

**Audit of Agreements with
Friends of Highlands Hammock State Park, Inc.
Citizen Support Organization
at Highlands Hammock State Park**

Division of Recreation and Parks

Report: A-1718DEP-034

Office of Inspector General

Internal Audit Section

Florida Department of Environmental Protection

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The Department of Environmental Protection (Department) Office of Inspector General (OIG) conducted an audit of the Division of Recreation and Parks (Division) Agreements with the Friends of Highlands Hammock State Park, Inc., Citizen Support Organization (CSO) at Highlands Hammock State Park (Park). This audit was initiated as a result of the Fiscal Year (FY) 2017-2018 Annual Audit Plan.

Scope and Objectives

The scope of our audit included CSO activities and the CSO's Concession activities under Agreement CA-0816 during the period of July 1, 2017, through December 31, 2017.¹ The objectives were to:

- determine whether the CSO is operating in compliance with the CSO Agreement, Concession Agreement, and applicable requirements
- evaluate controls in place over CSO revenues and expenses as well as reported Concession revenues
- determine the level of Division oversight of the Agreements and CSO activities

Methodology

This audit was conducted under the authority of Section 20.055, Florida Statutes (F.S.), and in conformance with the *International Standards for the Professional Practice of Internal Auditing*, published by the Institute of Internal Auditors. Our procedures included a site visit to the Park and interviews with Division, Park management, and CSO officers. We reviewed Sections 258.015, 215.981, and 112.3251, F.S., the CSO and Concession Agreements, CSO

¹The CSO's reporting is on a calendar basis. As such, reported totals for calendar year 2017 are included in this report.

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Bylaws, Articles of Incorporation, Division's Operations Manual, and the CSO Handbook. We also reviewed Park and CSO records.

Background

The CSO was incorporated January 1993, as a Florida Not For Profit Corporation. Under the Articles of Incorporation, the CSO has authority to conduct programs and activities, raise funds, as well as make expenditures and distributions for the benefit of the Park. The current CSO Agreement was executed in March 2015. The CSO generates revenues through fundraising events, membership fees, two donation boxes, grants, and commission from three vending machines. According to the CSO 2017 Profit and Loss Statement, total Income was \$93,122.18 and expenses were \$40,621.24.

In February 2017, the Department executed Concession Agreement CA-0816 with the CSO. Under the Concession Agreement, the CSO operates the Hammock Inn store (Camp Store), which provides recreational equipment rental, merchandise, and prepackaged food service. Under Amendment 1 of the Concession Agreement, the CSO is required to pay the Department a monthly commission fee of 10% gross sales, but not less than \$9,000 annually. According to the Monthly Report of Concessionaire's Total Gross Sales, the CSO's Concession operation reported \$46,272.28 in gross sales and paid the Department \$4,626.39 in commissions.

Results

CSO Statutory and Agreement Compliance

Section 258.015, F.S., provides for the establishment of the CSO and specifies the allowable use of Department property. Based on our audit, the CSO was established and operates in compliance with Section 258.015, F.S. The CSO submitted the 2017 Annual Financial Report

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and required documents to the Department as required under Section 20.058, F.S. and the CSO Handbook. The 2017 Annual Financial Report included the 2016 990-EZ income tax report, Park Manager's Letter, CSO President's Letter, list of board members, CSO Statement of Accomplishments and Goals, and CSO Statement of Value of Contributed Services. The CSO also provided a copy of the 2017 Florida Annual Resale Certificate for Sales Tax.

Section 112.3251, F.S., requires the CSO to adopt a code of ethics, which must contain standards of conduct and disclosures required under Section 112.313 and 112.3143(2), F.S., and must be conspicuously posted on the CSO's website. The CSO has adopted a Code of Ethics consistent with required standards. However, the CSO does not have a web presence for the required posting.

Paragraph 5.b. of the CSO Agreement requires the CSO to submit an Annual Program Plan to the Park Manager on or before the end of the CSO's Fiscal Year. Per Paragraph 11 of the Agreement, the CSO's Fiscal Year ends December 31 and the Program Plan for 2017 and 2018 were submitted as required and approved by the Park Manager in December.

CSO Income and Expenses

During 2017, the CSO received revenue through activities and events including the Turkey Trot, CCC Festival, Firefly Tours, Haunted Hammock and North Pole events, 5k Marathon, and Music in the Park concerts. Based on the 2017 Profit and Loss Report, CSO income and expenses were as follows.

2017 CSO Income and Expenses	
Income	\$93,122.18
Cost of Goods Sold	(\$3,451.35)
Expense	(\$40,621.24)
Total Other Income/Expense	\$181.85
Net Income	\$49,231.44

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Income and expenses from the Profit and Loss Report were supported by the CSO General Ledger. We compared CSO General Ledger entries to bank statements and source documentation for the sampled months of November and December 2017. Amounts reported in the Profit and Loss Report were consistent with the CSO General Ledger and bank statements, and were supported by revenue and expense source documents, with minor discrepancies.

Expenses reviewed were generally supported by invoices or receipts, as well as requests and approvals by the CSO Treasurer. CSO expenditures are discussed and approved at board meetings. We reviewed 49 checks written for the CSO activities and 110 checks written for the Concession operations during the audit period, all 159 checks contained two signatures as required.

Based on interviews with Park and CSO staff, as well as review of support documents for the sampled months, financial controls demonstrated over cash collections for events, donations, and memberships were consistent with the CSO's Bylaws and the Division's Operations Manual. The CSO maintains a total of two locked donation boxes, which are collected by a designated officer and verified by the Treasurer for deposit. All CSO funds are kept separate from Park funds in a secure location until deposited. The Treasurer reconciles bank statements, which are also available to the President. The President, Vice President, and Treasurer have access to the bank account and check signatory authority.

Park Management Oversight for CSO Activities and Concession Operation

CSO officers include a President, Vice President, Secretary, and Treasurer. The CSO and Park management work together to schedule projects and plan annual events. Board meetings are

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held monthly, with recorded minutes retained in the CSO records. All minutes for the board meetings were provided for the audit period. The Park Manager, Assistant Park Manager, and Park Services Specialist normally attend board meetings monthly. Board meetings are held as needed for the months of June, July, and August.

Per the site visit interview, the Park Service Specialist assists the CSO officers with maintaining volunteer documentation and the reporting of volunteer hours. Volunteer hours are submitted monthly as required. Upon review of eight sampled CSO members recorded in the Volunteer Service Tracking System (V Sys), all members posted hours during the audit period. Volunteer hours accrued during the year were reflected in the 2017 Annual Financial Report as required in the Division's Operations Manual.

According to Section 1.4 of the Division's Operations Manual, the District is required to conduct a CSO Management Review every four years. We obtained the District's CSO Management Review dated June 9, 2016, that reflected overall positive results. The CSO Management Review included two recommendations; one for a detailed financial policy and the other to conduct an independent review of financial records. These recommendations were addressed and completed in a timely manner.

Concession Agreement Compliance

We reviewed the CSO's Concession operation with respect to the Concession Agreement requirements. Based on observation, Concession hours of operation were posted at the main entrance. The Camp Store merchandise was well stocked. The Concession facilities as well as available rental equipment appeared to be well maintained. Concession employees wore

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Concession attire and documentation of their training was reflected in the CSO board meeting minutes and by the Park Manager in the Concession Quarterly Evaluation.

The Minimum Operational Requirements and Procedures in the Concession Agreement requires all visitors renting recreational equipment to sign a liability waiver. We verified the use of Bicycle Release Forms for the audit period.

According to the Minimum Operational Requirements and Procedures of the Concession Agreement, the Concessionaire is required to maintain a Maintenance and Repair Plan, Environmental Protection Plan, and Safety Plan approved by management. We obtained copies of all three approved Plans.

The Concessionaire is responsible for complying with the Payment Card Industry (PCI) Data Security Standards (DSS) according to the Concession Agreement. We verified current Self-Assessment Questionnaire and Certificate of Compliance had been completed as required in the Concession Agreement.

Special Conditions, Paragraph E of the Concession Agreement requires the Concessionaire to obtain a security deposit or performance bond for the Concessionaire's performance. We obtained a copy of the CSO's current Letter of Credit documenting compliance. We verified the CSO had obtained required insurance in the amounts specified in the Concession Agreement. We also verified the Concessionaire paid utilities in accordance with the Concession Agreement during the audit period.

General Conditions, Paragraph 34 of the Concession Agreement requires the Concessionaire to perform an E-Verify search on all employees through the U.S. Department of Homeland Security E-Verify Employment Eligibility Verification system as well as ensure that

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all subcontractors follow this provision. We verified the required E-Verify and sexual predator and sexual offender searches were maintained by the CSO.

Concession Reported Revenues

The CSO began reporting Concession revenues in April 2017. A total of \$46,272.28 in revenues were reported and \$4,626.39 in commissions were paid for the year. Based on the CSO Concession 2017 Profit and Loss Report, Concession income and expenses were as follows.

2017 CSO Concession Income and Expenses	
Income	\$40,915.58
Cost of Goods Sold	(\$20,026.51)
Expense	(\$56,263.45)
Total Other Income/Expense	\$74.64
Net Income	(\$35,299.74)

The Profit and Loss Report was supported by the Concession General Ledger. Monthly income reflected in the Profit and Loss Report differed from amounts reported on the Monthly Report of Concessionaire's Total Gross Sales for the first seven months of the Concession operation. Reported amounts were consistent between the Profit and Loss Report and amounts reported to the Department for the months of November and December 2017. Based on discussions with the Treasurer and review of source documents, it was indicated that any differences between the Profit and Loss Report and reported amounts on the Department of Revenue Sales Tax report were due to initial establishment of the Concession operation and accounting records.

We compared amounts documented in the Profit and Loss Report and Concession General Ledger to bank statements, validated deposits, and daily sales summaries for the

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sampled months of November and December 2017. Overall, amounts reported in the Profit and Loss Report for these months were consistent with the Concession General Ledger and bank statements, and were supported by revenue and expense source documents.

A separate bank account that is solely for the purpose of the Concession operation is maintained as required. During the sampled months, bank deposits were made timely as required under the Concession Agreement, and were consistent with ledger entries with minor exceptions. This included a deposit reduction of \$200 that was documented for use in the register change fund.

Daily sales are recorded through the Concession Point of Sale (POS) system. For the sampled months, daily sales summaries were consistent with deposits and ledger entries. We verified refunds and voided transactions recorded during the audit period were documented as required and maintained in the Concession records.

We compared the Monthly Report of Concessionaire's Total Gross Sales with sales reported to the Department of Revenue during the audit period. The monthly reported amounts included minor discrepancies with the exception of reported gross sales for July 2017. The July 2017 Department of Revenue Sales Tax report was subsequently corrected and adjusted by the Treasurer. This adjustment totaled \$6,656.39. In 2017, the cumulative total reported gross sales to the Department of Revenue was consistent with gross sales reported to the Department. According to the Treasurer, the adjustment was made to the Department of Revenue Sales Tax Report, the ledger, and other source documents but was not reflected on the Monthly Report of Concessionaire's Total Gross Sales.

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According to Paragraph 2 of the Concession Agreement Amendment 1, the CSO is required to pay the Department a commission fee of 10% of gross sales each month, but not less than \$9,000 annually. This minimum guarantee was to be assessed as a shortfall at the end of each year. We verified the CSO paid 10% in commission fees of reported gross sales by the 20th of the following month as required in the Concession Agreement during the audit period. Commission payments totaled \$4,626.39 for reported sales during 2017. However, the CSO began Concession operation in April 2017. According to the Treasurer, the minimum annual commission fee was met subsequently in March 2018. Based on discussions with the Park Manager, in 2017, the Concession operation was either not open to receive revenue or operated under unforeseen circumstances, which included a hurricane that impacted the area in September 2017.

The Park Manager also completes the Quarterly Concessionaire Evaluations to monitor the Concessionaire's progress and concerns, which provides feedback to the Concessionaire as required in the Concession Agreement. Quarterly Concessionaire Evaluations are retained in the Park file to document the Concessionaire's development. During the audit period, the evaluations reflected overall positive results. Minor recommendations were addressed and completed by the Concessionaire.

Conclusion

Based on our review, the CSO funds were managed consistent with requirements in the Division's Operations Manual and CSO Handbook and were in compliance with the CSO Bylaws and Articles of Incorporation. The CSO maintained financial records for revenues and expenditures, which complied with the Minimum Accounting Requirements and were supported

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by the general ledgers, receipts, bank statements, and validated deposits. CSO volunteer activities were consistent with the Annual Program Plan and were coordinated well with Park management and staff. In addition, the CSO Concession was operated in compliance with the Concession Agreement during the audit period.

Management Comment

Concession Agreement Requirement

During the course of our audit, we noted Agreement language that was not consistent with prior Division Concession Agreements. Paragraph 35 of the Concession Agreement states that *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.* In prior Agreements, the Department was required to conduct the initial sexual predator and sexual offender searches on all managers and officers prior to execution of the agreement. The change represents a conflict for the Concession managers and officers as well as a control weakness for the Division as it requires Concession leadership to conduct these searches on themselves.

We reviewed prior Division Concession Agreements and found that this change was made by management in the Bureau of Operational Services in August 2015 and has been incorporated in the Division's executed Concession Agreements since this time. Since Division Concession Agreements are typically executed for a multiyear period, the Agreement included in this audit represented the first Agreement executed since 2015 that has been audited by OIG.

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Going forward, the Division should ensure that Agreements contain provisions which require sexual predator and sexual offender searches of Concession managers and officers to be conducted independently by the Division prior to execution of the Agreement.

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.

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