

**Audit of Nature Quest Inc. Concession at  
Rainbow Springs State Park**

**Division of Recreation and Parks**

**Report: A-1516DEP-034**

**Office of Inspector General**

**Internal Audit Section**

**Florida Department of Environmental Protection**

**January 12, 2017**

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The Office of Inspector General (OIG) conducted an audit of the Agreement MY-0211 (Agreement) with Nature Quest Inc. (Concessionaire) at Rainbow Springs State Park (Park). This audit was initiated as a result of the Fiscal Year (FY) 2015-2016 Annual Audit Plan.

## **Scope and Objectives**

The scope of the audit included activities during the period January 1, 2015 through December 31, 2015. The objectives were to determine the Concessionaire's:

- compliance with the Agreement
- accuracy of the reported gross sales

## **Methodology**

This audit was conducted under the authority of Section 20.055, Florida Statutes (F.S.), and in conformance with the International Standards for the Professional Practice of Internal Auditing, published by the Institute of Internal Auditors. Our procedures included a site visit, interviews with Concessionaire, and Park Management, as well as a review of Concessionaire and Park records.

## **Background**

In March 2011, the Department of Environmental Protection (Department) Division of Recreation and Parks (Division) entered into an agreement with the Concessionaire. The Agreement was amended in December 2013 and in November 2014. The Agreement expires in February 2018. Based on the Monthly Reports of Gross Sales, the Concessionaire reported total gross sales of \$802,398.16 and paid \$96,288.42 in commissions to the Department in calendar year 2015.

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The Park is located in Dunnellon, Florida. The Park provides visitors the opportunity to swim, snorkel, canoe, and kayak. The Concessionaire provides a boating launch site and daily canoe and kayak rental. At the Tube Area, the Concessionaire provides a tram shuttle service. Registered campers at the Park may tube from the campground using their own tubes or tubes rented from the Concessionaire.

## **Results and Conclusions**

### Agreement Compliance

In accordance with the Agreement, the Concessionaire provides kayaks, canoes, at the Park's Head Springs and tubes rentals at the Tube Area locations. A tram shuttle service is also provided for transporting visitors as outlined in the Agreement. The tram shuttle service route runs from the Tube Area Concession building and campground to the river launch area. Rental equipment inventory appeared to meet specified quantities as stated in the Agreement. Prepackage food items such as ice cream, drinks and snack foods were available at the tube rental location.

Based on our site visit, appropriate signage was posted regarding rental information at both locations. A required informational video was available at the rental stations in compliance with the Agreement. The hours of operation were posted on the Concession buildings at both locations, as required in the Agreement.

According to the Concessionaire, a full-time employee serves as the on-site Manager in the Concessionaire's absence. The Agreement requires the Concessionaire to submit a Safety and Environmental Plan as well as a Management Plan, which outlines the Concessionaire's management schedule, responsibilities and specified duties for facilities maintenance. These

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plans were submitted; however, the Management Plan did not include the on-site Manager's schedule.

Per the Agreement, Sexual Predator and Offender searches and E-Verify Employment Eligibility Verification searches are to be conducted for Concession managers, officers and employees. We were able to verify searches were conducted by the Office of Operations on the Concessionaire's Agreement Managers and officers. However, searches for Concession employees were conducted at the time of our request.

According to the Agreement Minimum Operational Requirements, facilities maintenance and cleaning as well as grounds maintenance is to be performed on a schedule and to standards acceptable to the Park Manager. Additionally, all roofs are to be kept free of pine needles and leaf litter. A list of daily duties and rules is posted at both Concession locations to ensure daily tasks are completed by Concession employees. According to the Concessionaire, Park staff are responsible for the removal of litter and the needed ground maintenance at the Head Springs Area. During the site visit, we noted debris and weeds on the Head Springs Concession building rooftop. In addition, non-compliance with facilities and grounds maintenance was noted in three of the four Concessionaire Quarterly Evaluations conducted by the Park Manager during the audit period.

As required in the Agreement, insurance policies were maintained and up to date. A performance bond was also in effect through a Letter of Credit for \$20,000.

As part of the ADA requirements outlined in the Agreement, the Concessionaire is required to identify an Accessibility and Inclusion Liaison for the Concession operation and provide program access to visitors. The Concessionaire is the designated Accessibility and

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Inclusion Liaison coordinator. The Concession tram includes accessibility ramps and a folding bench that can be converted to allow for wheelchair transportation. There are also informational signs posted for the hearing impaired.

In accordance with Payment Card Industry (PCI) Data Security Standards (DSS) requirements in the Agreement, the Concessionaire provided a PCI DSS *Self-Assessment Questionnaire B and Attestation of Compliance* document.

#### Minimum Accounting Requirements

According to the Minimum Accounting Requirements, *sales receipts shall always be offered to customers regardless of the amount*. Based on interviews with the Concessionaire, a receipt is produced if the customer is paying with a credit card. When paying with cash, the register used during the audit period was able to produce receipts which provided minimal sales information in a non-sequential or detailed manner. Unless the customer specifically requests a receipt for a cash transaction, it is not provided. However, we noted that signs were posted reminding customers to ask for a receipt.

The Minimum Accounting Requirements require refunds to be supported by customer signature, and transaction of voids to be documented and approved by management or designated employee. With minor exceptions, refunds and voids reviewed were typically documented.

The Concessionaire maintains a bank account used solely for the Concession operation. According to the Minimum Accounting Requirements, daily revenue exceeding \$2,000.00 is to be deposited intact daily and revenue less than \$2,000.00 shall be deposited within five working days. Deposits reviewed for the month of April 2015 exceeded this requirement for nine days, and for the month of July 2015, exceeded the requirement for 27

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days. The Concessionaire's annual Independent Accountant's Report for 2015 also noted the exception of deposit timeliness. According to the Concessionaire, deposits are not always made daily, due to the Park distance from the bank location; however, funds are kept in a secured location until deposits can be made.

The Concessionaire reviews and reconciles accounting records based on daily sales and register detail from operations. Employees on duty operate the register and perform opening, closing, sales transactions, voids, and refunds. Registers located at the Head Springs Area provide visible displays that face the customer and produce customer's copy of sales receipts. Registers contain a locked-in tape sequential numbering system, but do not record and accumulate detailed tax amounts. Due to limited functionality, the register is not used to account for all daily sales and does not provide a daily summary. The end of the day close out process for both locations includes cash counts and credit card settlements. The total daily cash and credit card income amounts are written on the signed Daily Income Report form and are included with the deposit. At the Tram Area, the daily Tram Ticket Count form includes two signatures.

#### Reported Revenues and Use of Waivers

According to Monthly Reports of Gross Sales, total revenue reported during 2015 was \$802,398. During this time, the Concessionaire made commission payments to the Department totaling \$96,288, at 12% of gross sales as required in the Agreement. During the audit period, commission payments were made by the 20<sup>th</sup> of the following month as required.

To document rental sales at the Head Springs Area, the Concessionaire uses a Waiver and Release of Liability Agreement (Waiver) signed typically by one member of the party. The Waiver also documents rental information including the number of individuals renting a canoe,

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kayak, lifejacket and paddles. The equipment and number of users in each category are written on the Waiver as a total. We reviewed Waiver information for the sample months of April and July 2015. These Waivers documented multiple participants, but were typically signed by one individual. In several instances, the revenues documented on the Waiver did not agree with the number of documented participants.

Concessionaire Agreement Section 33.d. states, *to the extent releases are used, the release shall also release the Department and Board of Trustees in addition to the Concessionaire and must be approved in advance in writing by the Department.* Waiver language included release of liability of the Department and the Board of Trustees in addition to the Concessionaire as required. However, written approval was not obtained.

Daily revenue entries were recorded onto a handwritten Monthly Income Sheet by combining cash sales with documented credit card daily receipts. Recorded credit card sales were supported by credit card statements with minor discrepancies. Cash sales were documented on the Monthly Income Sheet, but were not supported by a register summary.

Revenue at the Tube Area was documented by tickets used to track the number of customers. These were provided to customers as proof of paid admission for the tram and tube rentals. Numbered tickets represent the amount of people in a party and are presented to the tram driver for entry. The number of tickets issued per group were recorded on a Tram Ticket Count form and totaled at the end of the day along with any retail items sold.

We reviewed and verified sales tax payments were made to the Department of Revenue. The payments were based on 6% of the amounts reported in the Monthly Report of Gross Sales.

Our findings and recommendations are included in the remainder of this report.



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## **Findings and Recommendations**

### **Finding 1: E-Verify Employment Eligibility and Sexual Predator and Offender Search**

#### **Verification**

According to the Agreement, the Concessionaire is required to conduct Department of Homeland Security E-Verify Employment Eligibility and Sexual Predator and Offender searches on all employees and subcontractors. This information should be maintained in employee personnel files. Upon our request, the Concessionaire conducted these searches and provided documented results. Based on this documentation, we were unable to verify whether these searches were conducted and retained as required in the Agreement and whether they were conducted at the time of Concessionaire staff employment.

#### **Recommendation:**

We recommend the Division work with the Concessionaire to ensure E-Verify and Sexual Predator and Offender searches are conducted at the time of employment, and maintained in personnel files as specified in the Agreement.

### **Finding 2: Facilities Maintenance**

According to the Agreement Minimum Operational Requirements and Procedures, Section 3, facility maintenance and cleaning, as well as ground maintenance is to be performed to standards and on a schedule, acceptable to the Park Manager. Further, all roofs are to be kept free of pine needles and leaf litter. During the site visit, we noted debris was not cleared and weeds were growing on the rooftop of the Head Springs location Concession building. We reviewed Concessionaire Quarterly Evaluations completed during FY 2014-2015. In three of the four Quarterly Evaluations, the Park Manager indicated that building and ground maintenance

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was not in compliance with terms of the Agreement. When questioned, the Park Manager advised non-compliance was cited due to roadside erosion caused by the Concessionaire's tram vehicles, Tube Area damage from mowing, and improper Concession trash disposal.

**Recommendation:**

We recommend the Division direct the Concessionaire to remove debris, and ensure facilities and ground maintenance is conducted as required in the Agreement Minimum Operational Requirements and Procedures.

**Finding 3: Minimum Accounting Requirements**

Minimum Accounting Requirements Section A.3 states, *sales receipts shall always be offered to customers for all transactions regardless of the amount.* Based on interviews with the Concessionaire and employees, as well as review of financial records, when a customer pays with cash, a receipt is typically not produced or offered.

According to Minimum Accounting Requirements Section A.5, *if receipts exceed \$2,000.00, they shall be deposited intact daily. If receipts do not exceed \$2,000.00 a day, they shall be deposited intact periodically, which shall be no more than a five-day working period.* Based on review of bank deposits during the sample months, deposits exceeded these requirements for nine days in April 2015 and 27 days in July 2015.

**Recommendation:**

We recommend the Division ensure the Concessionaire comply with the Minimum Accounting Requirements. At a minimum, an electronic register or other method for documentation of sales should produce a customer copy of a sales receipt for all transactions.

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Regarding deposits, if daily receipts exceed \$2,000, they should be deposited intact daily. For daily receipts that do not exceed \$2,000, they should be deposited within a five-day working period.

**Finding 4: Accuracy of Reported Revenue**

Agreement Section 25.d. requires that the Monthly Report of Gross Sales be based on source documents and books of original entry. According to the Minimum Accounting Requirements, daily entries to account for gross sales and sales tax by point of sale and collection station shall be made to a ledger, journal, or automated entry. Acceptable methods of documenting sales include electronic cash registers, computerized software systems, or pre-numbered receipts and tickets.

Based on the documents reviewed for the audit period, portions of reported gross sales and monthly commission were based on daily handwritten totals on Concessionaire Monthly Income Sheets. The monthly totals from these sheets agreed with amounts reported on the Monthly Report of Gross sales for the sample months of April and July 2015. According to the Concessionaire, these totals were based on a compilation of credit receipts, handwritten Waivers, tube rental tickets counts, and register receipts; however, we could not consistently reconcile source documents to daily totals. While the Monthly Income Sheets agreed with the Monthly Report of Gross Sales, we were unable to verify whether monthly gross sale amounts reported were accurately documented due to the use of handwritten totals.

According to the Concessionaire, at the time of our audit, steps were being taken to update the Concessionaire cash register for improved record keeping.

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**Recommendation:**

We recommend the Division ensure the Concessionaire complies with the Minimum Accounting Requirements to incorporate an acceptable method for accurately documenting all daily sales transactions to support amounts reported in the Monthly Report of Gross Sales.

**Finding 5: Waiver and Release of Liability Agreement**

During the course of our review, the Department issued a Concessionaire Safety Plan Guide to Park Managers and Concessionaires. The guide states that *All Customers should complete and sign waivers/equipment rental sheets. Any and all forms, reports, waiver, etc., should be completed by the Concessionaire and reviewed by an attorney and/or insurance company. According to Agreement Section 33.d, to the extent releases are used, the release shall also release the Department and the Board or Trustees in addition to the Concessionaire and must be approved in advance in writing by the Department.*

The Waiver and Release of Liability Agreement used for recreational equipment rental does not document each individual participant's release of liability. The Waivers reviewed for the sampled months of April and July 2015 represented multiple individuals per rental transaction, but typically included one signature. The number of participants and equipment were written on the waiver as a total. According to the Park Manager, approval of the Waiver was not obtained. The practice of obtaining one signature on a waiver to represent multiple participants exposes the Concessionaire and Department to risk of liability for participants who did not formally agree to the release.

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**Recommendation:**

We recommend the Division direct the Concessionaire to make the necessary changes to the Waiver to include signatures of all participants or applicable legal guardians. We also recommend the Division ensure the Concessionaire has the waiver agreement reviewed by an attorney and/or insurance company, as outlined in the Safety Plan Guide, and be approved by the Department.

*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 <http://www.dep.state.fl.us/ig/reports.htm>. Copies may also be obtained by telephone (850) 245-3151, by fax (850)245-2994, in person or by mail at Department of Environmental Protection, Office of Inspector General, 3900 Commonwealth Boulevard, Mail Station #41, Tallahassee, FL 32399.*

*Valerie J. Peacock,  
Director of Auditing*

*Candie M. Fuller,  
Inspector General*



# Florida Department of Environmental Protection

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## Memorandum

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

**FROM:** Matthew Mitchell, Assistant Director *MMM*  
Division of Recreation and Parks

**SUBJECT:** Audit of Nature Quest Inc. Concession at Rainbow Springs State Park  
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**DATE:** December 16, 2016

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This memorandum will serve as the Division's follow up of the Preliminary Report.

### **Finding 1: E-Verify Employment Eligibility and Sexual Predator and Offender Search Verification**

According to the Agreement, the Concessionaire is required to conduct Department of Homeland Security E-Verify Employment Eligibility and Sexual Predator and Offender searches on all employees and subcontractors. This information should be maintained in employee personnel files. Upon our request, the Concessionaire conducted these searches and provided documented results. Based on this documentation, we were unable to verify whether these searches were conducted and retained as required in the Agreement and whether they were conducted at the time of Concessionaire staff employment.

### **Recommendation:**

We recommend the Division work with the Concessionaire to ensure E-Verify and Sexual Predator and Offender searches are conducted at the time of employment, and maintained in personnel files as specified in the Agreement.

### **Division Response:**

The Division agrees with the recommendation and suggests park management incorporate E-Verify and Sexual Predator Check reviews in the quarterly evaluation to ensure continued compliance. A thorough review was conducted in September, park management found the concessionaire to be in compliance at that time. Copies of the review will be requested by the Division and supplied to OIG.

**Finding 2: Facilities Maintenance**

According to the Agreement Minimum Operational Requirements and Procedures, Section 3, facility maintenance and cleaning, as well as ground maintenance is to be performed to standards and on a schedule, acceptable to the Park Manager. Further, all roofs are to be kept free of pine needles and leaf litter. During the site visit, we noted debris was not cleared and weeds were growing on the rooftop of the Head Springs location Concession building. We reviewed Concessionaire Quarterly Evaluations completed during FY 2014-2015. In three of the four Quarterly Evaluations, the Park Manager indicated that building and ground maintenance was not in compliance with terms of the Agreement. When questioned, the Park Manager advised non-compliance was cited due to roadside erosion caused by the Concessionaire's tram vehicles, Tube Area damage from mowing, and improper Concession trash disposal.

**Recommendation:**

We recommend the Division direct the Concessionaire to remove debris, and ensure facilities and ground maintenance is conducted as required in the Agreement Minimum Operational Requirements and Procedures.

**Division Response:**

The Division agrees with the recommendation. The park manager will immediately direct the concessionaire to make the corrections indicated, and will continue to inspect and monitor facilities to ensure facility and ground maintenance standards are maintained. Maintenance deficiencies noted will be provided to the concessionaire in writing.

**Finding 3: Minimum Accounting Requirements**

Minimum Accounting Requirements Section A.3 states, *sales receipts shall always be offered to customers for all transactions regardless of the amount*. Based on interviews with the Concessionaire and employees, as well as review of financial records, when a customer pays with cash, a receipt is typically not produced or offered. According to Minimum Accounting Requirements Section A.5, *if receipts exceed \$2,000.00, they shall be deposited intact daily. If receipts do not exceed \$2,000.00 a day, they shall be deposited intact periodically, which shall be no more than a five-day working period*. Based on review of bank deposits during the sample months, deposits exceeded these requirements for nine days in April 2015 and 27 days in July 2015.

**Recommendation:**

We recommend the Division ensure the Concessionaire comply with the Minimum Accounting Requirements. At a minimum, an electronic register or other method for documentation of sales should produce a customer copy of a sales receipt for all transactions. Regarding deposits, if daily receipts exceed \$2,000, they should be deposited intact daily. For daily receipts that do not exceed \$2,000, they should be deposited within a five-day working period.

**Division Response:**

The Division agrees with the recommendation. The concessionaire will be directed in writing to make intact deposits daily when concession receipts exceed \$2000.00. In addition, park management will work with the concessionaire to provide specifications for electronic registers that meet minimum accounting requirements. This will also resolve Finding #4 below. In the event other than an electronic register is used, the park manager will ensure handwritten receipts are developed and provided to visitors.

**Finding 4: Accuracy of Reported Revenue**

Agreement Section 25.d. requires that the Monthly Report of Gross Sales be based on source documents and books of original entry. According to the Minimum Accounting Requirements, daily entries to account for gross sales and sales tax by point of sale and collection station shall be made to a ledger, journal, or automated entry. Acceptable methods of documenting sales include electronic cash registers, computerized software systems, or pre-numbered receipts and tickets. Based on the documents reviewed for the audit period, portions of reported gross sales and monthly commission were based on daily handwritten totals on Concessionaire Monthly Income Sheets. The monthly totals from these sheets agreed with amounts reported on the Monthly Report of Gross sales for the sample months of April and July 2015. According to the Concessionaire, these totals were based on a compilation of credit receipts, handwritten Waivers, tube rental tickets counts, and register receipts; however, we could not consistently reconcile source documents to daily totals. While the Monthly Income Sheets agreed with the Monthly Report of Gross Sales, we were unable to verify whether monthly gross sale amounts reported were accurately documented due to the use of handwritten totals.

**Recommendation:**

We recommend the Division ensure the Concessionaire complies with the Minimum Accounting Requirements to incorporate an acceptable method for accurately documenting all daily sales transactions to support amounts reported in the Monthly Report of Gross Sales.

**Division Response:**

The Division agrees with the recommendation. Park management will provide the concessionaire specifications for electronic registers that meet minimum accounting requirements. In the event a machine is used that is not an electronic register, the park manager will ensure handwritten receipts are developed and provided to visitors.

**Finding 5: Waiver and Release of Liability Agreement**

During the course of our review, the Department issued a Concessionaire Safety Plan Guide to Park Managers and Concessionaires. The guide states that *All Customers should complete and sign waivers/equipment rental sheets. Any and all forms, reports, waiver, etc., should be completed by the Concessionaire and reviewed by an attorney and/or insurance company.* According to Agreement Section 33.d, *to the extent releases are used, the release shall also release the Department and the Board or Trustees in addition to the Concessionaire and must be approved in advance in writing by the Department.* The Waiver and Release of Liability Agreement used



for recreational equipment rental does not document each individual participant's release of liability. The Waivers reviewed for the sampled months of April and July 2015 represented multiple individuals per rental transaction, but typically included one signature. The number of participants and equipment were written on the waiver as a total. According to the Park Manager, approval of the Waiver was not obtained. The practice of obtaining one signature on a waiver to represent multiple participants exposes the Concessionaire and Department to risk of liability for participants who did not formally agree to the release.

**Recommendation:**

We recommend the Division direct the Concessionaire to make the necessary changes to the Waiver to include signatures of all participants or applicable legal guardians. We also recommend the Division ensure the Concessionaire has the waiver agreement reviewed by an attorney and/or insurance company, as outlined in the Safety Plan Guide, and be approved by the Department.

**Division Response:**

The Division agrees with the recommendation. Waivers have been revised to include the signatures of all participants or applicable legal guardians. Park management will ensure review of the Waiver by the Bureau of Operational Services for contract compliance and best management practices.