

**Audit of Agreement MY-0310 with Kelly Ranch, Inc.  
at Amelia Island State Park**

**Division of Recreation and Parks**

**Report: A-1819DEP-014**

**Office of Inspector General**

**Internal Audit Section**

**Florida Department of Environmental Protection**

**March 29, 2019**

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The Office of Inspector General (OIG) conducted an audit of Agreement MY-0310 (Agreement) between the Department of Environmental Protection (Department) and Kelly Ranch, Inc. (Concessionaire) at Amelia Island State Park (Park). This audit was initiated as part of the Fiscal Year (FY) 2018-2019 Annual Audit Plan.

## **Scope and Objectives**

The scope of this audit included a review of Agreement activities and financial records during the period July 1, 2017, through June 30, 2018. The objectives were to:

- determine the accuracy of reported gross sales
- determine the Concessionaire's compliance with the Agreement
- evaluate management oversight of Agreement activities and the Concessionaire's 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 Concessionaire provides guided equestrian tours on a private access beach trail at the Park. The Concessionaire also operates a gift shop, and provides boarding services for privately owned horses, internet merchandise, vending, and bicycle rentals. The Agreement was executed on May 17, 2010. It was amended on March 25, 2014, and will expire April 30, 2019. The

Concessionaire is required to pay the Department a monthly commission fee of 16% of gross sales<sup>1</sup> plus applicable state use tax for operations under the Agreement. Based on the Concessionaire's Monthly Report of Gross Sales, during FY 2017-2018 the Concessionaire reported \$196,568.29 in gross sales and paid \$31,450.94 in commissions.

## Results and Conclusions

### Reported Gross Sales

During the audit period, commission fees paid to the Department were correctly calculated at 16% of reported gross sales. Monthly commission fee payments were made within 20 days of the end of the previous month as required, with the exception of one month's commission payment. For the month of October 2017, the commission payment was received one day past the due date. According to the Park Manager, payment dropped off at the end of the day would not have been processed until the following day.

To verify the accuracy of reported gross sales, we compared reported amounts to monthly sale summaries and daily receipts for the sampled months of March and April 2018.

Month	Reported Gross Sales	Gross Sales per Monthly Sale Summaries	Monthly Gross Sales per Daily Receipts
March	\$23,850.05	\$23,850.05	\$23,728.00
April	\$25,504.29	\$25,504.29	\$22,179.00

Although there were discrepancies between reported gross sales and amounts documented in daily receipts, differences were not considered significant. Reported sales exceeded sales recorded on daily support documents.

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<sup>1</sup> For the purpose of the Agreement, gross sales is defined as all sales of goods, inventory, equipment, food, vending, and services generated as a result of the Concessionaire's operations at or associated with the Park.

Under Chapter 12A-1, Florida Administrative Code (F.A.C.), guided equestrian tours as instructional services are not taxable. For the sampled months, we compared reported taxable gross sales with taxable sales reported to the Department of Revenue.

Month	Taxable Sales per Monthly Report of Gross Sales	Taxable Sales Reported to Department of Revenue
March	\$1,214.05	\$1,214.05
April	\$1,484.99	\$1,484.99

Taxable sales reported to the Department were consistent with amounts reported to the Department of Revenue. We further compared reported gross sales as adjusted to include taxes and tips with monthly bank deposits.

Month	Bank Deposits <sup>2</sup>	Gross Sales (Including Taxes and Tips)
March	\$22,323.21	\$24,441.43
April	\$24,196.43	\$26,423.76

Deposits from the Concessionaire's sales were less than total gross sales including tax and tip collections. According to the Concessionaire, loans from an external account were periodically deposited to meet operating needs; however, recorded daily cash sales were not always deposited. Per the monthly sales summaries, cash sales for March were \$2,203.00 and for April were \$2,262.00.

### **Agreement Compliance**

We obtained documentation and interviewed Park and Concessionaire 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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<sup>2</sup> Deposits were adjusted for loans deposited from the Concessionaire's external account.

- Utility Payments: The Concessionaire paid for utilities directly to providers in compliance with Paragraph 9 of the Agreement. The Concessionaire does not operate a vending machine.
- Services Provided: The Concessionaire provides equestrian activities and tours, as well as sale of online, and gift shop merchandise consistent with Paragraph 13 of the Agreement.
- Permits and Licenses: The Concessionaire provided DR-13 *Annual Resale Certificate for Sales Tax*, DR-15 proof of sales tax payment from the Department of Revenue and corporation documentation from the Department of State Division of Corporations.
- Purchasing Card Industry (PCI): The Concessionaire provided documentation of the current Self-Assessment Questionnaire and Certificate of Compliance as required by the Agreement.
- Security Deposit and Insurance: The Concessionaire provided documentation of the required security deposit in accordance with Paragraph 21 of the Agreement.
- Employee Standards: Based on our site visit, employees wore visitor service uniforms as required under Paragraph 22 of the Agreement. However, employee uniforms did not display a name tag as required.
- Annual profit and loss statement: The Concessionaire was issued an *Official Notice of Non- Compliance* on August 14, 2018, for failing to submit a Profit and Loss Statement for the 2017 calendar year by the required due date of April 30, 2018. As a result, the statement was submitted on October 11, 2018.
- Liability: We verified current insurance documentation for the Concessionaire's business as required under Paragraph 32 of the Agreement. The Concessionaire requires riders to sign Liability Release Forms as a liability waiver.

- Sexual Predator/Offender Checks: We verified the concessionaire had maintained sexual predator and offender checks on all staff as required under Paragraph 43 of the Agreement.

#### Minimum Operation Requirements and Procedures

- Operations: According to the Agreement, the Concession operation will be open from 8:00 AM. until 5:00 PM seven days a week including weekends and holidays. The Concessionaire's business is closed to the public on Mondays. According to the Agreement, business hours are to be posted near the main entrance of the Concessionaire's operation. The Concessionaire's operating hours are posted inside the concession building. The Concessionaire is required to provide 24-hour security and ensure the well-being of livestock in case of an emergency. The entrance to the Concessionaire operation is locked when closed. The Concessionaire is on call in the event of an emergency.
- Maintenance: Based on our site visit, Concessionaire employee's daily duties are posted and include routine janitorial and maintenance duties for the grounds, facilities and horses. The Concessionaire area, buildings, and stables appeared to be well maintained. Per Exhibit A, Maintenance of Facilities (c), of the Agreement *the Concessionaire shall maintain a pest control contract for the Seahorse Stables and the Equestrian Restroom.* Pest control is managed through daily maintenance activities. The Concessionaire does not maintain a contracted pest control service.
- Environmental Protection and Safety Plan: We verified that the Concessionaire had a current Environmental Protection Plan dated July 2018 and a Safety Plan for the period 2018-2019, which was provided in December 2018.

### Minimum Accounting Requirements

We verified the Concessionaire maintains a bank account that was used solely for operations under the Agreement. The Concessionaire uses prenumbered receipts for sales, rather than an electronic Point of Sale system. Sales receipts are offered to customers through the use of two copy receipt forms. Receipts identify the employee processing the sale. The Concessionaire has posted signs reminding customers that sales tax is included in the price of the merchandise and to ask for a receipt. The Concessionaire provides supervision over financial activities. During the audit sampled months, there were no refunds or voids issued.

According to the Minimum Accounting Requirements, *If receipts exceed \$2,000, they shall be deposited intact daily. If receipts do not exceed \$2,000 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. Daily entries to account for gross sales and sales tax collections by point of sales and /or collection station, shall be made to a ledger, an automated ledger, a journal, or by an automated entry. Entries shall equal amounts deposited by period.* Credit sales were deposited through vendor settlement transactions.

However, receipts from cash sales were not always deposited. Although cash sales for both months did not meet the threshold for daily deposit, receipts were either not deposited or were deposited past five working days. We verified undeposited receipts were being maintained in a locked and secure location.

### Management Oversight

We verified the Park Manager had completed Concessionaire Quarterly Evaluations for activities during the audit period. All evaluations were completed over a month past the end of the prior quarter. Evaluations reflected positive results. The evaluations noted that the



Concessionaire's Safety Plan had been revised and approved annually; however, the plan had not been updated since 2016.

## **Findings and Recommendations**

### **Finding 1: Deposits**

According to the Minimum Accounting Requirements, *If receipts exceed \$2,000, they shall be deposited intact daily. If receipts do not exceed \$2,000 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. Daily entries to account for gross sales and sales tax collections by point of sales and /or collection station, shall be made to a ledger, an automated ledger, a journal, or by an automated entry. Entries shall equal amounts deposited by period.* Based on our audit, receipts from cash sales were not always deposited.

According to monthly sales summaries for the sampled months of March and April 2018, cash sales were \$2,203.00 and \$2,262.00 respectively. Although cash sales for both months did not meet the threshold for daily deposit, receipts were either not deposited or were deposited past five working days.

### **Recommendation:**

We recommend the Division work with the Concessionaire to ensure daily sales are deposited as required under the Minimum Accounting Requirements.

### **Finding 2: Agreement Compliance**

Based on our audit, the Concessionaire did not meet certain requirements of the Minimum Operational Requirements including being open seven days per week, providing 24-hour security for livestock, maintenance of a pest control contract, and an annual revision of the Safety Plan. The Concessionaire's operations are closed on Mondays. This deviation of the

required operations had not been pre-approved in writing by the Park Manager as required. In addition, although the Concessionaire's facilities are locked after hours, the Concessionaire had not provided a consistent means of 24-hour security. Under the Agreement, the Department provides a mobile home resident site at no fee to the Concessionaire for this purpose.

During our site visit, the Concessionaire's stables appeared clean and well maintained. However, the Concessionaire had not secured a pest control contract for the stable building and equestrian restroom as required under the Agreement.

The Concessionaire provided the current Safety Plan for the year 2017-2018. However, the plan had not been revised once per year as required. Prior to the audit, the Concessionaire's most recent Safety Plan was dated 2016.

**Recommendation:**

Given the Agreement will expire April 30, 2019, we recommend the Division address the noted areas of noncompliance as it applies to the new Agreement under development. Going forward, as applicable to the new Agreement, we recommend the Division ensure the Concessionaire adheres to the required days of operations under the Agreement. Any deviations from operating requirements should be approved by the Park Manager. The Division should also work with the Concessionaire to establish 24-hour security as required under the Agreement. In addition, the Division should direct the Concessionaire to establish a contracted pest control service for the stable building and equestrian restrooms. In addition, the Division should ensure that the Safety Plan is revised annually as required.

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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 Cindy Newsome 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

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## Memorandum

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

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

**SUBJECT:** Audit of MY-0310 with Kelly Ranch, Inc. at Amelia Island State Park  
(Preliminary Report A-1819DEP-014)

**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: Deposits

According to the Minimum Accounting Requirements, if receipts exceed \$2,000, they shall be deposited intact daily. If receipts do not exceed \$2,000 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. Daily entries to account for gross sales and sales tax collections by point of sales and /or collection station, shall be made to a ledger, an automated ledger, a journal, or by an automated entry. Entries shall equal amounts deposited by period. Based on our audit, receipts from cash sales were not always deposited.

According to monthly sales summaries for the sampled months of March and April 2018, cash sales were \$2,203.00 and \$2,262.00 respectively. Although cash sales for both months did not meet the threshold for daily deposit, receipts were either not deposited or were deposited past five working days.

### Recommendation

We recommend the Division work with the Concessionaire to ensure daily sales are deposited as required under the Minimum Accounting Requirements.

### **Division Response:**

The Division agrees with the finding. The Park Manager will direct the Concessionaire, in writing, to complete deposits which meet or exceed the \$2000.00 threshold and to

ensure all deposits are made within five working days as outlined in the Concession Agreement.

### **Finding 2: Agreement Compliance**

Based on our audit, the Concessionaire did not meet certain requirements of the Minimum Operational Requirements including being open seven days per week, providing 24-hour security for livestock, maintenance of a pest control contract, and an annual revision of the Safety Plan. The Concessionaire's operations are closed on Mondays. This deviation of the required operations had not been pre-approved in writing by the Park Manager as required. In addition, although the Concessionaire's facilities are locked after hours, the Concessionaire had not provided a consistent means of 24-hour security. Under the Agreement, the Department provides a mobile home resident site at no fee to the Concessionaire for this purpose.

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The Concessionaire provided the current Safety Plan for the year 2017-2018. However, the plan had not been revised once per year as required. Prior to the audit, the Concessionaire's most recent Safety Plan was dated 2016.

### **Recommendation**

Given the Agreement will expire April 30, 2019, we recommend the Division address the noted areas of noncompliance as it applies to the new Agreement under development. Going forward, as applicable to the new Agreement, we recommend the Division ensure the Concessionaire adheres to the required days of operations under the Agreement. Any deviations from operating requirements should be approved by the Park Manager. The Division should also work with the Concessionaire to establish 24-hour security as required under the Agreement. In addition, the Division should direct the Concessionaire to establish a contracted pest control service for the stable building and equestrian restrooms. In addition, the Division should ensure that the Safety Plan is revised annually as required.

### **Division Response:**

The Division agrees with the finding. The Division will address the noted areas of non-compliance in the new Concession Agreement. The Park Manager will ensure all provisions are followed in accordance with the Concession Agreement.