

**Audit of Agreement MY-0813 with Captiva Cruises, Inc.
at Gasparilla Island State Park**

Division of Recreation and Parks

Report: A-1920DEP-001

Office of Inspector General

Internal Audit Section

Florida Department of Environmental Protection

March 9, 2021

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

<https://floridadep.gov/>





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Report: A-1920DEP-001

Table of Contents

Scope and Objectives	1
Methodology	1
Background	2
Results	3
Conclusions	7
Findings and Recommendations.....	8
Division Response.....	15

Report: A-1920DEP-001

The Office of Inspector General (OIG) conducted an audit of Agreement MY-0813 (Agreement) between the Department of Environmental Protection (Department), Division of Recreation and Parks (Division), and Captiva Cruises, Inc. (Concessionaire) at Gasparilla Island State Park (Park). This audit was initiated as a result of the Fiscal Year (FY) 2019-2020 Annual Audit Plan.

Scope and Objectives

The scope of this audit included a review of Concessionaire activities and financial records during the period beginning July 1, 2019. The objectives were to:

- determine the accuracy of reported gross sales
- determine the Concessionaire's compliance with the Agreement
- evaluate management oversight of Concessionaire activities and performance under the Agreement

Methodology

This audit was conducted under the authority of Section 20.055, Florida Statutes (F.S.), and in conformance with the current *International Standards for the Professional Practice of Internal Auditing*, published by the Institute of Internal Auditors. Our procedures included interviews with the Concessionaire and Park management, as well as a review of Concessionaire and Park records. A site visit was not conducted for this audit due to precautionary measures related to the Centers for Disease Control and Prevention (CDC) guidelines for social distancing related to Covid-19. As such, our procedures were limited to remote access to records and discussions with staff.

Report: A-1920DEP-001

Background

The Agreement allows the Concessionaire to provide visitor services at the Park as well as at Cayo Costa State Park, Don Pedro Island State Park, Stump Pass Beach State Park and Jug Creek Cottages. The Concessionaire provides ferry transportation services to Cayo Costa State Park, Don Pedro Island State Park, and Stump Pass Beach State Park. Transportation services include island transport services, dolphin adventures cruises, group boat tours, private charters and cruises from South Sea's Island Resort and McCarthy's Marina. The Agreement was executed on September 23, 2013, and was amended April 9, 2015, to extend the Agreement term to October 31, 2025. The amendment also added requirements for capital improvements, clarified requirements regarding subcontractors, and revised the Concessionaire's commission fee responsibilities. The Agreement was further amended in December 17, 2015, to modify capital improvement location requirements, use of facilities and space, and required insurance coverage.

The Concessionaire is required to remit a Park entrance fee of \$2.00 for visitors six years and older and pay a commission fee of eight percent of total gross sales to the Department. According to the Monthly Reports of Gross Sales for the period July 1, 2019, through June 30, 2020, the Concessionaire reported \$859,813.57 in total gross sales and paid \$68,785.09 in commission fees. Park admission fees collected by the Concessionaire on behalf of the Park totaled \$32,146.00.

Report: A-1920DEP-001

Results

Accuracy of Reported Revenues

According to Monthly Reports of Gross Sales, reported gross sales, commission fees and Park entry fees were as follows:

FY 2019-2020 Reported Gross Sales			
Park Location	Reported Revenue	Commission Fees	Park Admission Fee
Cayo Costa State Park	\$748,550.57	\$59,884.05	\$32,108.00
Don Pedro Island State Park	\$83,720.00	\$6,697.60	\$38.00
Stump Pass Beach State Park	\$27,543.00	\$2,203.44	\$0
Total	\$859,813.57	\$68,785.09	\$32,146.00

To determine the accuracy of reported amounts, we compared gross sales as reported in the Monthly Report of Gross Sales to the Concessionaire's general ledger. The Concessionaire's recordkeeping combines revenue applicable to operations in the Park with operations external to the Park. As such, general ledger entries to account for gross sales could not be used to support reported gross sales. Alternatively, we compared reported gross sales to monthly sales reports. We also compared the monthly sales reports for the sampled months of January and February 2020 to daily Point of Sale (POS) records. Gross sales and Park entry fees reported to the Department were consistent with the Concessionaire's monthly sales reports and daily POS records with minor discrepancies. We verified the Concessionaire paid commission fees of eight percent of reported gross sales as required under the Agreement. All payments were made by the 20th of the following month as required.

According to Paragraph 23 *Compensation* of the Agreement, the Concessionaire is required to pay the Department *a per passenger fee equal to the minimum statewide pedestrian fee as stated in the Florida Park Service fee schedule, currently \$2.00, for visitors six years and*

Report: A-1920DEP-001

older. However, during the audit period, with the exception of one month¹, the Concessionaire only collected and remitted Park entry fees collected for visitors at Cayo Costa State Park.

Agreement Requirements and Management Oversight

Under the Agreement, the Concessionaire is required to meet financial and service obligations. We obtained documentation and correspondence to verify the Concessionaire's compliance with these requirements as follows:

- Utility Payments: Utilities were paid as required.
- Security for Performance: The Concessionaire provided a letter of credit from their bank in the amount of \$40,000 as required.
- Annual Profit and Loss Statement: The Concessionaire provided the 2019 Annual Profit and Loss Statement to the Park, but it was not submitted by the April 30th deadline as required.
- Limited Engagement Document: The Concessionaire provided the 2019 Limited Engagement Document to the Park, but it was not submitted by the June 30th deadline as required.
- Purchase Card Industry Requirement: The current Self-Assessment Questionnaire and Certificate of Compliance had been completed as required in the Agreement.
- Accessibility and Inclusion (A&I) Policy: We obtained the Concessionaire's Accessibility and Inclusion Policy. The policy is posted on their website and the A&I Liaison information was provided to the Park Manager as required.
- E-Verify: The Concessionaire provided employment eligibility records for the Concessionaire Manager, employees, and subcontractors during the audit period.
- Sexual predator and offender checks: The Concessionaire provided Florida Department of Law Enforcement (FDLE) Sexual Predator and Sexual Offender searches for the Concessionaire Manager, employees, and subcontractors during the audit period.

¹ For the month July 2019, the Concessionaire remitted \$38.00 in Park entry fees for visitors at Don Pedro State Park.

Report: A-1920DEP-001

- Licenses and Insurance: We verified the Concessionaire obtained business licenses for operations and maintained required insurance certificates in the amounts specified under the Agreement.
- Environmental and Safety Plan: We verified the Concessionaire provided Environmental Protection and Safety Plans upon execution of the Agreement. The Safety Plan was updated for FY 2019-2020.

Subcontractors and Subcontractor Agreements

Per Paragraph 16 of the amended Agreement, *The Concessionaire may subcontract, as necessary, to perform the Services, provided the Department has consented to the subcontractor prior to execution of the subcontract. Unless otherwise granted by amendment, only the Florida Park Service District Bureau Chief or his or her superior may grant consent to utilize a subcontractor. Consent to use a subcontractor must be in writing.* During FY 2019-2020, the Concessionaire used four subcontractors to provide ferry services. The District Bureau Chief provided the Concessionaire a Letter of Authorization for only one of the four subcontractors. During the course of our audit, the Park Manager signed retroactive Letters of Authorization dated August 10, 2020, to the Concessionaire for the remaining three subcontractors.

Paragraph 16 of the Agreement states, *The Concessionaire shall include a provision in its subcontract that requires the subcontractor to comply with the terms of this Agreement.* At the time of our audit, three of the Concessionaire's four written subcontracts had expired. The active subcontract contained the required provision.

Minimum Accounting Requirements

Paragraph A.1. of the Agreement Minimum Accounting Requirements requires the Concessionaire to establish and maintain bank accounts used solely for operations under the Agreement. Per Paragraph A.6. of the Agreement Minimum Accounting Requirements, the

Report: A-1920DEP-001

Concessionaire's daily entries that account for gross sales under the Agreement shall equal the amounts deposited by period. We verified that the Concessionaire has established a recordkeeping system that includes Agreement related monthly revenue reports and daily POS reports. The Concessionaire has also established a bank account used solely for Agreement operation. However, the Concessionaire's recordkeeping and primary bank account combines revenue and deposits applicable to the Park with operations external to the Park. The Concessionaire uses the account established solely for Agreement operations for transferring funds from the primary bank account and subsequently paying monthly commission amounts and Park admission fees to the Department. As a result, daily entries to account for gross sales did not equal amounts deposited by period.

Minimum Operational Requirements

Under Minimum Operational Requirements and Procedures Exhibit A of the Agreement, the Concessionaire is authorized and agrees to operate ferry service, merchandise resale, overnight accommodation management, and food service. Based on our review, the only required services being provided by the Concessionaire were ferry related services. On March 5, 2019, the Park Manager sent the Concessionaire a Notification of Non-Compliance letter stating that required services were not being provided at all locations as outlined by the Agreement. Based on a response provided by the Concessionaire, the Park Manager notified the Concessionaire on June 10, 2019, that the Department would amend the Agreement. However, the Agreement has not been amended.

Report: A-1920DEP-001

Capital Improvements:

According to Paragraph 7 of the Schedule and Scope of Capital Improvements of the Agreement, the Concessionaire was required to provide \$100,000 in funding for capital improvements by December 31, 2017. As of February 2018, the Concessionaire had documented completion of capital improvements totaling \$54,095.00. On March 5, 2019, the Park Manager sent the Concessionaire a Notice of Non-Compliance regarding completion of the Capital Improvements, with a completion due date of March 31, 2019. The Park Manager sent two subsequent notifications agreeing to extend the deadline for completion to December 31, 2019, and December 31, 2020. At the time of this audit, the required Capital Improvements had not been completed.

Quarterly Evaluation Reports

Chapter 5.2.8. of the Division's Operations Manual (OM) requires the completion of a Quarterly Evaluation Report to assess the Concessionaire's performance under the Agreement. Chapter 5.2.8.4. of the OM requires that the Park Manager and Concessionaire sign and date the completed form. Quarterly Evaluation Reports were completed and signed by the Concessionaire for each quarter during the audit period. The Park Manager signed all but one. The completed reports reflected positive results in all areas of the Concessionaire's operations with the exception of the late submission of the required Annual Limited Engagement Document.

Conclusions

Based on our audit, the Concessionaire has provided ferry related services as outlined in the Agreement. However, we noted control weaknesses in the collection of Park entry fees on behalf of the Department, and in the Division's oversight of the Concessionaire's required Profit

Report: A-1920DEP-001

and Loss Statement, Limited Engagement Document, subcontracts, Minimum Accounting Requirements, Minimum Operational Requirements, and Capital Improvements.

Findings and Recommendations

Finding 1: Collection of Park Entry Fees

Under the Agreement, the Concessionaire is to provide visitor services *within the boundaries of Cayo Costa State Park, Jug Creek Cottages, Gasparilla Island State Park, Stump Pass Beach State Park, and Don Pedro Island State Park*. According to Paragraph 23 *Compensation* of the Agreement, the Concessionaire is required to pay the Department *a per passenger fee equal to the minimum statewide pedestrian fee as stated in the Florida Park Service fee schedule, currently \$2.00, for visitors six years and older*. The Concessionaire provides ferry services to Cayo Costa State Park, Stump Pass Beach State Park, and Don Pedro Island State Park. However, during the audit period, with the exception of one month, the Concessionaire only collected and remitted Park entry fees for visitors at Cayo Costa State Park. Based on discussions with Park and Concessionaire staff, Park entry fees at the other two Parks were collected through those Parks.

Recommendation:

We recommend the Division work with Park management to ensure that the Concessionaire collects and remits Park entry fees as required under the Agreement. If the Division determines that the Concessionaire is not required to collect and remit Park entry fees at certain locations, the Agreement should be amended to clarify the requirement.

Report: A-1920DEP-001

Finding 2: Annual Profit and Loss Statement and Limited Engagement Document

According to Paragraph 25.c. of the Agreement, the Concessionaire is required to provide an Annual Profit and Loss Statement to the Department no later than April 30th of the following calendar year. If annual gross sales exceed \$400,000, Paragraph 25.e. of the Agreement requires the Concessionaire to submit a Limited Engagement Document by June 30th of the following calendar year. Both documents for 2019 were submitted past the required due dates. The 2019 Annual Profit and Loss Statement was signed by the Concessionaire and dated June 1, 2020. The 2019 Limited Engagement Document was signed by the Concessionaire's Certified Public Accountant and dated August 12, 2020.

Recommendation:

We recommend the Division work with the Park and Concessionaire to ensure the Annual Profit and Loss Statement and Limited Engagement Document are submitted timely by the required dates as specified in the Agreement.

Finding 3: Subcontracts

Per Paragraph 16 of the amended Agreement, *The Concessionaire may subcontract, as necessary, to perform the Services, provided the Department has consented to the subcontractor prior to execution of the subcontract. Unless otherwise granted by amendment, only the Florida Park Service District Bureau Chief or his or her superior may grant consent to utilize a subcontractor. Consent to use a subcontractor must be in writing.* During FY 2019-2020, the Concessionaire used four subcontractors to provide ferry services. The District Bureau Chief provided the Concessionaire a Letter of Authorization for only one of the four. During the course

Report: A-1920DEP-001

of our audit, the Park Manager signed retroactive Letters of Authorization dated August 10, 2020, to the Concessionaire for the remaining three subcontractors.

According to Paragraph 16 of the amended Agreement, *The term subcontractor, as used in this Agreement, shall include any entity or person offering goods or services in the Park by written or oral agreement, license, or other arrangement with the Concessionaire.* Paragraph 16 further states, *The Concessionaire shall include a provision in its subcontract that requires the subcontractor to comply with the terms of this Agreement, and to submit reports in the form required by paragraph 25, below*². At the time of our audit, three of the Concessionaire's four subcontracts had expired. The active subcontract contained the required provision. The Concessionaire was aware of the expired subcontracts. While Paragraph 16 of the Agreement describes subcontractors as *entities or persons offering goods and services in the Park by written or oral agreement, license, or other arrangement with the Concessionaire*, it also requires that the Concessionaire *include a provision in its subcontract that requires the subcontractor to comply with the terms of this Agreement*. These statements present conflicting direction with respect to the Concessionaire's requirement for written subcontracts.

Recommendation:

We recommend the Division work with the District and Park to review the current subcontractors being used by the Concessionaire. The use of any subcontractor should be granted in writing by the District Bureau Chief as required under the Agreement. In addition, we recommend the Division work with the Bureau of Operational Services, District, and Park

² Paragraph 25 outlines the Agreement accounting requirements.

Report: A-1920DEP-001

management to amend the Agreement to clarify and provide consistent direction regarding requirements for written subcontracts.

Finding 4: Minimum Accounting Requirements

Paragraph A.1. of the Agreement Minimum Accounting Requirements states, *The Concessionaire shall establish and maintain bank accounts (checking, savings, etc.) that are used solely for concession Agreement operations and are separate from any non-concession Agreement operations.* According to Paragraph A.6. of the Agreement Minimum Accounting Requirements, *Daily entries, to account for gross sales and sales tax collections by point of sale and/or collection station, shall be made to a ledger, and automated ledger, a journal or by an automated entry. Entries shall equal amounts deposited by period.* We compared reported gross sales during the sample months of January and February 2020 to monthly bank deposits as follows:

Reported Gross Sales Compared to Bank Deposits		
Month	Reported Gross Sales	Deposits (per Bank Statements)
January	\$111,469.50	\$11,919.40
February	\$132,801.10	\$12,893.56

The Concessionaire has established a recordkeeping system that includes Agreement related monthly revenue reports and daily POS reports. The Concessionaire has also established a bank account used solely for Agreement operation. However, the Concessionaire’s recordkeeping and primary bank account combines revenue and deposits applicable to the Park with operations external to the Park. The Concessionaire uses the account established solely for Agreement operations for transferring funds from the primary bank account and subsequently paying monthly commission amounts and Park admission fees to the Department. As a result,

Report: A-1920DEP-001

daily entries to account for gross sales did not equal amounts deposited by period. This circumstance limits the accountability and financial transparency of the Concessionaire's reported gross sales.

Recommendation:

We recommend the Division work with the Park and the Concessionaire to ensure that the daily entries which account for gross sales under the Agreement equal the amounts deposited to the Concessionaire's bank account established for use solely for the Concessionaire's Agreement operations.

Finding 5: Minimum Operational Requirements

Under Minimum Operational Requirements and Procedures Exhibit A of the Agreement, the Concessionaire is authorized and agrees to operate the following services:

- ferry service
- merchandise resale
- overnight accommodation management
- food service operation

Based on our review, the only required services being provided by the Concessionaire were ferry services. On March 5, 2019, the Park Manager sent the Concessionaire a Notification of Non-Compliance letter stating that required services were not being provided at all locations outlined by the Agreement with compliance required by March 31, 2019. The Concessionaire provided a response requesting amendment of the Agreement. On June 10, 2019, The Park Manager responded that the Department would amend the Agreement to reflect a revision of required services. However, the Division has not amended the Agreement.

Report: A-1920DEP-001

Recommendation:

We recommend the Division work with the Park and Concessionaire to ensure that required services outlined in the Agreement are being provided. If the Division has determined that these services are no longer required, the Agreement should be amended to reflect updated service requirements.

Finding 6: Capital Improvements

According to Paragraph 7 of the Schedule and Scope of Capital Improvements of the Agreement, the Concessionaire was required to provide \$100,000 in funding for capital improvements by December 31, 2017. As of February 2018, the Concessionaire had documented completion of capital improvements totaling \$54,095.00. These included piling replacement and new dock construction at Cayo Costa State Park, piling installation and new dock construction at Don Pedro State Park, and electrical installation at Stump Pass State Park. On March 5, 2019, the Park Manager sent the Concessionaire a Notice of Non-Compliance regarding completion of the Capital Improvements with a deadline of March 31, 2019. The Concessionaire provided a response requesting amendment of the Agreement. On June 10, 2019, the Park Manager notified the Concessionaire that the Capital Improvements should be completed by December 31, 2019. On December 4, 2019, the Park Manager extended the Capital Improvement completion date to December 31, 2020. On October 12, 2020, the Concessionaire requested an additional extension on the Capital Improvement completion date. At the time of this audit, the required Capital Improvements had not been completed and the Division had not responded to the Concessionaire's request for an extension.

Report: A-1920DEP-001

Recommendation

We recommend the Division work with Park management to address the Concessionaire's continued non-compliance regarding completion of required Capital Improvements consistent with performance provisions under the Agreement. The Division should also respond to the Concessionaire's most recent request for an additional extension.

To promote accountability, integrity, and efficiency in state government, the OIG completes audits and reviews of agency programs, activities, and functions. Our audit was conducted under the authority of Section 20.055, F.S., and in conformance with the International Standards for the Professional Practice of Internal Auditing, published by the Institute of Internal Auditors, and Principles and Standards for Offices of Inspector General, published by the Association of Inspectors General. The audit was conducted by Cindy Newsome and supervised by Valerie J. Peacock.

Please address inquiries regarding this report to the OIG's Audit Director by telephone at (850) 245-3151. Copies of final reports may be viewed and downloaded via the internet at <https://floridadep.gov/oig/internal-audit/content/final-audit-reports>. Copies may also be obtained by telephone (850) 245-3151, by fax (850)245-2994, in person or by mail at Department of Environmental Protection, Office of Inspector General, 3900 Commonwealth Boulevard, Mail Station #41, Tallahassee, FL 32399.

*Valerie J. Peacock,
Director of Auditing*

*Candie M. Fuller,
Inspector General*



FLORIDA DEPARTMENT OF Environmental Protection

Marjory Stoneman Douglas Building
3900 Commonwealth Boulevard
Tallahassee, FL 32399

Ron DeSantis
Governor

Jeanette Nuñez
Lt. Governor

Noah Valenstein
Secretary

Memorandum

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

FROM: Eric Draper, Director
Division of Recreation and Parks

SUBJECT: Audit of Agreement MY-0813 with Captiva Cruises, Inc. at Gasparilla
Island State Park

DATE: March 4, 2021

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

Finding 1: Collection of Park Entry Fee

Under the Agreement, the Concessionaire is to provide visitor services within the boundaries of Cayo Costa State Park, Jug Creek Cottages, Gasparilla Island State Park, Stump Pass Beach State Park, and Don Pedro Island State Park. According to Paragraph 23 Compensation of the Agreement, the Concessionaire is required to pay the Department a per passenger fee equal to the minimum statewide pedestrian fee as stated in the Florida Park Service fee schedule, currently \$2.00, for visitors six years and older. The Concessionaire provides ferry services to Cayo Costa State Park, Stump Pass Beach State Park, and Don Pedro Island State Park. However, during the audit period, with the exception of one month, the Concessionaire only collected and remitted Park entry fees for visitors at Cayo Costa State Park. Based on discussions with Park and Concessionaire staff, Park entry fees at the other two Parks were collected through those Parks.

Recommendation

We recommend the Division work with Park management to ensure that the Concessionaire collects and remits Park entry fees as required under the Agreement. If the Division determines that the Concessionaire is not required to collect and remit Park entry fees at certain locations, the Agreement should be amended to clarify the requirement.

Division Response:

The Division concurs with the Finding. The Park, District and BOS met with the Concessionaire on February 11, 2021, to affirm expectations related to the Agreement including the requirement that the Concession collect park entry fees from ferry service passengers. Captiva Cruises and its subcontractors transport visitors to Cayo Costa State Park and fees are collected. Subcontractors do not currently take passengers to Stump Pass and Don Pedro Island State Parks. The Division is preparing to move the current subcontractors to Commercial Use Agreements. All new Agreements will specify the requirements of collecting park entry fees.

Finding 2: Annual Profit and Loss Statement and limited Engagement Document

According to Paragraph 25.c. of the Agreement, the Concessionaire is required to provide an Annual Profit and Loss Statement to the Department no later than April 30th of the following calendar year. If annual gross sales exceed \$400,000, Paragraph 25.e. of the Agreement requires the Concessionaire to submit a Limited Engagement Document by June 30th of the following calendar year. Both documents for 2019 were submitted past the required due dates. The 2019 Annual Profit and Loss Statement was signed by the Concessionaire and dated June 1, 2020. The 2019 Limited Engagement Document was signed by the Concessionaire's Certified Public Accountant and dated August 12, 2020.

Recommendation

We recommend the Division work with the Park and Concessionaire to ensure the Annual Profit and Loss Statement and Limited Engagement Document are submitted timely by the required dates as specified in the Agreement.

Division Response:

The Division concurs with the Finding that the Annual Profit and Loss Statement and the Limited Engagement Document were received late. The Park, District and BOS met with the Concessionaire on February 11, 2021, and reminded the Concessionaire that the Annual Profit and Loss Statement must be submitted by April 30, 2021, and, if the revenue threshold is exceeded, the Limited Engagement Document must be submitted by June 30th of the following calendar year, as specified in the current Concessions Agreement. After reviewing the Profit and Loss Statement, BOS staff will advise the Concession to submit a Limited Engagement Document, if required.

Finding 3: Subcontracts

Per Paragraph 16 of the amended Agreement, *The Concessionaire may subcontract, as necessary, to perform the Services, provided the Department has consented to the subcontractor prior to execution of the subcontract. Unless otherwise granted by*

amendment, only the Florida Park Service District Bureau Chief or his or her superior may grant consent to utilize a subcontractor. Consent to use a subcontractor must be in writing. During FY 2019-2020, the Concessionaire used four subcontractors to provide ferry services. The District Bureau Chief provided the Concessionaire a Letter of Authorization for only one of the four. During the course of our audit, the Park Manager signed retroactive Letters of Authorization dated August 10, 2020, to the Concessionaire for the remaining three subcontractors.

According to Paragraph 16 of the amended Agreement, *The term subcontractor, as used in this Agreement, shall include any entity or person offering goods or services in the Park by written or oral agreement, license, or other arrangement with the Concessionaire. Paragraph 16 further states, The Concessionaire shall include a provision in its subcontract that requires the subcontractor to comply with the terms of this Agreement, and to submit reports in the form required by paragraph 25, below*². At the time of our audit, three of the Concessionaire's four subcontracts had expired. The active subcontract contained the required provision. The Concessionaire was aware of the expired subcontracts. While Paragraph 16 of the Agreement describes subcontractors *as entities or persons offering goods and services in the Park by written or oral agreement, license, or other arrangement with the Concessionaire*, it also requires that the Concessionaire include a provision in its subcontract that requires the subcontractor to comply with the terms of this Agreement. These statements present conflicting direction with respect to the Concessionaire's requirement for written subcontracts

Recommendation

We recommend the Division work with the District and Park to review the current subcontractors being used by the Concessionaire. The use of any subcontractor should be granted in writing by the District Bureau Chief as required under the Agreement. In addition, we recommend the Division work with the Bureau of Operational Services, District, and Park management to amend the Agreement to clarify and provide consistent direction regarding requirements for written subcontracts.

Division Response:

The Division concurs with the Finding. The Park, the District and BOS met with the Concessionaire on February 11, 2021, to discuss requirements regarding the use of subcontractors as specified in the current Agreement. The Division is developing a new Concession Agreement with Captiva Cruises for ferry services only to Cayo Costa. The current subcontractors will be required to operate under Commercial Use Agreements not as subcontractors.

Finding 4: Minimum Accounting Requirements

Paragraph A.1. of the Agreement Minimum Accounting Requirements states, The Concessionaire shall establish and maintain bank accounts (checking, savings, etc.) that are used solely for concession Agreement operations and are separate from any non-concession Agreement operations. According to Paragraph A.6. of the Agreement Minimum Accounting Requirements, Daily entries, to account for gross sales and sales tax collections by point of sale and/or collection station, shall be made to a ledger, and automated ledger, a journal or by an automated entry. Entries shall equal amounts deposited by period. We compared reported gross sales during the sample months of January and February 2020 to monthly bank deposits as follows:

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The Concessionaire has established a recordkeeping system that includes Agreement related monthly revenue reports and daily POS reports. The Concessionaire has also established a bank account used solely for Agreement operation. However, the Concessionaire’s recordkeeping and primary bank account combines revenue and deposits applicable to the Park with operations external to the Park. The Concessionaire uses the account established solely for Agreement operations for transferring funds from the primary bank account and subsequently paying monthly commission amounts and Park admission fees to the Department. As a result, daily entries to account for gross sales did not equal amounts deposited by period. This circumstance limits the accountability and financial transparency of the Concessionaire’s reported gross sales.

Recommendation

We recommend the Division work with the Park and the Concessionaire to ensure that the daily entries which account for gross sales under the Agreement equal the amounts deposited to the Concessionaire’s bank account established for use solely for the Concessionaire’s Agreement operations.

Division Response:

The Division concurs with the Finding. On February 11, 2021, the Park, District and BOS directed the Concessionaire to establish and maintain a bank account solely for the Concessionaire’s Agreement operations. BOS will monitor and confirm as part of

monthly reports and by April 5, 2021, will confirm the establishment of a separate bank account.

Finding 5: Minimum Operational Requirements

Under Minimum Operational Requirements and Procedures Exhibit A of the Agreement, the Concessionaire is authorized and agrees to operate the following services:

- ferry service
- merchandise resale
- overnight accommodation management
- food service operation

Based on our review, the only required services being provided by the Concessionaire were ferry services. On March 5, 2019, the Park Manager sent the Concessionaire a Notification of Non-Compliance letter stating that required services were not being provided at all locations outlined by the Agreement with compliance required by March 31, 2019. The Concessionaire provided a response requesting amendment of the Agreement. On June 10, 2019, The Park Manager responded that the Department would amend the Agreement to reflect a revision of required services. However, the Division has not amended the Agreement.

Recommendation

We recommend the Division work with the Park and Concessionaire to ensure that required services outlined in the Agreement are being provided. If the Division has determined that these services are no longer required, the Agreement should be amended to reflect updated service requirements.

Division Response:

The Division concurs with the Finding. The Park, District and BOS met with the Concessionaire on February 11, 2021, and addressed the deficiency regarding required services. The Division is developing a new Concession Agreement with Captiva Cruises only for ferry services to Cayo Costa and not to include services included in the current Multiple Services Agreement.

Finding 6: Capital Improvements

According to Paragraph 7 of the Schedule and Scope of capital improvements of the Agreement, the Concessionaire was required to provide \$100,000 in funding for capital improvements by December 31, 2017. As of February 2018, the Concessionaire had documented completion of capital improvements totaling \$54,095.00. These included piling replacement and new dock construction at Cayo Costa State Park, piling

installation and new dock construction at Don Pedro State Park, and electrical installation at Stump Pass State Park. On March 5, 2019, the Park Manager sent the Concessionaire a Notice of Non-Compliance regarding completion of the capital improvements with a deadline of March 31, 2019. The Concessionaire provided a response requesting amendment of the Agreement. On June 10, 2019, the Park Manager notified the Concessionaire that the capital improvements should be completed by December 31, 2019. On December 4, 2019, the Park Manager extended the Capital Improvement completion date to December 31, 2020. On October 12, 2020, the Concessionaire requested an additional extension on the Capital Improvement completion date. At the time of this audit, the required capital improvements had not been completed and the Division had not responded to the Concessionaire's request for an extension.

Recommendation

We recommend the Division work with Park management to address the Concessionaire's continued non-compliance regarding completion of required capital improvements consistent with performance provisions under the Agreement. The Division should also respond to the Concessionaire's most recent request for an additional extension.

Division Response:

The Division concurs with the Finding. The Park, District and BOS met with the Concessionaire on February 11, 2021, to affirm expectations that the Concessionaire fund capital improvements as outlined in the Agreement and advising that an extension will not be granted. The Division asked the Concessionaire to submit a proposal for payment of their remaining capital improvement obligation. A capital improvements payment proposal from the Concessionaire was received by the Division on February 22, 2021. The Concessionaire proposed to the Department conditions under which capital improvements will be paid. The Office of General Counsel will send a letter to the Concessionaire demanding immediate payment of the full amount of the outstanding capital improvements obligation. The letter was in draft form as of March 1, 2021.

Note in Conclusion: The above comments reflect a dynamic situation. As of this submittal, the Division is drafting a new Concession Agreement only for Cayo Costa ferry services. The subcontractors will be moved to Commercial Use Agreements. Concurrently, the Division is attempting to collect capital improvement funds. The Division's present expectation is that: 1) the overdue funds will be paid in full, 2) a new Concession Agreement will be signed for ferry only service, 3) the current Agreement will be terminated, and 4) the subcontractors will operate under Commercial Use

Valerie Peacock, Audit Director
Page 7 of 7
March 4, 2021

Agreements. As these steps are being implemented, the Concession and the subcontractors continue to operate under the current Agreement.