

**Audit of Silver Springs Management, LLC
Concessionaire at Silver Springs State Park**

Division of Recreation and Parks

Report: A-1415DEP-058

Office of Inspector General

Internal Audit Section

Florida Department of Environmental Protection

March 15, 2016

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The Office of Inspector General (OIG) conducted an audit of Silver Springs Management, LLC (Concessionaire) at Silver Springs State Park (Park). This audit was initiated as a result of the Fiscal Year (FY) 2014-2015 Annual Audit Plan.

Scope and Objectives

The scope of this audit included selected activities of the Concessionaire during the period of January 1, 2014 through December 31, 2014. We conducted our site visit in May 2015. As a result, the scope also included selected activities of the Concessionaire during May 2015.

The objectives of this audit were to:

- Determine whether the Concessionaire is operating in compliance with the Minimum Accounting Requirements contained in the Agreement and selected Concessionaire agreement provisions
- Evaluate the accuracy of the Concessionaire's 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. The procedures of this audit consisted of interviews of Concessionaire and Park management, as well as review of Concessionaire and Park records.

Background

In September 2013, the Division of Recreation and Parks (Division) entered into Agreement MY-0313 (Agreement) with the Concessionaire to provide the following services at the Park:

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- Food and beverage service
- Merchandise resale
- Tour boat operations
- Recreational equipment rentals
- Concert series and special events management
- Vending machine services
- Wi-Fi services and website maintenance

As required by the Agreement, the Concessionaire paid the Park commission on all gross sales generated at the Park using the sliding scale shown below.

Performance Period	Commission Rate
October 1, 2013 through September 30, 2014	8%
October 1, 2014 through September 30, 2015	9%

According to Monthly Reports of Gross Sales submitted to the Park in 2014, the Concessionaire reported \$1,534,333.73 in gross sales, and paid \$125,740.53 in commission to the Division.

In May 2014, the Concessionaire entered into a memorandum of understanding with the Division that expanded the Concessionaire's operations to include the Park's Wild Waters water park. In March 2015, the Concessionaire's expanded operations were ratified by Amendment One to the Agreement. Amendment One also removed commission requirements from the Agreement for all Concessionaire operations at the Park.

For this audit, our review primarily focused on the Concessionaire's activities during 2014. Because Amendment One was not executed until March 2015, our review of activities

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during 2014 was based on the original Agreement, which contained the original commission requirements (as shown in the table above) and excluded operations at Wild Waters. The activities we reviewed during our site visit in May 2015 were based on Agreement requirements that were not altered by Amendment One.

Results & Conclusions

Compliance with Agreement Provisions

During our site visit, the Concessionaire's operations appeared to have a sufficient level of merchandise inventory and staffing support. We observed Concessionaire employees wearing visitor service uniforms and nametags, as required by Section 22 of the Agreement.

Sections 44 and 45 of the Agreement require the Concessionaire to conduct E-Verify¹ employment eligibility authorizations and sexual predator/offender searches for all Concessionaire staff. We reviewed personnel records for 51 Concessionaire staff. The Concessionaire provided E-Verify authorizations and sexual predator/offender search documentation for all 51 staff. For 11 employees, sexual predator/offender search documentation included dates showing when the searches were conducted. Of these 11 employees, search documentation for nine employees was dated an average of 40 days after the employees' hire date. E-Verify authorizations provided for all 51 employees were dated an average of 248 days after the employees' hire date. According to Concessionaire management, work-eligibility

¹ The Immigration Reform and Control Act of 1986 prohibits employers from knowingly hiring illegal workers. The Concessionaire is required to use the U.S. Department of Homeland security's E-Verify Employment Eligibility Verification system to verify employment eligibility.

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authorizations were conducted for all employees at the time of hire through a different system than E-Verify; however, documentation of these searches was not retained for any employees.

Based on review of documentation, the Concessionaire submitted all Monthly Reports of Gross Sales, financial statements, and commission payments to the Division by required deadlines. The Concessionaire completed the Payment Card Industry Self-Assessment Questionnaire, maintained insurance coverage meeting minimum liability requirements, and secured performance security with the Department listed as the beneficiary. The Concessionaire also procured a limited-engagement independent financial audit as required by the Agreement.

Compliance with Agreement Minimum Accounting Requirements

During our site visit, we observed the use of electronic registers, and signs reminding customers to obtain receipts. Receipts provided to customers were sequentially numbered, time and date stamped, and captured all relevant sales and sales tax detail. We also confirmed that the Concessionaire's cash registers track and produce summary reports of sales and sales tax detail. The cash registers used by the Concessionaire do not have a visual display that faces the customer. The cash registers have a single display that can be rotated to face either the cashier or customer when payment is made by credit card.

Concessionaire management stated that the Concessionaire employs five supervisors to oversee the Concessionaire's operations. These supervisors, who are not responsible for collecting cash, count cash drawers and review register reports and deposit documentation to ensure that they agree. Collected funds are stored in a locked safe until a staff member not responsible for collecting cash deposits them. Refunds issued to customers require approval from

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one of the supervisors. When refunds are issued, refund receipts are printed and signed by the supervisor and customer.

According to the Park Manager, the Concessionaire reimburses the Park individual entrance fees for visitors attending special events during the Park's normal hours of operation. Park staff also track the number of visitors entering for special events. According to the Minimum Accounting Requirements contained in the Agreement, the Concessionaire must submit copies of all event contracts to the Park Manager monthly. However, Concessionaire management explained that copies of special event contracts are not provided. Event contract documents contained all information required by the Minimum Accounting Requirements with the exception of pre-numbering.

The Minimum Accounting Requirements specify that deposits are to be made within a five working day period regardless of size of the daily collections. When daily collections exceed \$2,000, the Concessionaire must deposit collections daily. We reviewed the Concessionaire's collections from tour boat operations during the months of February and July 2014. In February 2014, we traced cash collections to intact deposits on 23 (82%) days. Of these 23 days, collections were deposited within the required timeframes on 19 (83%) days. Collections on the remaining four (17%) days were deposited beyond the required timeframes. In July 2014, the Concessionaire collected cash on 31 days. We traced collections to intact deposits for all 31 days. Of these 31 days, all were deposited within the required timeframes.

The Minimum Accounting Requirements state that the Concessionaire is required to establish and maintain bank accounts used solely for Agreement operations. The Concessionaire retained all bank statements and deposit documentation for 2014. Based on our review, the

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Concessionaire's bank accounts contained activity outside the scope of this Agreement.

However, these activities were related to the Concessionaire's operations at Wild Waters, which were included in the memorandum of understanding executed in March 2014, and Amendment One to the Agreement.

According to the Minimum Accounting Requirements, the Concessionaire is required to maintain a ledger containing daily gross sales entries. Entries made to the ledger must agree with deposits made to the Concessionaire's bank accounts. We compared the ledger used in 2014 to bank deposits. Adjustments were made for deposits not related to gross sales. These included transfers from the Concessionaire's parent company to pay for business expenses. Because deposits included sales tax collections, we adjusted for sales tax using DR-15 returns.

Total Deposits and Credits According to Bank Statements	\$2,851,931.83
Less: Non-Revenue Deposits and Credits	\$(992,906.64)
Less: Sales Tax Collections According to DR-15 Sales Tax Returns	\$(106,928.41)
Net Deposits	\$1,752,096.78
Gross Sales Ledger Entries	\$1,771,601.57
Difference	\$(19,504.79)

As shown above, net deposits excluding sales tax collections were \$19,504.79 (1.11%) lower than ledger entries. Concessionaire management was unable to provide an explanation for this difference. However, this difference was likely caused by gaps between the date revenue was recognized in the ledger and the deposit date.

The Minimum Accounting Requirements state that the Concessionaire is required to retain documents supporting recorded gross sales and sales tax collections. For our review, the

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Concessionaire provided register reports to support reported gross sales from tour boat operations, merchandise resale, and canoe/kayak rentals. The Concessionaire was unable to provide source documents for subcontracted food and beverage sales, and special event sales.

According to the Minimum Accounting Requirements, customer refunds must be supported by customer-signed documents. Based on register reports, the Concessionaire issued refunds totaling \$478.78 in February 2014 and \$3,951.00 in July 2014. The Concessionaire was unable to provide customer-signed documents supporting the refund totals stated in register reports.

Accuracy of Reported Gross Sales

For the audit sample months of February and July 2014, we reviewed source documents provided by the Concessionaire to document reported gross sales.

Concessionaire Operation	Source Document Provided for February 2014	Source Document Provided for July 2014
Boat Tours, Canoe/Kayak Rentals, and Gift Shop Merchandise Resale	Cash register Z-1 reports	Cash register Z-1 reports
Food and Beverage Subcontractor	Sales spreadsheet prepared by Subcontractor	Sales spreadsheet prepared by Subcontractor
Special Events	Report from Concessionaire's accounting system	None provided

With the exception of special events in July 2014, the Concessionaire provided source documents for gross sales in February and July 2014. Source documents supporting special event gross sales in July 2014 were not retained. Source documents provided by the Concessionaire stated total collections, which included both gross sales and sales tax collections. To determine gross sales, we adjusted total collections for sales tax collections.

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February 2014 Reported Gross Sales Compared with Source Documents

Concessionaire Operation	Gross Sales According to Source Documents (Adjusted for Sales Tax)	Reported Gross Sales	Difference
Boat Tours, Canoe/Kayak Rentals, and Gift Shop Merchandise Resale	\$ 77,426.07	\$ 61,146.87	\$ 16,279.20
Food and Beverage Subcontractor	\$ 27,020.95	\$ 28,642.21	\$ (1,621.26)
Concert/Special Event	\$ 163,911.66	\$ 173,492.36	\$ (9,580.70)
Total	\$ 268,358.68	\$ 263,281.44	\$ 5,077.24

July 2014 Reported Gross Sales Compared with Source Documents

Concessionaire Operation	Gross Sales According to Source Documents (Adjusted for Sales Tax)	Reported Gross Sales	Difference
Boat Tours, Canoe/ Kayak Rentals, and Gift Shop Merchandise Resale	\$ 138,571.16	\$ 139,759.04	\$ (1,187.88)
Food and Beverage Subcontractor	\$ 29,709.37	\$ 29,709.37	\$ 0.00
Special Events	Not Tested	Not Tested	Not Tested
Total	\$ 168,280.53	\$ 169,468.41	\$ (1,187.88)

According to source documents, gross sales were \$5,077.24 (1.9%) greater than amounts reported in February 2014 and \$1,187.88 (0.70%) lower in July 2014. Concessionaire management was unable to provide an explanation for these differences.

Findings and Recommendations

Finding 1: Documentation of Gross Sales and Customer Refunds

Gross Sales Source Documents

According to Minimum Accounting Requirement A(6), *source documents, such as daily cash register tapes, Concessionaire's copy of pre-numbered receipts and use schedules of pre-numbered tickets, shall be retained to support recorded gross sales and sales tax collections.*

We requested source documents supporting reported gross sales in February and July 2014. For both months, the Concessionaire provided register Z-1 reports as source documents for

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reported gross sales from tour boat operations, merchandise resale, and canoe/kayak rentals. The provided Z-1 reports did not agree with or support reported gross sales or sales tax collections. For sales reported from the Concessionaire's food and beverage subcontractor, the Concessionaire was unable to provide register reports, and only provided daily sales spreadsheets prepared by the subcontractor. In addition, the Concessionaire could not provide source documents or event contracts to support special event and concert sales in both months. This included a concert held in February 2014 with reported gross sales exceeding \$170,000. The only documentation provided for the concert was a transaction report generated from the Concessionaire's general ledger accounting system.

Refund Documentation

According to Minimum Accounting Requirement A(4), *customer refunds shall be supported by customer signed documents*. Based on register Z-1 reports, the Concessionaire issued \$478.78 in refunds in February 2014 and \$3,951.00 in July 2014. The Concessionaire was unable to provide documentation supporting any refunds made during the audit sample months of February and July 2014.

Recommendation

Going forward, we recommend the Division work with the Concessionaire to ensure that source documents supporting reported gross sales and refunds are retained.

Finding 2: Special Event Contracts and Reporting

According to Minimum Accounting Requirement D(1), *the Concessionaire shall provide the [special event/concert] customers a written contract for each Event it books and organizes at the Park. The contract shall be pre-numbered, dated, and time stamped*. In addition, Minimum

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Accounting Requirement D(5) states, *the Concessionaire shall provide the Park Manager copies of all contracts that document, monthly, each Event contract booked and organized in the Park by the Concessionaire.*

Based on an event contract provided by the Concessionaire, contracts provided to special event customers were not pre-numbered as required by Minimum Accounting Requirement D(1). In addition, according to Concessionaire management and the Park Manager, the Concessionaire did not provide the Park Manager with copies of event contracts each month.

Recommendation

Going forward, we recommend the Division work with the Concessionaire to develop and issue special event contracts that are pre-numbered in accordance with Minimum Accounting Requirement D(1). In addition, we recommend the Concessionaire submit to the Park Manager copies of all special event contracts each month in accordance with Minimum Accounting Requirement D(5).

Finding 3: Frequency of Cash Collection Deposits

According to Minimum Accounting Requirement A(5), *if receipts exceed \$2000.00, they shall be deposited intact daily. If receipts do not exceed \$2000.00 a day, they shall be deposited intact periodically, which shall be no more than a five day working period.*

We reviewed the Concessionaire's deposits made for tour boat operations during the months of February and July 2014 to determine if cash collections were deposited within timeframes established by the Minimum Accounting Requirements. During February and July 2014, collections on 54 days could be traced to intact deposits. Of these 54 days, collections on four (7.4%) days were deposited outside required timeframes.

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Recommendation

We recommend the Division work with the Concessionaire to ensure that collections are deposited within five working days of collection, regardless of the amount collected. If daily collections exceed \$2000.00, the Concessionaire should deposit collections daily.

Finding 4: E-Verify Authorizations and Sexual Predator/Offender Searches

Section 44 of the Agreement states the Concessionaire shall use the U.S. Department of Homeland Security's E-Verify system to verify the employment eligibility of all persons employed by the Concessionaire. Section 45 of the Agreement states the Concessionaire shall perform sexual predator and sexual offender checks on all employees and subcontractors and shall keep a copy of such records in their personnel files.

The Concessionaire provided E-Verify authorizations and sexual predator/offender search documentation for all 51 employees, but some were dated during the time of our audit rather than the employees' date of hire. On average, E-Verify authorizations were dated 248 days after each employee's hiring date. For nine of the 51 employees, sexual predator/offender search documentation was dated during the time of our audit. For these nine employees, sexual predator/offender search documentation was dated an average of 40 days after each employee's hiring date.

According to Concessionaire management, sexual predator/offender searches and work authorizations using a system other than E-Verify were conducted at the time of hiring all employees. Documentation of these work authorizations and sexual predator/offender searches were not retained.

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Recommendation

We recommend the Division ensure the Concessionaire retains original documentation of E-Verify authorizations and sexual predator/offender searches for all employees. In addition, as part of the quarterly concessionaire evaluation, Park management should confirm that documentation of sexual predator/offender searches is present for all Concessionaire employees.

Management Comment

Minimum Accounting Requirements Addressing Cash Registers

Section B(1) of the Agreement's Minimum Accounting Requirements lists the required specifications for electronic cash registers and computerized software systems used by the Concessionaire. Section B(1) states, *at a minimum, the register and software shall: (a) Have a visual display that faces customers.*

During our site visit, we noted that the Concessionaire uses tablet-based cash registers to collect and document sales. The Concessionaire's cash registers consist of a single touchscreen tablet that can rotate to face either the customer or employee operating the cash register. According to Concessionaire staff, tablets are typically positioned to face the employee operating the cash register. Tablets are only rotated to face customers when paying by credit card.

The Concessionaire's use of tablet-based cash registers represents the broader trend of increased use of tablet-based cash registers by businesses. In general, tablet-based cash registers do not feature a secondary display that faces customers. Based on current language in Section B(1) of the Agreement's Minimum Accounting Requirements, most tablet-based cash registers are not permissible for use by a concessionaire. The required specifications for cash registers in Section B(1) does not reflect or address the increased use of tablet-based cash registers.

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Recommendation

We recommend the Division review and update Section B(1) of the Agreement's Minimum Accounting Requirements to address technology point of sale changes, including the use of tablet-based cash registers. Any required specifications for cash registers should be applicable to the current use of tablet-based cash registers.

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 Gabriel Earnest 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,
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Memorandum

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

FROM: Donald V. Forgione, Director 
Division of Recreation and Parks

SUBJECT: Audit of Silver Springs Management, LLC Concessionaire at Silver Springs State Park, Division of Recreation and Parks Report: A-1415DEP-058

DATE: March 9, 2016

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

Finding 1: Documentation of Gross Sales and Customer Refunds

According to Minimum Accounting Requirement A(6), source documents, such as daily cash register tapes, Concessionaire's copy of pre-numbered receipts and use schedules of pre-numbered tickets, shall be retained to support recorded gross sales and sales tax collections. We requested source documents supporting reported gross sales in February and July 2014. For both months, the Concessionaire provided register Z-1 reports as source documents for reported gross sales from tour boat operations, merchandise resale, and canoe/kayak rentals. The provided Z-1 reports did not agree with or support reported gross sales or sales tax collections. For sales reported from the Concessionaire's food and beverage subcontractor, the Concessionaire was unable to provide register reports, and only provided daily sales spreadsheets prepared by the subcontractor. In addition, the Concessionaire could not provide source documents or event contracts to support special event and concert sales in both months. This included a concert held in February 2014 with reported gross sales exceeding \$170,000. The only documentation provided for the concert was a transaction report generated from the Concessionaire's general ledger accounting system.

Refund Documentation

According to Minimum Accounting Requirement A(4), customer refunds shall be supported by customer signed documents. Based on register Z-1 reports, the Concessionaire issued \$478.78 in refunds in February 2014 and \$3,951.00 in July 2014. The Concessionaire was unable to provide documentation supporting any refunds made during the audit sample months of February and July 2014.

Recommendation: Going forward, we recommend the Division work with the Concessionaire to ensure that source documents supporting reported gross sales and refunds are retained.

Division Response: The Division agrees with the recommendation and park management will establish a quarterly review of source documents that support reported gross sales and refunds to ensure source documents have been retained.

Finding 2: Special Event Contracts and Reporting

According to Minimum Accounting Requirement D(1), the Concessionaire shall provide the [special event/concert] customers a written contract for each Event it books and organizes at the Park. The contract shall be pre-numbered, dated, and time stamped. In addition, Minimum Accounting Requirement D(5) states, the Concessionaire shall provide the Park Manager copies of all contracts that document, monthly, each Event contract booked and organized in the Park by the Concessionaire.

Based on an event contract provided by the Concessionaire, contracts provided to special event customers were not pre-numbered as required by Minimum Accounting Requirement D(1). In addition, according to Concessionaire management and the Park Manager, the Concessionaire did not provide the Park Manager with copies of event contracts each month.

Recommendation: Going forward, we recommend the Division work with the Concessionaire to develop and issue special event contracts that are pre-numbered in accordance with Minimum Accounting Requirement D(1). In addition, we recommend the Concessionaire submit to the Park Manager copies of all special event contracts each month in accordance with Minimum Accounting Requirement D(5).

Division Response: The Division agrees with the recommendation. Park management will ensure that event contracts are developed, utilized, and submitted monthly. The Division in partnership with the Bureau of Operational Services will review the Minimum Accounting Requirements that require all contracts to be pre-numbered and time stamped. This language may be outdated given current technologies.

Finding 3: Frequency of Cash Collection Deposits

According to Minimum Accounting Requirement A(5), if receipts exceed \$2000.00, they shall be deposited intact daily. If receipts do not exceed \$2000.00 a day, they shall be deposited intact periodically, which shall be no more than a five day working period.

We reviewed the Concessionaire's deposits made for tour boat operations during the months of February and July 2014 to determine if cash collections were deposited within timeframes established by the Minimum Accounting Requirements. During February and July 2014, collections on 54 days could be traced to intact deposits. Of these 54 days, collections on four (7.4%) days were deposited outside required timeframes.

Recommendation: We recommend the Division work with the Concessionaire to ensure that collections are deposited within five working days of collection, regardless of the amount collected. If daily collections exceed \$2000.00, the Concessionaire should deposit collections daily.

Division Response: The Division agrees with the recommendation and the Concessionaire has been directed to ensure deposits are made daily if exceeding \$2000 or if less than \$2000 then deposited within five working days of collection.

Finding 4: E-Verify Authorizations and Sexual Predator/Offender Searches

Section 44 of the Agreement states the Concessionaire shall use the U.S. Department of Homeland Security's E-Verify system to verify the employment eligibility of all persons employed by the Concessionaire. Section 45 of the Agreement states the Concessionaire shall perform sexual predator and sexual offender checks on all employees and subcontractors and shall keep a copy of such records in their personnel files.

The Concessionaire provided E-Verify authorizations and sexual predator/offender search documentation for all 51 employees, but some were dated during the time of our audit rather than the employees' date of hire. On average, E-Verify authorizations were dated 248 days after each employee's hiring date. For nine of the 51 employees, sexual predator/offender search documentation was dated during the time of our audit. For these nine employees, sexual predator/offender search documentation was dated an average of 40 days after each employee's hiring date.

According to Concessionaire management, sexual predator/offender searches and work authorizations using a system other than E-Verify were conducted at the time of hiring all employees. Documentation of these work authorizations and sexual predator/offender searches were not retained.

Recommendation: We recommend the Division ensure the Concessionaire retains original documentation of E-Verify authorizations and sexual predator/offender searches for all employees. In addition, as part of the quarterly concessionaire evaluation, Park management should confirm that documentation of sexual predator/offender searches are present for all Concessionaire employees.

Division Response: The Division agrees with the recommendation. The concessionaire now routinely conducts the state and Federal sexual predator searches of all employees prior to hire and provides them to the Park Manager. These records are maintained in a binder provided to the Park Manager. The Concessionaire was previously conducting both Social Security and Florida New Hire web page searches instead of using the E-Verify system as required. The Division has directed the Concessionaire to conduct E-Verify searches for all new employees and to maintain the results in the employee's files.

Management Comment

Minimum Accounting Requirements Addressing Cash Registers

Section B(1) of the Agreement's Minimum Accounting Requirements lists the required specifications for electronic cash registers and computerized software systems used by the Concessionaire. Section B(1) states, at a minimum, the register and software shall: (a) Have a visual display that faces customers.

During our site visit, we noted that the Concessionaire uses tablet-based cash registers to collect and document sales. The Concessionaire's cash registers consist of a single touchscreen tablet that can rotate to face either the customer or employee operating the cash register. According to Concessionaire staff, tablets are typically positioned to face the employee operating the cash register. Tablets are only rotated to face customers when paying by credit card.

The Concessionaire's use of tablet-based cash registers represents the broader trend of increased use of tablet-based cash registers by businesses. In general, tablet-based cash registers do not feature a secondary display that faces customers. Based on current language in Section B(1) of the Agreement's Minimum Accounting Requirements, most tablet-based cash registers are not permissible for use by a concessionaire. The required specifications for cash registers in Section B(1) does not reflect or address the increased use of tablet-based cash registers.

Recommendation: We recommend the Division review and update Section B(1) of the Agreement's Minimum Accounting Requirements to address technology point of sale changes, including the use of tablet-based cash registers. Any required specifications for cash registers should be applicable to the current use of tablet-based cash registers.

Division Response: The Division agrees with the recommendation. The Division in partnership with the Bureau of Operational Services will review the Minimum Accounting Requirements to identify potential updates to point of sale equipment requirements based on current technologies.