

**Audit of Agreement CA-0617 with  
Cape Leisure Silver Springs, LLC at  
Silver Springs State Park**

**Division of Recreation and Parks**

**Report: A-1819DEP-007**

**Office of Inspector General**

**Internal Audit Section**

**Florida Department of Environmental Protection**

**March 28, 2019**

3900 Commonwealth Boulevard, MS 40  
Tallahassee, Florida 32399-3000

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The Office of Inspector General (OIG) conducted an audit of Agreement CA-0617 (Agreement) between the Department of Environmental Protection (Department), Division of Recreation and Parks (Division) and Cape Leisure Silver Springs, LLC (Concessionaire) at Silver Springs State Park (Park). This audit was initiated as a result of the Fiscal Year (FY) 2018-2019 Annual Audit Plan.

### **Scope and Objectives**

The scope of this audit included financial records and Agreement activities during the period July 1, 2017, through June 30, 2018, as well as current activities and records as necessary.

The objectives were to:

- determine the accuracy of reported gross sales
- determine the Concessionaire's compliance with the Agreement
- evaluate Division and Park management's oversight of the Concessionaire's activities and performance

### **Methodology**

This audit was conducted under the authority of Section 20.055, Florida Statutes (F.S.), and in conformance with the current *International Standards for the Professional Practice of Internal Auditing*, published by the Institute of Internal Auditors. Our procedures included a site visit, interviews with the Concessionaire and Park management, as well as a review of Concessionaire and Park records.

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## **Background**

The Agreement was executed in April 2017 and will expire in April 2032. The Concessionaire's operation provides food and beverage service, merchandise resale, glass bottom boat tours, recreational equipment rentals, event management services, pavilion garden rentals, operation of the Historic Ticket Booth, and marketing on behalf of the Park.

Under the Agreement, the Concessionaire is required to collect admission fees and report daily attendance on behalf of the Park through operation of the Historic Ticket Booth. The Concessionaire also collects vessel launch fees on behalf of the Department at the Park's boat launch. According to the Agreement, the Concessionaire is required to remit all entrance fees with the Monthly Report of Concessionaire's Gross Sales.

The Concessionaire is required to pay the Department a commission rate of 13% of gross sales each month, with no less than \$180,000 annually. For operations during FY 2017-2018, the Concessionaire reported a total of \$2,454,585.95 in gross sales and paid \$319,096.17 in commission fees. On behalf of the Park, the Concessionaire collected \$366,412.00 in admission and boat launch fees. The Concessionaire also reported 206,080 in Park attendance.

## **Results and Conclusions**

### **Accuracy of Reported Gross Sales**

Based on our audit, the Concessionaire's monthly reported gross sales were generally supported by the ledger and sales summaries and were consistent with gross sales reported to the Department of Revenue as follows.

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<b>Reported Gross Sales Fiscal Year 2017-2018</b>		
<b>Gross Sales as Reported in Monthly Report of Gross Sales<sup>1</sup></b>	<b>Gross Sales per Income Statement and General Ledger (Less Taxes)</b>	<b>Gross Sales Reported to Department of Revenue</b>
\$2,454,585.95	\$2,452,983.59	\$2,454,585.95

Differences between reported gross sales and ledger entries were due to amounts recorded as over and short. We compared the Concessionaire's total gross sales including sales tax collections, with monthly deposits from the Concessionaire's bank accounts as follows.

<b>Fiscal Year 2017-2018 General Ledger Gross Sales Compared to Deposits</b>	
<b>Total Monthly Gross Sales per General Ledger (Including Sales Tax and Park Fee Collections)</b>	<b>Deposits (per Bank Statement)</b>
\$2,988,686.11	\$2,964,302.71

This comparison represented deposits from the Concessionaire's daily sales and Park fee collections, and included adjustments for transfers between the Concessionaire's bank accounts. According to discussions with the Concessionaire's accountant and review of reconciliation entries, differences between these sources were due, in part, to deposit timing and were not considered significant. We compared monthly reported gross sales to the Concessionaire's Point of Sale (POS) system for the sampled months of March and April 2018 as follows.

<b>Monthly Reported Sales Comparison with Monthly Sales Summary</b>		
<b>Month</b>	<b>Monthly Report of Gross Sales</b>	<b>Monthly Sales Summary<sup>2</sup></b>
March	\$385,854.66	\$385,072.87
April	\$274,195.57	\$272,749.02

Monthly gross sales reported to the Department were supported by totals from the

<sup>1</sup>Gross sales, for the purpose of the Agreement, does not include sales tax collection, gratuities, funds collected on food consumed by the Concession employees, pass through fees, reservation fees, or refunds.

<sup>2</sup>Monthly Sales Summaries were adjusted for collections from Park admission fees, kayak launch fees, and event space fees.

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Concessionaire's monthly sale summaries with minor differences. Based on discussions with the Concessionaire, differences were due in part to the end of month reconciliations. We also reviewed transaction detail for 10 days within the sampled months. The daily transaction detail representation of sales for the 10 days were consistent with daily totals from the monthly sales summaries with minor differences.

### **Agreement Compliance**

Under the Agreement, the Concessionaire is required to meet financial, service, and reporting obligations which collectively are extensive as compared to other Division concession agreement conditions and expectations. These include:

- Monthly commission fees: 13% of reported gross sales, but not less than \$180,000 annually
- Marketing for the Park: \$130,000 annually
- Capital Improvements: \$570,000<sup>3</sup> (\$20,000 by December 2017, \$130,000 by June 2018)
- Capital Improvement Account (CIA) for future Capital Improvements: Required monthly deposits of 3% of gross sales
- Collection of daily Park admission fees: Required daily staffing of the Historic Ticket Booth
- Collection of Park vessel launch fees: Part of recreation rental operations at the boat launch
- Reporting daily Park Attendance: Recorded at the Historic Ticket Booth and boat launch

We reviewed the Concessionaire's compliance with these Agreement conditions. The results of this review were as follows.

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<sup>3</sup> Required over the first 8 years of the Agreement.

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Monthly Commission Fee Payments

We verified the Concessionaire paid commission fees of 13% as required for reported gross sales during the audit period. Per Paragraph 17 of the Agreement, monthly commission fees are due no later than the 20<sup>th</sup> of the following month. Late payments are subject to a 1% late fee for each day the payment is past due. Commission payments were made by the due date for seven of the 12 months in the audit period. Commission payments for August, November, and December 2017 were received past the due dates. On May 15, 2018, the Division's Bureau of Operational Services (BOS) sent the Concessionaire a memo advising that late fees would be waived for late commission payments from August through December 2017 due to impacts from Hurricane Irma.

Commission fees for the months of March and April 2018 were paid in June 2018. The Park Manager notified the Concessionaire that late fees associated with these payments were due November 12, 2018; however, these fees have not been collected.

Marketing for the Park

According to the Minimum Operational Requirements, the Concessionaire is required to provide at least \$130,000 annually for marketing the Park, which shall be directed and expended by a marketing department of no less than three employees. All marketing materials require preapproval by the Department. We obtained documentation from the Concessionaire demonstrating marketing expenses for FY 2017-2018 as follows.

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<b>Marketing Expenses FY 2017-2018</b>	
<b>Category</b>	<b>Expense</b>
Advertising	\$36,377
Printing	\$2,409
Promotions	\$898
Payroll	\$92,322
Total	\$132,006

Payroll expenses included partial wage expenses for nine employees, including two marketing staff, an Assistant Manager, and six Special Events Assistants. Advertising expenses included costs for media advertising, billboards, signage, and websites. Promotions included costs for promotional logo items, Park catering, and Citizen Support Organization trail sponsorship. Printing costs included printing for waivers, gift certificates, tickets, maps, and promotional materials. We verified documentation of the Park's review of billboard advertisements. The Park Manager indicated that the Concessionaire had worked closely with the Park on other promotional materials, although some had not been approved in advance.

Capital Improvements

Per the Schedule and Scope of Capital Improvements in the Agreement, the Concessionaire was required to provide at least \$570,000 in funding for capital improvements. This included \$20,000 in funding due by December 31, 2017, and \$130,000 due by June 30, 2018. We verified the Concessionaire worked with the Park to complete construction of a kiosk at the boat launch area. Construction for the kiosk was completed April 2018 at a cost of \$45,822. Capital improvements for the required remaining amount had not been funded by June 30, 2018, as required. The Park Manager and Concessionaire worked to develop a revised plan for capital improvement projects including a boat barn, dock, and deck repairs. The Park



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Manager provided approval for the projects on October 18, 2018, and are to be completed by April 1, 2019.

In addition to the required capital improvements, the Concessionaire was also required to establish a CIA for funding future capital improvements. Under the Schedule and Scope of Capital Improvements in the Agreement, the Concessionaire was required to deposit 3% of monthly gross sales. We verified the Concessionaire established a separate bank account for future capital improvements. According to Monthly Reports of Concessionaire Gross Sales, monthly reported deposits to the CIA were calculated at 3% of each month's reported gross sales. Per bank statements, the Concessionaire deposited \$5,000 to this account in July 2017, and withdrew \$4,900 during November and December 2017. As of June 2018, the account balance was \$100. The Concessionaire indicated that deposits had not been made as required due to financial hardships and the need for funds in the Concessionaire's operating account.

#### Park Fee Collections and Reported Attendance

Under the Minimum Operational Requirements and Procedures of the Agreement, the Concessionaire was required to collect Park entrance fees through operation of the Park's Historic Ticket Booth and vessel launch fees through operation of equipment rentals kiosk. Admission fees were also collected by the Concessionaire for coordination of special events.

The Agreement does not outline Park admission fee amounts nor does it require the Concessionaire to conform to revenue collection procedures in the Division's Operations Manual. The Agreement also does not outline or reference the Division's specific protocols for recording daily attendance. The Agreement allows for collection of Park fees through the Concessionaire's POS system and states that, *all entrance fees shall be remitted to the*

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*Department with the Monthly Report of Total Gross Sales. Exact money handling protocol shall be pre-approved, in writing, by the Department or its designee.* The Concessionaire was required to submit admission and launch fees on a monthly basis and report Park attendance on a daily basis. The Park Manager and Concessionaire developed an alternate payment schedule whereby payments for collected fees were remitted to the Park on a more frequent basis than monthly. However, processes in both the Agreement and the informal remittance schedule are a departure from Park admission collection requirements outlined in the Division's Operations Manual.

Though not specified in the Agreement, the Concessionaire collected Park Admission fees of \$2.00 per person over the age of six and boat launch fees of \$4.00 per vessel, which is consistent with the Division's Operations Manual. In addition, the Concessionaire established a bank account for Park fees separate from its other operation accounts. Fees collected during the audit period totaled \$366,412 with reported attendance of 206,080. For the daily transaction detail included in the sampled months, we verified that the attendance and Park fees reported and paid to the Department were supported by ledger entries and bank deposits.

Although the Concessionaire is required to staff the Historic Ticket Booth daily beyond its normal operating hours, the Agreement does not include a provision for the Concessionaire to be compensated for collection of Park fees. On September 7, 2018, the Park Manager sent a letter to the Concessionaire addressing concerns that visitors had not been greeted, provided information, or asked to pay an entrance fee upon entering the Park.

***Other Agreement Requirements***

We obtained documentation and correspondence to confirm the Concessionaire's compliance with additional requirements under the Agreement as follows.

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- Utility Payments: Utilities were paid as required.
- Security Deposit: A current Letter of Credit with the required amount was on file.
- Limited Engagement Document: The required document had been submitted for 2017 and contained no findings.
- Purchase Card Industry (PCI): The Concessionaire had completed the required Self-Assessment Questionnaire and Certificate of Compliance for PCI Data Security Standards (DSS).
- Licenses and Insurance: The Concessionaire had valid business licenses for operations and tax-exempt certification, including the State Use Tax Exempt Certification form. Certificates of required insurance certificates in the amounts specified were submitted and on file. The Concessionaire also provided documentation of the use of signed liability waivers for recreation equipment rentals.
- Accessibility and Inclusion: The Concessionaire's Accessibility and Inclusion Policy and Plan dated April 1, 2017, was on file.

E-Verify Employment Eligibility Verification and Sexual Predator and Offender Checks

According to Paragraph 34 of the Agreement, the Concessionaire is required to maintain employment eligibility verification documents for all employees through the U.S. Department of Homeland Security's E-Verify Employment Eligibility Verification system, as well as ensure that all subcontractors follow this provision. The Concessionaire provided employment eligibility E-Verify records for employees during the audit period. E-Verify records were not included for the Concessionaire's primary managers.

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Paragraph 35 of the Agreement states *the Concessionaire shall conduct a sexual predator and sexual offender check on the Concessionaire's Agreement Manager and all other officers, employees, and subcontractors of the Concessionaire prior to executing this Agreement.* We verified documentation of Sexual Predator and Sexual Offender searches for Concession employees during the audit period. Although the Agreement does not state that searches for new employees must be completed at the time of hire, several searches were either not dated or were completed several months to over a year after employees were hired. The language contained in Paragraph 35 regarding the Concessionaire's requirement to conduct checks on themselves as managers and officers represents a control weakness. However, this occurrence was addressed with the Division during a prior audit and has subsequently been corrected in recently executed concession agreements.

#### Minimum Operational Requirements

During our site visit, we verified the Concessionaire has posted operating hours and signs and has maintained a telephone number as a point of contact as required in the Minimum Operating Requirements and Procedures of the Agreement. Employees wore visitor service uniforms and nametags. Food and beverage services, merchandise resale, glass bottom boat tours, recreational equipment rentals, special events and pavilion/garden rentals are provided consistent with Agreement requirements. We also verified that the Concessionaire's required Maintenance Plan, Environmental Protection Plan and Safety Plan were on file and had been obtained by the Park Manager upon execution of the Agreement.

#### Minimum Accounting Requirements

Based on review of documentation, discussions with Concessionaire management, and

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observation during our site visit, we verified the Concessionaire has established bank accounts for the sole purpose of the Concession operation as required. The Concessionaire's POS system is equipped with a visual display facing customers, and signs are posted reminding customers to ask for a receipt. Registers produce customer copies of sales receipts that include recorded tax amounts. Duties associated with handling, recording, and reconciling daily receipts are generally assigned to different employees. Concession managers provide daily supervision of the employees.

We reviewed refund documentation provided under the sampled months for consistency with documentation requirements in the Minimum Accounting Requirements. Of the 38 issued refunds and voids in our sample, 17 were not signed by the customer as required. According to the Concessionaire, the lack of documentation was due to oversight limitations during peak seasons as well as staff turnover.

### **Management Oversight**

We reviewed the Division's and Park's oversight of the Agreement. Quarterly Concessionaire Evaluations were completed, which documented the Concessionaire's performance. For the audit period, these reports included performance feedback and comments regarding areas of concern. Of the four completed for the audit period, one report was dated over a month following the end of the quarter and two were not signed or dated by either the Concessionaire or the Park Manager. However, we reviewed correspondence documents between the Park Manager and Concessionaire that demonstrated active involvement by Park management.

During the audit period, five monthly commission fee payments were received past the

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due date. Late fees were waived for three months by BOS staff. The other two late commission fee payments were received as part of a lump sum payment that included outstanding commission fees owed from the Concessionaire's other concession agreements. This lump sum payment was made per the direction of BOS staff. Payments applicable to this Agreement were subsequently applied to the Park's report of revenue by the Division of Administrative Services. On October 3, 2018, the Concessionaire sent a formal request to BOS for waiver of late payment fees due to financial impacts from the prior hurricane event. On October 17, 2018, the Park Manager sent a certified letter to the Concessionaire citing the late payment deficiency, with the assessment of late fees totaling \$49,370.94, due November 12, 2018. The late fees had not been received as of December 2018.

## **Conclusions**

Based on our audit, reported gross sales during the audit period were generally supported by the Concessionaire's general ledger, monthly sales summaries and daily transaction detail. Reported amounts were consistent with sales reported to the Department of Revenue. During the audit period, the Concessionaire did not comply with Agreement requirements regarding timely commission fee payments and funding for capital improvements, deposits to the CIA, and required documentation for refunds. Park management demonstrated active involvement and oversight under the Agreement. BOS' involvement in addressing payment deficiencies lead to inconsistent direction. In addition, as written, the Agreement lacks provisions and direction necessary for an effective and mutually sustainable partnership with the Park.

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## Findings and Recommendations

### Finding 1: Commission Payments and Late Fees

According to the Division's Operations Manual Chapter 5.2 *Concessions*, the Park Manager is responsible for daily on-site management of the Agreement. Paragraph 17 of the Agreement states, *the monthly commission fee, plus the State Use Tax and any other fees or payments due shall be submitted to the Department, through the Park Manager, along with the monthly report of Total Gross Sales, so that the Park Manager shall receive such funds and report(s) not later than the 20<sup>th</sup> day of each month. Payments received on or after the 21<sup>st</sup> day of each month shall result in a late fee being assessed in the amount of 1% of the current amount due for each day the payment is late. At the Department's sole discretion, late payment fees may be waived based on documented circumstances beyond reasonable control of the Concessionaire.*

During the audit period, five monthly commission fees were received past the due date. In May 2018, BOS notified the Concessionaire directly that late fees were waived for three months. The other two late monthly commission fees were received as part of a lump sum payment that included outstanding commission fees owed from the Concessionaire's other concession agreements. This lump sum payment was made to, and at the direction of, BOS staff. The portion of the lump sum payment applicable to this Agreement was subsequently corrected by the Division of Administrative Services for the Park's report of revenue.

Division communications with the Concessionaire regarding the remaining two month's late fees alternated between BOS and the Park Manager. Based on documented correspondence, the Concessionaire was given inconsistent direction from the Division due to the direct

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involvement of BOS. The Concessionaire sent a formal request to BOS for waiver of the late fees. Although this request documented circumstances related to the impact of the prior hurricane event, the Park Manager subsequently sent the Concessionaire a notice of the required late fee payment due by November 12, 2018. These fees have not been received by the Department.

**Recommendation:**

We recommend the Division take steps to ensure effective and consistent oversight of the Agreement through the Park Manager. Division communications with the Concessionaire and decisions regarding performance under the Agreement should be coordinated through the Park Manager. In addition, in accordance with the Agreement, payment of monthly commission fees should be collected consistently by the Park Manager. We also recommend the Division, through the Park Manager, work with the Concessionaire to resolve collection of the current outstanding late fees.

**Finding 2: Documentation of Refunds**

According to the Minimum Accounting Requirements, *customer refunds shall be documented by customer signed sales slips indicating the receipt of the refund; the document shall state the reason for the refund; identify the cashier making the refund; date stamp and time the refund; and be maintained electronically within the point of sale system.*

Concessionaire refunds are maintained electronically through the POS system.

Of the 38 issued refunds and voids in our sample, 17 were not signed by the customer as required. According to the Concessionaire, the lack of documentation was due to oversight limitations during peak seasons as well as staff turnover.



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**Recommendation:**

We recommend the Division ensure the Concessionaire maintains records supporting all refund transactions with customer signed sales slips indicating the receipt and reason for the refund.

**Finding 3: Concessionaire Expectations and Direction**

Under the Agreement, the Concessionaire is required to meet financial, service, and reporting obligations beyond expectations common in other concession agreements. These include requirements for marketing the Park (\$130,000 annually), CIA funding (3% of monthly gross sales), collection of admission fees on behalf of the Park, and daily reports of Park attendance.

The requirement for marketing under the Agreement states, *The Concessionaire shall provide at least \$130,000 annually for marketing Silver Springs State Park, which shall be directed and expended by a marketing department of a dedicated marketing staff not less than three employees.* Required funding for marketing a Park is not common in other agreements, as marketing efforts are generally for the purpose of the Concessionaire's business within the Park. The Agreement did not specify expectations for this funding beyond direction for dedicated marketing staff. As such, the Concessionaire provided a general listing of expenses totaling \$132,000, which included payroll costs associated with nine staff.

The Agreement's requirement for the Concessionaire to establish and make monthly deposits (3% of gross sales) to a CIA for future capital improvements is in addition to the Concessionaire's 13% monthly commission fee and \$570,000 capital improvement funding commitment. The Concessionaire did not make the required monthly CIA deposits during the

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audit period. The Concessionaire indicated that this was due to financial hardships and the need for funds in the Concessionaire's operating account.

The Agreement also requires the Concessionaire to collect Park entrance fees and report daily attendance, which is uncommon in concession agreements where the Concessionaire operates within the Park. As written, the requirement lacks conformance with the Division's Operations Manual. The Agreement states that, *exact money handling protocol shall be pre-approved, in writing, by the Department or its designee*. However, it provides no indication of fee amounts, no requirements for timely deposits or necessary security over undeposited funds. For the Concessionaire's collection of \$366,412 in Park fees and reported attendance of 206,080 during the audit period, the Concessionaire received no compensation aside from operating revenues for activities provided under the Agreement. Staffing of the Historic Ticket Booth for collection of Park admission fees required staff beyond the Concessionaire's normal operating hours.

The Park Manager sent a letter of deficiency to the Concessionaire on September 7, 2018, regarding reports that visitors had not been greeted or asked to pay an admission fee or present a Park pass. However, specific protocols regarding these deficiencies were not outlined in the Agreement and had been a result of Park management's discussions with the Concessionaire.

**Recommendation:**

We recommend the Division take steps to amend the Agreement to ensure that Division expectations do not warrant the Concessionaire's performance beyond requirements commonly included in concession agreements for similar services. Required funding commitments for marketing the Park and required deposits to the Concessionaire's CIA should be addressed.

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With respect to noted risks regarding the Concessionaire's collection of Park admission fees, the Division should either direct the Park to assume this function or provide the Concessionaire specific direction through Agreement amendment as well as incentive for enhanced controls. Either way, the collection of Park fees and reports of attendance should follow standard requirements in the Division's Operations Manual.

## **Management Comments**

### **Management Comment 1: Minimum Accounting Requirements**

During the course of our audit, we noted Agreement language under the Minimum Accounting Requirements that was not consistent with prior Division Concession Agreements. Previously, standard concession Agreement Minimum Accounting Requirements contained a requirement which stated, *if receipts exceed \$2,000.00, they shall be deposited intact daily. If receipts do not exceed \$2,000.00 a day, they shall be deposited intact periodically, which shall be no more than a five-day working period. Un-deposited receipts shall be stored in a secure manner – a safe is preferable. Validated deposit slips and bank statement supporting amounts deposited shall be maintained by the Concessionaire.* This requirement is no longer included in concession Agreement Minimum Accounting Requirements and was not a requirement under this Agreement.

Under this Agreement, the change represents a control weakness for both Park and Concession revenues, as it removes the requirement for timely deposits and necessary security over undeposited funds. We reviewed prior Division Concession Agreements and found that this change has deleted the requirement in Agreements executed since February 2015. Going

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forward, the Division should ensure that Agreements contain provisions which require timely deposit of receipts and security over undeposited amounts.

**Management Comment 2: Quarterly Evaluation Requirement and Timeliness**

Part of the Park Manager's understood responsibility for Concessionaire oversight includes completion of a Concessionaire Quarterly Evaluation Report. This evaluation serves as a monitoring tool by which Park management ensures that Agreement requirements are being met and as a mechanism for Concession performance feedback. Concessionaire Quarterly Evaluation Reports were completed for the four quarters during the audit period. Of the four, one was completed within a month of the end of the prior quarter, and two were not signed or dated by either the Concessionaire or Park Manager.

Direction concerning Park management's responsibility for the Concessionaire Quarterly Evaluation is not specified in the Agreement, nor is it part of the Division's Operations Manual. Originally established in the Division's prior Operations Manual (OM), written requirements for completion and use of the Concessionaire Quarterly Evaluation Reports were removed during past OM updates. As a result, Park Managers do not have clear direction regarding the completion, timing, distribution, and follow-up necessary for the effective and consistent use of this monitoring tool. The Division should update the OM to formally address requirements for completion of Concessionaire Quarterly Evaluation Reports, and provide clear direction on Park management's responsibilities.

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*To promote accountability, integrity, and efficiency in state government, the OIG completes audits and reviews of agency programs, activities, and functions. Our audit was conducted under the authority of Section 20.055, F.S., and in conformance with the International Standards for the Professional Practice of Internal Auditing, published by the Institute of Internal Auditors, and Principles and Standards for Offices of Inspector General, published by the Association of Inspectors General. The audit was conducted by Angie Cringan and supervised by Valerie J. Peacock.*

*Please address inquiries regarding this report to the OIG's Audit Director by telephone at (850) 245-3151. Copies of final reports may be viewed and downloaded via the internet at <https://floridadep.gov/oig/internal-audit/content/final-audit-reports>. Copies may also be obtained by telephone (850) 245-3151, by fax (850)245-2994, in person or by mail at Department of Environmental Protection, Office of Inspector General, 3900 Commonwealth Boulevard, Mail Station #41, Tallahassee, FL 32399.*

*Valerie J. Peacock,  
Director of Auditing*

*Candie M. Fuller,  
Inspector General*



# FLORIDA DEPARTMENT OF Environmental Protection

Marjory Stoneman Douglas Building  
3900 Commonwealth Boulevard  
Tallahassee, FL 32399


Ron DeSantis  
Governor

Jeanette Nuñez  
Lt. Governor

Noah Valenstein  
Secretary

## Memorandum

**TO:** Valerie Peacock, Audit Director  
Office of the Inspector General

**FROM:** Bryan Bradner, Assistant Director   
Division of Recreation and Parks

**SUBJECT:** Audit of CA-0617 With Cape Leisure Silver Springs, LLC (Report: A-1819DEP-007)

**DATE:** March 27, 2019

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This memorandum will serve as the Division's response to the following subject audit findings and recommendations:

### **Finding 1: Commission Payments and Late Fees**

According to the Division's Operations Manual Chapter 5.2 Concessions, the Park Manager is responsible for daily on-site management of the Agreement. Paragraph 17 of the Agreement states, *the monthly commission fee, plus the State Use Tax and any other fees or payments due shall be submitted to the Department, through the Park Manager, along with the monthly report of Total Gross Sales, so that the Park Manager shall receive such funds and report(s) not later than the 20th day of each month. Payments received on or after the 21st day of each month shall result in a late fee being assessed in the amount of 1% of the current amount due for each day the payment is late. At the Department's sole discretion, late payment fees may be waived based on documented circumstances beyond reasonable control of the Concessionaire.*

During the audit period, five monthly commission fees were received past the due date. In May 2018, BOS notified the Concessionaire directly that late fees were waived for three months. The other two late monthly commission fees were received as part of a lump sum payment that included outstanding commission fees owed from the Concessionaire's other concession agreements. This lump sum payment was made to, and at the direction of, BOS staff. The portion of the lump sum payment applicable to this Agreement was subsequently corrected by the Division of Administrative Services for the Park's report of revenue.

Division communications with the Concessionaire regarding the remaining two month's late fees alternated between BOS and the Park Manager. Based on documented correspondence, the Concessionaire was given inconsistent direction from the Division due to the direct involvement

of BOS. The Concessionaire sent a formal request to BOS for waiver of the late fees. Although this request documented circumstances related to the impact of the prior hurricane event, the Park Manager subsequently sent the Concessionaire a notice of the required late fee payment due by November 12, 2018. These fees have not been received by the Department.

### **Recommendation**

We recommend the Division take steps to ensure effective and consistent oversight of the Agreement through the Park Manager. Division communications with the Concessionaire and decisions regarding performance under the Agreement should be coordinated through the Park Manager. In addition, in accordance with the Agreement, payment of monthly commission fees should be collected consistently by the Park Manager. We also recommend the Division, through the Park Manager, work with the Concessionaire to resolve collection of the current outstanding late fees.

### **Division Response:**

The Division agrees with the finding and will ensure communications and Agreement oversight are coordinated through the Park Manager. Future payments will be received through the Park Manager as required by the Agreement. The Division will send a second letter through the Park Manager to the concessionaire demanding payment of late fees.

### **Finding 2: Documentation of Refunds**

According to the Minimum Accounting Requirements, *customer refunds shall be documented by customer signed sales slips indicating the receipt of the refund; the document shall state the reason for the refund; identify the cashier making the refund; date stamp and time the refund; and be maintained electronically within the point of sale system.* Concessionaire refunds are maintained electronically through the POS system.

Of the 38 issued refunds and voids in our sample, 17 were not signed by the customer as required. According to the Concessionaire, the lack of documentation was due to oversight limitations during peak seasons as well as staff turnover.

**Recommendation**

We recommend the Division ensure the Concessionaire maintains records supporting all refund transactions with customer signed sales slips indicating the receipt and reason for the refund.

**Division Response:**

The Division agrees with the finding and will ensure the Concessionaire maintains records supporting all refund transactions with customer signed sales slips indicating the receipt and reason for the refund.

**Finding 3: Concessionaire's Expectations and Direction**

Under the Agreement, the Concessionaire is required to meet financial, service, and reporting obligations beyond expectations common in other concession agreements. These include requirements for marketing the Park (\$130,000 annually), CIA funding (3% of monthly gross sales), collection of admission fees on behalf of the Park, and daily reports of Park attendance.

The requirement for marketing under the Agreement states, *The Concessionaire shall provide at least \$130,000 annually for marketing Silver Springs State Park, which shall be directed and expended by a marketing department of a dedicated marketing staff not less than three employees.* Required funding for marketing a Park is not common in other agreements, as marketing efforts are generally for the purpose of the Concessionaire's business within the Park. The Agreement did not specify expectations for this funding beyond direction for dedicated marketing staff. As such, the Concessionaire provided a general listing of expenses totaling \$132,000, which included payroll costs associated with nine staff.

The Agreement's requirement for the Concessionaire to establish and make monthly deposits (3% of gross sales) to a CIA for future capital improvements is in addition to the Concessionaire's 13% monthly commission fee and \$570,000 capital improvement funding commitment. The Concessionaire did not make the required monthly CIA deposits during the audit period. The Concessionaire indicated that this was due to financial hardships and the need for funds in the Concessionaire's operating account.

The Agreement also requires the Concessionaire to collect Park entrance fees and report daily attendance, which is uncommon in concession agreements where the Concessionaire operates within the Park. As written, the requirement lacks conformance with the Division's Operations Manual. The Agreement states that, *exact money handling protocol shall be pre-approved, in writing, by the Department or its designee.* However, it provides no indication of fee amounts, no requirements for timely deposits or necessary security over undeposited funds. For the Concessionaire's collection of \$366,412 in Park fees and reported attendance of 206,080 during the audit period, the Concessionaire received no compensation aside from operating revenues for activities provided under the Agreement. Staffing of the Historic Ticket Booth for collection of Park admission fees required staff beyond the Concessionaire's normal operating hours. The Park Manager sent a letter of deficiency to the Concessionaire on September 7, 2018, regarding reports that visitors had not been greeted or asked to pay an admission fee or present



a Park pass. However, specific protocols regarding these deficiencies were not outlined in the Agreement and had been a result of Park management's discussions with the Concessionaire.

### **Recommendation**

We recommend the Division take steps to amend the Agreement to ensure that Division expectations do not warrant the Concessionaire's performance beyond requirements commonly included in concession agreements for similar services. Required funding commitments for marketing the Park and required deposits to the Concessionaire's CIA should be addressed.

With respect to noted risks regarding the Concessionaire's collection of Park admission fees, the Division should either direct the Park to assume this function or provide the Concessionaire specific direction through Agreement amendment as well as incentive for enhanced controls. Either way, the collection of Park fees and reports of attendance should follow standard requirements in the Division's Operations Manual.

### **Division Response:**

The Division will review terms within this Agreement to consider future enhancements. Regarding collection procedures, the Division will ensure adequate controls are in place. The Division has drafted written guidelines for Concessionaire collection of Park admission fees and will communicate those guidelines in writing through the Park Manager to the concessionaire.

### **Management Comment 1: Minimum Accounting Requirements**

During the course of our audit, we noted Agreement language under the Minimum Accounting Requirements that was not consistent with prior Division Concession Agreements. Previously, standard concession Agreement Minimum Accounting Requirements contained a requirement which stated, *if receipts exceed \$2,000.00, they shall be deposited intact daily. If receipts do not exceed \$2,000.00 a day, they shall be deposited intact periodically, which shall be no more than a five-day working period. Undeposited receipts shall be stored in a secure manner – a safe is preferable. Validated deposit slips and bank statement supporting amounts deposited shall be maintained by the Concessionaire.* This requirement is no longer included in concession Agreement Minimum Accounting Requirements and was not a requirement under this Agreement.

Under this Agreement, the change represents a control weakness for both Park and Concession revenues, as it removes the requirement for timely deposits and necessary security over undeposited funds. We reviewed prior Division Concession Agreements and found that this change has deleted the requirement in Agreements executed since February 2015. Going forward, the Division should ensure that Agreements contain provisions which require timely deposit of receipts and security over undeposited amounts.

**Management Comment 2: Quarterly Evaluation Requirement and Timeliness**

Part of the Park Manager's understood responsibility for Concessionaire oversight includes completion of a Concessionaire Quarterly Evaluation Report. This evaluation serves as a monitoring tool by which Park management ensures that Agreement requirements are being met and as a mechanism for Concession performance feedback. Concessionaire Quarterly Evaluation Reports were completed for the four quarters during the audit period. Of the four, one was completed within a month of the end of the prior quarter, and two were not signed or dated by either the Concessionaire or Park Manager.

Direction concerning Park management's responsibility for the Concessionaire Quarterly Evaluation is not specified in the Agreement, nor is it part of the Division's Operations Manual. Originally established in the Division's prior Operations Manual (OM), written requirements for completion and use of the Concessionaire Quarterly Evaluation Reports were removed during past OM updates. As a result, Park Managers do not have clear direction regarding the completion, timing, distribution, and follow-up necessary for the effective and consistent use of this monitoring tool. The Division should update the OM to formally address requirements for completion of Concessionaire Quarterly Evaluation Reports and provide clear direction on Park management's responsibilities.