

**Review of Short Term Special Event Permit
STSEP-0101-R with Fancy Camps, LLC
at Topsail Hill Preserve State Park**

Division of Recreation and Parks

Report: A-1718DEP-029

Office of Inspector General

Internal Audit Section

Florida Department of Environmental Protection

August 6, 2018

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Tallahassee, Florida 32399-3000

<https://floridadep.gov/>





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The Office of Inspector General (OIG) conducted a review of Short Term Special Event Permit STSEP-0101-R (Permit) between the Division of Recreation and Parks (Division), and Fancy Camps, LLC (Permittee) at Topsail Hill Preserve State Park (Park). This review was initiated as a result of the Fiscal Year (FY) 2017-2018 Annual Audit Plan.

Scope and Objectives

The scope of the review included Permit activities during the period of July 1, 2017, through September 30, 2017, as well as current practices. The objectives were to:

- determine the accuracy of reported activities and payments as required under the Permit
- evaluate management oversight of the Permit

Methodology

This review 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 Permittee and Park management, as well as a review of Permittee and Park records.

Background

Section 258.007, F.S., allows the Division to grant permits for public use in parks for visitor accommodations without advertisement or securing competitive bids. The Division entered into an agreement with the Permittee to offer excursion camping accommodations on select campsites for Park visitors. The Permit was executed January 1, 2017, for a one-year term. A new Permit (250-4517) was executed at the end of the term and expires June 30, 2018. The Permit allows the following services to be provided:

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- overnight accommodations
- recreational equipment rentals
- food services
- event planning and catering services
- interpretive/educational programs and tours
- transportation services

Under the Permit, two designated tent campsites are available for excursion reservations. The Permit requires the Permittee to pay the Department a monthly fee equal to the base tent camping fee for each night of occupancy per site (\$24.00/night) and 10% of total gross sales for all its operations within the Park, plus applicable state use tax. In addition to excursion reservations, the Permittee provides visitors the option to add additional services or amenities. Total gross sales, for the purpose of the Permit, is defined as all sales of goods, inventory, equipment, food, vending, and services generated as a result of the Permittee's operations at or associated with the Park. According to the Division of Administrative Service's Contract Payment Report, the Permittee paid \$11,348.43 in fees and commissions during calendar year 2017.

Results and Conclusions

Accuracy of Payments and Permit Requirements

Based on observations during our site visit and discussions with Park management, both campsites designated for Permittee services were well maintained. The Permittee offers excursion reservations for the two campsites through a web-based¹ reservation system.

¹ fancycamps.com

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According to the Permittee's website, accommodation fees, reservation fees, and additional campsite amenities available to visitors include the following.

Service	Fee²
Accommodations Per night	\$130.00
Reservation Fee Per night	\$ 9.10
Camping Stove	\$16.05
Firewood	\$26.75
Additional Queen Bed	\$53.50
Child Beach Cruiser Bicycle Rental	\$26.75
Adult Beach Cruiser Bicycle Rental	\$37.45

The Park Manager indicated that the Permittee reports upcoming reservations to the Park through email correspondence. This information is entered into the Park's point of sale system.

The Permittee is required to submit all monthly fees and taxes to the Park Manager each month, along with the Monthly Report of Gross Sales form specified in Exhibit A of the current Permit. This form has not been used. Alternatively, the Permittee provides the Park a monthly listing of reservations and associated revenues, which includes visitor information, reservation dates, base fee amounts, and applicable amenity revenue. While the report provides additional amenity revenue for each reservation, it does not list the specific amenity, unit cost, or quantity associated with this revenue or consistent support documentation necessary to verify the associated quantities and amounts.

For the sampled period of July 1, 2017, to September 30, 2017, we requested point of sale daily summaries and transaction detail documentation for reported reservation revenue. The Permittee did not provide summaries due to the inclusion of revenue from other parks and

² Prices for amenities include tax

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external sources. The point of sale documents provided included varying types of itinerary reports, transaction detail reports, invoices, and activity reports associated with the reservations. On several of these documents, reservation totals did not include transaction detail of all associated services and charges. As a result, differences between reported and documented sales lacked specific amounts necessary for reconciliation. We requested additional documentation to support missing reservation details; however, the Permittee did not respond to this request.

Reported monthly revenues, fees, and commission payments, as well as amounts supported by point of sale documents were as follows:

Excursion Revenue, Fees, and Commissions						
	1	2	3			
Month/ Year	Base Fee (\$24/Night)	Total Gross Sales Including Amenities	10% Gross Sales	Department Payment (1+3)	Date Payment Received	Total Sales Per Point of Sale Documentation
July 2017	\$1,411.92	\$7,370.01	\$737.00	\$2,148.92	8/23/2017	\$8,047.20
August 2017	\$452.88	\$2,400.00	\$240.00	\$692.88	9/22/2017	\$2,634.10
September 2017	\$452.88	\$2,230.00	\$223.00	\$675.88	10/28/2017	\$2,394.40
Total	\$2,317.68	\$12,000.01	\$1,200.00	\$3,517.68		\$13,075.70

Monthly payments included the total of reported nightly base fees plus 10% of gross sales. For the three months sampled, reported gross sales were \$1,075.69 less than amounts reflected on point of sale documents. A portion of this difference was likely due to applied taxes; however, differences between reported and documented point of sale revenue for several reservations were greater than amounts applicable to tax calculations.

During the review period, 11 reservation cancellations were listed on the monthly report with no point of sale support for the cancelled transactions. The point of sale documents provided included four reservations with partial refunds totaling \$831.40. Reservation

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cancellations and refunds were not supported by a ledger. In addition, guest information for the refunds did not correspond to the 11 listed reservation cancellations.

Processes currently in place at the Park regarding excursion camping service reservation coordination, notification, and methods for reported revenues are not addressed in the permit and are primarily a result of informal correspondence between the Permittee and the Division. The Minimum Accounting Requirements included in Exhibit B of the current Permit contain standard concession agreement requirements, which apply to entities operating a separate business under agreement within a specific park. The Permittee's centralized web based reservation system serves additional state parks and external locations. As a result, the Permit's required separate bank accounts have not been established and electronic cash registers are not used. In addition, an applicable provision for a secure, computerized system for managing reservations and Payment Card Industry (PCI) Data Security Standards (DSS) compliance is not included in the Permit.

Management Oversight

Paragraph 8 of the Permit requires the Permittee to submit monthly commission fees and applicable taxes no later than the 20th of each month. Payments received after the due date shall result in a late fee being assessed in the amount of 1% the current amount due for each day the payment is late. At the Department's discretion, late fees may be waived based on documented circumstances beyond reasonable control of the Permittee. According to the Park's documented receipts, commission payments were received past the required due date for each of the three sampled months. The Permittee was not assessed late fees and there was no documentation provided to support approval of the exception.

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Paragraph 16 of the Permit requires the Department to conduct a sexual predator and sexual offender check on the Permittee's Manager and its officers prior to executing the Permit. Based on discussions with staff from the Office of Operations and Park management, these checks were not obtained.

Paragraph 7 of the current Permit requires the Permittee to provide a Safety Plan for review by the Park and District and final approval by the Department Safety Officer. According to the Park Manager and the Department Safety Officer, the required Safety Plan had not been submitted. Our findings and recommendations are included in the remainder of this report.

Findings and Recommendations

Finding 1: Permit Agreement Requirements

Based on Paragraph 6 of the current Permit Minimum Accounting Requirements, *all adjustments to gross sales, such as customer refunds, shall be recorded in the ledger or journal using a separate entry. Source documents, such as daily cash register tapes, Permittee's copy of pre-numbered receipts and use schedules for pre-numbered tickets, shall be retained to support recorded gross sales and sales tax collections. Adjustments to gross sales shall be supported by source documents such as customer signed receipts and cancelled checks.* The processes and reporting mechanisms currently in place are primarily a result of informal correspondence between the Permittee and Division management. Based on our review, reported gross sales were supported by differing types of point of sale documents with inconsistent transaction detail. In addition, reservation cancellations were not supported by daily summaries, a ledger, or other source documents. Refunds were also not supported by a ledger. Reported amenity revenue

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lacked detail and consistent support documentation necessary to verify the associated quantities and amounts.

The Permit requires the Permittee to report revenue to the Florida Department of Revenue (DOR) for applicable sales tax. The Permit Minimum Accounting Requirements also requires the Permittee to establish bank accounts solely for operations under the agreement. However, since the Permittee's business includes revenue from separate park Short Term Permit Agreements, and services external to the Department, comprehensive financial summaries were not provided. As such, we were unable to verify the total revenue and transaction detail included in the Permittee's monthly reported revenues.

Given the type of business and the Permittee's continuous presence in the Park, the use of a Short Term Permit Agreement and the language contained therein is not an effective instrument for the agreement. Functional aspects of the Permittee's operations align with those of a concession agreement and involve financial processes and service activities specific to a centralized reservation provider. The current Permit also lacks requirements applicable for a secure, computerized system for managing reservations and PCI DSS compliance. Without this requirement, the Department has no assurance visitors' financial information is secure.

Recommendation:

We recommend the Division take steps to revise the agreement to address requirements specific to the Permittee's web-based excursion service. Since the services provided warrant assurances beyond those normally provided under a Short Term Permit Agreement, the revised agreement should be structured as a concession with clear and service specific performance expectations. The agreement should include requirements for notification, coordination,

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reporting, controls, and financial support documentation. This would also include requirements regarding PCI and DSS compliance with respect to visitor information and financial transactions.

Finding 2: Management Oversight

Based on our review, Park and Division management had not provided effective oversight for several requirements of the Permit. These included the following:

- Paragraph 8 requires payment of monthly commission fees and applicable taxes by the 20th of each month and outlines penalties for late submissions. Payments received for the three months included in our review were received past the required due date with no assessment of penalty fees or documented justification for the fee waiver.
- Paragraph 16 requires that the Department conduct a sexual predator and sexual offender check on the Permittee's Permit Manager and its officers prior to executing the Permit. Based on discussions with staff from the Office of Operations and Park management, these checks were not obtained.
- Paragraph 7 requires the Permittee to provide a Safety Plan for review by the Park and District and final approval by the Department Safety Officer. According to the Park Manager and the Department Safety Officer, the required Safety Plan had not been obtained.

Without an effective process for monitoring and verification, these circumstances expose the Department to financial and security risk.

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Recommendation:

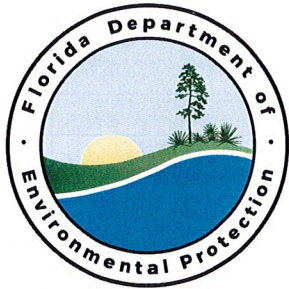
Consistent with the recommendation in Finding 1, we recommend processes be put in place to ensure compliance with current Permit requirements. Going forward, the Division should ensure required elements are secured timely as specified in the agreement.

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.

*Valerie J. Peacock,
Director of Auditing*

*Candie M. Fuller,
Inspector General*



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Carlos Lopez-Cantera
Lt. Governor

Noah Valenstein
Secretary

Memorandum

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

FROM: Chuck Hatcher, Assistant Director
Division of Recreation and Parks

A handwritten signature in purple ink, appearing to read "Chuck Hatcher", is written over the "FROM:" line.

SUBJECT: Review of Short Term Special Event Permit STSEP-0101-R with Fancy Camps, at Topsail Hill Preserve State Park

DATE: August 2, 2018

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

Finding 1: Permit Agreement Requirements

Based on Paragraph 6 of the current Permit Minimum Accounting Requirements, *all adjustments to gross sales, such as customer refunds, shall be recorded in the ledger or journal using a separate entry. Source documents, such as daily cash register tapes, Permittee's copy of pre-numbered receipts and use schedules for pre-numbered tickets, shall be retained to support recorded gross sales and sales tax collections. Adjustments to gross sales shall be supported by source documents such as customer signed receipts and cancelled checks.* The processes and reporting mechanisms currently in place are primarily a result of informal correspondence between the Permittee and Division management. Based on our review, reported gross sales were supported by differing types of point of sale documents with inconsistent transaction detail. In addition, reservation cancellations were not supported by daily summaries, a ledger, or other source documents. Refunds were also not supported by a ledger. Reported amenity revenue lacked detail and consistent support documentation necessary to verify the associated quantities and amounts.

The Permit requires the Permittee to report revenue to the Florida Department of Revenue (DOR) for applicable sales tax. The Permit Minimum Accounting Requirements also requires the Permittee to establish bank accounts solely for operations under the agreement. However, since the Permittee's business includes revenue from separate park Short Term Permit Agreements, and services external to the Department, comprehensive financial summaries were not provided. As such, we were unable to verify the total revenue and transaction detail included in the Permittee's monthly reported revenues.

Given the type of business and the Permittee's continuous presence in the Park, the use of a Short-Term Permit Agreement and the language contained therein is not an effective instrument for the agreement. Functional aspects of the Permittee's operations align with those of a concession agreement and involve financial processes and service activities specific to a centralized reservation provider. The current Permit also lacks requirements applicable for a secure, computerized system for managing reservations and PCI DSS compliance. Without this requirement, the Department has no assurance visitors' financial information is secure.

Recommendation

We recommend the Division take steps to revise the agreement to address requirements specific to the Permittee's web-based excursion service. Since the services provided warrant assurances beyond those normally provided under a Short-Term Permit Agreement, the revised agreement should be structured as a concession with clear and service specific performance expectations. The agreement should include requirements for notification, coordination, reporting, controls, and financial support documentation. This would also include requirements regarding PCI and DSS compliance with respect to visitor information and financial transactions.

Division Response:

Agree. The Short-Term Special Event Permit was replaced with a Commercial Use Agreement, effective July 1, 2018. The Commercial Use Agreement is structured to address the specific requirements for notification, coordination, reporting, controls, and financial support documentation. This includes requirements for PCI and DSS compliance with respect to visitor information and financial transactions.

Finding 2: Management Oversight

Based on our review, Park and Division management had not provided effective oversight for several requirements of the Permit. These included the following:

- Paragraph 8 requires payment of monthly commission fees and applicable taxes by the 20th of each month and outlines penalties for late submissions. Payments received for the three months included in our review were received past the required due date with no assessment of penalty fees or documented justification for the fee waiver.
- Paragraph 16 requires that the Department conduct a sexual predator and sexual offender check on the Permittee's Permit Manager and its officers prior to executing the Permit. Based on discussions with staff from the Office of Operations and Park management, these checks were not obtained.
- Paragraph 7 requires the Permittee to provide a Safety Plan for review by the Park and District and final approval by the Department Safety Officer. According to the Park Manager and the Department Safety Officer, the required Safety Plan had not been obtained.

Without an effective process for monitoring and verification, these circumstances expose the Department to financial and security risk.

Recommendation

Consistent with the recommendation in Finding 1, we recommend processes be put in place to ensure compliance with current Permit requirements. Going forward, the Division should ensure required elements are secured timely as specified in the agreement.

Division Response:

- Agree. Park Manager and Administrative Assistant have created monthly calendar reminders to trigger an email reminder to Fancy Camps, if needed. If the payment is expected past the 20th of the month, they will be assessed the 1% late fee as identified in the contract unless the reason for being late is beyond the concessionaire's control. An additional note will be added to the comments section of the Daily Deposit Worksheet identifying when the payment was physically received.
- Agree. Sexual Predator checks have been updated and completed for the Permit Manager and Officer's as required. Copies of these have been placed in the appropriate folder on the SharePoint site.

Valerie Peacock, Audit Director
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- Agree. A Safety Plan has been reviewed and approved by the Park Manager and submitted on the SharePoint site and in the future, Safety Plans will be reviewed and approved by the Department Safety Officer.