



February 2017

# NATIONAL PARK SERVICE

## Concessions Program Has Made Changes in Several Areas, but Challenges Remain

Accessible Version

## Why GAO Did This Study

The 1998 Concessions Management Improvement Act governs concessions services at national parks. In 2016, the Park Service managed 488 concessions contracts, and such contracts generated about \$1.4 billion in gross revenues in the prior year. Under these contracts, companies and individuals operate businesses in parks, including lodges, restaurants, and recreational services. GAO was asked to review the concessions program.

This report examines (1) how the concessions program has changed since GAO's 2000 report and (2) any ongoing challenges in the concessions program. To conduct this work, GAO examined Park Service policy, guidance, and relevant laws and regulations; analyzed Park Service data on concessions contracts; interviewed Park Service staff at headquarters, all seven regions, and 20 park units, selected for size of concessions program and park type, among other things; and interviewed concessioners and stakeholders, such as consultants familiar with the concessions program.

## What GAO Recommends

GAO recommends that the Park Service review and adjust its process to help ensure timely and accurate reporting of financial data from concessioners, finalize its guidance and make it public, and develop performance goals with targets and timeframes in its commercial services strategic plan. The Department of the Interior agreed with GAO's recommendations.

View [GAO-17-302](#). For more information, contact Anne-Marie Fennell at (202) 512-3841 or [fennella@gao.gov](mailto:fennella@gao.gov).

## NATIONAL PARK SERVICE

### Concessions Program Has Made Changes in Several Areas, but Challenges Remain

## What GAO Found

The Department of the Interior's National Park Service (Park Service) has made several changes to its concessions program since GAO issued a report on the program in 2000. In that report, GAO highlighted three management challenges: (1) inadequate qualifications and training of concessions staff; (2) backlog of expired contracts that were extended; and (3) lack of accountability in the concessions program. In this review, GAO found that the Park Service has taken steps to address these challenges:

- **Staff qualifications:** Park Service has hired many concessions staff with relevant skills or educational backgrounds, such as in hospitality services or business. In addition, the Park Service developed several training classes for concessions staff to help improve their skills.
- **Contracts under extension:** Park Service has reduced the percentage of extended contracts, from about 45 percent in 2000 to 28 percent in 2016.
- **Accountability:** Park Service headquarters has increased its involvement in the concessions program and has centralized more information on the program. However, in some instances, GAO found that some financial reports that were to be submitted by concessioners to the Park Service were not submitted in a timely manner or data in the submitted reports were inaccurate. Park Service staff did not identify these discrepancies when reviewing the reports. Without timely and accurate financial data from concessioners, the agency could be limited in its ability to oversee certain aspects of the program such as determining whether concessioners paid required fees.

GAO identified some ongoing challenges in each of the three steps of the concessions process. First, developing a prospectus, which provides information on a concessions operation to potential bidders, can be a lengthy and expensive process, and it can be hard to generate competition. Second, the agency's evaluation panels can sometimes have difficulty assessing some proposals, and the award process can be lengthy. Third, contract management can be affected by limited staffing and confusion among concessioners about how to fund maintenance and capital improvements on buildings or land assigned to them by the Park Service. This situation is, in part, because the Park Service has not yet finalized related guidance and made it publicly available to concessioners. The Park Service's commercial services strategic plan recognizes many of the challenges GAO identified and lists goals to potentially address them. For example, the plan has a goal to improve the prospectus and contract award processes by reducing costs and improving efficiency to the government and bidders. In addition, the plan aims to attract more bids for concessions contracts, increase the accuracy of financial reporting, and increase the percentage of concessions staff that receive training. However, these goals do not have targets or timeframes for their completion. Leading practices indicate it is critical for an agency to set meaningful performance goals and to measure progress towards these goals. Without clearly defined performance goals that contain targets or timeframes, it will be difficult for the Park Service to track its progress in these areas and determine where additional effort may be needed to address identified challenges in the concessions program.

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**Abbreviations**

1965 Concessions Act	National Park Service Concessions Policy Act
1998 Concessions Act	National Park Service Concessions Management Improvement Act of 1998
GPRA	Government Performance and Results Act of 1993
LSI	leasehold surrender interest
Park Service	National Park Service

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February 16, 2017

The Honorable Lisa Murkowski  
Chairman  
Committee on Energy and Natural Resources  
United States Senate

The Honorable Michael Enzi  
United States Senate

The Department of the Interior’s National Park Service (Park Service) has long managed concessions contracts, which provide services to visitors at national park units.<sup>1</sup> The National Park Service Organic Act that created the Park Service authorized the Secretary of the Interior to grant privileges to private businesses for the accommodation of visitors within the national park system.<sup>2</sup> The first director of the Park Service, Stephen Mather, highlighted the importance of concessions operations when he said, “Scenery is a hollow enjoyment to the tourist who sets out in the morning after an indigestible breakfast and a fitful night’s sleep on an impossible bed.” As of April 2016, the Park Service managed 488 concessions contracts, and such contracts generated about \$1.4 billion in gross revenues in 2015. Under these contracts, companies and individuals operate businesses in parks, including lodges, restaurants, and recreational services such as horseback riding. The Park Service’s concessions process consists of three main steps: (1) developing a prospectus, which provides information on the concessions operation and the business opportunity it presents to potential bidders; (2) evaluating proposals and selecting the winning bid; and (3) managing the awarded contract.

The National Park Service Concessions Management Improvement Act of 1998 (1998 Concessions Act) serves as the current basis for the concessions program.<sup>3</sup> Prior to the development of regulations to

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<sup>1</sup>Park units include national parks, historic sites, monuments, recreation areas, parkways, and battlefields, among others.

<sup>2</sup>Act of August 25, 1916, ch. 408, § 3, 39 Stat. 535, 535 (codified as amended at 54 U.S.C. § 104902). The 1916 legislation is commonly referred to as the National Park Service Organic Act.

<sup>3</sup>Pub. L. No. 105-391, tit. IV, 112 Stat. 3503 (codified as amended at 54 U.S.C. §§ 101911 – 101926 (2016)).

implement this law, we issued a report in 2000 on the concessions program that highlighted three longstanding management challenges for the Park Service: (1) inadequate qualifications and training of concessions staff; (2) inability to manage its contract workload and the resulting backlog of expired contracts that were under extension;<sup>4</sup> and (3) lack of accountability in the concessions program, such as oversight of concessioners' performance.<sup>5</sup> In that report, we recommended that the Park Service improve the qualifications of concessions staff, contract for needed contracting expertise, or do some combination of both. We also recommended that the Park Service establish a formal process of performing independent inspections of lodging operations. The Park Service agreed with these recommendations.

You asked us to review the Park Service concessions program since the passage of the 1998 Concessions Act. This report examines (1) how the concessions program has changed since our 2000 report and (2) any ongoing challenges in the concessions program.

To address these objectives, we examined Park Service policy and guidance documents and relevant laws and regulations. We reviewed some of our prior reports on the concessions program.<sup>6</sup> In particular, we reviewed our 2000 report on the concessions program, which identified management challenges facing the concessions program prior to the implementation of the 1998 Concessions Act. In addition, we analyzed Park Service data on concessions contracts. Specifically, we examined administrative data that the Park Service provided us as of April 2016 on the concessions contracts in place, the services they provided, and their contract terms. We also examined financial data on concessions contracts, including gross revenues, for 2015, the most recent year for which data were available. To determine the reliability of these data, we interviewed agency officials who were familiar with these data and

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<sup>4</sup>Once a contract's term elapses, the contract expires, but in certain circumstances, the agency may extend it.

<sup>5</sup>GAO, *Park Service: Need to Address Management Problems that Plague the Concessions Program*, [GAO/RCED-00-70](#) (Washington, D.C.: Mar. 31, 2000).

<sup>6</sup>GAO, *Park Service: Need to Address Management Problems that Plague the Concessions Program*, [GAO/RCED-00-70](#) (Washington, D.C.: Mar. 31, 2000); GAO, *National Park Service: Revenues from Fees and Donations Increased, but Some Enhancements Are Needed to Continue This Trend*, [GAO-16-166](#) (Washington, D.C.: Dec. 15, 2015).

conducted electronic testing of these data. We found these data to be sufficiently reliable for our purposes.

In addition, we interviewed agency staff at Park Service headquarters, regional offices, and selected park units. Specifically, at headquarters, we interviewed the chief of the commercial services office, who oversees the concessions program,<sup>7</sup> along with officials in all four branches of the commercial services office—Asset Management, Planning and Development, Financial Analysis, and Contract Management. We interviewed concessions staff in all seven regional offices. We also interviewed concessions staff involved in managing concessions at 20 park units, including staff at 2 park units in person and the remaining 18 via phone, and asked about their experiences with implementing the concessions program. We interviewed staff from at least two park units in each of Park Service's seven regions. In selecting parks, we included units that varied by characteristics such as the number of visitors and type of park (i.e., scenic versus historical). We used a standard set of questions to obtain information from staff on qualifications, training, the concessions program, and any challenges in the program. We also interviewed 21 concessioners, including at least one concessioner that operated in each of the 20 parks units we contacted. In selecting concessioners, we included a range of concessioners that varied by the gross revenues they generated and the types of services they provided. We used a standard set of questions to obtain concessioners' views on the concessions process and any challenges they face. We analyzed the responses from our interviews with the Park Service and concessioners to identify the most common challenges that were identified.<sup>8</sup> We also interviewed stakeholders who were familiar with the concessions program, including consultants who help the Park Service implement the program and academics in the hospitality field. The views from our interviews are not generalizable to all parks or concessioners, but they were used to provide a range of perspectives on the concessions

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<sup>7</sup>The commercial services program covers concessions contracts, leases, and commercial use authorizations. Through its leasing program, the Park Service leases buildings and associated property to businesses, individuals, and government entities. Commercial use authorizations are generally used for small-scale commercial activities in park units, such as leading workshops or tours.

<sup>8</sup>To identify the most common challenges, we performed a content analysis of the answers to our interview questions for the 48 interviews we conducted with Park Service officials and concessioners. For reporting the most common challenges, we categorized their responses as follows: "several" represents an answer mentioned in more than 10 of these interviews; "some" represents an answer mentioned in 7 to 10 of these interviews.

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program. Appendix I contains a more detailed description of our objectives, scope, and methodology.

We conducted this performance audit from January 2016 to February 2017 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## Background

The Park Service is composed of headquarters, seven regional offices, and 417 park units that cover 84 million acres across all 50 states. Park units include national parks, national battlefields, national recreation areas, and national lakeshores. The Park Service has long worked with concessioners who provide visitor services, such as lodging and recreational opportunities in national park units, and some concessions operations are nearly as old as the parks in which they operate. For example, the Many Glacier Hotel in Glacier National Park opened for business in 1915, 5 years after the park was established in Montana, and is currently operated by a concessioner.

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## Revenues Generated and Services Provided

As of April 2016, the Park Service had 488 concessions contracts in over 100 park units, and in 2015, such operations collectively generated about \$1.4 billion in gross revenues and paid about \$104 million in franchise fees to the Park Service.<sup>9</sup> Concessioners provide a vast array of services throughout the national park system. Table 1 shows the most commonly offered services under concessions contracts.

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<sup>9</sup>The Park Service is authorized to collect and use franchise fees that are generally assessed as a percentage of the concessioners' total gross receipts.



**Table 1: Services Most Commonly Offered under Concessions Contracts at National Parks, as of April 2016**

Type of service	Number of contracts
Guide services and outfitters	198
Retail operations	187
Rentals <sup>a</sup>	150
Transportation	115
Food service operations	111
Horse and mule operations	76
Water guides	73
Lodging	53

Source: GAO analysis of National Park Service data. | GAO-17-302

Note: Multiple services can be offered under a single concessions contract. In addition, other services, such as vending machines or golf courses, can be offered under contracts but are not listed in this table because they are fewer in number.

<sup>a</sup>Rentals can be for various items, including boats or cross country skis.

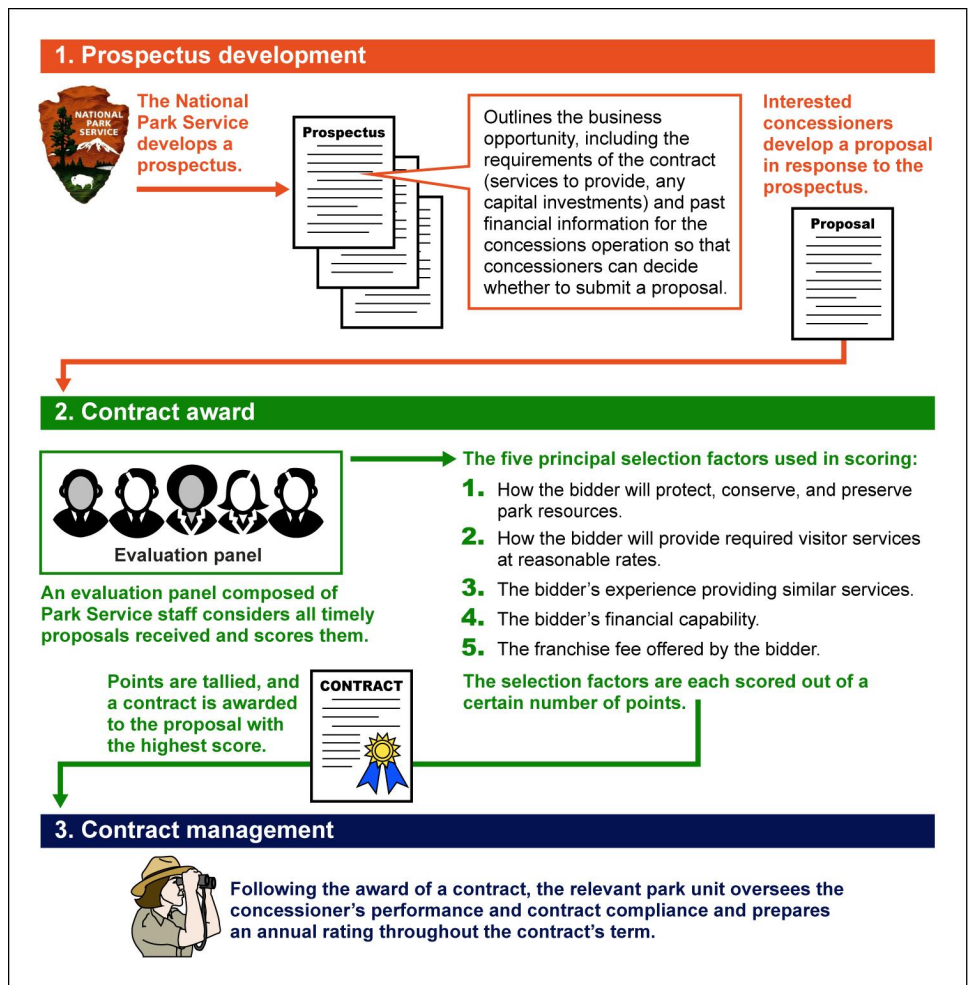
Concessions contracts also vary in size and scope. The largest concessions contracts in terms of revenues generated generally offer lodging, food, and retail services. According to a Park Service presentation, these three services accounted for over half of the revenue generated under concessions contracts in 2014. In 2015, the five largest concessions contracts generated more than \$50 million each in gross revenues for services in Yosemite, Yellowstone, and Grand Canyon national parks along with Statue of Liberty National Monument and Glen Canyon National Recreation Area. These contracts generally offer lodging, food, and retail services. In addition, in 2015, 20 concessions contracts with the largest gross revenues accounted for about two thirds of the total revenues generated under all concessions contracts. In contrast, 177 concessions contracts each generated less than \$100,000 in annual revenues in 2015. Many of these contracts were for guide services and outfitters.<sup>10</sup> Some concessioners, such as those that operate lodges, are assigned buildings or land that are owned by the federal government, and they are responsible for maintaining them during the life of the contract.

<sup>10</sup>Guide services and outfitters are specialized backcountry outdoor recreation services. These include concessioners that provide guided river running, fishing, horseback, camping, and mountaineering experiences.

## Concessions Process

As shown in figure 1, the concessions contracting process consists of three main steps: prospectus development, contract award, and contract management.

**Figure 1: Summary of the National Park Service's Concessions Process**



Source: GAO summary of National Park Service regulations, draft guidance, and interviews with Park Service officials. | GAO-17-302

### Text For Figure 1, Flow chart

#### 1. Prospectus development

The National Park Service develops a prospectus.

Outlines the business opportunity, including the requirements of the contract (services to provide, any capital investments) and past financial information for the concessions operation so that concessioners can decide whether to submit a proposal.

Interested concessioners develop a proposal in response to the prospectus.

## 2. Contract award

An evaluation panel composed of Park Service staff considers all timely proposals received and scores them.

The five principal selection factors used in scoring:

1. How the bidder will protect, conserve, and preserve park resources.
2. How the bidder will provide required visitor services at reasonable rates.
3. The bidder's experience providing similar services.
4. The bidder's financial capability.
5. The franchise fee offered by the bidder.

The selection factors are each scored out of a certain number of points.

Points are tallied, and a contract is awarded to the proposal with the highest score.

## 3. Contract management

Following the award of a contract, the relevant park unit oversees the concessioner's performance and contract compliance and prepares an annual rating throughout the contract's term.

Source: GAO summary of National Park Service regulations, draft guidance, and interviews with Park Service officials. | GAO-17-302

Park Service staff at the headquarters, regional, and park unit levels serve different roles in the concessions program. Park Service headquarters provides guidance on the concessions program and oversees the process for developing prospectuses for contracts with anticipated annual gross revenues of more than \$5 million a year or a

contract term of more than 10 years, which are known as “headquarters-level” contracts.<sup>11</sup> As of April 2016, there were 52 headquarters-level contracts, and these contracts accounted for almost 80 percent of the total gross revenues generated by concessions contracts in 2015. Within headquarters, four branches have different roles in the concessions program, as shown in table 2.

**Table 2: Examples of National Park Service Headquarters Concessions Roles by Branch Office**

Branch office	Examples of roles in the concessions program
Asset Management Branch	<p>Provides policy and guidance on asset management.</p> <p>Oversees process to assess condition of buildings or land that are assigned to concessioners as part of their concessions contract.</p> <p>Involved in negotiations with concessioners on leasehold surrender interest (LSI) and possessory interest.<sup>a</sup></p> <p>Tracks LSI and possessory interest balances.</p>
Planning and Development Branch	<p>Provides policy and guidance on prospectus development.<sup>b</sup></p> <p>Directly involved in developing prospectuses for headquarters-level contracts (those with anticipated annual gross revenues over \$5 million or having a term over 10 years).</p> <p>Provides support to regions during prospectus development.</p>
Financial Analysis Branch	<p>Oversees financial analyses used to develop prospectuses.</p> <p>Provides support to regions and parks.</p> <p>Oversees concessioner financial reporting.</p>
Contract Management Branch	<p>Provides policy, training, and guidance on contract oversight.</p> <p>Oversees annual overall review process used to evaluate concessioner performance.</p> <p>Provides contract management support to regions and parks.</p>

Source: GAO summary of National Park Service information and interviews with Park Service officials. | GAO-17-302

<sup>a</sup>LSI generally represents the initial value of capital improvements made by a concessioner adjusted for inflation and depreciation that occurred during the contract term. Possessory Interest is the name of the method the Park Service employed under the 1965 Concessions Act to account for capital improvements. Its value is generally “equal to the sound value of such structure, fixture, or improvement...determined upon the basis of reconstruction cost less depreciation evidenced by its condition and prospective serviceability...but not to exceed fair market value.”

<sup>b</sup>The prospectus development process results in a prospectus that outlines the business opportunity for a concessions operation so that concessioners can decide whether to submit a proposal. A prospectus includes information such as the requirements of the contract, the services to provide, and past financial information for the concessions operation.

According to Park Service officials, regional staff are also involved in developing prospectuses for headquarters-level contracts. In addition,

<sup>11</sup>Under the 1998 Concessions Act, a contract with anticipated annual gross revenues above \$5 million or which has a term over 10 years, must be sent to congressional committees specified in the law, and the Park Service cannot issue these contracts until 60 days after this notification has taken place.

regional staff take the lead in developing prospectuses for concessions operations that are under \$5 million a year in revenue or 10 years in length and answer questions that park unit staff may have on the concessions program. The primary role of park unit staff is to oversee concessions contracts once they have been awarded. Park unit staff will also provide input into prospectus development, such as what services should be allowed. According to Park Service officials, park unit staff include full-time, dedicated staff who are generally known as concessions management specialists and collateral duty staff. Collateral duty staff have other responsibilities at the park in addition to overseeing concessions, such as being a law enforcement ranger.

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## Legislative Authorities

The 1998 Concessions Act authorizes the concessions program at the Park Service to provide necessary and appropriate services to visitors that are consistent with the preservation and conservation of a park unit's resources.<sup>12</sup> The 1998 Concessions Act repealed the National Park Service Concessions Policy Act, which was enacted in 1965 (1965 Concessions Act),<sup>13</sup> and made changes to the concessions program. For example, the 1998 Concessions Act reduced the ability of the Park Service to offer a preferential right of renewal to incumbent concessioners, which allows an incumbent concessioner to match a better bid offered by a competitor. The 1998 Concessions Act allows a preferential right of renewal for concessioners offering guide or outfitting services or those with anticipated gross revenues under \$500,000. In contrast, the 1965 Concessions Act allowed a preferential right of renewal for all concessioners.<sup>14</sup>

The 1998 Concessions Act also changed how concessioners are to be compensated for capital improvements made to buildings or land assigned to them. Under the 1998 Concessions Act, concessioners that make approved capital improvements receive a leasehold surrender interest (LSI) for this improvement. LSI generally represents the initial value of capital improvements adjusted for inflation and depreciation

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<sup>12</sup>Pub. L. No. 105-391, tit. IV, 112 Stat. 3503 (codified as amended at 54 U.S.C. §§ 101911 – 101926 (2016)).

<sup>13</sup>Pub. L. No. 89-249, 79 Stat. 969 (1965).

<sup>14</sup>Under both laws, the award of this preferential right is contingent on the concessioner performing according to the terms of the contract.

made by a concessioner to a property, such as building a new structure, completing a major rehabilitation,<sup>15</sup> or installing a non-removable piece of equipment, known as a fixture. LSI took the place of a system of compensation for capital improvements called “possessory interest” that existed under the 1965 Concessions Act.<sup>16</sup> According to Park Service officials, one of the key differences between these systems is the method used to calculate their values, with LSI being easier to calculate than possessory interest because there is a defined formula to calculate LSI in the act. The Park Service tracks LSI balances during the contract term, and if a contract is awarded to a different concessioner when the contract ends, the 1998 Concessions Act requires the previous concessioner to be paid for any LSI. Table 3 compares selected provisions in the 1965 Concessions Act and 1998 Concessions Act.

**Table 3: Comparison of Selected Provisions of the National Park Service Concessions Policy Act and the National Park Service Concessions Management Improvement Act of 1998**

<b>Provision</b>	<b>National Park Service Concessions Policy Act (1965)</b>	<b>National Park Service Concessions Management Improvement Act of 1998</b>
Competition	New contracts to be granted at the discretion of the National Park Service (Park Service).	Competitive process should be used and concessions should be awarded to the entity submitting the best proposal.
Preferential right of renewal <sup>a</sup>	Available to all concessioners that operated to the satisfaction of National Park Service.	Available only to certain concessioners: outfitting and guide concessioners or concessions contracts with anticipated gross annual revenues under \$500,000.
Term of contract	Not specified.	Concessions contracts shall generally be awarded for a term of 10 years or less, but may be awarded for a term up to 20 years if the Park Service determines that it is warranted.
Contract extensions	Allowed extensions to be granted at the discretion of the National Park Service.	Limits extensions to maximum of 3 years.

<sup>15</sup>A “major rehabilitation” that qualifies for inclusion in the LSI is a planned, comprehensive rehabilitation of an existing structure approved in advance by the Park Service Director, is generally completed within 18 months, and has a construction cost that is more than 50 percent of the structure’s value before rehabilitation. 36 C.F.R. § 51.51 (2016).

<sup>16</sup>Possessory interest from contracts predating the enactment of the 1998 Concessions Act is to be handled as follows: if a concessioner does not seek or is not awarded a new contract upon the expiration or termination of its old contract, it is entitled to compensation for its possessory interest; if a concessioner is awarded a new contract, the concessioner’s possessory interest is to be converted into LSI.

Provision	National Park Service Concessions Policy Act (1965)	National Park Service Concessions Management Improvement Act of 1998
Capital improvements made by concessioners to buildings or land assigned to them	Possessory Interest is the name of the method used to account for these improvements. Its value is "equal to the sound value of such structure, fixture, or improvement...determined upon the basis of reconstruction cost less depreciation evidenced by its condition and prospective serviceability...but not to exceed fair market value."	Leasehold surrender interest is the name of the method used to account for these improvements. Its value is equal to "initial value (construction cost of the capital improvement), increased (or decreased)" by the change in the Consumer Price Index, less depreciation of the capital improvement.

Source: GAO summary of 1965 Concessions Act and 1998 Concessions Act. | GAO-17-302

<sup>a</sup>"Preferential right of renewal" was not defined under the 1965 Concessions Act. Under current law, the term means the right of an incumbent concessioner to match the terms and conditions of the best competing proposal for a new contract.

## Challenges Highlighted in 2000 GAO Report

Our 2000 report on the concessions program, which we issued prior to the implementation of the 1998 Concessions Act, highlighted three management challenges:<sup>17</sup>

- **Inadequate staff qualifications and training:** We generally found that Park Service staff at the headquarters, regional, and park unit levels did not have the necessary skills or training to implement the program. We found that concessions staff were often transferred from other career fields at the Park Service, such as interpretive<sup>18</sup> or law enforcement rangers and the agency's view was that "anyone could do concessions."
- **Inability to manage contract workload and expired contracts:** We found that the Park Service was unable to manage its concessions contract workload, and this had resulted in approximately 45 percent of concessions contracts and permits (283 of 630) being expired as of December 31, 1999, meaning that these contracts had exceeded their original term and were under an extension.<sup>19</sup> We found that this

<sup>17</sup>GAO/RCED-00-70. Our report was issued March 31, 2000, but regulations that implemented the 1998 Concessions Act were not published in the *Federal Register* until April 17, 2000.

<sup>18</sup>Broadly speaking, interpretive rangers provide educational information to visitors about park units, such as information about the animals or plants in a park unit.

<sup>19</sup>According to Park Service officials, the term "concession permit" was used under the 1965 Concessions Act to authorize certain activities that did not require building or land assignment to concessioners.

backlog of expired contacts resulted in concessioners not having an incentive to invest in facilities that were under short-term extensions because the extensions gave concessioners little time to earn a return on their investment.

- Lack of accountability: We found that the organizational structure of the Park Service impeded accountability because Park Service headquarters did not have direct authority over how park units were implementing the program. We also found that confusion existed about the roles and responsibilities in the program among headquarters, region, and park unit staff, and that the review process for concessioners was not adequate.

To address some of these challenges, we recommended that the Park Service improve the qualifications of concessions staff, use contractors in the program, or do some combination of both. We also recommended that the Park Service establish a formal process to conduct periodic independent inspections of concessioners' lodging facilities. The Park Service agreed with these recommendations and has taken steps to implement them, as discussed below.

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## Since 2000, Park Service Has Made Changes to the Concessions Program, but Some Oversight Issues Remain

The Park Service has made several changes to the concessions program since our 2000 report. Specifically, the Park Service has hired concessions staff with relevant skills or educational backgrounds, is using consultants, and has increased training opportunities. In addition, the Park Service has reduced the number of concessions contracts under extension because it is issuing contracts on a regular basis. The Park Service's headquarters office has also increased involvement in the program and is collecting more data from concessioners. However, we found that some of these data are incomplete because concessioners did not submit required financial reports or data were reported incorrectly and were not identified in the agency's review of the reports.



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## Park Service Has Hired Staff with Relevant Skills and Backgrounds, and the Agency Has Started Using Consultants and Added Training

In our 2000 report, we found that Park Service concessions staff generally did not have the business, financial, or contracting backgrounds needed to successfully carry out the concessions program. Since then, the agency has taken steps to hire concessions staff with relevant qualifications, particularly at the headquarters or regional level. Two park superintendents who have been in the Park Service for more than 30 years said the agency was hiring staff with business backgrounds and specialized skills for the program instead of moving people from other park unit positions, such as rangers, into the concessions program. This is a change from the time of our 2000 report, when we found that the Park Service typically filled concessions positions by transferring staff from other career fields.

According to our interviews with Park Service concessions staff at headquarters, regional offices, and park units, many current program staff have relevant experiences or educational backgrounds as follows.

- *Headquarters:* The chief of commercial services and the four branch chiefs have educational degrees in relevant fields, such as hospitality or business, prior work experience in relevant fields, or had worked in the concessions program for some time. For example, the commercial services chief, who was hired in November 2014, has more than 25 years of experience working in the hospitality industry along with degrees in hospitality and business.
- *Regional offices:* Most of the seven commercial services chiefs who oversee the concessions program in their regions have relevant educational degrees or work experience. Specifically, three of the chiefs had prior relevant experience, such as working on contracts in the private sector, while three others had worked in the concessions program for more than 8 years. In addition, several regional office concessions staff have similar backgrounds and experiences. For example, concessions staff at three of the regional offices have business degrees.
- *Park units:* Concessions staff at the 20 park units we interviewed have a variety of backgrounds. Some of these park staff have degrees in business or hospitality or several years of experience in the concessions program, while other staff did not. Those staff with fewer relevant qualifications were generally at parks that did not have large

concessions programs, in terms of the number of the contracts at the park or the revenues generated under these contracts. For example, at one park unit that had one small concessions operation for a campground, the one collateral duty staff overseeing this operation did not have a relevant background or much experience in the program.

In our 2000 report, we recommended that the Park Service consider using contractors in the concessions program for activities such as writing prospectuses and performing financial analysis. The 1998 Concessions Act directs the Park Service to use contractors to conduct or assist in various aspects of the concessions program, including health and safety inspections, analysis of rates charged to the public, and the preparation of the financial aspects of prospectuses.<sup>20</sup> According to Park Service officials and consultants we interviewed, we found that the agency uses consultants in certain aspects of the concessions program. In addition, the draft guidance directs concessions staff to use consultants to help develop prospectuses for headquarters-level contracts.<sup>21</sup> Some of the ways in which consultants are used, according to our interviews, are as follows:

- *Condition assessment:* Consultants develop inventory of park assets, such as buildings and land that are part of concessions operations, and then conduct assessments of their condition. The results of these assessments are used to develop maintenance plans for concessioners to follow under their contracts.
- *Financial analysis:* During prospectus development, consultants develop models that estimate future costs and revenues for concessions operations. These models are used to develop the minimum franchise fee that is published in a prospectus.
- *Rate administration:* Consultants develop tools to support and conduct rate comparability studies to respond to requests from concessioners to change the rates they charge for visitor services.
- *Environmental audits:* Consultants examine environmental management programs that are part of concessions operations, such

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<sup>20</sup>54 U.S.C. § 101920(a) (2016).

<sup>21</sup>National Park Service, Draft Reference Manual 48A. As of November 2016, Park Service officials said that this guidance is largely finalized and that the agency is using it to implement the program, but is awaiting final review by the Associate Director for Business Services, who started work at the Park Service in November 2016.

as their use of hazardous chemicals that are part of certain operations.

In our 2000 report, we also found that once staff were transferred from other fields into the concessions program, there was limited training available to them and this further limited their ability to carry out their duties. The Park Service now offers additional training courses on the concessions program to staff to help improve their skills, as shown in table 4. Specifically, the agency offers four classroom-based courses that are several days in length. According to a senior Park Service official, the Evaluation and Pricing course predated the implementation of the 1998 Concessions Act, but the other three classes were developed since the law’s implementation to provide additional training to concessions staff. Of these training courses, concessions staff are only directed to complete the Evaluation and Pricing training as of November 2016, while the other courses are optional. Many of the park unit staff we interviewed said they had taken one or more of the four classroom training courses. At one park unit, a collateral duty staff said that he did not have a background in the concessions area and that the courses had helped him understand how to administer the program. The Park Service supplements these classroom trainings with online training and monthly conference calls during which different concessions topics are covered.

**Table 4: Information on National Park Service’s Classroom Training Courses Related to the Concessions Program**

Name of Course	Course length	Frequency offered	Examples of topics covered
Concessions management for superintendents	5 days	Annually	<ul style="list-style-type: none"> <li>• Concessions process.</li> <li>• Laws governing concessions.</li> <li>• Roles and responsibilities of superintendents in concessions program.</li> </ul>
Concessions evaluation and pricing	4 days	Annually	<ul style="list-style-type: none"> <li>• Process used to review and approve rates charged by concessioners for visitor services.</li> <li>• Concessioner review process used to rate concessioners including their performance and contract compliance.</li> </ul>
Concessions financial management 101	3 days	Annually	<ul style="list-style-type: none"> <li>• Accounting concepts.</li> <li>• Management and spending of franchise fees, which are collected by the National Park Service from concessioners.</li> <li>• Annual financial reports submitted by concessioners.</li> </ul>

Name of Course	Course length	Frequency offered	Examples of topics covered
Concessions asset management 101	5 days	Annually	<ul style="list-style-type: none"> <li>Laws and regulations.</li> <li>Condition assessment process for assets, such as buildings.</li> <li>Types of maintenance and who may be responsible for this maintenance.</li> <li>Insurance requirements for concession operations.</li> </ul>

Source: GAO summary of National Park Service training materials and interviews with Park Service officials. | GAO-17-302

### Park Service is Extending Fewer Concessions Contracts and for a Shorter Period

Based on our analysis of Park Service data, the Park Service has extended fewer concessions contracts past their contract term. Specifically, as we reported in 2000, approximately 45 percent of concessions contracts and permits<sup>22</sup> (283 of 630) had expired as of December 31, 1999, and many of these had been under extension for 5 to 10 years. In contrast, as of April 2016, 28 percent (136 of 488) of concessions contracts were under extension, and 85 percent (116 of 136) had been under extension for 3 years or less.<sup>23</sup> Table 5 shows the number of contracts that were under extension by region, as of April 2016. The Alaska region has the highest percentage of contracts under extension. According to Park Service officials from this region, limited staff were available to help prepare the prospectuses needed to award new contracts so the region extended some existing contracts.

**Table 5: Number of Concessions Contracts under Extension by National Park Service Region, as of April 2016**

National Park Service Region	Number of concessions contracts	Number of concession contracts under extension <sup>a</sup>	Percentage of contracts under extension
Alaska	93	47	51
Intermountain	210	25	12
Midwest	49	18	37

<sup>22</sup>According to Park Service officials, the term “concession permit” was used under the 1965 Concessions Act to authorize certain activities that did not require building or land assignment to concessioners.

<sup>23</sup>We analyzed administrative data from the Park Service on the concessions contracts it had in place as of April 2016. The remaining contracts that had been extended for longer than 3 years were issued under the 1965 Concessions Act and Park Service is working to award these.

National Park Service Region	Number of concessions contracts	Number of concession contracts under extension <sup>a</sup>	Percentage of contracts under extension
National Capital	8	3	38
Northeast	29	9	31
Pacific West	59	23	39
Southeast	40	11	28
<b>Total</b>	<b>488</b>	<b>136</b>	<b>28</b>

Source: GAO analysis of National Park Service data. | GAO-17-302

<sup>a</sup>This refers to contracts that the National Park Service has extended beyond their original contract term.

According to Park Service officials, the decrease in the proportion of contracts under extension is due, in part, to a provision in the 1998 Concessions Act, which limits contract extensions to a maximum of 3 years.<sup>24</sup> Officials said that this led the agency to award contracts on a regular basis instead of extending them indefinitely, as had been allowed under the 1965 Concessions Act.

### Headquarters Office Has Increased Involvement in Concessions Program, but Some Data from Concessioners Were Missing or Inaccurate

In our 2000 report, we found that under the agency’s organizational structure, Park Service headquarters did not have direct authority over how park units implemented the program and that headquarters did not have information on certain aspects of the program, such as centralized information on the condition of lodging facilities. Since then, headquarters has increased its involvement in the concessions program. For example, headquarters is actively involved in preparing prospectuses for the 52 headquarters-level contracts, which are the largest concessions contracts.<sup>25</sup> Specifically, a headquarters Planning and Development branch staff member serves as one of the project managers during prospectus development for these contracts.<sup>26</sup> In carrying out this role, headquarters helps to determine how to structure the concessions

<sup>24</sup>54 U.S.C. § 101913(11)(A) (2016).

<sup>25</sup>This is the number of headquarters-level contracts as of April 2016. These are contracts that have anticipated gross revenues of more than \$5 million annually or a contract term of more than 10 years.

<sup>26</sup>There is also a regional project manager that is part of the prospectus development team.

contract, including what services to allow under the contract and whether to permit large-scale capital improvements during the term of the contract, such as constructing new buildings. According to the Park Service's draft guidance on the concessions program, the Director of the Park Service must also approve any capital projects estimated to cost over \$1 million. According to Park Service officials, the increased oversight of LSI eligible projects is intended to prevent LSI balances from growing too high under certain contracts. High LSI balances can discourage competition because few companies have the resources to purchase the LSI from the previous concessioner, according to Park Service officials.

The Park Service also has some initiatives under way to help oversee the performance of concessioners. For example, Park Service headquarters developed a data system to track the ratings that park unit staff give to concessioners as part of the annual overall review process, according to a senior Park Service official. In addition, this official said that 10 percent of annual overall reviews on concessioners will be subject to further review by Park Service headquarters staff, beginning in 2017. Park Service headquarters currently reviews these annual ratings for completeness, but it is aiming to determine if the rating given to a concessioner is justified by the supporting narrative.

In our 2000 report, we also found that the Park Service lacked centralized information on the condition of concessioner lodging facilities, which limited the agency's ability to oversee the program. Since then, the Park Service has directed that condition assessments of structures maintained by concessioners be conducted during the prospectus development process, according to Park Service officials. Information from these assessments is entered into the Park Service's Facility Management Software System, which contains data on Department of the Interior facilities. Park Service staff use this information to develop a maintenance plan for the concessions contract, which they review and update as needed, according to the agency's draft guidance and agency officials.

While the Park Service has taken steps to obtain more centralized information on the concessions program, we found that some concessioners' financial reports were missing or data contained in the reports we reviewed were sometimes reported incorrectly. Standard concession contracts require concessioners to submit annual financial reports to the Park Service for each concessions contract they hold. These reports provide data such as gross revenues, operational costs, and franchise fees paid. The Park Service uses these reports and the data they contain for several purposes, including to reconcile franchise

fee payments received from concessioners annually and to generate financial projections that are used to develop prospectuses for contracts, according to agency officials. We found instances where these reports had not been submitted or data on the financial reports that were submitted were incorrectly reported by concessioners.

- *Some financial reports were missing:* Financial reports for 2015 had not yet been submitted for 23 of 485 concessions contracts as of November 2016.<sup>27</sup> Under these contracts, a total of about \$20 million in gross revenues and about \$98,000 in franchise fees were reported on their most recently available financial report, which in most instances was from 2014. According to the standard contract language the Park Service uses for concessions contracts, these reports are due within 120 days of the end of a concessioner's fiscal year, and Park Service officials said that most concessioners use a calendar year for financial reporting. This means that these concessioners should have submitted their 2015 financial reports by April 30, 2016. When we asked Park Service officials about this issue, they said that this was a recurring issue for some concessioners and that it can be hard to obtain financial reports from smaller concessioners because these concessioners sometimes have only one or two employees and these limited resources can make it difficult to submit reports on time.
- *Financial reports sometimes contained incorrect data:* For 39 of 485 contracts, concessioners reported gross revenues, but did not report paying a franchise fee in their 2015 financial report. Under these 39 contracts, a total of about \$21 million in gross revenues was reported in 2015. According to Park Service data, a franchise fee should have been paid under these contracts. Park Service officials said that they believed these were instances where the concessioner had paid franchise fees, but had not filled out the annual financial reports properly. They added that these inconsistencies should have been identified by the relevant park unit or the regional office during their review of these financial reports. Some park unit officials said that they are overwhelmed by the number of reports, including financial reports, they receive from concessioners and do not have time to review all of them. In addition, we found that the data from these

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<sup>27</sup> According to Park Service officials, they expect to receive annual financial reports for 2015 for 485 contracts. This is less than the 488 contracts in effect in April 2016 because there are some contracts that began operations in early 2016 and would not need to submit an annual financial report for 2015.

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financial reports are entered into a spreadsheet that does not contain edit checks that could identify possible errors. We used supplemental data from the Park Service to determine that franchise fees had been paid under some of these contracts, but we were unable to confirm franchise fees had been paid for all of them because these data were reported at a park unit level and not at a contract level.

According to *Standards for Internal Control in the Federal Government*,<sup>28</sup> agencies should obtain information from external parties in a timely manner and should have control activities to ensure that data are reliable. However, not all financial reports were submitted in the time frames required by standard contract language, and some that were submitted contained errors that were not identified by Park Service staff during the review process. Without timely or accurate financial data from concessioners, the agency could be limited in its ability to oversee certain aspects of the concessions program such as determining whether concessioners have paid their franchise fees.

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## Concessions Program Continues to Face Challenges, Which the Park Service's Strategic Plan May Address, but the Plan Is Missing Key Elements to Track Progress

In interviewing Park Service officials and concessioners, we identified some challenges in the three steps of the concessions process: prospectus development can be a lengthy and expensive process, and it can be hard to generate competition for some contracts; the agency's evaluation panels can sometimes have difficulty assessing proposals, and the award process can be lengthy; and contract management can be affected by limited staffing and confusion about how to fund capital improvements and maintenance. The Park Service's commercial services strategic plan highlights many of the challenges we identified and identifies initiatives to potentially address them, but is missing certain information, such as performance measures that are quantifiable to track progress and determine where additional effort may be needed.

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<sup>28</sup>GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: Sept. 2014).



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## Prospectus Development Can Be a Lengthy or Expensive Process

Several Park Service officials said that developing prospectuses can be a lengthy or expensive process, taking as long as 4 years to complete. Some of these officials noted that the process is lengthy, in part, due to the multiple levels of Park Service review or the time it takes for consultants to conduct condition assessments of concessioner-assigned buildings or land. In addition, according to one consultant we interviewed, it can cost between \$70,000 and \$400,000 for a consultant to do a condition assessment of the buildings that are part of a concessions operation, depending on the size and scale of the operation. A Park Service headquarters official acknowledged that it can be costly to develop a prospectus but a future contract can generate revenues that greatly exceed these costs. For example, this official told us that the agency spent about \$2 million for a condition assessment of 800 buildings for a concessions contract that was anticipated to generate over \$100 million in annual gross revenues and had a contract term of 20 years. In addition, several concessioners noted that responding to a prospectus can be time consuming or expensive. For example, some of these concessioners said that developing a proposal cost several tens of thousands to hundreds of thousands dollars.

A few Park Service officials and a trade association representing guides and outfitters suggested that a simplified prospectus development process for small contracts may help to reduce the time and costs of developing the agency's prospectuses and concessioners' proposals. The Park Service was directed by the 1998 Concessions Act to use a simplified process for small, individually owned entities seeking concessions contracts.<sup>29</sup> The Park Service has developed guidance for one part of the prospectus development process—determining franchise fees for small concessions contracts with projected annual gross

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<sup>29</sup>54 U.S.C. § 101913(1) (2016). In draft guidance on the concessions program, the Park Service generally defines these small contracts as those that generate less than \$100,000 in annual revenues; such contracts accounted for about 36 percent (177 of 488) of the agency's concessions contracts in 2015.

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revenues less than \$250,000.<sup>30</sup> In 2014, the agency began a pilot project designed to help it develop a simplified prospectus process, but it has not yet issued a prospectus using this process. According to Park Service officials, the agency plans to issue a prospectus under the pilot project by the end of 2016 and use the results of this effort to simplify the prospectus development process for small contracts.

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### Generating Competition for Some Concessions Contracts Can Be Challenging

According to Park Service officials, one of the goals of the 1998 Concessions Act was to increase competition in the concessions program, but several Park Service officials and concessioners we interviewed said that increasing competition on concessions contracts continues to be a challenge. Competition for larger contracts is limited to a few companies, in part, because some contracts have high LSI balances, according to Park Service officials.<sup>31</sup> High LSI balances can discourage competition because few companies have the resources to purchase these balances from the previous concessioner, as we found in 2015.<sup>32</sup>

The Park Service has taken steps to manage LSI balances by either reducing high balances on existing contracts or limiting the LSI that a concessioner can incur on a new contract, as we found in 2015.<sup>33</sup> Specifically, the Park Service has reduced high LSI balances by using franchise fees to buy down these balances on contracts that would otherwise have attracted few bidders. Most notably, the agency spent almost \$100 million to reduce the LSI balance for capital improvements at

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<sup>30</sup>National Park Service, *Guidance for Franchise Fees for Small Concession Contracts*, (Washington, D.C., Aug. 21, 2014). Under this guidance, for recreation service contracts, such as float trips or hunting, the minimum franchise fee is 3 percent of gross revenues or \$1,000, whichever is more. For hospitality services contracts such as lodging or restaurants, the minimum franchise fee is 5 percent of gross revenues or \$1,000, whichever is more. Regional offices are also given flexibility to determine an appropriate franchise fee.

<sup>31</sup>LSI accrues on capital improvements rather than contracts, but according to Park Service officials, they track LSI balances on individual improvements, and these balances are then added together to become a balance for a contract.

<sup>32</sup>[GAO-16-166](#).

<sup>33</sup>[GAO-16-166](#).

Grand Canyon National Park to encourage competition. On another contract, concessioners informed the Park Service that they would not submit proposals since the LSI balance on a concessions contract was too high, according to a Park Service official. As a result of this input, the park unit plans to buy down the LSI to zero, which staff said may help generate competition. In addition, the Park Service has limited the amount of LSI that concessioners can incur on new contracts, as we found in 2015.<sup>34</sup> However, according to some concessioners, not allowing concessioners to incur LSI could limit their interest in investing in concessioner-assigned buildings or land because they would not be paid for eligible capital improvements they make.

Competition is also limited because over half of the Park Service's concessions contracts continue to have a preferential right of renewal, according to Park Service officials. While the 1998 Concessions Act generally prohibits the Park Service from granting a preferential right of renewal for larger contracts, the Park Service estimates that about 70 percent of its concessions contracts continue to have a preferential right of renewal. These contracts generally have less than \$500,000 in gross annual revenues or are for guide services or outfitters. Competition for contracts may be limited in such situations because the incumbent can match a better bid offered by a competitor. Some guiding concessioners we spoke with said that it was important to maintain a preferential right for guides and outfitters because these types of concessioners often have specialized equipment and skills unique to the park and service provided, such as mountain climbing.

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### Assessing Some Proposals Can Be Difficult and the Process for Awarding Concessions Contracts Can Be Lengthy

Several Park Service officials and concessioners said that it can sometimes be challenging for evaluation panel members to determine if a bidder can perform all of the services listed in its proposal. According to the agency's draft guidance on the concessions program, panel members are to typically review information that is submitted as part of the bidder's proposal, and according to Park Service officials, panel members generally do not ask for additional information during the evaluation process to help assess a bidder's proposal. Some of these Park Service

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<sup>34</sup>[GAO-16-166](#).

officials and concessioners said that this can sometimes result in the agency awarding the contract to a bidder who has a well-written proposal, but might have “overpromised” in its ability to implement its proposal. For example, a park unit official said that a concessioner submitted a proposal in response to a prospectus for a tour boat operation and included additional services not specifically required by the prospectus, such as offering a healthy food menu on board the boat. This concessioner was awarded the contract, in part, because of these additional services; however, it took years for the concessioner to follow through on providing this service, according to this park unit official.

A concessioner we spoke with said that it would be helpful for park unit staff knowledgeable about the concessions operations at the park unit to be included as an advisor to the evaluation panel to help determine if proposed services are feasible. According to the Park Service’s draft guidance, park unit staff typically serve as technical advisors to the panel. Park unit staff are not always included because of limited travel funds, according to a Park Service official. However, the evaluation panel may informally contact park unit staff when it has technical or park-specific questions, according to agency officials.

Another challenge with the contract award phase of the process is the length of time it takes to award a concessions contract, according to some Park Service officials and concessioners. For example, one park unit official we interviewed in July 2016 said that a contract had not been awarded by an evaluation panel that took place in the prior winter and for which only one proposal was submitted. According to Park Service officials, this contract is to be awarded in December 2016. The length of time to award a contract can be affected by the need for agency review. According to the agency’s draft guidance, agency officials are to review the evaluation panel’s recommendation on which concessioner submitted the better proposal before announcing the winner of a contract. There is also a need for review by the Office of the Solicitor during several stages of the concessions process, according to agency officials. In addition, the 1998 Concessions Act requires that the Park Service submit headquarters-level contracts to specified congressional committees for a period of 60 days before they can be awarded.

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## Contract Management Can Be Affected by Limited Staffing

Several Park Service officials as well as concessioners we interviewed said that the agency does not always have enough staff to adequately manage concessions contracts. These management activities include reviewing a concessioner's performance and compliance with its contract and approving concessioner rates. For example, concessions staff at two park units said they found it difficult to review required reports submitted by concessioners because of the large number of concessions contracts they managed. According to the Park Service's draft guidance on the concessions program, staff are to review and update required reports to ensure that concessioners are meeting their established operational and maintenance responsibilities and providing visitors with satisfactory services, among other things. Furthermore, two concessioners said that not having enough concessions staff at parks slows the review and approval of their requests, such as changes to their rates. For example, one concessioner said that it took several months for concessions staff at a park unit with limited staff to respond to a request to adjust the prices for food the concessioner sold.

Staff at some park units we contacted manage the concessions program as a collateral duty, meaning they have other primary responsibilities, such as law enforcement. A few of these park unit concessions staff said that managing the concessions program as a collateral duty works well because the concessions program is not large at their park. However, staff at other park units said that managing the concessions program as a collateral duty is challenging since their primary duties take up the majority of their time. As a result, they do not always have time to proactively manage concessions contracts, such as approving new prices for services. Park Service officials said headquarters offers a technical assistance program to parks that need support. In a typical year, the program funds a total of 10 onsite trips, during which headquarters staff travel to park units to assist park unit staff in areas such as conducting inspections of concessioner operations.

For the 20 park units we contacted, we generally found that parks that had more contracts or headquarters-level contracts also had more staff managing the program (see table 6). One exception was at Glacier Bay National Park and Preserve, where two full-time concessions staff are responsible for overseeing 39 concessions contracts. In addition, parks in our review that had concessions contracts generating higher revenues

generally had more staff. For more information on gross revenues generated at these different park units, see appendix II.

**Table 6: Number of National Park Service Concessions Staff and Number of Concession Contracts at Selected Park Units, as of 2016**

National Park Service unit	Number of full-time concessions staff <sup>a</sup>	Number of collateral duty concessions staff <sup>a</sup>	Total number of concessions contracts <sup>b</sup>	Number of headquarters-level concessions contracts <sup>b, c</sup>
Blue Ridge Parkway	1	0	7	0
Cape Cod National Seashore	1	0	3	0
Carlsbad Caverns National Park	0	1	1	0
Eisenhower National Historic Site	0	2	1	0
Fort Sumter National Monument	1	1	1	1
Glacier Bay National Park and Preserve <sup>d</sup>	2	0	39	5
Grand Teton National Park	7	2	25	3
Isle Royale National Park	0	3	4	0
Katmai National Park and Preserve <sup>d</sup>	1	0	9	0
Lake Mead National Recreation Area	6	0	8	3
Mount Rainier National Park	1	2	5	1
Mount Rushmore National Memorial	1	0	2	1
National Capital Parks Central <sup>e</sup>	4	0	2	2
Olympic National Park	1	2	5	1
Prince William Forest Park	0	1	1	0

Source: GAO summary of interviews with park unit staff and National Park Service data. | GAO-17-302

<sup>a</sup>The information on staff numbers comes from our interviews with park unit staff, which were conducted between May and September 2016.

<sup>b</sup>The information on contract numbers comes from data we received in April 2016.

<sup>c</sup>A headquarters-level contract is one that has anticipated annual gross revenues over \$5 million or a contract length over 10 years.

<sup>d</sup>For both Glacier Bay and Katmai, the National Park Service counts them as two separate park units—a national park and a national preserve. However, we are counting them as single units because they are managed by the same management team.

<sup>e</sup>According to National Park Service officials, National Capital Parks Central is a park name that is no longer used except to track data for two concessions contracts that have been in place since the 1980s. We interviewed a concessioner that operates one of these contracts. According to Park Service officials, under this contract, the concessioner provides services across the following six park

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units: Chesapeake and Ohio Canal National Historic Park, George Washington Memorial Parkway, National Capital Parks East, Rock Creek Park, President's Park, and the National Mall, and we spoke to staff involved in managing this contract across these six units.

Limited staffing levels can also affect a regional office's ability to support parks in the concessions program, according to Park Service officials. According to regional officials, parks that do not have full-time concessions staff can rely on the regional offices for assistance in managing the concessions program. In 2015, the agency tried to address staff shortages in regional offices by allowing each of them to use funding from franchise fees to hire an additional full-time concessions management specialist to help with the workload, according to Park Service officials. As of November 2016, six of the seven regional offices have requested funding to hire additional staff and three of these offices have hired staff using this funding.

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### Some Concessioners Find It Challenging to Determine How to Fund Maintenance and Capital Improvements

Some concessioners we interviewed said that it was challenging to determine how to fund maintenance or capital improvements. Concessioners that have been assigned buildings or land, such as hotels or restaurants, are required to maintain these assets, and they may also be required to undertake capital improvement projects.<sup>35</sup> In the area of maintenance and capital improvements, projects may be funded in several ways, depending on the type of work required:

- *Routine maintenance*: Activities, such as painting or replacing carpet, are paid for by the concessioner.
- *Personal property*: Includes certain items, such as removable equipment and furniture, which are paid for by concessioners.
- *Replacement of building components*: Concessions contracts may require concessioners to set aside a percentage of their revenues into a repair and maintenance reserve fund that they establish and manage.<sup>36</sup> These funds can be used to replace a building component, such as a roof or windows, at the end of its useful life. These funds

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<sup>35</sup>Not all concessioners have been assigned buildings or land. For example, according to Park Service data, as of April 2016, 323 of the 488 contracts are category III contracts, which are contracts where concessioners have not been assigned buildings or land.

<sup>36</sup>National Park Service, *Repair and Maintenance Reserve Guidance* (Mar. 25, 2011).

cannot be used for large-scale capital improvements that would qualify for LSI, and cannot be used for routine maintenance needs.

- *Large capital projects or fixtures:* Concessioners can also be required under their contracts to undertake capital improvements, which are eligible for LSI, such as constructing a new building, completing a major rehabilitation, or replacing fixtures.<sup>37</sup> The Park Service tracks LSI balances during the contract term, and if a contract is awarded to a different concessioner when the contract ends, the 1998 Concessions Act requires the previous concessioner to be paid for any LSI.

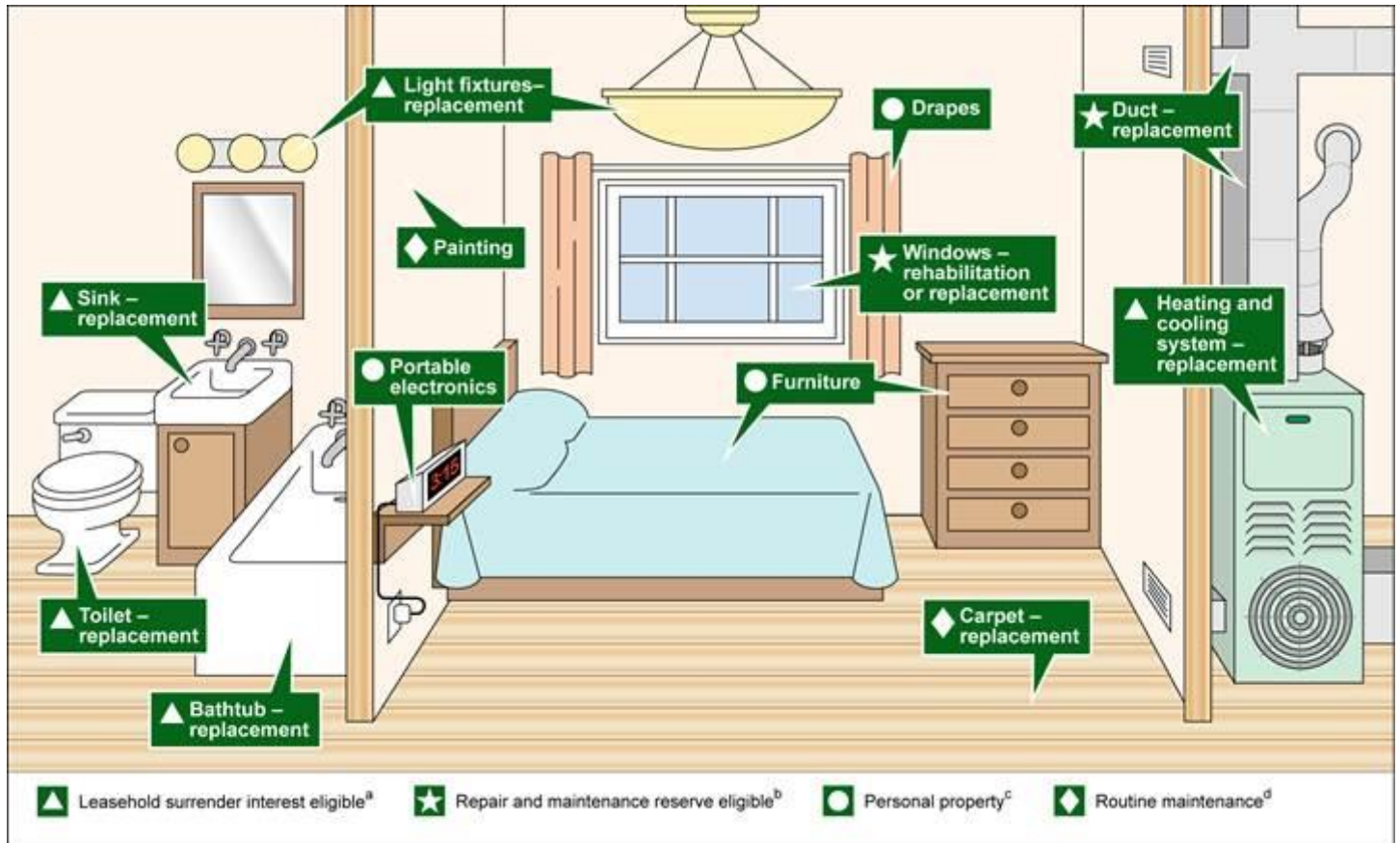
Figure 2 shows different types of maintenance or improvements that could be made by a concessioner in a lodging room and the applicable funding category. As this figure shows, a single project to update a lodge room could involve a concessioner determining whether a specific activity qualifies for one of the four categories mentioned above.

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<sup>37</sup>A “major rehabilitation” that qualifies for inclusion in the LSI is a planned, comprehensive rehabilitation of an existing structure approved in advance by the Park Service Director, is generally completed within 18 months, and has a construction cost that is more than 50 percent of the structure value before rehabilitation. A “fixture,” such as a toilet, is a manufactured item of personal property of independent form and utility necessary for the basic functioning of a structure that are affixed to and considered to be part of the structure. 36 C.F.R. § 51.51 (2016). Replacing a fixture can qualify for LSI.



**Figure 2: Example of Potential Types of Repairs or Improvements to a Lodge Room at a National Park and How They Might be Funded**



Sources: GAO review of National Park Service’s repair and maintenance guidance and draft leasehold surrender interest guidance, and interview with National Park Service officials. | GAO-17-302

Notes:

<sup>a</sup>Leasehold surrender interest (LSI) generally represents the initial value of the capital improvements made by a concessioner to a property adjusted for inflation and depreciation that occurred during the contract term. These capital improvements include building a new structure, completing a major rehabilitation, or replacing a fixture.

<sup>b</sup>Repair and maintenance reserve funds can be used to replace a building component, such as a roof or windows, at the end of its useful life, but these funds cannot be used for large-scale capital improvements that would qualify for LSI, and cannot be used for regular maintenance needs.

<sup>c</sup>Personal property can include items such as removable equipment and furniture that are owned by concessioners or the federal government and not eligible for LSI or repair and maintenance reserve funds.

<sup>d</sup>Routine maintenance includes activities such as general repairs, painting, or carpet replacement, which are paid for by the concessioner.

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**Text of Figure 2 Illustration of a sample room**

Leasehold surrender interest eligible:

- Bathtub – replacement
- Heating and cooling system -- replacement
- Light fixtures -- replacement
- Sink – replacement
- Toilet – replacement

Repair and maintenance reserve eligible:

- Duct – replacement
- Windows – rehabilitation or replacement

Personal property:

- Drapes
- Furniture
- Portable electronics

Routine maintenance:

- Carpet – replacement
- Painting

A few concessioners said it was challenging to determine which category of funding a repair or improvement qualifies for within a single project. For example, one concessioner had to replace some carpet, furniture, and dry wall at a historic lodge due to mold, a project that cost about \$50,000. The concessioner said it was surprised to learn that the repair and maintenance reserve fund they manage would cover only the dry wall replacement, which cost about \$4,000, and the rest of the expense would be the concessioner's responsibility. Another concessioner said it was confusing to determine which "bucket" of money to use for improvements made as part of one project. As a result, the concessioner was still trying to determine how to account for different parts of this project completed years ago.

Confusion exists, in part, because the Park Service has not finalized certain guidance or made it publicly available. Park Service officials said that the agency provides information on the use of LSI and repair and maintenance reserve funds to concessioners upon request and that some information on these topics is in the contracts that concessioners sign. However, we found that detailed guidance on how to fund particular repairs and capital improvements was not always readily available and that some of the guidance for these funding sources is still in draft. Specifically, the Park Service issued draft guidance on LSI in 2012 and updated it in another draft dated October 2015, but this guidance has not yet been finalized and is not available on the Park Service's website as of December 2016. Two concessioners said that the agency's list of fixtures that qualify for LSI, which are listed in the guidance, periodically changes, adding to the challenge of determining what qualifies for LSI. Similarly, the Park Service has developed internal guidance on the use of repair and maintenance reserve funds, but this guidance is also not available on its website for concessioners to consult, as of December 2016.

Under *Standards for Internal Control in the Federal Government*, agencies should communicate with external parties to achieve their objectives.<sup>38</sup> According to Park Service officials, one of their goals in implementing the 1998 Concessions Act was for the Park Service to improve the maintenance of concessioner-assigned buildings. However, confusion about how to fund maintenance and capital improvements will likely continue without finalized guidance that is publicly available to concessioners. This could lead to delays in undertaking needed maintenance projects and capital improvements, which could further contribute to the agency's deferred maintenance in concessioner-assigned buildings, which was over \$400 million in fiscal year 2015, according to Park Service officials.<sup>39</sup>

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<sup>38</sup>[GAO-14-704G](#).

<sup>39</sup>Deferred maintenance is maintenance that was not performed when it should have been or was scheduled to be and is delayed for a future period.

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## Commercial Services' Strategic Plan May Address Many of the Challenges We Identified, but Lacks Certain Elements Needed for Successful Implementation

The Park Service developed a 5-year commercial services program strategic plan in 2015, to help improve the commercial services program, including concessions management. This plan was an update to the commercial services improvement plan that had been in place for the prior 10 years. According to agency officials, the 2015 strategic plan provided the agency with an opportunity to review progress made on past goals and establish new plans going forward. The Park Service developed this plan based on interviews with concessioners, consultants, and park unit staff, according to a senior Park Service official. As a result, the strategic plan recognizes many of the challenges that we also identified in our interviews with Park Service officials and concessioners. For example, the plan has a goal to improve the prospectus and contract award process which aims to reduce costs and improve efficiency to the government and bidders. Similarly, the plan aims to attract more bids for concessions contracts, increase the accuracy of financial reporting, and increase the percentage of concessions staff who receive training.

While the Park Service's strategic plan recognizes many challenges that the concessions program faces, we found that the plan is missing quantifiable and measurable performance goals, which would help ensure that these challenges are addressed. Specifically, the plan identifies various performance measures, but it has no related targets or time frames, which would clearly identify the level of performance the agency is trying to achieve and by when. For example, within the goal to improve the prospectus and contract award process, the agency has identified four performance measures, one of which is "change in percent of responses to prospectuses (increase)." While the plan notes that Park Service is aiming to increase the percent of responses, which provides a sense of what the agency is trying to achieve, it does not state by how much (target) or by when (timeframe)—two key aspects of a performance goal.<sup>40</sup> According to agency officials, the strategic plan is still a work in progress, and the agency plans to develop a process to track performance in 2017. Until this effort is complete, it is unclear whether this process will include targets and timeframes.

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<sup>40</sup>Office of Management and Budget, *Circular A-11 – Preparation, Submission, and Execution of the Budget*, Section 200 (July 2016).

As we previously found, a critical element in an organization's efforts to manage for results is its ability to set meaningful goals for performance and to measure progress towards these goals.<sup>41</sup> The performance planning and reporting framework put into place by the Government Performance and Results Act of 1993 (GPRA), as updated by the GPRA Modernization Act of 2010, provides important tools to decisionmakers.<sup>42</sup> For example, agencies are to develop performance goals that define the level of performance to be achieved in each fiscal year, and express those goals in an objective, quantifiable, and measureable form. Without clearly defined performance goals that would provide a basis against which results can be compared, it will be difficult for the Park Service to track its progress in these areas and determine where additional effort may be needed to address identified challenges to the concessions program.

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## Conclusions

Concessioners help to provide a range of services to visitors to national park units. The Park Service has made positive changes in many of the areas that we identified as challenges in our 2000 report, such as obtaining more centralized information to oversee the concessions program. However, in some instances required reports from concessioners were not provided on time or those submitted contained incorrect financial data that was not identified in the review process. Without more timely and accurate financial data from concessioners, the agency could be limited in its ability to oversee certain aspects of the concessions program, such as whether concessioners have paid franchise fees.

In addition, Park Service officials and concessioners identified ongoing challenges with the concessions program. Specifically, some concessioners said they find it challenging to determine how to fund maintenance or capital improvements on buildings or land they can be assigned under their contracts. This is, in part, because some guidance in this area is not finalized or publicly available to concessioners.

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<sup>41</sup>GAO, *Results-Oriented Government: GPRA Has Established a Solid Foundation for Achieving Greater Results*, [GAO-04-38](#) (Washington, D.C.: Mar. 10, 2004).

<sup>42</sup>The Government Performance and Results Act of 1993 (Pub. L. No. 103-62, 107 Stat. 285 (1993)) was updated by the GPRA Modernization Act (Pub. L. No. 111-352, 124 Stat. 3866 (2011)).

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The Park Service's strategic plan for the commercial services program recognizes many challenges facing the concessions program and has identified goals that may address some of them. However, this plan lacks performance goals with targets that specify desired outcomes and timeframes. Without clearly defined performance goals, it will be difficult for the Park Service to track its progress in addressing these challenges and determine where additional effort may be needed.

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## Recommendations for Executive Action

To help improve oversight of the concessions program, we recommend that the Secretary of the Interior direct the Director of the National Park Service to take the following three actions:

- review the financial reporting process and make any necessary adjustments to help ensure timely and accurate reporting of data on annual financial reports;
- finalize guidance on maintenance and capital improvements and make it publicly available to concessioners; and
- develop performance goals with targets and timeframes in its commercial services strategic plan.

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## Agency Comments

We provided a draft of this report to the Department of the Interior for review and comment. The GAO Audit Liaison from the Department of the Interior responded via e-mail, stating that the department agreed with our recommendations and providing technical comments, which we incorporated as appropriate.

As agreed with your offices, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the report date. At that time, we will send copies of this report to the appropriate congressional committees, the Secretary of the Interior, and other interested parties. In addition, the report will be available at no charge on the GAO website at [www.gao.gov](http://www.gao.gov).

If you or your staff members have any questions about this report, please contact me at (202) 512-3841 or [fennella@gao.gov](mailto:fennella@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found

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on the last page of this report. GAO staff who made major contributions to this report are listed in appendix III.

A handwritten signature in cursive script that reads "Anne-Marie Fennell". The signature is written in black ink and is positioned above the printed name and title.

Anne-Marie Fennell  
Director, Natural Resources and Environment

## Appendix I: Objectives, Scope, and Methodology

Our objectives were to examine (1) how the concessions program has changed since our 2000 report and (2) any ongoing challenges in the concessions program.

To address these objectives, we examined relevant laws, regulations, and Park Service documents. Specifically, we examined the National Park Service Concessions Management Improvement Act of 1998 (1998 Concessions Act),<sup>1</sup> its associated regulations,<sup>2</sup> and the National Park Service Concessions Policy Act.<sup>3</sup> We examined the Park Service's draft guidance on commercial services, known as Reference Manual 48A,<sup>4</sup> along with guidance on repair and maintenance reserve accounts, and draft guidance from 2012 and 2015 on leasehold surrender interest. We reviewed some of our prior reports on the concessions program.<sup>5</sup> In particular, we reviewed our 2000 report on the concessions program, which identified management challenges facing the concessions program prior to the implementation of the 1998 Concessions Act. We also examined the Park Service's commercial services program strategic plan, which includes initiatives to help address challenges in the concessions program, and compared this plan with our past work on leading practices in strategic planning, as applicable.<sup>6</sup>

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<sup>1</sup>Pub. L. No. 105-391, tit. IV, 112 Stat. 3503 (codified as amended at 54 U.S.C. §§ 101911 – 101926 (2016)).

<sup>2</sup>36 C.F.R. §§ 51.1 – 51.104 (2016).

<sup>3</sup>Pub. L. No. 89-249, 79 Stat. 969 (1965).

<sup>4</sup>National Park Service, Draft Reference Manual 48A. As of November 2016, Park Service officials said that this guidance is largely finalized and that the agency is using it to implement the program, but is awaiting final review by the Associate Director for Business Services, who started work at the Park Service in November 2016.

<sup>5</sup>GAO, *Park Service: Need to Address Management Problems that Plague the Concessions Program*, [GAO/RCED-00-70](#) (Washington, D.C.: Mar. 31, 2000) and GAO, *National Park Service: Revenues from Fees and Donations Increased, but Some Enhancements Are Needed to Continue This Trend*, [GAO-16-166](#), (Washington, D.C.: Dec. 15, 2015).

<sup>6</sup>GAO, *Results-Oriented Government: GPRA Has Established a Solid Foundation for Achieving Greater Results*, [GAO-04-38](#) (Washington, D.C.: Mar. 10, 2004).



In addition, we obtained and analyzed data on concessions contracts from the Park Service. Specifically, we analyzed administrative data that were provided to us in April 2016 on the concessions contracts in place, the services they provided, and their contract terms. We used these data to conduct various analyses, including identifying the number of concessions contracts, the services offered under these contracts, and whether these contracts were under an extension. We analyzed financial data on concessions contracts, including their gross revenues and franchise fees paid, for 2015, the most recent year for which data were available. We used these data to determine the gross revenues that were generated under concessions contracts and the franchise fees that were paid. To determine the reliability of these data, we interviewed agency officials who were familiar with these data and conducted electronic testing of these data. We found these data to be sufficiently reliable for our purposes, which included providing information on the number of contracts, the services provided under contracts, the number of contracts under extension, and the total gross revenues and franchise fees in the concessions program. In our report, we noted some limitations in the financial data. Specifically, we found that some annual financial reports for the year 2015 were missing and that some of the financial reports contained incorrect data. However, we concluded that we could still use the financial data in our report because of the small number of contracts that had data issues, and we concluded that the data we report on total gross revenues and franchise fees would not be substantially affected by the data issues we identified.

We interviewed Park Service officials at the headquarters, regional, and park unit levels to better understand staff qualifications and training, the concessions program, as well as their perspectives on ongoing challenges in the program. We used a standard set of questions to obtain information on these topics. At the headquarters level, we interviewed the chief of the commercial services office,<sup>7</sup> who oversees the concessions program, along with the branch chiefs of all four branches of the commercial services office—Asset Management, Planning and Development, Financial Analysis, and Contract Management. At the regional level, we interviewed regional commercial services chiefs in all

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<sup>7</sup>The commercial services program covers concessions contracts, leases, and commercial use authorizations. Through its leasing program, the Park Service leases buildings and associated property to businesses, individuals, and government entities. Commercial use authorizations are generally used for small-scale commercial activities in park units, such as leading workshops or tours.

seven regions—Alaska, Intermountain, Midwest, National Capital, Northeast, Pacific West, and Southeast—as well as concessions staff in these offices who help to manage the concessions program. At the park unit level, we interviewed concessions staff involved in managing concessions at 20 park units that had one or more concessions contracts. Specifically, we interviewed staff from 2 park units in person (Mount Rainier and Olympic national parks) and staff from the remaining 18 park units via phone to ask about their experiences in managing concessions contracts. We selected a range of parks that varied by region; the number of visitors to the park; type of park (i.e. scenic versus historical); and the size of the concessions program at these parks. We interviewed officials from at least two park units in all seven of the Park Service’s regions. Appendix II lists the park units that we contacted and information on the concessions contracts in these parks.

We also interviewed 21 concessioners, including at least one concessioner that operated in each of the 20 parks we contacted, to understand their perspectives on the concessions program. We selected a range of concessioners that varied by the gross revenues their operations generated and the types of services they provided under their contracts. We used a standard set of questions to obtain their views on the concessions process and any challenges they face. To identify the most common challenges mentioned in our interviews, we performed a content analysis of the answers to our interview questions for the 48 interviews we conducted with Park Service officials and concessioners. For reporting purposes, we categorized their responses as follows: “several” represents an answer mentioned in more than 10 of these interviews; “some” represents an answer mentioned in 7 to 10 of these interviews.

We also interviewed two trade groups, the National Park Hospitality Association and America Outdoors Association because they represented a variety of concessioners in the program. In addition, we conducted interviews with stakeholders who were familiar with the concessions program, including consultants that help the Park Service implement the program, academics in the hospitality field, and lawyers who represent concessioners. The views from the interviews we conducted are not generalizable to all parks, concessioners, or stakeholders, but they were used to provide a range of perspectives on the concessions program.

We conducted this performance audit from January 2016 to February 2017 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to

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obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## Appendix II: Information on Concessions Contracts at Selected Park Units

Table 7 provides information on the number of, gross revenues, and services offered under concessions contracts at park units we contacted.

**Table 7: Information on Concessions Contracts at Selected Park Units**

Park unit's name	Park Service region	Total number of concessions contracts	Gross revenues from concessions contracts in 2015 (dollars)	Concessions services offered in the park under these contracts
Blue Ridge Parkway	Southeast	7	9,295,402	Food Service Operations, Lodging, Rentals, Retail Operations
Cape Cod National Seashore	Northeast	3	1,255,757	Food Service Operations, Golf Courses, Lodging, Retail Operations
Carlsbad Caverns National Park	Intermountain	1	3,586,325	Food Service Operations, Kennel Service, Retail Operations, Vending Machines
Eisenhower National Historic Site	Northeast	1	179,918	Transportation
Fort Sumter National Monument	Southeast	1	5,711,319	Food Service Operations, Retail Operations, Water Transportation
Glacier Bay National Park and Preserve <sup>a</sup>	Alaska	39	111,256,617 <sup>b</sup>	Cruise Lines, Food Service Operations, Guide Services and Outfitters, Lodging, Rentals, Retail Operations, Scenic and Sightseeing Tours, Transportation, Water Guides, Water Transportation
Grand Teton National Park	Intermountain	25	62,533,155	Auto, Gas, and Service Stations, Campgrounds, Food Service Operations, Guide Services and Outfitters, Horse and Mule Operations, Lodging, Marinas, Medical Clinics, Rentals, Retail Operations, Scenic and Sightseeing Tours, Shower and Laundry, Transportation
Isle Royale National Park	Midwest	4	3,168,986	Auto, Gas, and Service Stations, Food Service Operations, Lodging, Marinas, Rentals, Retail Operations, Scenic and Sightseeing Tours, Shower and Laundry, Transportation, Vending Machines, Water Transportation

**Appendix II: Information on Concessions  
Contracts at Selected Park Units**

<b>Park unit's name</b>	<b>Park Service region</b>	<b>Total number of concessions contracts</b>	<b>Gross revenues from concessions contracts in 2015 (dollars)</b>	<b>Concessions services offered in the park under these contracts</b>
Katmai National Park and Preserve <sup>a</sup>	Alaska	<b>9</b>	<b>2,179,534</b>	Food Service Operations, Guide Services and Outfitters, Lodging, Rentals, Retail Operations, Scenic and Sightseeing Tours, Shower and Laundry, Transportation, Water Transportation
Lake Mead National Recreation Area	Pacific West	<b>8</b>	<b>34,585,700</b>	Auto, Gas, and Service Stations, Food Service Operations, Lodging, Marinas, Rentals, Retail Operations, Scenic and Sightseeing Tours, Shower and Laundry, Trailer Village Services, Water Guides, Water Transportation
Mount Rainier National Park	Pacific West	<b>5</b>	<b>14,696,284</b>	Firewood Sales, Food Service Operations, Guide Services and Outfitters, Lodging, Rentals, Retail Operations, Winter Sports Operations
Mount Rushmore National Memorial	Midwest	<b>2</b>	<b>19,162,913</b>	Food Service Operations, Parking Lot Services, Rentals, Retail Operations, Vending Machines
National Capital Parks Central <sup>c</sup>	National Capital	<b>2</b>	<b>27,310,948</b>	Food Service Operations, Golf Courses, Marinas, Rentals, Retail Operations, Tennis Courts
Olympic National Park	Pacific West	<b>5</b>	<b>14,712,037<sup>d</sup></b>	Auto, Gas, and Service Stations, Campgrounds, Food Service Operations, Lodging, Rentals, Retail Operations, Swimming Pools, Water Guides
Prince William Forest Park	National Capital	<b>1</b>	<b>477,036</b>	Rentals, Retail Operations

Source: GAO summary of National Park Service data. | GAO-17-302.

<sup>a</sup>For both Glacier Bay and Katmai, the Park Service counts them as two separate park units—a national park and a national preserve—but we are counting them as single units because they are managed by the same team.

<sup>b</sup>As of November 2016, the 2015 annual financial report had not been submitted for six concessions contracts at Glacier Bay National Park and Preserve. According to their most recently submitted annual financial reports, which were from 2014 for four contracts and from 2013 for two contracts, these contracts generated \$18,101,276 in gross revenues.

<sup>c</sup>According to National Park Service officials, National Capital Parks Central is a park name that is no longer used except to track data for two concessions contracts that have been in place since the 1980s. We interviewed a concessioner that operates one of these contracts. According to Park Service officials, under this contract, the concessioner provides services across the following six park units: Chesapeake and Ohio Canal National Historic Park, George Washington Memorial Parkway, National Capital Parks East, Rock Creek Park, President's Park, and the National Mall, and we spoke to staff involved in managing this contract across these six units.

<sup>d</sup>As of November 2016, the 2015 annual financial report had not been submitted for one concessions contracts at Olympic National Park. According to its 2014 annual financial report, this contract generated \$51,161.

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## Appendix III: GAO Contact and Staff Acknowledgments

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### GAO Contact

Anne-Marie Fennell, (202)512-3841 or [fennella@gao.gov](mailto:fennella@gao.gov)

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### Staff Acknowledgments

In addition to the individual named above Elizabeth Erdmann (Assistant Director), Scott Heacock, and Carmen Yeung made key contributions to this report. Additional contributions were made by Penny Berrier, Anna Brunner, Greg Campbell, Antoinette Capaccio, Cindy Gilbert, Benjamin T. Licht, Ying Long, Guisseli Reyes-Turnell, and Dan Royer.

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