

**Audit of the Friends of Little Manatee River State
Park, Inc., Citizen Support Organization**

Division of Recreation and Parks

Report: A-1415DEP-050

**Office of Inspector General
Internal Audit Section
Florida Department of Environmental Protection**

June 30, 2015

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Report: A-1415DEP-050

Table of Contents

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

Report: A-1415DEP-050

The Office of Inspector General (OIG) conducted an audit of the Friends of Little Manatee River State Park, Inc., Citizen Support Organization (CSO).

Scope and Objectives

The scope of this audit included select activities of the CSO during Calendar Year 2014 (January 1, 2014 through December 31, 2014).

The objectives of this audit were to:

- Determine if the CSO is compliant with Florida Statutes (F.S.), CSO Agreement and Bylaws, CSO Handbook, and the Division of Recreation and Parks' Operations Manual and evaluate the level of oversight by Park management
- Determine the accuracy of reported revenue and expenditures

Methodology

This audit was conducted under the authority of Section 20.055, F.S. The audit was conducted in conformance with the *International Standards of the Professional Practice of Internal Auditing*, published by the Institute of Internal Auditors. Our audit procedures included the following:

- Review of the CSO Handbook, Division of Recreation and Parks' (Division) Operations Manual (OM), CSO Agreement, Bylaws, and Articles of Incorporation
- Review of Sections 20.058, 112.3251, and 258.015, F.S.
- Review and assessment of CSO documents including financial documentation
- Interviews with Division staff and CSO officers
- Interviews with staff at the Florida Department of Revenue

Report: A-1415DEP-050

Background

The Friends of Little Manatee River State Park, Inc. was established in 1997 as the CSO for Little Manatee River State Park. The CSO's mission is to generate and employ additional resources and support for and in the best interests of the Park. The CSO meets this mission by conducting fundraising events each year, including a concert, "Spring Fling," and several equestrian events. The CSO also generates funds through membership dues, the sale of firewood and ice, coin-operated laundry facilities, and general donations. The funds generated from these activities are used to purchase supplies and equipment for the Park, and fund various projects at the Park. The CSO also provides volunteer support in the form of Park maintenance, including maintenance of the Park's equestrian trails.

In calendar year 2014, the CSO reported the following revenue and expenses:

Revenues		Expenses	
Special Events	\$ 13,409.89	Special Event Expenses	\$ 9,563.89
Firewood and Ice Sales	\$ 5,377.00	CSO Supplies	\$ 525.94
Other Revenues. ¹	\$ 2,179.85	Cost of Goods Sold	\$ 3,443.00
		Direct Park Support ²	\$ 6,270.32
		Other Expenses. ³	\$ 429.62
Total Revenue	\$ 20,966.74	Total Expenses	\$ 20,232.77

Results and Conclusions

Compliance with Guidance Documents

Based on interviews with CSO officers and Park staff, and review of CSO documents, the CSO was compliant in the following areas:

¹ Other Revenues included revenue reported as "Dues", "Laundry", and "Miscellaneous"

² Direct Park Support consisted of expenditures reported as "Park Maintenance," "Park Support," "Park Programs," and "Project Programs."

³ Other Expenses consisted of expenditures reported as "Marketing and Internet" and "Miscellaneous"

Report: A-1415DEP-050

- All CSO projects, events, and requests for use of Park resources were submitted for review and approved by Park management and the Division.
- The CSO provided Park management with all required reporting including volunteer reports and annual report.
- The CSO submitted required annual filings to the Florida Department of State and the Internal Revenue Service.
- CSO funds were not kept with Park funds.
- The CSO adopted a Code of Ethics statement in conformance with Section 112.3251, F.S. and posted the statement on the CSO website.
- The CSO's use of Park resources did not interfere with the general public's use of the Park during normal operating hours.
- CSO members and officers were not offered perpetual free entry into the Park.
- The CSO Board of Directors either directly or indirectly approved all expenditures exceeding the specified threshold included in the CSO Bylaws.

Financial Management and Oversight

The CSO's Bylaws and Articles of Incorporation provide limited guidance with respect to financial management and oversight. The CSO does not maintain a general ledger accounting system. Expenditures and revenue are documented on the CSO's check register.

The majority of financial management activities are conducted by the CSO's Treasurer. The Treasurer is responsible for collecting and depositing revenue, maintaining records, writing and signing checks, and making purchases using the CSO's debit card. Other than assisting with

Report: A-1415DEP-050

collection of revenue during the CSO's fundraising events, no other CSO officers are involved with financial management.

Revenue Collection Controls and Oversight

The CSO generates the majority of its revenue through fundraising events. At these events, the CSO collects registration fees, and sells food and drinks to visitors. At each event, the funds are collected by CSO members and volunteers and stored in cash boxes. At the end of each event, the cash boxes are given to the CSO Treasurer who counts the cash and deposits the funds into the CSO's bank account. According to the Treasurer, there is no other CSO officer or Park staff who verifies the cash collected by the Treasurer. In addition, registration forms supporting revenue collected from fundraising events are not retained by the CSO. As a result, we could not determine if cash deposits from fundraising events in 2014 were accurate and supported, due to a lack of supporting documentation.

The CSO also collects revenue from the sale of firewood and ice at the Park's Ranger Station. When visitors purchase ice or firewood, they are instructed by Park staff to deposit funds into a cash box located at the Ranger Station. When the box is full, Park staff notify the Treasurer, who collects, counts, and deposits the funds into the CSO's bank account. Receipts are not provided to visitors purchasing firewood or ice, and sales are not documented. Accordingly, we could not determine if the cash deposits from firewood and ice sales in 2014 were accurate and supported.

The CSO does not collect sales tax from firewood and ice sales. According to the Treasurer, firewood and ice are offered to visitors who may provide a donation to the CSO. During our site visit, we observed signage that did not indicate funds were donations, but rather

Report: A-1415DEP-050

stated that firewood was for sale at a specified price. In addition, in the CSO's Annual Program Plan for 2015, the CSO's projects included "firewood sales" and "ice sales."

Expenditure Controls and Oversight

According to the CSO's Bylaws, the Board of Directors must approve all expenditures. According to the Treasurer, the Board of Directors either approves expenditures individually or authorizes a project and, indirectly, all associated expenditures. The Treasurer is responsible for making purchases for the CSO. Purchases are either made using the CSO's debit card or check. The Treasurer is also the only CSO officer who signs the CSO's checks.

According to the Treasurer, purchases made using the CSO's debit card will occasionally include items for the Treasurer's personal or business use. The Treasurer explained that these purchases are reimbursed to the CSO by either the Treasurer's personal or private business account. Based on review of selected CSO purchases, notations were made by the Treasurer on purchase receipts indicating the items for the Treasurer's personal or private business use. In addition, the majority of the purchases for the Treasurer's private business use were food and drink items. According to the Treasurer, the portion of the CSO's purchase that is allocated to private business use is based on the amount of food or drinks that was used by the business.

The CSO purchases ice for resale from the Treasurer's private business. The Treasurer writes and signs checks from the CSO's checking account to the Treasurer's private business for these purchases. The ice delivered by the Treasurer's private business is not verified by other CSO officers or Park staff to verify the amount delivered. The Treasurer also coordinates purchases of firewood for the CSO. According to the Treasurer, the CSO's firewood inventory will occasionally be used for the private business's use. When this occurs, the Treasurer

Report: A-1415DEP-050

explained that the private business will either reimburse the CSO for the firewood used or replace the firewood at a later date. No CSO officer or Park staff member verifies the amount of firewood used by the Treasurer's private business to ensure that the CSO was sufficiently compensated.

We selected a sample of 16 expenditures from the CSO's check register for 2014. We requested supporting documentation from the CSO including bank statements, invoices, and receipts. Of the 16 sampled expenditures, all were supported by the CSO's bank statements. In addition, 13 of the 16 sampled expenditures were supported by invoices or receipts. The remaining 3 expenditures not supported by receipts or invoices included the following:

- \$619.94 purchase made in error by the Treasurer for items for personal or private business use. We verified that the Treasurer reimbursed the CSO for the amount of this expenditure.
- \$232.46 reimbursement to a CSO member for various purchases. Review of receipts indicated the purchases amounted to \$220.73, resulting in an over-reimbursement of \$11.73.
- \$150.14 reimbursement to the Treasurer for supplies. Receipts could not be provided for the reimbursed purchases.

Of the 16 expenditures included in our sample, receipts for 5 of the purchases indicated that part of the purchase was for the Treasurer's personal or private business use. Notations were made on the receipts for these purchases designating which items were for the Treasurer's personal or private business use. However, the accuracy of these allocations could not be verified. One of the purchases was for non-food items that were not for resale. Because the items

Report: A-1415DEP-050

were purchased by the CSO, sales tax was not collected. The portion of this purchase that was allocated to the Treasurer's private business did not include sales tax.

We also noted that 3 of the 16 expenditures in our sample were checks written to either the Treasurer or the Treasurer's private business for the purchase of ice or reimbursement of expenses. All three of these checks were signed by only the Treasurer.

Of the 13 expenditures with complete supporting documentation, all appeared to be reasonable. In addition, all of the 13 expenditures appeared to either directly or indirectly benefit the Park.

Park Management Oversight of CSO Activities

According to the CSO Agreement, the Park Manager is responsible for serving as the agreement manager between the Park and the CSO. Part of this responsibility involves the Park Manager ensuring that the CSO's activities and projects are consistent with the goals of the Division and the Park's Unit Management Plan. Based on interviews with the Park Manager and CSO officers, there is a high level of communication between the CSO and the Park. Each year, the CSO submits to the Park Manager a listing of all planned programs and activities. This listing is reviewed and approved by the Park Manager. The Park Manager also attends all CSO board meetings and attends most of the CSO events held at the Park. The Park's volunteer/CSO coordinator also receives monthly reports from the CSO containing the current membership and volunteer hours provided.

The CSO conducts several special events, the majority of which being equestrian-based. In addition, the CSO conducts Park-support in the form of equestrian trail maintenance and

Report: A-1415DEP-050

construction of equestrian activity areas. According to the Park Manager, the majority of the CSO's activities are to the benefit of equestrian visitors.

Park staff resources are used only to assist with CSO activities including the CSO's fundraising events. Park staff do not collect any cash on behalf of the CSO. Visitors purchasing firewood or ice are only directed by Park staff to deposit funds into a cash box located at the Ranger Station. Park staff are not used as the primary resource to conduct any CSO activities. Our findings and recommendations are included in the remainder of this report.

Findings and Recommendations

Finding 1: Financial Management Controls and Separation of Duties

All the responsibilities related to financial management, purchasing, and revenue controls are conducted by the CSO Treasurer. These responsibilities include the following:

- Receiving bank statements
- Writing and signing checks
- Making debit card purchases
- Maintaining the CSO's check register and any books or records
- Collection of revenue from firewood and ice sales
- Counting and depositing all revenue

These activities are conducted with no oversight or review by other CSO officers. Revenue from firewood or ice sales and fundraising events is collected and deposited by the Treasurer. Once revenue is collected by Park staff, it is provided to the Treasurer with no verification or review by other CSO officers or Park staff. In addition, documentation supporting revenue collected from fundraising events is not retained for independent review.

Report: A-1415DEP-050

Sale of firewood and ice are not documented and receipts are not provided to purchasers. The CSO's Bylaws do not provide guidance on the collection of cash. Other than the Bylaws, the CSO does not maintain any written policies or procedures with respect to cash collection. By not retaining documentation supporting revenue, CSO bank deposits cannot be verified for accuracy. In addition, by not establishing a level of separation and review of cash collection, or separating the duties of collection and depositing, the CSO is exposed to the risk of loss or theft of funds.

According to Article VIII, Section 7 of the CSO's Bylaws, "*All checks and disbursements shall require signatures of any two officers of the corporation.*" According to the Treasurer, and based on our review, all checks were signed by only the Treasurer. CSO debit card purchases were also made by the Treasurer. Documentation for these purchases is maintained, but not reviewed by other CSO officers. By not reviewing debit card purchases, the CSO is exposed to the risk of loss or theft of funds. In addition, by not having dual signature authorization for check purchases, the CSO has no method of oversight and review of check purchases.

Recommendation

We recommend the Park ensure the CSO establishes a separation of duties and oversight with respect to revenue collection and purchasing. This includes the following:

- Revenue should be counted, documented, and verified by more than one CSO member.
- A separate CSO officer should review and compare collections with verified deposits to ensure that deposits are accurate.

Report: A-1415DEP-050

- Registration forms or receipts for CSO fundraising events should be retained and reviewed to ensure they agree with deposited revenue.
- Procedures should be established for documentation and verification of the sale of firewood and ice.
- As required in Article VIII, Section 7 of the CSO's Bylaws, two signatures should be required for checks.
- A process of review and approval should be established for purchases made using the CSO's debit card. These purchases should be reviewed and approved by separate CSO officers.

Finding 2: Conflict of Interest

Article V of the CSO's Articles of Incorporation states "*no part of the net earnings of the corporation [CSO] shall inure to the benefit of, or be distributed to its members, trustees, officers, or other private persons.*" Article II of the CSO's Bylaws states "*The purpose of this Corporation [CSO] is to act as a non-profit corporation under the laws of the State of Florida with no view to pecuniary gain or profit to its members.*"

CSO Treasurer's Private Business Operating as a Vendor for the CSO

Based on interviews with the Treasurer and Park staff, the Treasurer's private business serves as a vendor for the CSO. In addition, the Division is currently drafting an agreement between the Park and the Treasurer's private business. Under this agreement, the private business would be permitted to conduct canoe rental operations within the Park.

Report: A-1415DEP-050

The Treasurer's private business sells the CSO bagged ice for resale at the Park's Ranger Station. Deliveries of ice by the Treasurer's business are not verified by other CSO officers or Park staff to ensure that the quantity delivered agrees with invoices.

CSO Funds Used to Purchase Items for the Treasurer's Business Use

On occasion, items for the Treasurer's private business use are purchased with items for the CSO using the CSO's debit card. According to the Treasurer, the CSO is reimbursed by the business for these items. The portion of each purchase allocated to the Treasurer's private business use is noted on the receipts for the purchase. Based on our review, the majority of these purchases were for food and drink items. According to the Treasurer, the portion of food and drink items purchased by the CSO for the private business is based on actual use by the business. Any costs associated with wasted food or drinks is allocated proportionally between the CSO and the business.

During our review of the CSO's expenditures, we identified five purchases including items purchased for the Treasurer's business. Accuracy of allocations could not be verified. In addition, we could not confirm that the CSO was reimbursed for all of the items used by the Treasurer's business. Purchasing items for the Treasurer's private business use poses a conflict of interests between the CSO and the Treasurer.

CSO Tax-Exempt Purchase of Items for Treasurer's Private Business

One of the expenditures included in our sample of the CSO's expenditures was a purchase of two canopy tents. This purchase was made using the CSO's debit card and was a tax-exempt purchase. According to the invoice provided by the CSO, one of the canopy tents was purchased for the Treasurer's business. The invoice indicated that the Treasurer's

Report: A-1415DEP-050

business reimbursed the CSO for one of the canopy tents. Because sales tax was not paid at the time of purchase, the Treasurer's private business did not pay sales tax that would otherwise be due if the item had been purchased by the business independently. Use of the CSO's debit card or checks to purchase items for a private business does not benefit the CSO and circumvents sales tax payments for goods by the private business.

Use of the CSO Inventory for the Treasurer's Private Business Inventory

According to the Treasurer, on occasion, part of the CSO's firewood inventory has been used to supplement the Treasurer's private business firewood inventory. According to the Treasurer, the CSO is reimbursed for the firewood used, or the CSO's firewood is replaced at a later date. Other CSO officers or Park staff do not verify the firewood used by the Treasurer's business is accurately reimbursed or replaced.

Recommendation

We recommend the Division ensure that the CSO establish a separation between the roles of the CSO Treasurer and private vendor. The CSO should discontinue the Treasurer's sole control over CSO finances. In addition, we recommend the Division ensure that controls are put in place that would prohibit CSO funds to be used for purchases for the personal or business use of CSO members.

Finding 3: Sales Tax Collection and Reporting

According to Chapter 3, Section 7 of the Handbook, "*CSOs which sell items such as books, posters, T-shirts and other retail items to the public must collect sales tax on those sales and must file a sales tax report with the Florida Department of Revenue.*"

Report: A-1415DEP-050

During our site visit, we observed signage at the Park's Ranger Station advertising firewood for sale. The signage also stated the price of the firewood. According to the CSO's Annual Program Plan submitted for 2015, part of the CSO's activities will include "*firewood sales.*"

The CSO does not collect sales tax for firewood sales. In addition, the CSO does not file a sales tax report with the Florida Department of Revenue. According to the Treasurer, the CSO does not collect sales tax on firewood because the firewood is offered to visitors in exchange for a voluntary, suggested donation. However, firewood is presented to the public as an item for sale rather than for donation. According to Department of Revenue, the CSO is required to collect and report sales tax for the sale of firewood.

Recommendation

We recommend the Park ensure that the CSO has documented procedures in place to collect and report sales tax for the taxable items sold to the public, in accordance with the CSO Handbook. If donations are accepted, they should be presented as such and properly recorded in the CSO's financial statements.

Audit of the Friends of Little Manatee River State Park, Inc., Citizen Support Organization
Division of Recreation and Parks

Report: A-1415DEP-050

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, Inspector General



Florida Department of Environmental Protection

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Governor

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Lt. Governor

Jonathan P. Steverson
Interim Secretary

Memorandum

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

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

SUBJECT: Audit of the Friends of Little Manatee River State Park, Inc.
Division of Recreation and Parks Report: A-1415DEP-050

DATE: June 26, 2015

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

Findings and Recommendations

Finding 1: Financial Management Controls and Separation of Duties

All the responsibilities related to financial management, purchasing, and revenue controls are conducted by the CSO Treasurer. These responsibilities include the following:

- Receiving bank statements
- Writing and signing checks
- Making debit card purchases
- Maintaining the CSO's check register and any books or records
- Collection of revenue from firewood and ice sales
- Counting and depositing all revenue

These activities are conducted with no oversight or review by other CSO officers. Revenue from firewood or ice sales and fundraising events is collected and deposited by the Treasurer. Once revenue is collected by Park staff, it is provided to the Treasurer with no verification or review by other CSO officers or Park staff. In addition, documentation supporting revenue collected from fundraising events is not retained for independent review. Sale of firewood and ice are not documented and receipts are not provided to purchasers. The CSO's Bylaws do not provide guidance on the collection of cash. Other than the Bylaws, the CSO does not maintain any written policies or procedures with respect to cash collection. By not retaining documentation supporting revenue, CSO bank deposits cannot be verified for accuracy. In addition, by not

establishing a level of separation and review of cash collection, or separating the duties of collection and depositing, the CSO is exposed to the risk of loss or theft of funds.

According to Article VIII, Section 7 of the CSO's Bylaws, "*All checks and disbursements shall require signatures of any two officers of the corporation.*" According to the Treasurer, and based on our review, all checks were signed by only the Treasurer. CSO debit card purchases were also made by the Treasurer. Documentation for these purchases is maintained, but not reviewed by other CSO officers. By not reviewing debit card purchases, the CSO is exposed to the risk of loss or theft of funds. In addition, by not having dual signature authorization for check purchases, the CSO has no method of oversight and review of check purchases.

Recommendation

We recommend the Park ensure the CSO establishes a separation of duties and oversight with respect to revenue collection and purchasing. This includes the following:

- Revenue should be counted, documented, and verified by more than one CSO member.
- A separate CSO officer should review and compare collections with verified deposits to ensure that deposits are accurate.
- Registration forms or receipts for CSO fundraising events should be retained and reviewed to ensure they agree with deposited revenue.
- Procedures should be established for documentation and verification of the sale of firewood and ice.
- As required in Article VIII, Section 7 of the CSO's Bylaws, two signatures should be required for checks.
- A process of review and approval should be established for purchases made using the CSO's debit card. These purchases should be reviewed and approved by separate CSO officers.

Division Response: The Division agrees with the recommendation and Park Management will ensure the CSO establishes a separation of duties and oversight with respect to revenue collection and purchasing. The CSO has agreed to update their practices to include the following:

- Revenue will be counted, documented, and verified by more than one CSO member
- A separate CSO officer will review and compare collections with verified deposits to ensure that deposits are accurate and documented.
- Registration forms or receipts for CSO fundraising events will be kept and reviewed by the Park Manager to ensure they agree with deposited revenue.
- The CSO will purchase wood & ice from private vendors and have it delivered to the park shop and icebox. Copies of the invoices will be left at the ranger station and include cost of wood & ice and total prices for each.
- A CSO cash register will be purchased and sales will be made in compliance with OM Chapter 2, 8. Citizen's Support Organizations.

- As required in Article VIII, Section 7 of the CSO's Bylaws, two signatures will be required for checks.
- Establish a process for approving and reviewing purchases made using the CSO's debit card. These purchases will be reviewed and approved by separate CSO officers.

Finding 2: Conflict of Interest

Article V of the CSO's Articles of Incorporation states "*no part of the net earnings of the corporation [CSO] shall inure to the benefit of, or be distributed to its members, trustees, officers, or other private persons.*" Article II of the CSO's Bylaws states "*The purpose of this Corporation [CSO] is to act as a non-profit corporation under the laws of the State of Florida with no view to pecuniary gain or profit to its members.*"

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Recommendation

We recommend the Division ensure that the CSO establish a separation between the roles of the CSO Treasurer and private vendor. The CSO should discontinue the Treasurer's sole control over CSO finances. In addition, we recommend the Division ensure that controls are put in place that would prohibit CSO funds to be used for purchases for the personal or business use of CSO members.

Division Response: The Division is in agreement and the CSO has agreed to separate the roles of the CSO Treasurer from the private vendor. The CSO will discontinue the Treasurer's sole control over CSO finances. As noted in our response to Finding 1, the CSO has agreed to establish a process for approving and reviewing purchases which will prevent CSO funds from being used to purchase items for the personal or business use of CSO members.

Finding 3: Sales Tax Collection and Reporting

According to Chapter 3, Section 7 of the Handbook, "CSOs which sell items such as books, posters, T-shirts and other retail items to the public must collect sales tax on those sales and must file a sales tax report with the Florida Department of Revenue."

During our site visit, we observed signage at the Park's Ranger Station advertising firewood for sale. The signage also stated the price of the firewood. According to the CSO's Annual Program Plan submitted for 2015, part of the CSO's activities will include "*firewood sales.*"

The CSO does not collect sales tax for firewood sales. In addition, the CSO does not file a sales tax report with the Florida Department of Revenue. According to the Treasurer, the CSO does not collect sales tax on firewood because the firewood is offered to visitors in exchange for a voluntary, suggested donation. However, firewood is presented to the public as an item for sale rather than for donation. According to Department of Revenue, the CSO is required to collect and report sales tax for the sale of firewood.

Recommendation

We recommend the Park ensure that the CSO has documented procedures in place to collect and report sales tax for the taxable items sold to the public, in accordance with the CSO Handbook. If donations are accepted, they should be presented as such and properly recorded in the CSO's financial statements.

Division Response: The Division is in agreement with the recommendation and Park Management will review the CSO's documented procedures to collect and report sales tax for the taxable items sold to the public as required by the Department of Revenue. When donations are accepted, they will be presented as such and properly recorded in the CSO's financial statements. Signs have been changed to reflect that firewood is available for donations.