

**Audit of Agreement MY-0111 with
Nature Recreation Management, LLC.
for Concession Services at Lovers Key State Park
Division of Recreation and Parks**

Report: A-1718DEP-033

Office of Inspector General

Internal Audit Section

Florida Department of Environmental Protection

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The Office of Inspector General (OIG) conducted an audit of Agreement MY-0111 (Agreement) between the Department of Environmental Protection (Department), Division of Recreation and Parks (Division) and Nature Recreation Management, LLC. (Concessionaire) at Lovers Key State Park (Park). This audit was initiated as a result of the Fiscal Year (FY) 2017-2018 Annual Audit Plan.

Scope & Objectives

The scope of the audit included financial records and Agreement activities during the period of January 1, 2017, through December 31, 2017. The objectives were to determine the Concessionaire's:

- compliance with the Agreement
- accuracy of reported gross sales

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 on March 16, 2011. It was amended on April 16, 2012, and again on January 12, 2016. The Agreement will expire on August 30, 2018, and a new Agreement is being developed by the Department with the Concessionaire for continued services. The Concessionaire has operations in three locations within the park including the main

Concession Building, Bait Shop, and South Beach (Hurricane Charlie's). Services available at these locations include merchandise resale, recreation equipment rentals, event management services, gazebo rentals, and food and beverage services. The Concessionaire is also authorized to provide wi-fi services, interpretive tours, automatic teller machine services, mobile food carts, and other similar services. Under the Agreement, the Concessionaire is required to pay the Department a monthly commission fee of 14% of gross sales. During calendar year 2017, the Concessionaire reported total gross sales of \$1,371,300.51 and paid \$190,001.24 in commission fees.

Results

Agreement Compliance

Based on our audit, the Concessionaire demonstrated compliance with Agreement conditions tested, with minor exceptions. During our site visit, we noted that the Concessionaire's hours of operation were posted and reflected a schedule, as required in the Agreement. In addition, the Concession appeared to be staffed with management supervision as required. Employees on duty wore visitor service uniforms and nametags. The retail facility appeared to provide an adequate level of rental equipment and safety accessories for visitor use. Food services, merchandise offerings, and facilities appeared to be well stocked and maintained. We verified that the Concessionaire had adopted an approved Maintenance Repair Plan and Safety Plan.

Point of Sale system registers were equipped with a visual display facing the customer, and signs were posted reminding customers to ask for a receipt. Registers produced customer copies of sales receipts that include recorded tax amounts. The Concessionaire's Point of Sale system maintains transactions and daily revenue reports electronically.

We verified that employment eligibility E-Verify records as well as sexual predator and offender searches were maintained by the Concessionaire for all employees as required during our site visit. We also verified the Department had conducted sexual predator and sexual offender searches on the Concessionaire manager prior to executing the Agreement as required.

We verified that the Concessionaire maintained the required insurance and performance assurance through deposit in an escrow account. Required permits and licenses necessary for the operation of business were also provided.

Paragraph 10 of the Agreement requires the Concessionaire to pay for garbage disposal, telephone services and utilities used in connection with its operations under the Agreement. This includes payments for electricity, water, telephone and garbage, which are to be made by the Concessionaire directly to the service providers. We verified the Concessionaire provided direct payment for electricity, garbage disposal and telephone services. However, a separate water meter had not been established at the Park for Concessionaire use. As a result, the Concessionaire included a \$4.77 payment each month for water services with the Monthly Report of Gross Sales and commission payments. According to discussions with Park staff, since the Concessionaire's water use was minimal, the Park agreed to allow the Concessionaire to pay \$4.77 monthly for water use.

The Concessionaire is responsible for compliance with the Payment Card Industry Data Security Standards (PCI DSS). We verified the Concessionaire's PCI DSS self-assessment questionnaire, documenting the Concessionaire's current compliance. According to Quarterly Evaluations completed by the Park Manager, the Concessionaire was not in compliance between July and December 2017, but had upgraded the Point of Sale system during the audit period.

Reported Gross Sales

During the audit period, commission fees paid to the Department were correctly calculated at 14% of reported gross sales. All payments were made within 20 days after the end of each month as required. The Concessionaire’s monthly reported gross¹ sales were generally supported by ledger and daily sales summaries during the months tested, which included July and August 2017 as follows.

Month	Monthly Reported Gross Sales	Daily Taxable Net Sales per Sale Summaries (Less Taxes & Gratuities)
July	103,680.99	103,500.10
August	\$63,119.65	\$62,994.59

The Concessionaire’s total gross sales were also consistent with bank deposits, given adjustments to account for sales tax collections and gratuities.

Month	Daily Gross Sales (Including Tax & Tip)	Total Deposits (per Bank Statements)
July	111,743.25	110,850.86
August	\$74,677.92	\$74,528.18

The Concessionaire operates a separate concession at Wiggins Pass State Park. Gross sales reported by the Concessionaire to the Department of Revenue includes the combined sales from both parks due the combined tax ID number. With the adjustment of reported gross sales from the concession operation at Wiggins Pass State Park, reported amounts to the Department were consistent with amounts reported to the Department of Revenue.

Month	Monthly Reported Gross Sales (Lovers Key State Park)	Monthly Reported Gross Sales (Wiggins Pass State Park)	Total Reported to Department of Revenue
July	103,680.99	\$12,872.44	\$116,553.43
August	\$63,119.65	\$11,176.54	\$74,296.19

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

According to Concessionaire management, sales are counted and verified by separate employees on a daily basis. Based on our review of daily sales summaries and bank deposits for the sampled months, daily summaries documented overage and shortage amounts, and with few exceptions, were signed by two employees. We also verified deposits were made daily as required under the Agreement.

Section B1 of the Agreement's Minimum Accounting Requirements states, *customer refunds shall be documented by customer signed sales slips indicating receipt of the refund; and, the document shall state the reason for the refund; identify the cashier making the refund; date stamp and time of the refund and be maintained electronically within the point of sale system.* Refunds are maintained electronically through the Point of Sale system. During the sampled months, 21 refunds totaling \$762.76 were issued in July, and 12 refunds totaling \$642.28 were issued in August. Based on review of refund documentation, receipts indicated the time, date and store location for each refund, but did not identify the cashier making the refunds. According to the Concessionaire, employees operate the register using separate ID numbers, which can be identified by transaction. The system had not been programed to print cashier names on customer receipts. The Concessionaire indicated this information would be included on all receipts going forward. With few exceptions, documented refunds included the required customer signature, reason, and date stamp. Exceptions included two refunds without a customer signature and three refunds without a noted reason. Refund receipts were also not maintained for an additional three. These exceptions were not considered material.

Conclusion

Based on our audit, with the noted minor exceptions, the Concessionaire demonstrated compliance with Agreement conditions tested. Gross sales reported to the Department were

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supported by Point of Sale daily records and were consistent with bank deposits and sales reported to the Department of Revenue. The Concessionaire's records and activities demonstrated a system of controls over cash consistent with Agreement requirements.

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.

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