir projects for public recreation by the Corps of Engineers (Civil Functions), Department of the Army.

During our review, we found several matters which we believe require attention, including (1) the need for the Corps to audit the financial records of local government agencies licensed to develop Federal lands at reservoir projects and to require local government agencies to audit records of their concessionaires, (2) the need for district offices to discourage the investment of substantial sums by private interests for construction of private recreational facilities on Federal lands that have been reserved for future public use, and (3) the need for district offices to improve their reviews of licensees' ability to provide funds for development of public recreation areas.

In our review of outgrants with local government agencies to develop Federal lands for public recreation, we found that the terms of the outgrants require that revenues derived from the operation of the public recreation areas by the local government agencies be spent to develop and maintain the areas. A portion of the revenue is received from concessionaires who pay a percentage of gross receipts to the local governments. Revenues not spent to develop and maintain the areas are required to be paid to the Corps at the end of each 5-year period. Corps instructions do not require an audit or review of the financial records of local government agencies nor require local government agencies to audit records of their concessionaires. We noted, however, that two of the districts included in our review had established a practice of auditing the records of local government agencies. In one of the districts, the audits disclosed a number of instances where revenues were being used for purposes that did not relate to developing or maintaining the areas and were not being collected from third-party concessionaires.

By letter dated December 16, 1964, the Corps informed us that it would be inadvisable for the Corps to engage in a detailed audit of local government agencies or their concessionaires because (1) the recreation areas are subjected to an annual compliance inspection by Corps representatives, (2) efforts to require periodic audits would be resisted, and (3) there is no statutory or contractual basis for such audits.

Our review of Corps records showed that one of the primary purposes of the compliance inspections is to determine whether recreation facilities are being developed. The inspections are not designed to evaluate the purpose of expenditures so as to prevent violations such as were found by the internal review group. Because the Flood Control Act of 1944, as amended (16 U.S.C. 460d), delegates the authority and responsibility to the Corps for managing the recreation areas of public lands in the best interest of the general public, we do not believe that statutory authority is necessary for the Corps to reserve a contractual right to audit records of local government agencies or to require local government agencies to audit their concessionaires.

To ensure that revenues are collected and used properly, we are recommending that the Chief of Engineers be requested to issue procedures requiring that district offices establish a program to audit, to the extent appropriate, the records of local government agencies and require local government agencies to audit records of their concessionaires. To facilitate such audits, we are recommending also that the Chief of Engineers be directed to (1) include appropriate language in all future license agreements awarded to local government agencies, which will provide a contractual basis for such audits and (2) negotiate with licensees to incorporate contractual terms in the existing licenses giving the districts the authority to conduct audits.

Our review showed that, although the Corps has a policy to use reservoir land for public recreation purposes to the fullest extent possible, some districts have permitted private interests to have exclusive use of Federal lands that have been reserved for future public use. We believe that the rights to use this land in the future for public recreation may be jeopardized because private interests have been permitted to

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spend substantial sums for development of private recreational facilities and therefore may be reluctant to vacate the area.

The Corps advised us that corrective measures have been or will be taken to ensure that operations are conducted consistent with the terms of the existing outgrants. The Corps stated that sufficient current need for public recreation to warrant termination of the leases did not exist; however, they advised us that, upon expiration of the leases, a determination will be made of the type of outgrant and land use that will be appropriate.

Because the Corps intends to review land use at the expiration of the leases and to take corrective action to ensure that operations are conducted consistent with the terms of the outgrants, we are making no recommendations at this time with respect to these leases. We are recommending, however, that the Chief of Engineers issue instructions to the district offices to discourage the investment of substantial sums by private interests for construction of private recreational facilities on land reserved for future public recreation use so that the area will be more readily available for public use when needed.

Our review also disclosed that the district offices do not normally attempt to determine whether licensees have the ability to provide funds for development of public recreation areas. We found that, although Corps policy requires that the size of the park and recreation area be commensurate with the licensees' financial ability, no guidelines have been established for the districts to use in evaluating the financial capability of local governments. As a result, we found several instances where substandard conditions existed or where the expenditure of Corps funds was required when local government agencies were unable to finance the development of recreation areas as provided in the license.

The Corps advised us that current procedures require that a complete and adequate evaluation be made of the ability of State and local government agencies to provide recreation facilities. Therefore, we are not making any recommendations at this time with respect to these instances.

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We wish to acknowledge the cooperation given to our representatives during this review.

Copies of this report are also being sent today to the Director, Bureau of the Budget; the Secretary of Defense; and the Chief of Engineers, Corps of Engineers, Department of the Army.

Sincerely yours,

A. T. Samuelson

Director, Civil Accounting
and Auditing Division

The Honorable
The Secretary of the Army

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RESERVOIR PROJECTS FOR PUBLIC RECREATION
CORPS OF ENGINEERS (CIVIL FUNCTIONS)
DEPARTMENT OF THE ARMY

INTRODUCTION

The General Accounting Office has examined into selected activities relating to the management of Federal land for public recreation purposes by the Corps of Engineers (Civil Functions), Department of the Army. This review was made pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

Our primary emphasis during this examination related to those matters apparently needing attention and included a review of the Corps policies and procedures concerning the effectiveness and adequacy of the practices at selected district offices in determining that (1) State and local government agencies develop recreation areas in accordance with the terms of their agreements with the Corps and (2) terms of the license and lease agreements ensure the general public access to Federal land reserved for public recreation. We examined selected licenses and leases at 31 of the more than 200 reservoir and lock and dam projects under the control of the Corps.

Our review was conducted at Corps district offices in Nashville, Tennessee; Louisville, Kentucky; Fort Worth, Texas; Walla Walla, Washington; and Portland, Oregon, and at the New England Division Office in Boston, Massachusetts. Our review did not include an audit of the records of licensees and concessionaires.

BACKGROUND

The Flood Control Act of 1944, as amended (16 U.S.C. 460d), authorized the Corps of Engineers to construct, operate, and maintain recreational facilities at reservoir projects under the control of the Department of the Army and to promote development of recreational areas by others through the lease of lands under terms deemed reasonable by the Secretary of the Army.

The principal methods used by the Corps to develop the recreation potential at Corps reservoirs were to construct recreational facilities with Corps funds, to lease areas to commercial concessionaires for development and operation of boat docks and concessionaire stands, and to license areas to State and local government agencies to construct or operate public recreation facilities such as picnic areas, bathing beaches, and camping sites.

State participation in the development of recreation areas at Corps reservoirs has been mainly in conjunction with the State park systems or for fish and wildlife preservation purposes. The primary methods of financing the cost of development and operation of recreation areas by the States have consisted of the use of proceeds of general obligation or revenue bonds, the appropriation of funds by State legislatures, and the use of revenues derived from operation of recreation areas, or any combination of these financing plans. City, county, and other local government agencies have generally relied upon revenues derived from operation of the recreation areas to finance the maintenance and expansion of recreational facilities.

Federal lands managed by the Corps are used for public recreational purposes at more than 200 reservoirs and lock and dam projects of all sizes, with over 24,000 miles of shoreline, in every

region of the country. In recognition of the increasing importance of outdoor recreational activities, the Congress established an Outdoor Recreation Resources Review Commission by the act of June 28, 1958 (72 Stat. 238), to study the nation's outdoor recreation resources. Also, the President established a Recreation Advisory Council by Executive Order 11017, dated April 27, 1962, to advise and coordinate the activities of the several Federal land management agencies in matters affecting outdoor recreation resources. The Congress enacted the Land and Water Conservation Fund Act of 1965, approved September 3, 1964, (78 Stat. 897), to establish a land and water conservation fund to assist the States and Federal agencies in meeting present and future outdoor recreation demands and needs of the public.

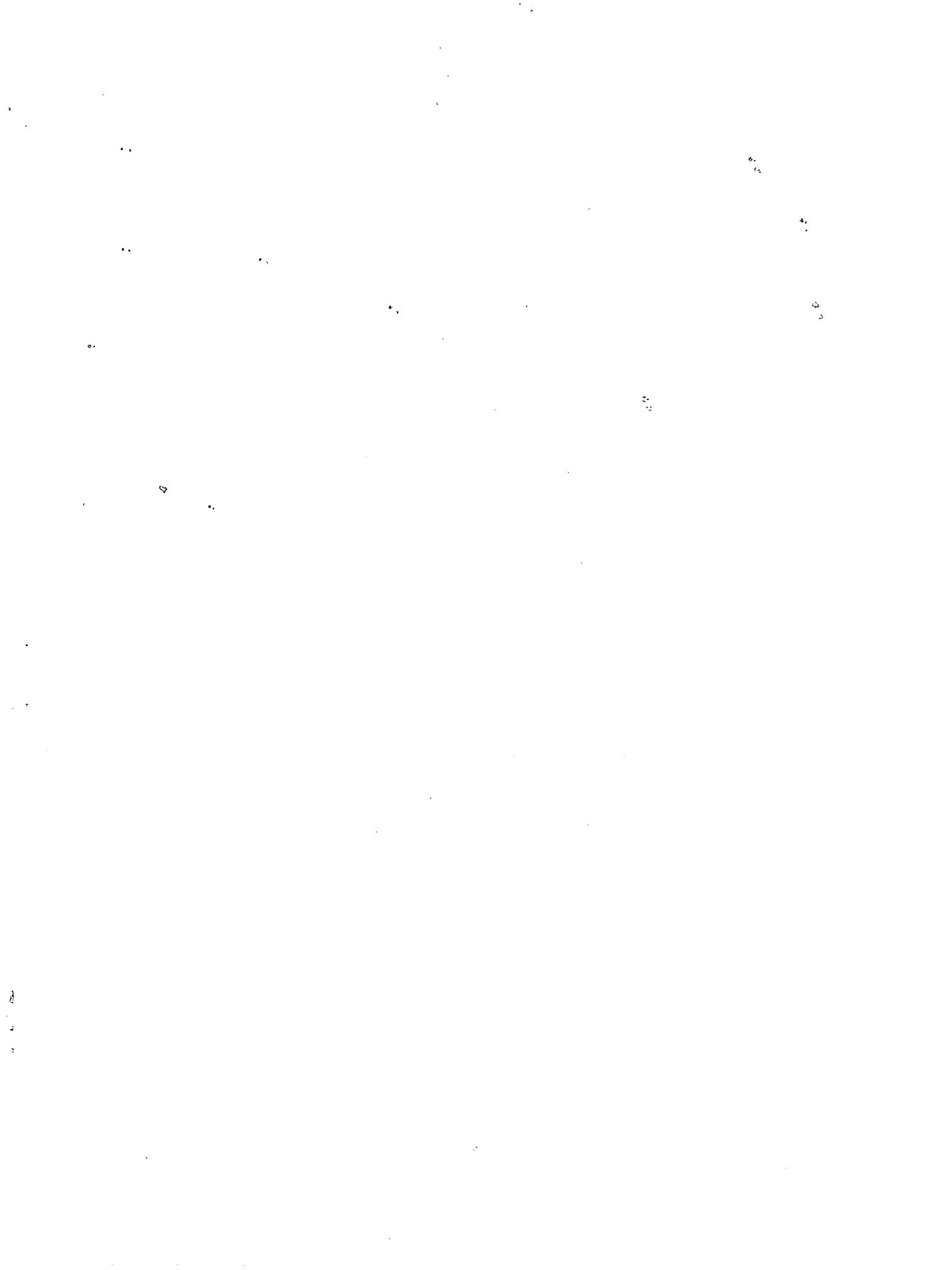
FINDINGS AND RECOMMENDATIONS

NEED FOR AUDITS OF RECORDS OF LOCAL GOVERNMENT AGENCIES AND THEIR CONCESSIONAIRES

Our review disclosed that, in the management of public lands for recreation purposes, the Corps does not generally audit or review the financial records of local government agencies nor require local government agencies to audit records of their concessionaires.

The terms of the outgrants to local government agencies require that revenues derived from the operations of public recreation areas by the local government agencies be spent to develop and maintain the areas. Revenues not spent for these purposes are required to be paid to the Corps at the end of each 5-year license period. A major source of revenue for development and maintenance of public recreation areas is third-party concessionaires. The local government agencies normally require that concessionaires pay a percentage of gross receipts for the right to operate concessions. Another potential source of revenue for local government agencies was provided by the Land and Water Conservation Fund Act of 1965 (78 Stat. 897) which authorized entrance charges for access to public recreation areas.

Although Corps instructions do not require an audit of the records of the local government agencies or require the local government agencies to audit records of their concessionaires, we noted that two of the districts included in our review had established a practice of auditing the records of local government agencies. In one of the districts, the audits disclosed a number of instances where revenues were being used for purposes not related to developing and maintaining the area and were not being collected from third-party concessionaires.



Agency comments and our evaluation thereof

In a letter to us dated December 16, 1964, commenting on this matter, the Corps stated that it would be inadvisable for the Corps to engage in detailed audits of local government agencies or their concessionaires because (1) the recreation areas are subjected to an annual compliance inspection by Corps representatives, (2) efforts to require periodic audits would be resisted, and (3) there is no statutory or contractual basis for such audits.

While compliance inspections are an important part of the Corps' program for management of public lands, one of the primary purposes of these inspections is to determine whether recreation facilities are being developed. The inspections are not designed to evaluate the purpose of expenditures so as to prevent violations such as were found by the internal review group. The outgrants where violations occurred had been subjected to annual compliance inspections, but these inspections did not disclose the improprieties disclosed during subsequent audits of the financial records. With respect to resistance which might be generated, we question whether this would be a major deterring factor to participation of local government agencies in the program and believe it would help to ensure that the program objectives would be fulfilled in the most economical manner.

The Flood Control Act, as amended (16 U.S.C. 460d) delegates the authority and responsibility to the Corps for managing the recreation areas of public lands in the best interests of the general public. We believe that this delegation includes an inherent responsibility for the Corps to take all reasonable action necessary to protect the best interests of the general public. Consequently, we do not believe that specific statutory authority is necessary for

the Corps to reserve a contractual right to audit records of local government agencies or to require local government agencies to audit records of their concessionaires. Furthermore, we are unaware of any statutory authority which prohibits such audits.

Recommendation to the
Secretary of the Army

To ensure that revenues are collected and used properly, we recommend that the Chief of Engineers be requested to issue procedures requiring that district offices establish a program to audit, to the extent appropriate, the records of local government agencies, and require local government agencies to audit records of their concessionaires. To facilitate such audits, we recommend also that the Chief of Engineers be directed to (1) include appropriate language in all future license agreements awarded to local government agencies, which will provide a contractual basis for such audits and (2) negotiate with licensees to incorporate contractual terms in existing licenses which will give the districts contractual authority to conduct the audits.

USE OF PUBLIC LAND FOR
PRIVATE RECREATION PURPOSES

Although the Corps' policy requires that Federal lands at reservoir projects be used for public recreation to the fullest extent possible, we found that some districts have permitted private recreational development and use to continue in some cases where the need for public recreation land existed or could be foreseen.

For each reservoir having public recreation use potential, the Corps prepares a master plan which designates areas of the reservoir for operational or recreational use. Generally the Corps classifies land for recreational use in four categories in the following order

of priority: (1) land reserved for present or future public park and recreation purposes to be administered by the Corps, or other Federal, State, or local governmental agencies, (2 and 3) land to be used by nonprofit organizations, and (4) land for private recreational use by individuals or groups. The Flood Control Act of 1944 and Corps regulations require that the general public have unrestricted access to the shore lines and water areas of the reservoirs when such use is not contrary to the public interest.

Despite Corps policy and the increasing attendance and need for public recreation areas, our review disclosed several instances where the Corps permitted development and exclusive use of land for private recreation purposes when the land had been designated by the Corps as needed for public park and recreation purposes. The following are instances where the rights to the future use of this land for public recreation may be jeopardized because private interests have been permitted to invest substantial sums for development of private recreation facilities and therefore may be reluctant to vacate the area.

1. In 1952, a district office licensed a large part of a reservoir area to a State to develop for public park, recreation, forest, and conservation purposes. The reservoir area contains about 5,900 acres of land and has a shoreline of about 37 miles. The State developed an area adjacent to about 4.5 miles of the shoreline into a state park. The state, although prohibited by Corps regulations, issued permits to 20 individuals and clubs to construct such facilities as private beaches, boat docks, roads, and parking areas. The permittees, to prevent general public access to the area, barricaded roads or erected signs indicating that the area was private property. Over the period of years that the individuals and clubs have occupied the land, they have invested substantial sums of money to develop private recreation facilities. One individual advised us that he had spent \$40,000 for private facilities. Other individuals

occupying these lands indicated to us that they would strongly resist attempts by the Corps or the State to use these lands for public recreation because of the long period of time that they have occupied the land and the substantial sums of money they have invested in private recreation facilities.

2. For a number of years prior to 1951, a district office permitted the Boy Scouts and their sponsor, a private yacht club, to use an area of a reservoir on a year-to-year-lease basis. In 1951, the yacht club requested and was granted a 5-year lease, and, in 1956, it was given a 10-year lease. In late 1955, a ski club received a 5-year lease for an adjacent area, which was also renewed for a 10-year period. These areas which contain about 7.4 acres are adjacent to a 19-acre public recreation area operated by the State. In commenting on the Corps' initial development plan for this area, the National Park Service, Department of the Interior, advised the Corps in 1948 that "*** it will be unfortunate if the public is to be excluded from the best portion of the area, that now under temporary lease ***." Boy Scout officials indicated to us that this choice area is being used by clubs primarily for private recreation purposes with only minimum use by the Boy Scouts. The yacht club has made permanent improvements to the area consisting of sea walls, clubhouse, caretaker's cottage, dock, and other improvements. Entrance to both areas is barred by a fence and locked gates, and signs are conspicuously posted prohibiting the general public access to the area.

District officials advised us that the leases would be terminated if the areas were needed for public recreation. Even though these areas apparently could be beneficially used in conjunction with the existing State park, the district officials stated that they did not propose to cancel the leases at the present time. However, to fulfill a future public need at this reservoir, the Corps is proposing to acquire 80 additional acres of land at a cost of about \$98,000. The Corps study and analysis of land use shows that no specific plans have been developed to use the areas now occupied by the private clubs.

Corps regulations permit interim use of land, designated for future general public use, for agricultural, grazing, and forest management purposes. We believe such use is reasonable if the land is not currently needed for public recreation. We believe however, that the practice of permitting private interests to construct recreational facilities on federally owned reservoir land interferes with the development of land for public recreation because of the reluctance of private interests to vacate the land when it is required for public recreation purposes.

Agency comments and our evaluation thereof

In commenting on this matter the Corps agreed that, in a few instances, private groups have enjoyed exclusive use of limited reservoir areas. The Corps stated that it believed that those very few cases, where private use other than that intended under priority (4) leasing practice had occurred, resulted from misunderstanding on the part of the licensees in the early days of the program. The Corps stated further that corrective measures have been or will be taken to ensure that operations are conducted consistent with the terms of existing outgrants. Because the individuals and clubs at the first reservoir had exclusive use of the areas in violation of the terms of the agreement, it appears, on the basis of the above comments, that this land will be opened for public use.

With respect to the land at the second reservoir, the Corps did not agree that there existed sufficient current public need for public recreation facilities to warrant revocation of the leases to private clubs. However, the Corps stated that at the expiration of the two leases cited by us, in June 1966 and December 1970, a determination will be made as to the type of outgrants that will be appropriate.

Recommendation to the
Chief of Engineers

Because the Corps intends to review land use at the expiration of the leases and to take corrective action to ensure that operations are conducted consistent with the terms of outgrants, we are making no recommendations at this time with respect to the leases discussed above. However, because of the difficulties that can be expected when private interests may be forced to abandon substantial investments in private recreation facilities, we recommend that the Chief of Engineers issue instructions to the district offices to discourage the investment of substantial sums for construction of private recreational facilities on land reserved for future public recreation use so that the area will be more readily available for public use when needed.

EVALUATION OF RESOURCES OF
LOCAL GOVERNMENT AGENCIES

Our review disclosed that the full potential benefits of the Corps policy to encourage local governments to develop recreation areas are not being realized because district offices granted licenses to local governments without assurance that licensees could finance the cost of local parks or that revenues received from operation of the parks were used to develop and maintain them. Although Corps regulations require that the size of park and recreation areas licensed to local government agencies be commensurate with the financial ability of grantees and their concessionaires, no guidelines have been established for the districts to use in evaluation of the resources or ability of the local government. As a result, we found several instances where substandard conditions existed because the local governments were unable to develop and maintain public parks. In other areas Corps funds were used to

provide basic recreation facilities that local governments had agreed to furnish.

Local governments desiring to develop public parks and recreation areas file an application with the Corps which shows a general development plan for the area and normally sets forth the amount of funds the local government expects to contribute as well as any other funds which will be used to finance the development of the area. The Corps awards, on the basis of the local government's application, licenses to develop the land into local public parks and recreation areas.

The following example, and the second illustration on page 5, are instances where district offices did not evaluate the resources of local government agencies with the result that substandard conditions existed and Corps funds were used when local governments were unable to finance the development of recreation areas.

A city proposed to finance the cost of developing and operating a 37-acre park with funds of \$1,500 the first year and \$750 each additional year of the development program. The license was awarded in 1958 for 25 years but was terminated in 1963 because the licensee couldn't finance the cost. All funds spent were obtained from the concessionaire's operations. During the time the license was in force, the Corps spent about \$6,800 for toilets and picnic areas which the licensee had agreed to furnish and which became necessary as the areas were opened by concessionaire's operations. Officials advised us that the city has no tax revenue and the only income, which is from franchise payments by utilities, is used to pay city officials. We believe that, if the Corps had properly evaluated the development and financing plan, it would have become apparent that the city could not have financed the development of a park this size. With an adequate evaluation, the Corps could have reduced the size of the park to an area that the licensee would have been able to develop with its limited resources.

To promote a more orderly development of the recreation potential, we believe that district offices should be required to perform a more adequate evaluation of the ability of licensees to develop local parks.

Agency comments and our evaluation thereof

In commenting on this matter, the Corps stated that the conditions we cited were an outgrowth of a policy to make every effort to encourage development of recreation areas by others because appropriated funds have not been sufficient and that failure to develop these areas represents no loss to the Government or to the general public. The Corps stated also that current procedures require that a complete and adequate evaluation be made of the ability of State and local government agencies to provide recreation facilities. Because of this requirement, we are making no recommendations at this time.

ENTRANCE FEES FOR ACCESS
TO RESERVOIR AREAS

Our review disclosed that charges for access to public recreation areas had been made in violation of the restrictions in the Flood Control Act of 1944 (16 U.S.C. 460d), which prohibited the charging of entrance fees. The Land and Water Conservation Fund Act of 1965, which was enacted after our field work was completed, repealed the restrictive provision of the Flood Control Act of 1944, and entrance fees for access to public recreation areas may now be charged. Therefore, we are making no recommendations with respect to the past violations.