

# **LBA Financial Audit Report Summary:**

## **Resources and Economic Development Department, Parks and Recreation Division, Cannon Mountain Audit Report For The Ten Months Ended April 30, 2001**

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### **Organization**

Cannon Mountain is a component of Franconia Notch State Park operated by the Department of Resources and Economic Development, Division of Parks and Recreation. The Cannon Mountain operations of the Division are under the direction of a mountain manager who reports to the Division director. The Division director reports to the commissioner of the Department.

Franconia Notch State Park and Cannon Mountain are located in the Lincoln/Franconia area of the White Mountain National Forest, on I-93/Rt 3, Franconia Notch Parkway. The main offices of the Department are located on Pembroke Road in Concord.

During the peak of the 2001 ski season, Cannon Mountain employed 16 permanent full-time, 22 seasonal full-time, and 208 part-time employees. At April 30, 2001, Cannon Mountain had 41 employees.

### **Responsibilities**

The primary responsibility of the Cannon Mountain operations of the Division of Parks and Recreation is the operation of the State-owned ski area, including the year-round operation of an aerial tramway. Cannon Mountain ski area has 26 miles of ski trails, slopes for both beginning and experienced skiers and snowboarders, and a snow-tubing park. In support of the ski area, Cannon Mountain provides a ski school and child daycare facility; leases cafeteria and restaurant facilities to contracted vendors; runs sports equipment rental, repair and sales, and gift-type retail shops; and operates various mechanical, snowmaking, and repair services for the construction and repair of equipment and facilities.

Cannon Mountain is the home of the New England Ski Museum, located near the base of the first passenger aerial tramway in North America. The original tramway began operating at Cannon Mountain in 1938 and was replaced in 1980 with a two-car tramway that ascends 2,022 feet vertically over a horizontal distance of more than one mile to the 4,180-foot summit of Cannon Mountain.

### **Funding**

The financial activity of Cannon Mountain is accounted for in the Special and Capital Projects Funds of the State of New Hampshire.

In accordance with RSA 216-A:3-i, the State treasurer maintains a separate and distinct account known as the State Park Fund comprised of the Park Account and the Ski Area Account. The treasurer deposits into the Ski Area Account "actual revenue... from fees, services, accommodations, rentals, revenue from lift and tramway operations, retail sales, and net profit from concession operations, and including any federal moneys which become available, and all donations and gifts. The account [is] continuing and nonlapsing." The Ski Area Account is reported in the State's Special Fund.

All income from the lease of the State ski area at Mount Sunapee is deposited into the Cannon Mountain Capital Improvement Fund, a revolving fund established by RSA 12-A:29-c. The revolving fund is used for capital improvements for the ski area and related State park facilities at Cannon Mountain. The Cannon Mountain Capital Improvement Fund is reported in the State's Special Fund.

The fiscal year 2001 appropriations combined with supplemental warrants, balances forward, and transfers resulted in spending authority at April 30, 2001 of \$3,628,607 and \$6,689 in the Special and Capital Projects Funds, respectively. Estimated restricted revenue combined with supplemental warrants and balances forward resulted in anticipated fiscal year 2001 revenues of \$3,590,290 in the Special Fund at April 30, 2001. There were no anticipated fiscal year 2001 revenues in the Capital Projects Fund. The following table summarizes the financial activity of Cannon Mountain in the Special Fund for the ten months ended April 30, 2001.

| <b>Summary Of Revenues And Expenditures - Special Fund</b> |                        |
|--|------------------------|
| <b>Ten Months Ended April 30, 2001</b>                     |                        |
| (expressed in thousands)                                   |                        |
| <b>Revenue</b>   |                        |
| Cannon Mountain Income                                     | \$ 4,644               |
| Sunapee Lease Income                                       | <u>338</u>             |
| <b>Total Revenues</b>                                      | <b><u>\$ 4,982</u></b> |
| <b>Expenditures</b>  |                        |
| Operating Expenditures                                     | \$ 3,611               |
| Debt Service-Capital Improvements                          | 269                    |
| Debt Service-Tramway                                       | <u>201</u>             |
| <b>Total Expenditures</b>                                  | <b><u>\$ 4,081</u></b> |
| <b>Excess (Deficiency) Of Revenues</b>                     |                        |
| <b>Over (Under) Expenditures</b>                           | <b><u>\$ 901</u></b>   |

The auditor's report on Cannon Mountain's financial statement was qualified with respect to the lack of presentation of the financial position of Cannon Mountain in the Special and Capital Projects Funds.

The audit report included auditor's reports on compliance and internal control over financial reporting and on management issues. The following is a list of the comments in the report.

## ***Internal Control Comments***

### ***Reportable Conditions***

#### **Administrative Issues**

- All Expenditures Should Be Subject To Pre-Approval By Management
- Monitoring Of Food Services Contract Should Be Improved
- Use Of Receiving And Inspection Procedures And Reports Should Be Made More Effective
- Controls Over The Issuance Of Complimentary Tickets Should Be Improved
- Controls Over Discounting Or Adjusting Lift Ticket Prices Should Be Improved
- Controls Over The Issuance Of Season Passes Could Be Improved
- Controls Over Deposit Process Should Be Improved
- Segregation Of Duties Over Processing Revenues Should Be Improved
- Controls Over Rental, Repair, And Nursery Revenues Should Be Improved
- Sales Of Excess Ski And Bike Rental Inventory Should Be Subject To Management Review
- Controls Over The Inventorying And Sale Of Rental Shop Inventory Should Be Improved
- Accountability Over Revenue Transactions At Echo Lake Beach Facilities Should Be Improved
- Reconciliation Process For The Depository Account Should Be Improved
- Revenues Should Be Recorded More Timely
- Checks Should Not Be Made Payable To Cash Or Employees To Fund Revolving And Petty Cash Accounts
- Computer Access Password Controls Should Be Better Utilized

#### **Equipment Issues**

- Procedures For The Annual Inventory Of Equipment Should Be Improved
- Controls Should Be Established To Ensure Equipment Is Properly Identified And Tagged When Acquired
- Physical Security Over Buildings And Equipment Should Be Improved
- Discrepancy Reports Should Be Filed To Report Lost, Stolen, Or Damaged Equipment

#### **Retail Sales Operations Issues**

- Management Oversight Of The Retail Sales Operations Should Be Increased
- Controls Over Retail Sales Accountability Should Be Improved
- Segregation Of Duties Should Be Established Over Retail Sales And Retail Inventory Control
- Controls Over Purchases Of Retail Inventory Should Be Improved
- Physical Controls Over Retail Inventory Should Be Improved
- Merchandise Should Be Recorded Into Inventory Prior To Being Offered For Sale
- Periodic Control Counts Of Saleable Inventory Should Be More Accurate

- Additional Training And Support On The Use Of The Retail Operation's Perpetual Inventory System Is Needed

### **Payroll Issues**

- Review And Approval Of Hours Worked Should Be Implemented
- Management Information System's Reporting Of Ski School Employee Activity Should Be Improved
- Time Recording Procedures Need To Be Emphasized In The Employee Manual

### ***Compliance Comments***

#### *State Compliance*

- Discounts On Season Passes Should Be Applied And Reported As Required By Statute
- Report Of The Activities Of The Cannon Mountain Capital Improvement Revolving Fund Should Be Prepared And Submitted

### ***Management Issues Comments***

#### **Administrative Issues**

- Inefficiencies In Recording Transactions Should Be Reviewed
- Complimentary Ticket Policies Should Be Reviewed
- Authority To Adjust Fee Schedules Should Be Clarified
- Lessee's Use Of Department Motor Vehicles Should Be Reviewed
- Necessity And Operation Of The Capital Refurbishing Account Should Be Reviewed

### **Payroll Issues**

- Necessity Of The Regular Payment Of Overtime To Employees Should Be Reviewed
- Authority For And Control Over Additional Employee Benefits Should Be Reviewed
- Appropriateness And Efficiency Of Two-Hour Minimum Pay Guarantee For Employees Should Be Reviewed
- Employment Status Of Volunteer Workers Should Be Reviewed