

**Audit of Agreement CA-1515 with
Cape Leisure Ichetucknee, LLC at
Ichetucknee Springs State Park**

Division of Recreation and Parks

Report: A-1819DEP-011

Office of Inspector General

Internal Audit Section

Florida Department of Environmental Protection

March 28, 2019

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

<https://floridadep.gov/>





Audit of Agreement CA-1515 with Cape Leisure Ichetucknee, LLC
Division of Recreation and Parks



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The Office of Inspector General (OIG) conducted an audit of Agreement CA-1515 (Agreement) between the Department of Environmental Protection (Department), Division of Recreation and Parks (Division), and Cape Leisure Ichetucknee, LLC (Concessionaire) at Ichetucknee 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 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.

Background

The Agreement was executed in December 2015 and will expire in November 2025. The Concessionaire's operation at the Park includes food and beverage service, merchandise resale, recreation equipment rentals, event management services, and gazebo rentals. The

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Concessionaire is also authorized to provide a mobile food cart, guided eco tours, event management, locker rentals, wi-fi services, and vending.

According to the Agreement, the Concessionaire was required to pay the Department a commission rate of 10% between December 1, 2016, through November 30, 2017, but not less than \$74,000 annually. From December 1, 2017, through November 30, 2020, the commission rate increased to 13% but not less than \$110,000 annually. For the Concessionaire's operations during FY 2017-2018, the Concessionaire reported a total of \$1,284,775.28 in gross sales and paid \$143,627.03 in commission fees to the Department.

Results

Accuracy of Reported Gross Sales

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

Reported Gross Sales Fiscal Year 2017-2018		
Gross Sales as reported in Monthly Reports of Gross Sales¹	Gross Sales per the Income Statement and General Ledger (Less Tax)	Gross Sales as Reported to Department of Revenue
\$1,284,775.28	\$1,286,515.90	\$1,284,775.28

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

¹ Gross Sales, for the purpose of the Agreement, does not include sales tax, gratuities, funds collected on food consumed by Concessionaire employees, pass through fees, and refunds.

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Reported Gross Sales Compared to Deposits During Fiscal Year 2017-2018	
Total Monthly Gross Sales per General Ledger (Including Sales Tax Collections)	Deposits (per Bank Statements)
\$1,375,492.59	\$1,347,150.21

This comparison included only deposits resulting from the Concessionaire’s daily sales and adjustments for deposits resulting from transfers between the Concessionaire’s bank accounts. Based on discussions with the Concessionaire’s accountant and review of reconciliation entries, differences were due, in part, to deposit timing and were not considered significant. We compared reported gross sales to the Concessionaire’s Point of Sale (POS) system for the sampled months of May and June 2018 as follows.

Reported Gross Sales Comparison with Monthly Sales Summary		
Month	Monthly Report of Gross Sales	Monthly Sales Summary
May	\$90,643.18	\$89,660.52
June	\$274,334.84	\$268,070.53

Monthly gross sales reported to the Department were supported by totals from monthly sales summaries with minor differences. Based on discussions with the Concessionaire, differences were due in part to the temporary use of an alternate POS system. We reviewed transaction detail for 10 days within the sampled months. The daily transaction detail representation of sales for all 10 days were consistent with daily totals included in the monthly sales summaries.

Agreement Compliance

We obtained documentation and interviewed Park and Concession staff as necessary to verify the Concessionaire’s compliance with requirements specified in the Agreement. The review results are as follows.

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Utility Payments

According to Special Conditions, Paragraph C of the Agreement, the Concessionaire is responsible for the costs of all utilities associated with facility operations. The Concessionaire is required to make payment directly to the service provider for electricity, garbage, telephone, and internet. We verified documented payment of the electricity, garbage, telephone and internet services.

The Concessionaire is required to pay \$25 per month for water usage, and \$30 per month for a vending machine on property that requires refrigeration. During the audit period, the Concessionaire had not paid the required fees for water usage or the vending machine. Subsequent to the audit period, we verified the Concessionaire started paying these fees with the monthly commission payments.

Security Deposit

Special Conditions, Paragraph E of the Agreement requires the Concessionaire to post a security deposit in the amount of \$37,000 to the Department. The Concessionaire posted a bond to the amount of \$37,000, certified April 10, 2015. An updated security bond was provided to the Park November 7, 2018.

Commission Fee Payments

We verified the Concessionaire paid commission fees of 10% for reported gross sales from July through November 2017 and 13% of reported gross sales from December 2017 through June 2018 as required under the Agreement. Per Paragraph 17 of the Agreement, monthly commission fees are due no later than the 20th of the following month. Late payments

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are subject to a 1% late fee for each day the payment is past due. Commission payments were made by the due date for nine of the 12 months in the audit period.

The commission payment due for August 2017 was received in March 2018. 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 operations from August through December 2017 due to impacts from Hurricane Irma. Commission fees due for 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 had not been collected as of December 2018.

Limited Engagement Document

The Concessionaire provided a copy of the required financial limited engagement document, prepared by a Certified Public Accountant as required in the Agreement. The report contained no findings.

Purchase Card Industry (PCI) Requirement

The Concessionaire is required to comply with the PCI Data Security Standards (DSS). We verified current Self-Assessment Questionnaire and Certificate of Compliance had been completed as required in the Agreement.

Licenses and Insurance

As required under the Agreement, the Concessionaire provided documentation of the business license for operations and tax-exempt certification, including a completed State Use Tax Exempt Certification form. Paragraph 24 of the Agreement requires the Concessionaire to maintain liability, automotive, and worker's compensation insurance. We verified insurance

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certificates documenting that the Concessionaire had maintained the required insurance during the audit period. Based on documentation obtained for the sample months reviewed, signed liability waivers were maintained for recreation equipment rentals.

Accessibility and Inclusion Policy

According to Paragraph 32.c.iv., of the Agreement, the Concessionaire is required to make their Accessibility and Inclusion Policy and Plan available to Park management regarding individuals with disabilities on the first day of operations under the Agreement. We obtained a copy of the Concessionaire's Accessibility and Inclusion Policy and Plan dated July 1, 2018.

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

Under Paragraph 35 of the Agreement, the Concessionaire is required to maintain E-verify Employment and Eligibility Verification documentation for all persons employed by the Concessionaire. During our site visit, we verified that employment eligibility E-Verify records were maintained for 54 of the Concessionaire's 56 employees during the audit period. E-Verify records were not included for the Concessionaire's primary managers.

Paragraph 36 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. The Concessionaire shall keep a copy of its investigation records in the Concessionaire's personnel files that will be available to the Department during the Concessionaire's regular office hours.* We verified documentation of National and Florida Sexual Predator checks for the 56 employees. Although the Agreement does not state that checks for new employees must be completed at the time of hire, several of the Florida Sexual Predator checks were not dated and

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four were dated over two months past the employee's date of hire. The language contained in Paragraph 36 regarding the Concessionaire's requirement to conduct checks on themselves as managers and officers represents a control weakness. However, this circumstance was addressed with the Division through a prior audit and has subsequently been corrected in recently executed Agreements.

Minimum Operational Requirements

Based on criteria outlined in the Minimum Operational Requirements and Procedures of the Agreement, we verified the Concessionaire posted operating hours, maintained a telephone number as a point of contact, and posted signs as required. Further, the Concessionaire provided the tram and shuttle services, food and beverage services, recreational equipment rentals, and merchandise consistent with the Agreement requirements.

Minimum Accounting Requirements

Based on discussions with Concessionaire management during our site visit, two managers provide daily supervision over employees. Receipts are offered to customers. Duties associated with handling, recording, and reconciling daily receipts are generally assigned to different employees. Deposits are made by Concessionaire management. Based on a review of monthly deposits, we verified the Concessionaire's bank accounts had been established and were dedicated solely for the purpose of the Concession operation under the Agreement as required.

According to the Minimum Accounting Requirements, source documents, such as daily cash register tapes or pre-numbered receipts shall be retained to support recorded gross sales and sales tax collections. With the exception of vending sales, all recorded daily sales transactions were documented as required through the Concessionaire's POS system. POS system totals were

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recorded in the general ledger, as required under the Agreement. Periodic receipts from vending were also recorded in the general ledger.

We reviewed refund documentation provided for the daily transaction sample for consistency with documentation requirements in the Minimum Accounting Requirements. Of the 38 refunds issued for the daily transactions sampled, 15 were documented as required. Of the remaining 23, seven documented the reason for the refund. According to the Concessionaire, the lack of documentation was due to oversight during peak season operations as well as staff turnover.

Management Oversight

We reviewed the Division's and Park's oversight of the Agreement. The Park Manager completed Quarterly Concessionaire Evaluation forms regarding performance. During the audit period, the evaluations reflected overall positive results. However, the Park Manager made recommendations regarding needed repair of the tram shelter roof, and painting of the Concession building January through March, and April through June 2018 evaluations, which is not required for the Concessionaire under the agreement. The same recommendations were also included in the last evaluation completed for July through September 2018.

During our audit, we obtained current copies of documents required under the Agreement including the Concessionaire's Maintenance and Repair Plan, Environmental Protection Plan, Safety Plan, and the Accessibility and Inclusion (A&I) Policy, all which were dated July 2018. Under the Agreement, the plans were to be submitted as draft for Department review and approval prior to operations under the Agreement. The A&I Policy was to be made available to the Park Manager on the first day of operations. The Park Manager could not provide prior

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copies of the plans and policy to demonstrate the documents had been obtained and approved as required.

Based on discussions regarding unpaid fees for water and vending during the audit period, the Park Manager sent the Concessionaire notice of Agreement deficiency, and requested payment for prior unpaid fees for water and vending totaling \$795.00. The Concessionaire subsequently paid this amount. However, the Park Manager's notification indicated that the past due fees owed for water were for the period beginning April 2016 through June 2018 and were \$375.00. Based on a calculation of these fees for the 27-month period, the outstanding amount due was \$675.00 (\$25 X 27 months).

During the audit period, three monthly commission fee payments were received past the due date. Late fees were waived for one month 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 for waiver of late payment fees to BOS due to the late fees being as a result of 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 \$7,106.04 due November 12, 2018. The late fees had not been received as of December 2018.

Special Conditions Paragraph B of the Agreement states, *The Department shall be responsible for the maintenance, repair and, if necessary, replacement of the tram road and*

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the external and structural elements of the Facilities including, but not limited to: roof and other similar items. In the 2018 Concessionaire Quarterly Evaluations, the Park Manager documented needed repair of the tram shelter roof and painting of the Concession building, which are not part of the Concessionaire's responsibility under the Agreement.

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, utility fees, and the submission of prior required plans, policies, and required documents. In addition, Park and BOS management demonstrated ineffective and inconsistent oversight of the Agreement.

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*

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be waived based on documented circumstances beyond reasonable control of the Concessionaire.

During the audit period, three monthly commission fees were received past the due date. In May 2018, BOS notified the Concessionaire directly that late fees were waived for one month. 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

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the Park Manager, work with the Concessionaire to resolve collection of the current outstanding late fees.

Finding 2: Management Oversight of the Agreement

Under the Agreement, the Concessionaire was required to submit a draft Maintenance and Repair Plan, Environmental Protection Plan, and Safety Plan for review and approval by the Department prior to initial operations under the Agreement. The Agreement required that the Concessionaires' A&I Policy be available at the beginning of operations. We obtained copies of all required documents dated July 2018. The Park Manager could not provide prior copies of the plans and policy demonstrating that they had been obtained and approved as required. The Agreement requires a tax exemption certification form be submitted contemporaneously with the executed agreement. While we obtained a certification form dated April 2018, the Park Manager was unable to provide a prior form.

According to the Agreement, the Concessionaire is required to pay a monthly fee to the Park for water and vending services. Payment of these fees was not included on the Monthly Report of Gross Sales during the audit period. Based on our inquiry of the unpaid fees, the Park Manager sent the Concessionaire notice of Agreement deficiency, and requested \$795.00 in payment for the prior unpaid utility fees. The Concessionaire subsequently paid this amount. However, the amount requested for water service during the period beginning April 2016 through June 2018 (\$375.00) was not an accurate calculation of the amount due. Based on a calculation of these fees for the 27-month period, the outstand amount due was \$675.00 (\$25 X 27 months).

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Needed repairs to the tram shelter roof and painting of the concession building were documented in the 2018 Concessionaire Quarterly Evaluations. Repair and maintenance of these external and structural elements are the Department's responsibility under the Agreement.

Recommendation:

Going forward, we recommend the Division work with Park management to ensure effective oversight of the Concessionaire's performance, including the review of required documentation demonstrating compliance with the Agreement. The Division should also address the prior outstanding utility fees required and collect the correct amount due. In addition, Quarterly Evaluations should address only those items for which the Concessionaire is responsible under the Agreement.

Finding 3: 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 refunds issued for the daily transactions sampled during the audit period, 15 were documented as required. Of the remaining 23, seven documented the reason for the refund. According to the Concessionaire, the lack of documentation was due to oversight during peak season operations 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.

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.

The change represents a control weakness for the Division 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.

In addition, prior standard concession Agreement Minimum Accounting Requirements contained requirements for reconciliation and documentation of vending sales. This requirement

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has also been removed from Agreements executed since February 2015. As a result, current Agreements do not contain the Department's expectations and requirements for documenting vending sales.

Going forward, the Division should ensure that Agreements contain provisions which require timely deposit of receipts and security over undeposited amounts. Agreements should also include documentation requirements for vending sales.

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. The Park Manager completed Concessionaire Quarterly Evaluation Reports for the four quarters during the audit period. Of the four, one was completed within a month of the end of the prior quarter.

Direction concerning Park management 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.

Audit of Agreement CA-1515 with Cape Leisure Ichetucknee, LLC
Division of Recreation and Parks

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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 Christine Cullen 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-1515 With Cape Leisure Ichetucknee Springs, LLC (Report:
A-1819DEP-011)

DATE: March 27, 2019

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, three monthly commission fees were received past the due date. In May 2018, BOS notified the Concessionaire directly that late fees were waived for one month. 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 that the Agreement oversight is the responsibility of the Park Manager. Future payments will be delivered through the Park Manager as required by the Agreement, as will receipt of any outstanding late fees. The Division will send a second letter through the Park Manager to the concessionaire demanding payment of late fees.

Finding 2: Management Oversight of the Agreement

Under the Agreement, the Concessionaire was required to submit a draft Maintenance and Repair Plan, Environmental Protection Plan, and Safety Plan for review and approval by the Department prior to initial operations under the Agreement. The Agreement required that the Concessionaires' A&I Policy be available at the beginning of operations. We obtained copies of all required documents dated July 2018. The Park Manager could not provide prior copies of the plans and policy demonstrating that they had been obtained and approved as required. The Agreement requires a tax exemption certification form be submitted contemporaneously with the executed agreement. While we obtained a certification form dated April 2018, the Park Manager was unable to provide a prior form.

According to the Agreement, the Concessionaire is required to pay a monthly fee to the Park for water and vending services. Payment of these fees was not included on the Monthly Report of Gross Sales during the audit period. Based on our inquiry of the unpaid fees, the Park Manager sent the Concessionaire notice of Agreement deficiency

and requested \$795.00 in payment for the prior unpaid utility fees. The Concessionaire subsequently paid this amount. However, the amount requested for water service during the period beginning April 2016 through June 2018 (\$375.00) was not an accurate calculation of the amount due. Based on a calculation of these fees for the 27-month period, the outstanding amount due was \$675.00 (\$25 X 27 months).

Needed repairs to the tram shelter roof and painting of the concession building were documented in the 2018 Concessionaire Quarterly Evaluations. Repair and maintenance of these external and structural elements are the Department's responsibility under the Agreement.

Recommendation

Going forward, we recommend the Division work with Park management to ensure effective oversight of the Concessionaire's performance, including the review of required documentation demonstrating compliance with the Agreement. The Division should also address the prior outstanding utility fees required and collect the correct amount due. In addition, Quarterly Evaluations should address only those items for which the Concessionaire is responsible under the Agreement.

Division Response:

The Division agrees with the finding and will work with the Park Manager to ensure effective management and oversight of the Concession Agreement. The Park Manager will review all agreement deliverables and ensure they are met, including collecting the correct utility fees. The Division will send a letter through the Park Manager to the concessionaire demanding that the corrected utility fees are to be paid. Lastly, the Park Manager will only address items in Quarterly Evaluations which are the Concessionaire's responsibility.

Finding 3: 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 refunds issued for the daily transactions sampled during the audit period, 15 were documented as required. Of the remaining 23, seven documented the reason for the refund. According to the Concessionaire, the lack of documentation was due to oversight during peak season operations 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 through the Park Manager that the Concessionaire maintains records supporting all refund transactions with customer signed sales slips indicating the receipt and reason for the refund.

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. The Park Manager completed Concessionaire Quarterly Evaluation Reports for the four quarters during the audit period. Of the four, one was completed within a month of the end of the prior quarter.

Direction concerning Park management responsibility for the Concessionaire Quarterly Evaluation is not specified in the Agreement, nor is it part of the Division's Operations

Valerie Peacock, Audit Director

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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.