

Review of Agreement MY-0210 with ReserveAmerica, LLC.

Division of Recreation and Parks

Report: A-1718DEP-030

Office of Inspector General

Internal Audit Section

Florida Department of Environmental Protection

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

<https://floridadep.gov/>





Review of MY-0210 with ReserveAmerica, LLC.
Division of Recreation and Parks



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The Office of Inspector General (OIG) conducted a review of Agreement MY-0210 (Agreement) between the Department of Environmental Protection (Department) Division of Recreation and Parks (Division) and ReserveAmerica, LLC., a Delaware limited liability company and wholly owned subsidiary of Active Network, LLC. (Concessionaire). This review was initiated as a result of the Fiscal Year (FY) 2017-2018 Annual Audit Plan.

Scope and Objectives

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

- Determine whether financial transactions and fees were reported accurately and in compliance with the Agreement
- Evaluate management oversight of the Concessionaire's financial reporting and performance under the Agreement

Methodology

This review 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 review of the Concessionaire's Central Reservation System (CRS) reports, documentation provided by Division staff, and revenue documents provided by the Division of Administrative Services. We also interviewed Concessionaire and Division staff.

Background

In July 2001, the Department entered into Agreement RP488 with the Concessionaire to provide a CRS for reservation coordination of camping parks managed under the Division.

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Upon expiration of Agreement RP488, the current Agreement was executed in May 2010 and was amended and restated in August 2015. It was further amended in November 2016 to include Point of Sale (POS) Services for recording daily admission fees, passes, and merchandise sales at the park level. The Agreement will expire May 4, 2020.

For reservation services, the Concessionaire is compensated on a transaction fee basis and as a percentage of monthly revenue reported through the POS system's Store Manager and Ticket Manager modules. All reservation revenue collected by the Concessionaire is deposited in a dedicated clearing bank account (Account), which is held jointly with the Department. The Concessionaire has signatory authority to withdraw funds from this Account. Transaction and POS fees are withdrawn by the Concessionaire each month. Remaining funds are retained by the Department.

Section 2 of Amendment 1 of the Agreement outlined the Concessionaire's fees on a transaction and percentage basis as follows.

Concessionaire Fees		
Type	Method	Fee
Telephone/Internet Reservation	Per Transaction	\$6.70
Field Reservation	Per Transaction	\$5.00
Cancellation	Per Transaction	\$9.00
Transfer	Per Transaction	\$9.00
POS Service Fees (FY 2016-2017)	Percentage	1.5%
POS Service Fees (FY 2017-2018)	Percentage	2.25%
POS Service Fees (FY 2018-2019)	Percentage	2.75%
POS Service Fees (FY 2019-2020)	Percentage	2.75%

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Based on Account deposits¹, during FY 2017-2018 the Concessionaire collected \$26,645,183.18 in revenue on behalf of the Department. Account withdrawals for Concessionaire fees totaled \$3,250,145.24. Per Refund Reports, the Concessionaire issued refunds totaling \$10,595,078.94.

Results

Financial Transactions and Fees

The Agreement requires the Concessionaire to provide monthly reconciliation of the Account balance that agrees with collection and distribution reports. The Department receives several types of reports from the Concessionaire to support revenue, transactions, and other information.

Sales Export Report

The Concessionaire provides the Department a Sales Export Report (FIN-EXP-008), which lists a summary of revenue by transaction type, transaction location², and revenue location³. This report provides revenue and fee amounts by the types of transactions generated on behalf of each Park by object code. From the Sales Export Report, we compared all revenue collected through the Concessionaire's transaction locations⁴ as well as fees to total Account deposits for FY 2017-2018 as follows.

¹ Deposit amounts do not reflect a \$1,000,000 deposit made by the Department to satisfy necessary credit reverse charges and refunds resulting from the September 2017 hurricane event. Funds transferred to the Account by the Department were subsequently withdrawn in December 2017.

² Transaction locations indicate the source of the transaction. Transactions generally occur at either a Park, on-line, or through the call center.

³ Each Park has a separate revenue location code.

⁴ The Concessionaire's transaction locations consist of transactions processed on-line and through the call center.

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FY 2017-2018 CRS Deposits and Sales Export Report			
1	2	3	4
Deposits	Total Revenues per Monthly Sales Export Report only for CRS Transaction Locations	Net Variance (1-2)	Percentage (3/2)
\$26,645,183.18	\$27,893,627.30	(\$1,248,444.12)	4.5%
Concession Fees Withdrawn from the Account	Total Concession Fees Per Monthly Sales Export Reports	Net Variance (1-2)	Percentage (3/2)
\$3,250,145.24	\$3,406,173.25	(\$156,028.01)	4.6%

Revenue and fees listed in the Sales Export Report were greater than deposits by approximately 4.5%. While the revenue listing by object code is provided to the Department for the purpose of developing the Division’s monthly revenue summaries, it is not reconciled to the Account. According to the Concessionaire, this report was developed for the Department’s accounting use, but was not intended to serve as a reconciliation of amounts collected to those deposited.

Reconciliation Report

The Concessionaire provides the Department a monthly Reconciliation Report which can be reconciled to the Account. This report reconciles a listing of monthly credit batch summaries to the Account. Credit card batch listings used for the monthly reconciliation do not come directly from the Sales Export Report or from the Receipt Distribution Detail Report. As such, these batch amounts do not contain customer reservation transaction and revenue location detail. From the credit batch summary totals, the Concessionaire’s reconciliation includes timing adjustments for transactions that were not included in credit card batches until the following month, as well as monthly credit card batches that were not deposited until the following month, and credit company charge backs. The following is a comparison of total deposits and

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Concessionaire withdrawals to the Department's receipts and Concessionaire fees as reconciled monthly for FY 2017-2018.

FY 2017-2018 CRS Deposits and Reconciled Receipts			
Deposits	Total Revenue per Monthly Reconciled Receipts	Net Variance (1-2)	Percentage (3/2)
\$26,645,183.18	\$26,670,973.39	\$25,790.21	.1%
Concession Fees Withdrawn Per the Account	Total Concession Fees Per Monthly Reconciled Receipts	Net Variance (1-2)	Percentage (3/2)
\$3,250,145.24	\$3,250,144.24	\$1.00	-

For the sampled month of May 2018, we verified the Concessionaire's reconciliation of receipts. According to the bank statement and the reconciliation report, bank deposits and reconciled receipts for May 2018 were as follows:

May 2018 CRS Deposits and Reconciled Receipts		
Deposits	Reconciled Receipts	Variance
\$2,386,390.25	\$2,242,235.95	\$144,154.30

Adjustments to Account deposits for timing offsets of transactions to batch summaries accounted for \$82,630.90 of this variance. We verified that the transactions listed by these adjustments included customer identification associated with each transaction. However, the adjustment to bank deposits for timing offsets of credit card batches occurring the last day of the month (float) were supported by batch summary amounts that did not include customer identification of the transaction information. This adjustment accounted for \$60,895.15 of the variance. The Concessionaire indicated that the remaining variance of \$628.25 was due to credit charge back transactions and prior month discrepancies that were corrected the following month. Detailed support for these transaction descriptions was not provided.

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Receipt Distribution Detail Report

The Concessionaire also provides the Department a Receipt Distribution Detail Report (FIN-DSTR-002) that lists all transactions and fees processed through the CRS. This report does not provide revenue by object code, which limits its use for Department accounting. We compared total monthly deposits and fee withdraws to revenue and fees reported in the Receipt Distribution Detail Report for FY 2017-2018.

FY 2017-2018 CRS Deposits and Receipt Distribution Report			
1	2	3	4
Deposits	Total Revenue per Monthly Receipt Distribution Reports	Net Variance (1-2)	Percentage (3/2)
\$26,645,183.18	\$26,619,877.96	\$25,305.22	.09%
Concession Fees Withdrawn Per the Account	Total Concession Fees Per Monthly Receipt Distribution Reports	Net Variance (1-2)	Percentage (3/2)
\$3,250,145.24	\$3,405,850.48	(\$155,705.24)	4.6%

Total deposits were generally consistent with revenues in the Receipt Distribution Detail Report. However, the Concessionaire’s reported fees in the Receipt Distribution Detail Report were more consistent with those listed in the Sales Export Report. Differences between fees withdrawn and those reported were attributed to Active Advantage Program credit, service level Agreement adjustments and adjustments resulting from a hurricane event in September 2017.

Concessionaire Fees

From Concessionaire revenue and fee reports, we confirmed that transaction fee amounts were charged at the rates specified in the Agreement for reservation, transfer, and cancellation transactions. However, POS fees assessed during FY 2017-2018 were not charged at 2.25% in accordance with the Agreement. According to POS transaction listings, POS fees were charged at a rate of approximately 1.5%. In addition, the amount of fees differed between reports.

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For the month of May 2018, we reviewed reported fees and transactions from reports for Anastasia State Park as a sample. A comparison of fees between reports were as follows:

Concession Fees for Anastasia State Park May 2018					
Type	Reservation Fees	Transfer Fees	Cancellation Fees	POS Fees	Total
Department Park Revenue Report for Anastasia State Park by Object Code	\$11,254.20	\$1,521.00	\$3,753.00	\$915.98	\$17,444.18
Sales Export Report ((FIN-EXP-008)	\$11,254.20	\$1,521.00	\$3,753.00	\$915.98	\$17,444.18
Park Revenue Consolidated Report (FIN-DEP-016A)	\$11,321.20	\$1,584.00	\$3,753.00	\$915.98	\$17,574.18
Receipt Distribution Detail Report (FIN-DSTR-002) (listing of fees by specific transactions)					\$17,444.18
Fee Analysis Report (FIN-FEE-004) (listing of fees by specific transactions)					\$17,574.18

Receipt Distribution Detail Report and Fee Analysis Report both provide monthly transaction listings with differing levels of reservation detail. Total fees listed in these reports were not equal due to differing transactions contained between the two. The Department's Park Revenue Report was consistent with the Sales Export Report.

In addition to the above, separate reports are also provided by the Concessionaire to the Department that lists fee transactions by type. We estimated fees from the number of transactions from these listings using the agreed upon rates in the following table.

Concession Fees for Anastasia State Park May 2018			
Type	Number of Transactions Listed	Transaction Fee	Total
Reservations (Reservation Listing Report ⁵ (OPS-OPS-004))	1,943	\$6.70	\$13,018.10
Cancellations Transaction Fee Report (FIN-TRAN-001)	418	\$9.00	\$3,762.00
Transfers (Transaction Fee Report (FIN-TRAN-001))	178	\$9.00	\$1,602.00
POS Fees (Recipient Distribution Detail Report ⁶ (FIN-DSTR-002))			\$915.98

⁵ This report does not indicate which transaction were field transactions for which the reservation fee is \$5.00. For the purpose of comparison estimates, total transactions were multiplied by the reservation transaction fee of \$6.70.

⁶ This report does not include the associated department revenue for which the fees were assessed.

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With the exception of the Receipt Distribution Detail Report, fee reports and transaction listings contained varying transactions and were not consistent with the Sales Export Report, although differences were generally minor. According to discussions with the Concessionaire, the reports available to the Department have been developed to serve different needs for information and reporting.

According to Section VI.2., of the Agreement Scope of Services, The Department agreed to participate in the Concessionaire's Active Advantage Program. As part of this program, the Concessionaire was required to provide the Department with a revenue share of \$5.00 per trial offer, with an annual minimum guarantee of \$175,000. We verified the Department received the required minimum payment during FY 2017-2018. However, the Concessionaire's payment information did not include detail that would indicate the number of trial offers supporting the amount.

During FY 2017-2018, POS fees had not been included in the Sales Export Report under a separate object code until April 2018. We obtained POS fees as reported in the Concessionaire's Distributed Vendor Fee Detail Report (FIN-DSTRB-015) to compare with fees reported by object code in the Sales Export Report for the months of April through June 2018.

Monthly	POS Fees by Object Code Sales Export Report	POS Fees per Distributed Vendor Fee Detail Report (FIN-DSTRB-015)
April	\$6,689.71	46,043.56
May	\$33,961.67	33,958.37
June	\$51,990.09	35,957.69

Since the Sales Export Report provides only a summary of revenue by object code, the cause for these discrepancies is unknown. The revenue reported in the Distributed Vendor Fee

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Detail Report with POS fees included revenue categories applicable and not applicable to POS fees, which hindered verification of the fee percentage assessed. However, based on review of individual transactions, these were calculated at approximately 1.5%.

Management Oversight of the Agreement

We verified the Concessionaire had met Agreement requirements regarding the Active Advantage Revenue Share, Annual Attestation Report, Annual Financial Statements, Disaster Recovery Plan, Payment Card Industry Data Security Standard (PCI DSS), system source code, insurance, visitor reports, and customer service reports. The Concessionaire also provides monthly financial reports and revenue reconciliation reports required under the Agreement.

Contract Management

The Contract Manager and staff in the Bureau of Operational Services (BOS) work with the Concessionaire regarding operation of the CRS and Agreement deliverables. The Contract Manager maintains a tracking spreadsheet to document monitoring of several Agreement deliverables. BOS staff address daily operational and functional matters. This includes the Concessionaire's requirement for reporting, customer service, response, and access to records. BOS staff address financial matters with respect to authorization of customer refunds and adjustments.

Financial Management

Monthly revenue and reconciliation reports are provided to BOS and the Division of Administration Bureau of Finance and Accounting (Finance and Accounting). The Contract Manager relies on Finance and Accounting for oversight of financial reports and revenue management. The Concessionaire provides BOS access to customer reservation detail.

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However, there was no documentation of a consistent process for monitoring these reports for accuracy of reported or reconciled revenues, fees, and refunded transactions. During FY 2017-2018, the Contract Manager requested confirmation of the Concessionaire's required retainage and receipt of Active Advantage revenue and assessment income from Finance and Accounting despite having access to reports documenting this information.

Performance Measures

Reporting

The Agreement Scope of Services Exhibit A contains performance expectations and provisions for liquidated damages for non-compliance. According to the Scope of Services paragraph VIII.1.c., the Concessionaire was required to provide transaction monthly reports by the end of each month. During FY 2017-2018, BOS collected liquidated damages assessments of \$4,900 in November 2017 and \$8,200 in December 2017 for untimely transaction reports.

Reservation Services

According to the Agreement Scope of Services paragraph VIII.3.a., the Concessionaire is required to accurately calculate, collect, and report all sales and use taxes. Based on a spreadsheet summary of issues documented by BOS regarding the Concessionaire's performance, there were several noted instances of inaccurate calculation and collection of taxes. However, no liquidated damages were assessed.

Reconciliation

Agreement Scope of Services paragraph VIII.2.a. required that the *Concessionaire shall reconcile, on a monthly basis, the monthly FIN-EXP-008 or CORR-FIN-EXP-008 and the monthly Recipient Distribution Detail Report (FIN-DSTR-002) to the Account monthly statement*

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and supply complete and accurate details concerning any and all outstanding transaction by the close of business on the last business day of the following month (Reconciliation of Reserve America Collections and Distributions Report). The Reconciliation of Reserve America Collections and Distributions Report shall include the information requested in the Required Report Format in Exhibit B of this Agreement.

The monthly reconciliation spreadsheet contains several worksheets including the Bank Recon-0999 and the Credit Card Batch Summary. Reconciliation of the Account is conducted using the total from the Credit Card Batch Summary worksheet in the reconciliation report, rather than totals from the Recipient Distribution Detail Report (FIN-DSTR-002). For May 2018, these balances differed as follows.

May 2018 Credit Card Batch Summary Total	May 2018 Recipient Distribution Detail Report (FIN-DSTR-002) Total	Variance
\$2,325,110.99	\$2,315,182.77	\$9,928.22

At our request, the Concessionaire provided a detailed listing of transactions supporting the Credit Card Batch Summary. However, these transactions were identified only with batch and payment identification numbers, dates, and customer names. This information could not be traced to reservation and transactions listed in the Recipient Distribution Detail Report, which lists transactions by order or reservation numbers and by Park.

The ending balance of the monthly reconciliation in the Bank Recon-0999 worksheet is reconciled to the Sales Export Report (FIN-EXP-008) spreadsheet from the Deposits and Refunds worksheet, rather than the Sales Export worksheet. Whereas the Sales Export worksheet documents revenue and fees by object code and Park and can be generally traced to

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specific Park transaction reports, the Deposits and Refunds Paid worksheet lists positive and negative amounts only by Park, transaction location, payment method, and date. Many of the negative entries are listed under a transaction location (1) that is neither designated as a Park or CRS location. This worksheet total differs from the Sales Export worksheet total, but serves as the basis as the final reconciled amount that is used by the Department for monthly Park revenue reports. For May 2018 the difference between the Sales Export worksheet and Deposits and Refunds Paid worksheets for CRS transaction locations were as follows.

May 2018 Sales Export Revenue by Park/Object Code (CRS Collection Locations) (FIN-EXP-008)	May 2018 Deposits and Refunds Paid Worksheet by Amounts and Payment Types (CRS Collection Locations) (FIN-EXP-008)	Variance
\$2,399,138.25	\$2,242,235.95	\$156,902.30

While we noted that the total of negative entries in the Deposits and Refunds Paid worksheet were close to the total of refunds issued from a separate Issued Refund Report (FIN-RFND-001), the listed entries could not be verified or reconciled to the Sales Export Report worksheet.

Due to these modifications for reconciliation, the Concessionaire meets the performance measure requirement as stated in the Agreement for monthly reconciliation of the monthly FIN-EXP-008 or CORR-FIN-EXP-008 to the Account since the Deposits and Refunds Paid worksheet is included in the spreadsheet. However, the Department is not provided a reconciliation of revenue by object code and by Park location to the account. The Concessionaire does not meet the performance measure requirement for monthly reconciliation of the Recipient Distribution Detail Report (FIN-DSTR-002) to the Account monthly statement.

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Other Areas of Performance Concern

BOS staff provided a listing of CRS performance concerns which are tracked in a spreadsheet. These included challenges in implementing the POS component and general CRS functionality regarding annual pass and gift card sales, refunds and voids, access to information, and inconsistent reporting. The Agreement does not contain performance requirements and financial consequences in these areas.

Point of Sale Implementation

The POS component of the CRS was established during FY 2016-2017. According to the Agreement, POS fees during FY 2017-2018 were to be assessed at 2.25% of all POS transactions. However, due to documented POS shortcomings and functional challenges, the Concessionaire and BOS management verbally agreed that the Concessionaire's POS fees would remain at a rate of 1.5%, which was the Agreement rate for FY 2016-2017. During the course of this review, the Concessionaire indicated that beginning September 2018, a POS fee increase from 1.5% to 2.25% would take effect. Regarding departure from the Agreement terms, BOS management stated, *while issues remain with certain aspect of basic functionality, parks are utilizing the day-use point of sale system in a manner defined by the agreement.* However, there was no documentation or amendment between the BOS and the Concessionaire of this understood fee change.

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Force Majeure Event

Paragraph 20 of the Agreement states that *when a force majeure event⁷ takes place, Concessionaire shall not be entitled to collect, receive, or charge any cancellation or transfer fees.* In September 2017, a storm event which impacted the majority of the State resulted in state-wide camping cancellations and a revenue deficit of -\$201,260.75 per the Reconciliation Report. According to the Issued Refund Report (FIN-RFND-001), refunds issued in September 2017 totaled \$1,838,948.18. According to the Sales Export Report, September 2017 cancellation fees were \$60,724.00 and transfer fees were \$18,882.00. When notified by the Department subsequent to the event, the Concessionaire reimbursed the Department \$38,313.00 in April 2018 for cancellation fees that were calculated to be charged as a result of the hurricane event. This amount was accepted by the Contract Manager. However, there was no documentation of an independent review of the final proposed refund.

Conclusions

Based on our review, the Concessionaire has provided a CRS that supports the Department's network of State Park campsites. The Concessionaire also demonstrated compliance with the Agreement, with the exception of conditions related to reporting, reconciliation, application of fees, CRS functionality, and force majeure events. Management oversight of the Agreement has lacked financial accountability by the Contract Manager and required extensive involvement of additional BOS staff and Finance and Accounting for the

⁷ The Agreement defines a force majeure event as *an act of God or nature, strike, lockout, act of the public enemy, war blockade, public riot, lightning, fire, flood, explosion, failure to receive timely necessary governmental or third party approvals through no fault of Concessionaire, governmental restraint, terrorism, threat to homeland security, tornado, hurricane, or other severe storms, substantial public health and safety issue, civil commotion, criminal activity, loss or spoilage, or any other cause whether of the kind specifically enumerated herein or otherwise, which is not reasonably within the control of the party.*

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majority of financial reconciliation and record keeping. Our findings and recommendations are included in the remainder of this report.

Findings and Recommendations

Finding 1: Reconciliation of Revenues

General Conditions Paragraph 8.B. of the Agreement states, *The Concessionaire shall provide to the Department the reconciliation of the Account balance that agrees with the Concessionaire’s monthly collection and distribution reports.* CRS reports do not provide financial information consistently between reports used for Account reconciliation, reports used for the Department’s accounting of revenue by object codes, and reports supported by customer transactions. During FY 2017-2018 financial differences between reports were as follows.

FY 2017-2018 CRS Deposits and Sales Export Report			
1		2	3
Deposits	Revenue per Monthly Reconciled Receipts	Sales Export Report (CRS Transaction Locations) (FIN-EXP-008)	Receipt Distribution Total Revenue (FIN-DSTR-002)
\$26,645,183.18	\$26,670,973.39	\$27,893,627.30	\$26,619,877.96
Concession Fees Withdrawn from the Account	Concession Fees Per Reconciled Receipts	Concession Fees Per Sales Export Report (FIN-EXP-008)	Receipt Distribution Concession Fees (FIN-DSTR-002)
\$3,250,145.24	\$3,250,144.24	\$3,406,173.25	\$3,405,850.48

While variations between Account activity and monthly reconciled receipts were not significant, these differences did not reconcile with adjustments supported by customer reservation and transaction detail. Reconciled receipts are based on a beginning revenue amount credit card batch listing that is not supported by customer transactions. Only a portion of the reconciliation adjustments were supported by customer transaction information. As a result, the

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Department is reliant on inconsistent financial information in accounting for Division-wide CRS revenue and Concessionaire fees.

According to Finance and Accounting and BOS staff, the Department has worked historically with the Concessionaire to resolve challenges with reliability and consistency of CRS reports. Based on discussions with the Concessionaire, differences between reports are attributed to timing, refunds, and other adjustments. While the Concessionaire has been responsive to resolve reporting concerns, reported information through the CRS remains inconsistent and not completely supported by customer transaction detail.

The Agreement Scope of Services contains performance measure requirements for monthly reconciliation of the Account to the monthly Sales Export Report (FIN-EXP-008) and the monthly Recipient Distribution Detail Report (FIN-DSTR-002). Although a monthly reconciliation has been provided, the amounts used for reconciliation do not represent CRS Sales Export Report revenue collected by object code and Park location nor the Recipient Distribution Detail Report.

Recommendation:

We recommend the Division work with the Concessionaire to ensure the Account is reconciled with revenue amounts that agree with the Concessionaire's monthly collection and distribution reports. The Account should be reconciled to collection reports which document Park revenue by object code and to distribution reports which document customer reservation and POS transactions.

Given the reporting limitations of the CRS under the current Agreement, we also recommend the Division develop a comprehensive scope of accounting methodologies and

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reporting requirements that are founded on the Department's system of accounting by object code. This should include required consistency and detailed customer transaction support for all reports and accounting reconciliations. The requirements established in this scope of work should be made part of CRS Agreements going forward and should be sufficiently demonstrated by the Concessionaire and tested by the Division prior to Agreement execution.

Finding 2: Application of Fees

According to Amendment 1 of the Agreement, POS fees during FY 2017-2018 were to be assessed at 2.25% of all POS transactions. However, due to POS functional challenges, the Concessionaire and Division management verbally agreed that the Concessionaire's POS fees would remain at a rate of 1.5%, which was the Agreement rate for FY 2016-2017. During the course of this review, the Concessionaire indicated that beginning September 2018, a POS fee increase from 1.5% to 2.25% would take effect. Regarding departure from the Agreement terms, BOS management stated, *while issues remain with certain aspect of basic functionality, parks are utilizing the day-use point of sale system in a manner defined by the agreement.* There has been no amendment to the Agreement or documentation between BOS and the Concessionaire of this understood fee change.

Recommendation:

We recommend the Division ensure that all agreed upon changes in fee structure are documented by formal amendment to the Agreement.

Finding 3: Force Majeure Event

Paragraph 20 of the Agreement states that *when a force majeure event takes place, the Concessionaire shall not be entitled to collect, receive, or charge any cancellation or transfer*

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fees. In September 2017, a storm event that impacted the majority of the state resulted in state-wide camping cancellations, transfers and a revenue deficit of -\$201,260.75 according to the Reconciliation Report. Refunds issued during September 2017 totaled \$1,838,948.18 per the Issued Refund Report (FIN-RFND-001). According to the Sales Export Report, the Concessionaire's September 2017 state-wide cancellation fees were \$60,724.00 and transfer fees were \$18,882.00. When notified by the Department subsequent to the event, the Concessionaire reimbursed the Department \$38,313.00 for cancellation fees that were calculated to be charged as a result of the hurricane event. This amount was accepted by the Contract Manager; however, there was no documentation of an independent review of the final refund accepted.

Recommendation:

We recommend the Division put processes in place to provide formal notice to the Concessionaire of a force majeure event with the affected areas to ensure that no cancellation or transfer fees are collected as a result of the event. Going forward, if fees are inadvertently charged during a force majeure event, the Division should ensure adjusted amounts and transactions are independently reviewed and verified prior to acceptance.

Finding 4: Management Oversight and Concessionaire Performance

The Scope of Services in the Agreement contains performance requirements and financial consequences regarding reporting, reconciliation, reservation services, agent response, and terms and conditions. BOS staff provided information regarding challenges with the Concessionaire's reporting inconsistencies, implementation of the POS component, as well as general CRS functionality regarding annual pass and gift card sales, application of sales tax rate and object codes, refunds and voids, access to information, and inconsistent reporting. There were no

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assessments for performance regarding inaccurate tax calculations. The Agreement performance requirements do not address performance expectations and consequences regarding specific CRS or POS functional components.

Oversight of financial reports and receipts is primarily overseen by Finance and Accounting. As such, the Concessionaire's financial information is used as necessary for Department accounting and reporting. Reliance on Finance and Accounting for financial oversight limits necessary financial monitoring and review of reports from an Agreement management perspective. The Concessionaire has provided the Department access to reconciliation reports and multiple types of reservation detail reports. However, the Contract Manager did not demonstrate a consistent process for monitoring these reports for accuracy of revenues, fees, and transactions.

Recommendation:

We recommend the Division address documented performance standard shortfalls with the Concessionaire and assess financial consequences where applicable. Going forward, the Division should also incorporate CRS functional performance expectations and consequences in future amendments and Agreements. We also recommend the Division develop a process for financial monitoring and oversight that is managed by the Contract Manager with less reliance on Finance and Accounting. This should incorporate a documented monthly review of transaction, revenue, and fee reports for assurance of their accuracy and consistency.

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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 review 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 review was conducted by Valerie J. Peacock and supervised by Candie M. Fuller.

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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Rick Scott
Governor
Carlos Lopez-Cantera
Lt. Governor
Noah Valenstein
Secretary

Memorandum

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

FROM: Bryan Bradner, Assistant Director (BB)
Division of Recreation and Parks

SUBJECT: Audit of MY-0210 With ReserveAmerica, LLC.

DATE: February 6, 2019

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

Finding 1: Reconciliation of Revenues

General Conditions Paragraph 8.B. of the Agreement states, *The Concessionaire shall provide to the Department the reconciliation of the Account balance that agrees with the Concessionaire's monthly collection and distribution reports.* CRS reports do not provide financial information consistently between reports used for Account reconciliation, reports used for the Department's accounting of revenue by object codes, and reports supported by customer transactions. During FY 2017-2018 financial differences between reports were as follows:

FY 2017-2018 CRS Deposits and Sales Export Report			
1		2	3
Deposits	Revenue per Monthly Reconciled Receipts	Sales Export Report (CRS Transaction Locations) (FIN-EXP-008)	Receipt Distribution Total Revenue (FIN-DSTR-002)
\$26,645,183.1	\$26,670,973.39	\$27,893,627.30	\$26,619,877.9
Concession Fees Withdrawn from the	Concession Fees Per Reconciled Receipts	Concession Fees Per Sales Export Report (FIN-EXP-008)	Receipt Distribution Concession Fees (FIN-
\$3,250,145.24	\$3,250,144.24	\$3,406,173.25	\$3,405,850.48

While variations between Account activity and monthly reconciled receipts were not significant, these differences did not reconcile with adjustments supported by customer reservation and transaction detail. Reconciled receipts are based on a beginning revenue amount credit card batch listing that is not supported by customer transactions. Only a portion of the reconciliation adjustments were supported by customer transaction information. As a result, the Department is reliant on inconsistent financial information in accounting for Division-wide CRS revenue and Concessionaire fees.

According to Finance and Accounting and BOS staff, the Department has worked historically with the Concessionaire to resolve challenges with reliability and consistency of CRS reports. Based on discussions with the Concessionaire, differences between reports are attributed to timing, refunds, and other adjustments. While the Concessionaire has been responsive to resolve reporting concerns, reported information through the CRS remains inconsistent and not completely supported by customer transaction detail.

The Agreement Scope of Services contains performance measure requirements for monthly reconciliation of the Account to the monthly Sales Export Report (FIN-EXP-008) and the monthly Recipient Distribution Detail Report (FIN-DSTR-002). Although a monthly reconciliation has been provided, the amounts used for reconciliation do not represent CRS Sales Export Report revenue collected by object code and Park location nor the Recipient Distribution Detail Report.

Recommendation

We recommend the Division work with the Concessionaire to ensure the Account is reconciled with revenue amounts that agree with the Concessionaire's monthly collection and distribution reports. The Account should be reconciled to collection reports which document Park revenue by object code and to distribution reports which document customer reservation and POS transactions.

Given the reporting limitations of the CRS under the current Agreement, we also recommend the Division develop a comprehensive scope of accounting methodologies and reporting requirements that are founded on the Department's system of accounting by object code. This should include required consistency and detailed customer transaction support for all reports and accounting reconciliations. The requirements established in this scope of work should be made part of CRS Agreements going forward and should be sufficiently demonstrated by the Concessionaire and tested by the Division prior to Agreement execution.

Division Response:

The Division agrees with the finding. The Division will work with the Concessionaire to ensure the Account is reconciled with revenue amounts that agree with the Concessionaire's monthly collection and distribution reports and will establish a comprehensive scope of accounting methodologies and reporting requirements founded on the Department's system of accounting by object code that will be part of CRS agreements going forward.

Finding 2: Application of Fees

According to Amendment 1 of the Agreement, POS fees during FY 2017-2018 were to be assessed at 2.25% of all POS transactions. However, due to POS functional challenges, the Concessionaire and Division management verbally agreed that the Concessionaire's POS fees would remain at a rate of 1.5%, which was the Agreement rate for FY 2016-2017. During the course of this review, the Concessionaire indicated that beginning September 2018, a POS fee increase from 1.5% to 2.25% would take effect. Regarding departure from the Agreement terms, BOS management stated, *while issues remain with certain aspect of basic functionality, parks are utilizing the day-use point of sale system in a manner defined by the agreement*. There has been no amendment to the Agreement or documentation between BOS and the Concessionaire of this understood fee change.

Recommendation

We recommend the Division ensure that all agreed upon changes in fee structure are documented by formal amendment to the Agreement.

Division Response:

The Division agrees with the finding. The Division will ensure that all changes in fee structure are documented by formal amendment.

Finding 3: Force Majeure Event

Paragraph 20 of the Agreement states that *when a force majeure event takes place, the Concessionaire shall not be entitled to collect, receive, or charge any cancellation or transfer fees*. In September 2017, a storm event that impacted the majority of the state resulted in state-wide camping cancellations, transfers and a revenue deficit of - \$201,260.75 according to the Reconciliation Report. Refunds issued during September 2017 totaled \$1,838,948.18 per the Issued Refund Report (FIN-RFND-001). According to the Sales Export Report, the Concessionaire's September 2017 state-wide cancellation fees were \$60,724.00 and transfer fees were \$18,882.00. When notified by the Department subsequent to the event, the Concessionaire reimbursed the Department \$38,313.00 for cancellation fees that were calculated to be charged as a result of the hurricane event. This amount was accepted by the Contract Manager; however, there was no documentation of an independent review of the final refund accepted.

Recommendation

We recommend the Division put processes in place to provide formal notice to the Concessionaire of a force majeure event with the affected areas to ensure that no cancellation or transfer fees are collected as a result of the event. Going forward, if fees are inadvertently charged during a force majeure event, the Division should ensure adjusted amounts and transactions are independently reviewed and verified prior to acceptance.

Division Response:

The Division agrees with the finding. The Division will adopt processes to formally notice the Concessionaire of force majeure events consistent with terms of the agreement and will independently review and verify transaction amounts prior to acceptance of amounts due.

Finding 4: Management Oversight and Concession Performance

The Scope of Services in the Agreement contains performance requirements and financial consequences regarding reporting, reconciliation, reservation services, agent response, and terms and conditions. BOS staff provided information regarding challenges with the Concessionaire's reporting inconsistencies, implementation of the POS component, as well as general CRS functionality regarding annual pass and gift card sales, application of sales tax rate and object codes, refunds and voids, access to information, and inconsistent reporting. There were no assessments for performance regarding inaccurate tax calculations. The Agreement performance requirements do not address performance expectations and consequences regarding specific CRS or POS functional components.

Oversight of financial reports and receipts is primarily overseen by Finance and Accounting. As such, the Concessionaire's financial information is used as necessary for Department accounting and reporting. Reliance on Finance and Accounting for financial oversight limits necessary financial monitoring and review of reports from an Agreement management perspective. The Concessionaire has provided the Department access to reconciliation reports and multiple types of reservation detail reports. However, the Contract Manager did not demonstrate a consistent process for monitoring these reports for accuracy of revenues, fees, and transactions.

Recommendation

We recommend the Division address documented performance standard shortfalls with the Concessionaire and assess financial consequences where applicable. Going forward, the Division should also incorporate CRS functional performance expectations and consequences in future amendments and Agreements. We also recommend the Division develop a process for financial monitoring and oversight that is managed by the

Valerie Peacock, Audit Director
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February 6, 2019

Contract Manager with less reliance on Finance and Accounting. This should incorporate a documented monthly review of transaction, revenue, and fee reports for assurance of their accuracy and consistency.

Division Response:

The Division agrees with the finding. The Division will assess financial costs and will address documented deficiencies with the Concessionaire. The Division will develop a process for financial monitoring and oversight that is managed by the Contract Manager and additional Division staff and resources with less reliance on Finance and Accounting.



December 14, 2018

Florida Division of Recreation and Parks
Office of Inspector General
3900 Commonwealth Blvd MS 41
Tallahassee, FL 32399

Re: Review of Agreement MY-0210 with ReserveAmerica, LLC and Division of Parks and Recreation

Ms. Peacock and Ms. Fuller:

We are in receipt of Report: A-1718DEP-030 providing the results of the audit conducted with respect to agreement MY-0210 between the Florida Department of Environmental Protection Division of Parks and Recreation and ReserveAmerica, LLC.

The report includes certain findings and recommendations relating to our company's performance in relation to that agreement. ReserveAmerica would like to provide additional information pertinent to those findings and ask that the information be retained on the record.

Section - "Other Areas of Performance Concern" indicated that:

"BOS staff provided a listing of CRS performance concerns which are tracked in a spreadsheet. These included challenges in implementing the POS component and general CRS functionality regarding annual pass and gift card sales, refunds and voids, access to information, and inconsistent reporting. The Agreement does not contain performance requirements and financial consequences in these areas."

ReserveAmerica's Response:

The spreadsheet identified was used to track multiple ongoing initiatives relating to this agreement.

Implementing the POS component posed unique challenges for both of our organizations due to:

- Infrastructure/connectivity limitations at many park locations
- State-mandated IT requirements created challenges in updating remote equipment
- Sale, tracking and reporting of information pertaining to advanced day use entry including pass usage represented a new application of the POS solution

Deployment of a gift card program and pass sales are both commonly used modules enjoyed and utilized successfully by many of our partner States.



Problems encountered when handling refunds and voids in relation to these programs was due to inconsistent processes being followed in the parks and in some cases a lack of system knowledge. To address these issues ReserveAmerica provided the Division with updated guides and conducted refresher training on how to perform voids and mark refunds that require a Division managed check refund. Additionally, system enhancements were deployed to streamline the workflows for park users and alleviate some of the analysis that was required by Division finance staff who were trying to identify valid Division managed refunds needing to be issued.

Section Finding 1: Reconciliation of Revenues indicated that:

General Conditions Paragraph 8.B. of the Agreement states, *The Concessionaire shall provide to the Department the reconciliation of the Account balance that agrees with the Concessionaire’s monthly collection and distribution reports.* CRS reports do not provide financial information consistently between reports used for Account reconciliation, reports used for the Department’s accounting of revenue by object codes, and reports supported by customer transactions. During FY 2017-2018 financial differences between reports were as follows.

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Concession Fees Withdrawn from the Account	Concession Fees Per Reconciled Receipts	Concession Fees Per Sales Export Report (FIN-EXP-008)	Receipt Distribution Concession Fees (FIN-DSTR-002)
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While variations between Account activity and monthly reconciled receipts were not significant, these differences did not reconcile with adjustments supported by customer reservation and transaction detail. Reconciled receipts are based on a beginning revenue amount credit card batch listing that is not supported by customer transactions. Only a portion of the reconciliation adjustments were supported by customer transaction information. As a result, the Department is reliant on inconsistent financial information in accounting for Division-wide CRS revenue and Concessionaire fees. According to Finance and Accounting and BOS staff, the Department has worked historically with the Concessionaire to resolve challenges with reliability and consistency of CRS reports. Based on discussions with the Concessionaire, differences between reports are attributed to timing, refunds, and other adjustments. While the Concessionaire has been responsive to resolve reporting concerns, reported information through the CRS remains inconsistent and not completely supported by customer transaction detail.



The Agreement Scope of Services contains performance measure requirements for monthly reconciliation of the Account to the monthly Sales Export Report (FIN-EXP-008) and the monthly Recipient Distribution Detail Report (FIN-DSTR-002). Although a monthly reconciliation has been provided, the amounts used for reconciliation do not represent CRS Sales Export Report revenue collected by object code and Park location nor the Recipient Distribution Detail Report.

Recommendation:

We recommend the Division work with the Concessionaire to ensure the Account is reconciled with revenue amounts that agree with the Concessionaire's monthly collection and distribution reports. The Account should be reconciled to collection reports which document Park revenue by object code and to distribution reports which document customer reservation and POS transactions.

Given the reporting limitations of the CRS under the current Agreement, we also recommend the Division develop a comprehensive scope of accounting methodologies and reporting requirements that are founded on the Department's system of accounting by object code. This should include required consistency and detailed customer transaction support for all reports and accounting reconciliations. The requirements established in this scope of work should be made part of CRS Agreements going forward and should be sufficiently demonstrated by the Concessionaire and tested by the Division prior to Agreement execution.

ReserveAmerica's Response:

Per Exhibit "B" of the current concession agreement, ReserveAmerica has developed and routinely delivered all the reports as required including but not limited to the following:

1. Executive Summary Report

This report combines information from the following sources to create a summary overview of Park camping reservation activities for the month. DEP provides the Parks local bank account info.

- a) FIN-EXP-008 Revenue report
- b) FIN_DSTR-002 Distribution Detail Report
- c) DEP Parks Local Bank Account reports

2. Reconciliation of Concessionaire's Collections and Distributions Report

This report reconciles information from the FIN-EXP-008 and FIN-DSTR-002 reports to the Bank Reconciliation. In order to reconcile, this report identifies transactions reflected in the Bank Reconciliation that are excluded from the FIN-EXP-008 and FIN-DSTR-002 reports. The Report also identifies transactions reflected in the FIN-EXP-008 and FIN DSTR-002 reports that are not included in the Bank Reconciliation Report.

3. The Monthly Sales Export (FIN-EXP-008) was designed specifically for the Division through joint development sessions. The export was designed to assist the Division in migrating transactional data from the CRS to the Divisions financial systems through a monthly file which could be uploaded and parsed by the Division's financial system to



avoid human input error. The Florida Monthly Export (FIN-EXP-008) includes several sub reporting tabs:

- a) Summary Report
- b) Sales Export
- c) Deposits and Refunds Paid
- d) Pending Refunds Payable Export
- e) Approved Refunds Payable Export
- f) Refunds less than \$5.00
- g) Refunds Issued from Prior Months
- h) Accounts Payable Difference Export (Includes a tab which lists transactions that make up the A/P difference)

- 4. The Recipient Distribution Detail Report summarizes collections, distributions to the concessionaire for transaction fees, and distributions to DEP for revenues collected by reservation number. The report includes collections through the call center, internet site and parks that utilize the CRS.

The reports listed were tailored to meet the financial reconciliation needs identified by the Division and in many cases designed through requirements gathering, scope document review and approval sessions in collaboration with the Division, some going as far back as 2007, and have been maintained and updated as necessary to meet the evolving needs of the Division throughout our partnership.

ReserveAmerica is happy to provide an on-site review of the financial reports and tools with appropriate Division staff early in the new year (2019). ReserveAmerica welcomes discussions with the Division to both discover and address any concerns or questions pertaining to the financial reconciliation process or reporting needs.

Section Finding 3: Force Majeure Event indicated that:

Paragraph 20 of the Agreement states that when a force majeure event takes place, the Concessionaire shall not be entitled to collect, receive, or charge any cancellation or transfer fees.

In September 2017, a storm event that impacted the majority of the state resulted in statewide camping cancellations, transfers and a revenue deficit of -\$201,260.75 according to the Reconciliation Report. Refunds issued during September 2017 totaled \$1,838,948.18 per the

Issued Refund Report (FIN-RFND-001). According to the Sales Export Report, the Concessionaire's September 2017 state-wide cancellation fees were \$60,724.00 and transfer fees were \$18,882.00. When notified by the Department subsequent to the event, the Concessionaire reimbursed the Department \$38,313.00 for cancellation fees that were calculated to be charged as a result of the hurricane event. This amount was accepted by the Contract Manager; however, there was no documentation of an independent review of the final refund accepted.



Recommendation: We recommend the Division put processes in place to provide formal notice to the Concessionaire of a force majeure event with the affected areas to ensure that no cancellation or transfer fees are collected as a result of the event. Going forward, if fees are inadvertently charged during a force majeure event, the Division should ensure adjusted amounts and transactions are independently reviewed and verified prior to acceptance.

ReserveAmerica's Response:

ReserveAmerica concurs with the audit recommendation and has already taken steps to update our procedures for handling force majeure events to capitalize on lessons learned in 2017. We will utilize system generated reports to account for and audit Force Majeure Event related vendor fee waivers versus previously used customized SQL queries.

Going forward ReserveAmerica will utilize the "Distributed Vendor Fee Detail Report" to identify any vendor fees charged to the Division for the application transactions resulting from the Force Majeure event declaration. This report was designed specifically to enable the Division to audit vendor fees. The report provides a list of transactions with relevant details such as the amount of the vendor fee that was charged, the sales channel through which it was generated, and the date it was charged.

Additionally, we will be providing a copy of the "Facility Void / Cancel" report, which generates a list of transactions that were impacted by Force Majeure activities, where we did not charge a vendor fee (waived as part of a batch cancellation).

Lastly, we will provide a list of customers who self-serve cancelled via the website, where the system applied the typical penalties for a cancellation but who would have had fees waived because of the Force Majeure declaration. Refunds will be issued to these customers as well as reversal of any vendor fees charge (these are captured on the distributed vendor fee detail report referenced above).

All the reports being utilized to perform this audit are system generated and can be verified independently by the Division.

We look forward to our continued partnership. As always feel free to contact me if you have any questions or concerns.

Sincerely,

Av Gill
Director, Client Services | Aspira

CC:
Susan Grant, Aspira
Seth Rosenberg, Aspira
Mark Trivette, Aspira

Report: A-1718DEP-030

OIG Comment of Clarification Regarding Concessionaire's Response

Finding 1: Reconciliation of Revenues

As stated in the report, the revenue listing by object code is provided to the Department for the purpose of developing the Division's monthly revenue summaries. However, this listing is not reconciled to the Account. The Concessionaire provides the Department a monthly Reconciliation Report which can be reconciled to the Account. This report reconciles a listing of monthly credit batch summaries to the Account. Credit card batch listings used for the monthly reconciliation do not come directly from the Sales Export Report or from the Receipt Distribution Detail Report. As such, these batch amounts do not contain customer reservation transaction and revenue location detail.

Our recommendation to the Division is to work with the Concessionaire to ensure the Account is reconciled with revenue amounts that agree with the Concessionaire's monthly collection and distribution reports. The Account should be reconciled to collection reports which document Park revenue by object code and to distribution reports which document customer reservation and POS transactions.