



Department of Environmental Protection Office of Inspector General

June 20, 2023

Report A-2223DEP-009

Audit of Agreement CA-0219 with Caladesi Island Connection

INTRODUCTION

The Florida Department of Environmental Protection (Department) Office of Inspector General (OIG) conducted an audit of Agreement CA-0219 (Agreement) between the Division of Recreation and Parks (Division) and Caladesi Island Connection, Inc., (Concessionaire) at Caladesi Island State Park (Park). This audit was initiated as a result of the OIG Annual Audit Plan for Fiscal Year 2022-2023.

AUDIT SCOPE, OBJECTIVES, AND METHODOLOGY

The scope of the audit included Concessionaire activities and financial records during the period beginning January 1, 2020, to current activities.

The objectives of the audit were to:

- Determine the accuracy of reported gross sales.
- Determine whether the Concessionaire is operating in compliance with the Agreement.
- Evaluate Park management oversight of Concessionaire activities and performance.

To achieve our audit objectives, our methodology included:

- Reviewing applicable statutes, regulations, and internal operating procedures.
- Conducting analyses of Concessionaire and Park records to include Concessionaire activities and financial documents.
- Interviewing the Concessionaire, Concessionaire's employees, Park Manager and Division staff, and conducting a site visit at the Park.

BACKGROUND

Agreement CA-0219 was executed on January 27, 2020. The term of the Agreement commenced on January 1, 2020, and will expire on November 30, 2025. The Agreement authorizes the Concessionaire to provide a scheduled ferry service to transport visitors from Honeymoon Island State Park to Caladesi Island State Park and back. This service is to include two U.S. Coast Guard approved vessels that carry a minimum of 45 passengers.

The Concessionaire will pay the Department a commission fee equal to 17% of Total Gross Sales each month, but not less than \$130,000.00 annually. Total Gross Sales includes all sales of the ferry services as specified in the Agreement. The Concessionaire is required to submit the monthly commission fee, plus the applicable State Use Tax and any other fees or payments due, along with the Monthly Report of Concessionaire's Total Gross Sales (Monthly Report) through

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the Park Manager, no later than the 20th day of each month following the month the Gross Sales were collected by the Concessionaire. According to the 2021 Profit and Loss Statement, the Concessionaire reported \$1,007,596.23 in gross sales and paid \$171,291.35 in commission fees.

RESULTS OF AUDIT

During the audit, we reviewed documentation provided by the Concessionaire and the Department to determine compliance with the Agreement. Based on our review, we found the following:

Accuracy of Reported Gross Sales

According to the Agreement, the Concessionaire is required to submit the amount of total gross sales monthly to the Department per the Monthly Report. The total gross sales, for 2021, reported to the Department was \$1,007,596.23. To determine the accuracy of reported gross sales, we first compared the Concessionaire's Monthly Reports, general ledger, and Department of Revenue DR-15 (DR-15) report.

Reported Gross Sales Comparison for January to December 2021		
Monthly Report of Total Gross Sales	General Ledger Gross Sales	Department of Revenue Report
\$1,007,596.23	\$1,007,599.29	\$1,007,596.23

Based on our review, the Monthly Reports submitted to the Department, appear to be generally consistent with the Concessionaire's General Ledger and the DR-15 report. However, we were unable to verify the accuracy of the amount reported due to the lack of supporting documentation and the Concessionaire's noncompliance with the Minimum Accounting Requirements outlined in the Agreement.

Point-of-Sale Procedures

According to the Agreement, the Concessionaire will use a system that will *contain an electronic record of each daily transaction by point of sale and/or by collection station and provide sequential numbered printed receipts for each transaction. Additionally, each record of transaction will be date stamped and timed and identify the cashier making the transaction.* Furthermore, to account for gross sales, the Agreement states that *the Concessionaire will retain source documents, such as daily cash register tapes, copies of pre-numbered receipts, and use schedules for pre-numbered tickets, to support recorded gross sales and sales tax collections.* To determine the accuracy of the gross sales reported to the Department, we reviewed point-of-sale documentation for the sample months of May and June 2021. Based on our review of the documentation, we found that there are no electronic records of each daily transaction or sequential numbered printed receipts because the cash register is not used for each sale or refund transaction. Instead, sales and refunds are added to the register at the end of the day as one transaction. We also found that all sales and refunds are entered as cash, regardless of the method of payment.

Tickets and Recording Sales

The Concessionaire provides passengers with a perforated paper ticket for the ferry ride to and from the Park. Each perforated section contains the pre-printed ticket number. The tickets consist of four colors: green, white, yellow and red. The green, white, and yellow tickets are distributed to paying customers. They are custom printed and include the name of the Concessionaire, whether the ticket is for an adult or child, and the full-price amount for the adult or child passenger. The

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red tickets are not custom printed but are generic tickets purchased at an office supply company. They only include the name of the office supply company and are pre-numbered.

Based on interviews with the Concessionaire, we found that red tickets are distributed in the following ways:

- As free tickets to passengers five years old and under
- As tickets identifying passengers who paid for discounted services on Groupon.
- As free tickets identifying employees from another Concessionaire and the Park.
- As free tickets identifying passengers given complementary ferry rides.

Although all tickets are perforated, neither section of the ticket is retained by the Concessionaire and used to verify the number of tickets distributed each day. Instead, in order to determine the sales to be entered into the register at the end of the day, employees use the starting number of the tickets for the day and a piece of “scratch paper.” The scratch paper used to record the daily sales is discarded and not retained. We reviewed ticket data reported to the Department during the sample months of May and June 2021, and compared it to the daily Manager’s Logs and Concessionaire’s Ticket Reconciliation reports. Based on our review, we determined that the number of tickets reported to the Department was inconsistent with the number of tickets and passengers reflected in the Manager’s Logs. Based on our analysis, we found the Concessionaire reported a total of 18,576 tickets to the Department; however, the Manager’s Logs reported 19,937 tickets distributed (see table below).

Ticket Totals for Sampled Months: May and June 2021						
Month	Tickets Sold: Manager’s Log	Red Tickets: Manager’s Log	Total Tickets After Refunds: Manager’s Log	Complementary Tickets: Monthly Reports	Total Tickets: Monthly Reports	Difference
May 2021	9,370	815	10,139	75	9,443	696
June 2021	9,083	752	9,798	53	9,133	665
Total	18,453	1,568	19,937	128	18,576	1,361

Based on our review, the Concessionaire did not report an accurate number of free tickets to the Department. The Monthly Reports submitted to the Department indicated 75 free tickets for May 2021, and 53 free tickets for June 2021. We determined 1,361 more tickets were distributed to passengers than reported to the Department. All 1,361 tickets were red tickets and had no source documentation to verify who received the tickets. Based on our review, we were unable to verify the accuracy of total gross sales due to point-of-sale transactions not being recorded, and pre-numbered receipts and ticket stubs not being retained.

Agreement Compliance

Compensation and Monthly Payment

According to the Agreement, the Concessionaire’s required commission rate is 17% of Total Gross Sales each month, but not less than \$130,000.00 annually. The Agreement also states that *the Concessionaire will provide the Department with a Monthly Report of Concessionaire’s Total Gross Sales. This report will include gross sales attributable to all subcontracts and be in the form attached hereto as Exhibit D, as it may be modified by the Department from time to time. Each monthly report will contain the required detail based upon Total Gross Sales for such month by point of sale. The Concessionaire will deliver the report and required payment(s) to the Park Manager no later than the 20th day of the succeeding month.* Upon review, the Concessionaire

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submitted accurate monthly commission payments based on the gross sales reported to the Department. Each payment included the required Monthly Report and was submitted before the 20th day of the month. During the course of the audit, we found that a directive from the Division was given to the Concessionaire adjusting the date Monthly Reports and commission payments were to be submitted. Based on a memorandum from the Division, the revised date for submission was the 5th day of the month. The directive went into effect August 5, 2020; however, we determined that no amendment to Agreement CA-0219 had been executed to support this change.

Cash Handling, Employee Supervision

Exhibit C, Minimum Accounting Requirements, of the Agreement states in part that *the Concessionaire will provide daily supervision over employees using the registers, and daily cash register totals should be verified at the end of the day, by a person not having access to cash.* During the site visit to the Park, we observed one ticket station with one cash register. The cash register had a visual display that faced customers; however, the register is not used for point-of-sale transactions. We also observed the cash register drawer was open with cash inside. Based on interviews with the Concessionaire, we found that the cash register drawer is never closed, but rather left open day and night.

Tickets sales are processed by one employee daily. The employee that processes the sales will also verify the cash and credit card sales, approve refunds, and reconcile the cash register at the end of the day. The same employee will then complete the bank deposit slip and take the cash home until a deposit is made at a later date. The daily cash register totals are not verified by another person that does not have access to cash, as required by the Agreement. During an interview, the Concessionaire shared that there is not always another employee in the ticket booth that could perform that oversight. We informed the Concessionaire that the Agreement states, *If a person, other than the employee handling the cash or cash-like items, is not available to verify and reconcile the cash register at the end of a day, the Concessionaire will designate the General Manager as the alternative internal control.*

Deposits

According to the Agreement, *if receipts exceed \$2,000.00, they will be deposited intact daily. If receipts do not exceed \$2,000.00 a day, they will be deposited intact periodically, which will be no more than a five-day work period. Un-deposited receipts will be stored in a secure manner – a safe is preferable.* Based on our review, we found that receipts exceeding \$2,000.00 are not deposited daily as required by the Agreement. Receipts under \$2,000.00 are deposited within five working days. However, since cash deposits are taken home by the employee at the end of the day, there is no assurance they are held in a secure location until deposited. Based on interviews with the Concessionaire, an employee will store cash deposits at their home, and will deposit the sales the following day, if the banks are open.

Pre- Numbered Receipts

According to the Agreement, at a minimum, pre-numbered receipts will include the following: *I. Clearly state the attraction or service purchased. II. Be designed to capture all pertinent sales data, such as: receipts for date; customer's name; items or service purchased; amount of sale; amount of sales tax collected; total collected; and salesperson's name or initials. III. Be at least two-copied (customer and record copy), each clearly identified. IV. Have a numbering sequence that is continuous and does not repeat itself any more often than every three years. Numbering sequence will be supported by vendor's invoice at minimum. V. Be issued to customers sequentially. Any breaks in the numbering sequences will be explained.* Based on documentation and interviews with the Concessionaire, we determined that receipts are distributed with inconsistent methods. The green, white, and yellow tickets, given to passengers, include the

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statement, “*This is your receipt & boarding pass. Please have available when boarding.*” The Concessionaire confirmed that the tickets are considered the customer’s receipt. However, the tickets do not include the date purchased, the customer’s name, the amount of the service if discounted, the amount of the sale, the total collected, or the identification of the salesperson as required by the Agreement. The red tickets that are provided to passengers are not printed with the same statement as above. There are no dates, times, or services designated on the red tickets. We also determined that passengers must request to keep the ticket. The portion stating it is the passenger’s receipt, is taken from the passenger when boarding the ferry on the return trip. Based on our review, pre-number receipts do not include all the minimum requirements of the Agreement.

Cash Register Receipts

According to the Agreement, at a minimum, cash register receipts will include the following: *I. Clearly state the attraction, rental or service purchased. II. Be designed to capture all pertinent sales data, such as: receipts for date and time; items or services purchased; amount of sale; amount of sales tax; total collected; and cashier’s identification. III. Have a numbering sequence by point of sale and/or by collection station that is continuous and does not repeat itself any more often than every three years; and IV. Be issued to customers sequentially. Any breaks in the numbering sequence will be explained.* If a customer requests a receipt other than the ticket provided, one from the cash register can be supplied. The employee will then provide a receipt from the register without recording it as a point-of-sale transaction. Based on our review, cash register receipts do not state the service purchased, produces an incorrect time and date stamp, does not indicate the amount collected, does not include the cashier’s identification, and does not produce a numbering sequence that does not repeat itself any more often than every three years. Also, the method of payment is not accurately indicated on the receipt since all transactions are designated as a cash transaction. Based on our review, cash register receipts do not include all the minimum requirements of the Agreement.

Refunds

To determine compliance with the Agreement regarding refunds, we reviewed all refunds collected during the sample months. We also interviewed the Concessionaire to determine the process of distributing refunds. According to the Agreement, *all adjustments to gross sales, such as customer refunds, will be recorded in the ledger or journal using a separate entry.* The Agreement also states in part, *at minimum customer refunds will be...maintained electronically within the point-of-sale system.* Refunds are not documented at the time of the transaction. Instead, like sale transactions, refunds are recorded in the register at the end of the day as one transaction. Refunds that are recorded in the register are entered as cash, regardless of how the sale was collected and the refund was distributed.

Refunds for May and June 2021					
Month/Year	Credit Card Refund Amount	Refunds Reported on Manager’s Log	Total Refund Amount: Manager’s Log	Refunds Reported to Division	Total Refund Amount: Division
May 2021	\$272.00	26	\$424.00	22	\$336.00
June 2021	\$322.01	9	\$128.00	9	\$128.00
Total	\$866.01	35	\$552.00	31	\$464.00

While reviewing the sample months of May and June 2021, we found refunded transactions were not accurately reported to the Department or recorded in the daily Manager’s Log. The Monthly Reports submitted to the Department for May and June 2021 indicated 31 refunds, in the amount of \$464.00. The Concessionaire’s daily Manager’s Logs recorded 35 refunds, totaling \$552.00,

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for the same months. However, while reviewing the daily credit card transactions for the sample months, a total of \$866.01 was refunded on credit cards alone. Based on interviews with the Concessionaire, we determined that the discrepancy of collected and reported refunds occurs because the Concessionaire does not record all adjustments to gross sales, such as customer refunds, as required by the Agreement. Instead, employees are allowed to resell refunded tickets. Because sales are not recorded in the register at the time of transaction, we could only determine the number of unreported credit card refunds based on the terminal's daily settlement reports.

The following are examples of unreported refunds:

- On May 23, 2021, a credit card was refunded \$64.00 from a purchase the day before.
- On May 26, 2021, a credit card was charged \$56.00. Two transactions later, the same card was refunded \$16.00.
- On June 3, 2021, a credit card was charged \$64.00. The same credit card shows a refund of \$16.00, sixty-three transactions later.
- On June 5, 2021, a credit card was charged \$96.00. The same credit card was refunded \$96.00 on the next transaction.
- On June 12, 2021, a credit card was charged \$16.00. The same credit card was refunded \$16.00 on the next transaction.
- On June 13, 2021, two credit cards were refunded a total of \$112.00. One credit card was charged \$64.00 and refunded the same amount. A second credit card was charged \$48.00 and refunded \$48.00.
- On June 20, 2021, a credit card was charged \$72.00. The same credit card was refunded \$16.00 on the next transaction.
- On June 26, 2021, a credit card was charged \$16.00. The same credit card was refunded \$16.00 on the next transaction.
- On June 29, 2021, a credit card was charged \$56.00. The same credit card was refunded \$14.00 two transactions later.

We found the reselling of tickets not to be a consistent practice. For example, on May 9, 2021, 5 adult tickets were refunded, and the tickets were retained, and not resold.

According to the Agreement, *at minimum, customer refunds will be documented by customer signed sales slips indicating receipt of the refund or alternative method for electronic and online transactions. The document will state the reason for the refund; identify the cashier making the refund; date stamp and time of the refund; and be maintained electronically within the point-of-sale system. If the customer does not have his copy of the sales receipt, a pre-numbered refund receipt signed by the customer will be issued.* While reviewing the 35 recorded refunds during the sample months, we found that refunds are not documented per the minimum requirements of the Agreement. Customer refunds are to be documented by customer signatures. We found that in May 2021, of the 26 refunded tickets, only 16 were supported by customer signatures. In June 2021, of the 9 recorded refunds, 6 were supported by a customer signature. However, none of the signatures were documented on a sales slip or pre-numbered refund receipt as required by the Agreement. Refunds are documented on a slip of paper, handwritten by the employee, and are not maintained electronically within the point-of-sale system.

Because point-of-sale transactions are not maintained electronically and sales receipts given do not contain the total sales amount or method of payment, Concessionaire employees depend on their memory of the sale and the honesty of the customer to determine the amount to refund and the method of payment used. We found that some customers received refunds in excess of the amount paid.

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For example:

- On May 30, 2021, a credit card purchase was made for \$40.00. The refund was entered into the register in the amount of \$40.00 with the method of payment as cash. However, the credit card was refunded \$48.00. In addition, the daily total of sales balanced the end of the day, even though the incorrect amount was refunded.
- On June 6, 2021, a credit card purchase was made for \$34.00. We found a refund transaction for the same credit card for \$36.00. The refund was entered into the register, at the end of the day as cash, with 5 other refunds totaling \$120.00.
- On June 12, 2021, a refund was made for a military child ticket with a handwritten amount of \$6.00. The refund was added to the register at the full price of \$8.00.

Based on the Agreement requirements and the results above, we have determined, regarding refunds, the Concessionaire does not appear to be in compliance with the Agreement.

Limited Engagement Document

The Concessionaire is required to provide an annual limited engagement document, prepared by a Certified Public Accountant, following procedures outlined in Exhibit G of the Agreement. The Limited Engagement Document (LED) should be submitted to the Park Manager no later than June 30th of the following calendar year. We determined that the Concessionaire had submitted the LED documents for 2021 timely. However, the LED for 2020 was not submitted timely. The Department emailed a request to the Park Manager for the LED on October 29, 2021. The 2020 LED was later submitted by the Concessionaire on November 11, 2021.

Purchasing Card Industry (PCI)

According to the Agreement, the Concessionaire will be responsible for complying with PCI data standards and will submit an updated Self-Assessment Questionnaire (SAQ) to the Park Manager annually, on the anniversary of the Agreement commencement date. The PCI and SAQ ensure that the Concessionaire is in compliance with industry security standards for credit card transactions. Based on documents reviewed, the Department emailed the Concessionaire on December 21, 2021, to inform them that the PCI was to expire on January 12, 2022. The Department emailed the Concessionaire again on January 11, 2022, stating that their PCI - SAQ would be expiring the next day, and to send the updated certificate. The Concessionaire responded that they were having difficulty getting the necessary information from the bank to renew. Again, the Department emailed the Concessionaire on January 21, 2022, requesting an update on the expired SAQ. The Concessionaire did not complete PCI compliance until March 14, 2022.

Concessionaire's Operating Hours

According to the Agreement, *operating hours for the ferry service will be 10:00 a.m. to 5:00 p.m. Eastern, daily, 365 days a year, including weekends and holidays.* Additionally, the Agreement requires, *any deviation from the minimum operating hours as described above, will be pre-approved, in writing, by the Park Manager.* Based on our review, we found the hours of operation advertised on the Concessionaire's website stated that services run daily, except Thanksgiving and Christmas, beginning at 10:00 a.m. We requested, from the Concessionaire, documentation of a written pre-approval by the Park Manager to deviate from the contractual hours of operation. We determined that no approval was given for the holiday closures. During the audit, the Concessionaire requested a written approval from the Park Manager on November 18, 2022. On December 4, 2022, the Park Manager approved the request for closure on Thanksgiving Day and Christmas for the years 2020-2025.

Fees and Merchandise

The Agreement states, *The Department must pre-approve, in writing, the Concessionaire's schedule of fees for the sale of goods and Services. The Concessionaire may request price and fee adjustments by submitting the request in writing to the Park Manager. The Park Manager will review the request and approve or deny it in writing. The Park Manager's approval will be based on the Concessionaire's written request for a fee schedule change, which must include a market analysis supporting the requested change.* Based on our review, we determined that the Concessionaire requested, in writing, approval for an increase in fees for services provided. The request included a market analysis to support the increase. However, there were no requests for approval relating to ticket pricing discounts. Our review found that the Concessionaire was providing discounted ticket fees that had not been pre-approved by the Park Manager as required. We identified fee adjustments that included Groupon tickets, charters, online and published coupons, military discounts, and half-price one-way tickets. We also identified the distribution of free/complementary tickets for passengers other than the approved passengers, who are five years old and younger. We also found that the Park Manager was unaware that half-price one-way tickets were being provided. On December 8, 2022, the Concessionaire submitted a request to the Park Manager for price adjustments and listed specific reasons to distribute free/complementary tickets. The Concessionaire also informed the Park Manager that previous one-way passengers that were ticketed at the children's rate, would no longer be offered. The Concessionaire indicated that one-way passengers will be charged full price going forward. The Park Manager approved the fee adjustment on December 15, 2022, during the audit.

Website

According to the Agreement, *the Concessionaire, at its expense, will maintain a website to promote the Park and Park activities. And, the website design and content will be pre-approved, in writing, by the Department.* Additionally, the website content must include the Concessionaire's Accessibility and Inclusion Policy (A&I Policy). We determined that the Concessionaire does maintain a website to promote the Park and includes a link to the Park page. However, there was no written approval for content, and the website did not include the A&I Policy. Based on documentation, we found that the Department requested from the Park Manager a written approval for the website content on October 29, 2021. The Concessionaire responded to the Park Manager on November 11, 2021, stating that they do not have written approval for the website, but are maintaining one in accordance with the Agreement. The Department emailed the Concessionaire on January 21, 2022, requesting they work with the Park Manager to obtain written approval for the website content and to include the A&I Policy. At the engagement of the audit, we found that the website content had not been approved and did not include the A&I Policy. The website content was modified to include the Concessionaire's A&I Policy and was approved by the Park Manager on October 31, 2022.

Management Oversight

Environmental Protection, Safety, and Maintenance and Repair Plans

According to the Agreement the Concessionaire is required to *provide a draft Maintenance and Repair plan that will be evaluated by the Department. The Concessionaire will implement a final Maintenance and Repair Plan incorporating the District and Park Manager's comments and approved by the Department prior to beginning Services under this Agreement.* We determined that the Concessionaire submitted a Maintenance and Repair Plan. However, there was no date marked received or email attached to the plan to determine if it was submitted prior to beginning services under Agreement CA-0219. The Maintenance and Repair Plan was approved by the Park Manager on October 27, 2022, during our audit.

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The Agreement also required the Concessionaire to *provide a draft Environmental Protection Plan to be evaluated by a Department biologist. The Concessionaire will implement a final Environmental Protection Plan incorporating the Department biologist's, the District's, and the Park Manager's comments prior to beginning Services under this Agreement.* We determined that the Concessionaire submitted an Environmental Protection Plan to the Department. However, there was no date marked received or email attached to the plan to determine if it was submitted prior to beginning services under Agreement CA-0219. The Environmental Protection Plan was approved by the Park Manager and Department biologist on October 28, 2022, during the audit.

The Agreement states, *prior to beginning Services under this Agreement, the Concessionaire will provide a draft Safety Plan to be evaluated by the Department's Safety Officer and Park Manager. The Concessionaire will implement a final Safety Plan incorporating the District's and Park Manager's comments prior to beginning Services under this Agreement. The Safety Plan will be revised once a year before the anniversary date, and prior to the commencement of any new services, and the Concessionaire will submit the proposed revision to the Department's Safety Officer and Park Manager for evaluation and approval.* Based on our review, we determined the Concessionaire's Safety Plan was submitted and approved in December of 2019, by the Department's Safety Officer. Approval was given prior to beginning services under the Agreement. The Concessionaire did not submit a revised Safety Plan until September of 2021. The Safety Plan was approved by the Department's Safety Officer. The Department informed the Concessionaire in writing, that they are required to resubmit the Safety Plan prior to their Agreement anniversary date of January 1, 2023. The Concessionaire submitted an updated Safety Plan for approval on December 1, 2022. The Department approved the Safety Plan on February 10, 2023.

Accessibility and Inclusion Policy

According to the Agreement, *On the first day of Services under this Agreement, the Concessionaire will make the Concessionaire's Accessibility and Inclusion Policy available to everyone, including the Concessionaire's employees, the Park Manager and Park visitors.* Based on our review, we determined the Concessionaire provided the A&I Policy to the Department, and it was approved by the Park Manager on February 4, 2022, two years after the first day of services.

E-Verify Employment Eligibility Verification and Sexual Predator and Offender Checks

According to the Agreement, the following is required for the Concessionaire and each employee: a U.S. Department of Homeland Security's E-Verify Report, a Convicted Vendor Report and annual affirmation, a Florida Department of Law Enforcement (FDLE) Sexual Predator Report, and a U.S. Department of Justice's Dru Sjodin National Sex Offender Public Website (NSOPW) Report. Based on our review, an E-Verify Report was provided for all employees. The Concessionaire also submitted a Convicted Vendor Report and Affirmation prior to the execution of the Agreement. An annual affirmation was submitted in June of 2022. There was no affirmation submitted in 2021. Regarding Sexual Predator and Offender Checks, the Concessionaire submitted FDLE reports for all employees dated November 10, 2021. However, only the Concessionaire and one other employee had NSOPW reports. The Concessionaire obtained NSOPW reports for all current employees on October 19, 2022, during the audit.

Capital Improvements

According to the Agreement, *the Concessionaire will establish a Capital Improvement Account ("CIA") to create a fund for future Capital Improvements, and that the Concessionaire will deposit at least one and a half (1.5%) percent of monthly total gross sales for all operations in the Park into this fund no later than the twentieth (20th) day of the following month.* After obtaining and analyzing the Concessionaire's CIA bank statements, the Concessionaire is operating in compliance with the Agreement concerning funding future Capital Improvements. The Agreement

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also states in part, *the Department and Concessionaire will meet annually (based on Agreement anniversary date) to review activity related to the CIA, and to establish goals and/or future projects to be funded by the CIA.* During the audit, we requested documentation of annual Capital Improvement Plan goals established with the Department from 2020-2022. We were informed the Park Manager and the Concessionaire had met; however, we were not provided documentation of annual meetings or established goals.

Quarterly Evaluations

To evaluate Park management's oversight of the Concessionaire's activities and performance, we reviewed the Quarterly Evaluations for the Concessionaire and Chapter 5.2, Section 8 of the Division's Operations Manual (Operations Manual). According to the Operations Manual, Quarterly Evaluations are *used to assess the concessionaire's performance and facilities and ensure that the terms outlined in the agreement are being followed.* According to the Quarterly Evaluation Form, the Park Manager is to ensure specific accounting procedures are being followed by the Concessionaire. Based on our review, we found the Park Manager indicated the Concessionaire was in compliance with the following accounting practices:

- Refunds are substantiated with a customer signed document using a rubber stamp and ledger.
- Adequate point-of-sale controls are used.
- Sales personnel with access over cash are adequately supervised.
- Responsibilities for receiving, depositing, and recording cash receipts are assigned to different persons.
- Personnel with access over cash do not clear cash register.
- All sales are rung up on cash register.
- Cash register has visual display facing customer and showing total sales transaction.
- Each customer is offered a sales receipt.
- Cash register drawers are closed after each transaction.
- Pre-numbered receipts are used when specified by the agreement or when cash register is impractical.

Based on the results of the audit, the preceding accounting practices are not occurring in accordance with the Agreement. We also found that the Quarterly Evaluations failed to indicate that the Concessionaire was not in compliance regarding Sexual Offender checks for employees, A&I Policy provided on written publications and website, operating hours, and ticket prices. According to the Operations Manual, *The Park Manager will contact the concessionaire to schedule a time and date for a quarterly site visit and walk-through, making sure to include enough time for discussion along with any issues that may arise.* The Operations Manual does not specify a date for completing Quarterly Evaluations. Based on our review, we found the Quarterly Evaluations for July through September 2021 and for October through December 2021 were completed and signed on February 9, 2022. We also found that the Quarterly Evaluations for April through June 2022 and July through September 2022 were completed and signed November 18, 2022. Although no date for completion is specified in the Operations Manual, we determined that evaluations are not consistently occurring quarterly.

CONCLUSION

Based on our audit, due to the lack of source documentation and retention of point-of-sale transactions, we were not able to verify the accuracy of the reported gross sales. We noted internal control weaknesses regarding the Concessionaire's compliance with the Minimum Accounting Requirements of the Agreement, including, deposits, cash handling, employee supervision, receipts, refunds, point-of-sale transactions, and source documentation and retention. We also noted internal control weaknesses regarding pre-approvals required for deviations in hours of operation, ticket prices and discounts, free and complementary passengers, and website content. Regarding Park management oversight, we noted internal control weaknesses in written approvals of the Environmental Protection Plan, the Maintenance and Repair Plan, approval of website content, and approval of the A&I Policy. Additionally, we found internal control weaknesses regarding Quarterly Evaluations and developing Capital Improvement Goals. Based on the results of the audit, our findings and recommendations are listed below.

FINDINGS AND RECOMMENDATIONS

Finding 1: Point-of-Sale Source Documentation and Retention – Point-of-Sale transactions are not documented or retained in compliance with the Agreement, as necessary to support the accuracy of recorded gross sales.

According to the Agreement, the Concessionaire will use a system that will *contain an electronic record of each daily transaction by point of sale and/or by collection station and provide sequential numbered printed receipts for each transaction. Additionally, each record of transaction will be date stamped and timed and identify the cashier making the transaction.* Additionally, to account for gross sales, the Agreement states that *the Concessionaire will retain source documents, such as daily cash register tapes, copies of pre-numbered receipts, and use schedules for pre-numbered tickets, to support recorded gross sales and sales tax collections.* Based on our review, the Concessionaire does not record each daily transaction or provide sequential numbered receipts for each transaction. Instead, sales and refunds are added to the cash register at the end of the day as one transaction. Regardless of the method of payment, all sales and refunds are designated as cash when recorded in the register. We found that sales transactions were not recorded sequentially, had no date or time stamp, did not identify the cashier making the transaction, and did not provide a sequential numbered receipt for each transaction. The Concessionaire's daily ticket journal had inadequate source documentation to support the number of tickets distributed. During the audit, we found that 1,361 undocumented complementary tickets were given in the sample months of May and June 2021.

Recommendations:

- 1.1 We recommend the Division work with the Concessionaire to ensure point-of-sale transactions are documented and accurately reported to the Division, in accordance with the Agreement.

Management Response: The Division concurs with the finding and will work with the Concessionaire to ensure point-of-sale transactions are documented and accurately reported to the Division, in accordance with the Agreement.

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- 1.2 We recommend the Division work with the Concessionaire to ensure source documents are retained in accordance with the Agreement, in order to determine the accuracy of gross sales.

Management Response: The Division concurs with the finding and will work with the Concessionaire to ensure source documents are retained in accordance with the Agreement, to determine the accuracy of gross sales.

Finding 2: Cash Handling and Employee Supervision – Cash handling duties were not appropriately assigned to different employees, as required by the Agreement.

Exhibit C, Section 1.G of Agreement CA-0219, Minimum Accounting Requirements states, *the Concessionaire will assign duties associated with handling, recording, and reconciling receipts, and disbursements to different employees, whenever possible. Employees who handle cash or cash-like items will be adequately supervised. Daily cash register totals should be verified, at the end of the day, by a person not having access to cash. If a person, other than the employee handling the cash or cash-like items, is not available to verify and reconcile the cash register at the end of a day, the Concessionaire will designate the General Manager as the alternative internal control. Prior to any changes in the internal controls, the Concessionaire will provide to the Park Manager written notification of the change.* Based on our review, the same employee assigned to the daily ticket sales also verified cash and credit card sales, approved refunds, and reconciled the register at the end of the day. The same employee then completed the bank deposit slip and stored cash at their home until the deposit was made. These duties are not assigned to different employees or a designated General Manager, as required in the Agreement.

Recommendation:

- 2.1 We recommend the Division work with the Concessionaire to ensure cash handling and employee supervision meets the Minimum Accounting Requirements as specified in the Agreement, including: daily cash register totals are verified and reconciled by a person not having access to cash; daily cash sales are verified prior to being deposited by a person not having access to cash; and a General Manager is designated if duties cannot be assigned to different employees.

Management Response: The Division concurs with the finding and will work with the Concessionaire to ensure cash handling and employee supervision meets the Minimum Accounting Requirements as specified in the Agreement, including: daily cash register totals are verified and reconciled by a person not having access to cash; daily cash sales are verified prior to being deposited by a person not having access to cash; and a General Manager is designated if duties cannot be assigned to different employees.

Finding 3: Deposits – The procedure for daily cash deposits did not meet the Minimum Accounting Requirements as specified in the Agreement.

The Minimum Accounting Requirements outlined in the Agreement state, *if receipts exceed \$2,000.00, they will be deposited intact daily. If receipts do not exceed \$2,000.00 a day, they will be deposited intact periodically, which will be no more than a five-day work period. Un-deposited receipts will be stored in a secure manner – a safe is preferable. Validated deposit slips and bank statements supporting amounts deposited will be retained by the Concessionaire.* Based on our interview with the Concessionaire, daily cash deposits did not occur in compliance with the Agreement. Deposits over \$2,000.00 were not deposited intact daily. Instead, all cash, no matter the amount, was taken by the employee working and stored at their homes until the deposit was

made. We were informed by the Concessionaire that the bank location was not convenient for employees to make deposits daily.

Recommendation:

3.1 We recommend the Division work with the Concessionaire to ensure cash receipts are stored in a secure manner until deposited, and daily cash receipts over \$2,000.00 are deposited daily, as required by the Agreement.

Management Response: The Division concurs with the finding and will work with the Concessionaire to ensure cash receipts are stored in a secure manner until deposited, and daily cash receipts over \$2,000.00 are deposited daily, as required by the Agreement.

Finding 4: Receipts – Customer receipts do not contain all the required information, as stated in Exhibit C of the Agreement, and the Concessionaire does not retain the record copy of issued receipts.

The Agreement requires the Concessionaire to always offer sales receipts to customers. Sales receipts may be in the form of cash register slips, electronic receipts, pre-numbered receipts, or pre-numbered tickets. All receipts, no matter the form, must include the following information, as required by the Agreement:

- *Clearly state the attraction or service purchased.*
- *Be designed to capture all pertinent sales data such as: date, items of services purchased, amount of sale, total collected, and cashier's name or identification.*
- *Have a numbering sequence that is continuous and does not repeat itself any more often than every three years.*

Additionally, the Agreement outlines required responsibilities of the Concessionaire, including the following:

- *Retain the record copy of all issued receipts.*
- *Maintain a work sheet or schedule that reports the numbering sequences of receipts used and money collected.*
- *Provide adequate security over unused receipts.*

Based on our review, we determined that receipts provided by the Concessionaire are not in compliance with the Agreement. We found that receipts do not contain the correct date, items of services purchased, amount of sale, total collected, and cashier's name or identification. The Concessionaire also does not retain the record copy of the receipt. When register receipts are distributed, we found they are not documented as an electronic point-of-sale or contain a numbering sequence that is continuous and does not repeat itself any more often than three years.

Recommendation:

4.1 We recommend the Division work with the Concessionaire to ensure customer receipts meet all the requirements specified in the Agreement, and a record copy of receipts are retained as required by the Agreement.

Management Response: The Division concurs with the finding and will work with the Concessionaire to ensure customer receipts meet all the requirements specified in the Agreement, and a recorded copy of receipts are retained as required by the Agreement.

Finding 5: Refunds – Refunds are not processed or documented in compliance with the Agreement.

According to the Agreement, the following is required regarding refunds: *At minimum, customer refunds will be documented by customer signed sales slips indicating receipt of the refund or alternative method for electronic and online transactions. The document will state the reason for the refund; identify the cashier making the refund; date stamp and time of the refund; and be maintained electronically within the point-of-sale system. If the customer does not have his copy of the sales receipt, a pre-numbered refund receipt signed by the customer will be issued.* The Agreement also requires that *all adjustments to gross sales, such as customer refunds, will be recorded in the ledger or journal using a separate entry, and the Concessionaire will provide adequate supervision over employees to assure previously issued receipts are not resold.* Based on our review, we determined that the Concessionaire does not report all refunds to the Department, does not record all refunds in the daily ledger or register, resells refunded tickets, and does not retain documentation for refunds as outlined in the Agreement.

Recommendation:

- 5.1** We recommend the Division work with the Concessionaire to ensure refunds are processed in accordance with the Agreement, including: all refunds are reported to the Department, refunds are recorded in the daily ledger or register, refunded tickets are not resold, and refund documentation is retained pursuant to the Agreement.

Management Response: The Division concurs with the finding and will work with the Concessionaire to ensure refunds are processed in accordance with the Agreement, including: all refunds are reported to the Department, refunds are recorded in the daily ledger or register, refunded tickets are not resold, and refund documentation is retained pursuant to the Agreement.

Finding 6: Monthly Report Submission Date - The submission date for the Monthly Report of Concessionaire's Total Gross Sales and Commission Payments was changed by the Division without an amendment to the Agreement.

According to the Agreement, *The Concessionaire will provide the Department with a Monthly Report of Concessionaire's Total Gross Sales. This report will include gross sales attributable to all subcontracts and be in the form attached hereto as Exhibit D, as it may be modified by the Department from time to time. Each monthly report will contain the required detail based upon Total Gross Sales for such month by point of sale. The Concessionaire will deliver the report and required payment(s) to the Park Manager no later than the 20th day of the succeeding month.* During the audit, we found that a directive from the Division was given to the Concessionaire adjusting the date Monthly Reports and commission payments were to be submitted. Based on a memorandum from the Division, the revised date for submission was the 5th day of the month rather than the 20th of the month as specified in the Agreement. The directive went into effect August 5, 2020; however, we determined that no amendment to Agreement CA-0219 had been properly executed to support the date change.

Recommendation:

- 6.1** We recommend the Division work with the Office of General Counsel to ensure contractual changes to agreements are executed properly with a contract amendment as appropriate.

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Management Response: The Division concurs with the finding and will work with the Office of General Counsel to ensure contractual changes to agreements are executed properly with a contract amendment as appropriate.

Finding 7: Division Approvals – Division written approvals were not timely obtained, in accordance with the Agreement.

Pre-approvals

According to the Agreement, written pre-approvals are required for an adjustment in hours of operation, website content, and fees and services. Based on our review, we determined the Concessionaire did not obtain the appropriate pre-approval for the items previously listed, from the Park Manager. The Park Manager provided written approvals to the Concessionaire for the adjustment in hours of operation, website content, and fee adjustment during the audit.

Environmental Protection and Maintenance and Repair Plan

According to the Agreement the Concessionaire is required to *provide a draft Maintenance and Repair plan that will be evaluated by the Department. The Concessionaire will implement a final Maintenance and Repair Plan incorporating the District and Park Manager's comments and approved by the Department prior to beginning Services under this Agreement.* The Concessionaire will also *provide a draft Environmental Protection Plan to be evaluated by a Department biologist. The Concessionaire will implement a final Environmental Protection Plan incorporating the Department biologist's, the District's, and the Park Manager's comments prior to beginning Services under this Agreement.* We determined that the Concessionaire submitted a Maintenance and Repair Plan and an Environmental Protection Plan to the Department. However, there was no date marked received or email attached to the plans to determine if they were submitted prior to beginning services under Agreement CA-0219. Approvals for both plans were given during the audit.

A&I Policy

The Agreement states, *On the first day of Services under this Agreement, the Concessionaire will make the Concessionaire's Accessibility and Inclusion Policy available to everyone, including the Concessionaire's employees, the Park Manager and Park visitors. The policy will include (1) the Concessionaire's responsibility towards individuals with disabilities; (2) the degree of access available to the Concessionaire's operational facilities, programs, and activities; (3) the Concessionaire's policy for visitor requests or inquiries for access to the Concessionaire's operational facilities, programs, and activities; and (4) the Concessionaire's policy for handling a complaint on access and inclusion. The Concessionaire must post on its premises and its website, if it provides one, the Concessionaire's Accessibility and Inclusion policy in a location that the public and the Concessionaire's employees will always be able to see.* Based on our review, we determined that the A&I Policy was not available prior to the first day of services under the Agreement. The A&I Policy was not included in the website content until October of 2022.

Recommendation:

7.1 We recommend the Division work with the Park Manager and the Concessionaire to ensure pre-approvals and plan approvals are obtained, as required in the Agreement.

Management Response: The Division concurs with the finding and will work with the Park Manager and the Concessionaire to ensure pre-approvals and plan approvals are obtained, as required in the Agreement.

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7.2 We recommend the Division work with the Park Manager and the Concessionaire to ensure the A&I Policy is available and posted in all required areas, as required by the Agreement.

Management Response: The Division concurs with the finding and will work with the Park Manager and the Concessionaire to ensure the A&I Policy is available and posted in all required areas, as required by the Agreement.

Finding 8: Sexual Predator and Offender Check – National Sex Offender Public Website checks were not completed for each employee as required in the Agreement.

According to the Agreement, *The Concessionaire will not employ within the Park any person who is listed on either the sexual predator or sexual offender list maintained by the Florida Department of Law Enforcement (“FDLE”) or maintained by the U.S. Department of Justice’s Dru Sjojin National Sex Offender Public Website (“NSOPW”). The Concessionaire will conduct a sexual predator and sexual offender investigation on all employees and subcontractors prior to executing this Agreement. The Concessionaire will conduct a sexual predator and sexual offender investigation on all employees and subcontractors hired subsequent to execution of this Agreement. The Concessionaire will keep a copy of its investigation records in the Concessionaire’s personnel files and have those files available to the Department during the Concessionaire’s regular office hours.* Based on our review, we determined that NSOPW reports were only obtained for the Concessionaire and one other employee. According to Quarterly Evaluations, the Park Manager documented that the reports were held in the employee’s personnel file. The NSOPW reports were submitted to the Department and dated October 19, 2022, during the audit.

Recommendation:

8.1 We recommend the Division work with the Park Manager and the Concessionaire to ensure sexual predator and offender searches are completed, as required by the Agreement.

Management Response: The Division concurs with the finding and will work with the Park Manager and the Concessionaire to ensure sexual predator and offender searches are completed, as required by the Agreement.

Finding 9: Concessionaire Quarterly Evaluations – Quarterly Evaluation Reports did not document noncompliance issues of the Concessionaire.

According to Chapter 5.2, Section 8 of the Operations Manual, *Quarterly Reports are used to assess the concessionaire’s performance and facilities and ensure that the terms outlined in the agreement are being followed.* Any deficiencies noted by the Park Manager must be corrected by the Concessionaire. Deficiencies should be documented by the Park Manager by issuing a Notice of Non-Compliance. Based on our review, the Quarterly Evaluations completed by the Park Manager did not accurately identify deficiencies of performance and compliance by the Concessionaire in the following areas:

- Accounting Compliance
- Sexual Offender checks
- A&I Policy on website and brochures
- Correct Operating Hours
- Approved fees and services

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Based on our review of the Operations Manual, a specified date is not given to the Park Manager to complete Quarterly Evaluations. We found that the Quarterly Evaluations for July through September 2021 and October through December 2021 were completed and signed on February 9, 2022. And again, evaluations for April through June 2022 and July through September 2022 were completed and signed November 18, 2022. Although no date for completion is specified, we determined that evaluations are not occurring quarterly.

Recommendation:

- 9.1** We recommend the Division work with the Park Manager to ensure the Concessionaire Quarterly Evaluations are completed quarterly, and accurately document the performance of the Concessionaire.

Management Response: The Division concurs with the finding and will work with the Park Manager to ensure the Concessionaire Quarterly Evaluations are completed quarterly, and accurately document the performance of the Concessionaire.

Finding 10: Capital Improvement Goals – Capital Improvement Goals were not established annually as required by the Agreement.

The Agreement states, *the Department and Concessionaire will meet annually (based on Agreement anniversary date) to review activity related to the CIA, and to establish goals and/or future projects to be funded by the CIA.* Based on our review, we determined annual Capital Improvement goals were not established by the Park Manager and the Concessionaire as required by the Agreement.

Recommendation:

- 10.1** We recommend the Division work with the Park Manager and the Concessionaire to ensure annual Capital Improvement goals are established, as required by the Agreement.

Management Response: The Division concurs with the finding and will work with the Park Manager and the Concessionaire to ensure annual Capital Improvement goals are established, as required by the Agreement.

STATEMENT OF ACCORDANCE

Statement of Accordance

The Mission of the OIG is to promote accountability, integrity, and efficiency by providing quality audits, investigations, management reviews, and technical assistance.

This work product was prepared pursuant to § 20.055, Florida Statutes, in accordance with the *Principles and Standards for Offices of Inspectors General* as published by the Association of Inspectors General and the *International Standards for the Professional Practice of Internal Auditing*, as published by the Institute of Internal Auditors, Inc. The audit was conducted by Andrea Kramer and supervised by Susan Cureton.

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