

**Audit of Coral Reef Park Company, Inc. Concession
at John Pennekamp State Park**

Division of Recreation and Parks

Report: A-1415DEP-056

Office of Inspector General

Internal Audit Section

Florida Department of Environmental Protection

May 31, 2016

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Audit of Coral Reef Park Company, Inc. at
John Pennekamp State Park
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The Office of Inspector General (OIG) conducted an audit of Coral Reef Park Company, Inc. (Concessionaire) at John Pennekamp State Park (Park). This audit was initiated as a result of the Fiscal Year (FY) 2014-2015 Annual Audit Plan.

Scope & Objectives

The scope of this audit included select activities of the Concessionaire during the period of January 1, 2014, through December 31, 2014. The objectives were to determine whether:

- the Concessionaire is in compliance with the terms of the agreement
- the Concessionaire reported gross sales accurately

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 interviews with Concessionaire and Park management, a site visit, and review of Concessionaire financial records. We sampled detailed records for the months of July and August 2014. We also reviewed a previous audit conducted by the Concessionaire's Independent Accountant.

Background

In December 2008, the Division of Recreation and Parks (Division) entered into Agreement V-0480 (Agreement) with the Concessionaire to provide visitor services at the Park. Under the Agreement, the Concessionaire provides the following: food service; retail sales; rental of recreational equipment; snorkel and scuba lessons and certifications; glass

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bottom, snorkel, and scuba boat tours; rental of boat camping space; other water-oriented services; and environmental education programs. Extended tours are available for snorkel and scuba for an added cost. Amendments were created extending the Agreement from November 30, 2013, until the Agreement was renewed on May 29, 2015 (Agreement CA-0415).

According to the Agreement Section 15.e., the Concessionaire is required to submit a limited engagement document prepared by a Certified Public Accountant each year regarding the accuracy of gross sales reported to the Department of Environmental Protection (Department) and to be compliant with the Agreement's Minimum Accounting Requirements. Based on the Independent Accountant's Report dated April 24, 2015, *not all over rings¹ or refunds were approved, customer refunds were not always obtained, and there were instances where receipts from over rings were not attached to over ring sheets.* Additionally, the report noted that employees performing duties at the register were also preparing the daily report reconciliations. The Concessionaire's response to the Independent Accountant's report attributed high turnover rate of employees and high sales volume during operating hours as factors that caused the errors regarding over rings and refunds. In the response, the Concessionaire advised that they were working to train all employees on the proper procedures concerning signatures on over rings and refunds.

Section 27 of the Agreement requires the Concessionaire to pay the Department 11.25% commission on gross sales for all its operations within the Park. According to the

¹ The Independent Accountant uses the term "over rings," but to comply with the Agreement's Minimum Accounting Requirements OIG will use "transaction voids."

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Monthly Report of Gross Sales, the Concessionaire reported \$6,978,729.11 in gross sales during 2014, and submitted \$785,109.27 in commission payments to the Department.

Results & Conclusions

During our site visit, we noted hours posted at the snack bar and gift shop as required. Rental of recreational equipment was available and signs were posted with information regarding snorkel and scuba lessons, certifications, and associated fees. The grounds, gift shops, restaurant, and equipment appeared to be well maintained and clean.

Compliance with Minimum Accounting Requirements

Concession bank accounts include a Doing Business As (DBA) Pen Concession checking account, a Merchant Services account, a Payroll account, an Accounts Payable account, a Container account, and a Regular Checking account. Deposits are made into the Regular account.

According to the Minimum Accounting Requirements, *if receipts exceed \$1,000, they must be deposited intact daily*. We reviewed bank cash deposits made during the sampled months of July and August 2014. Based on our review, all 62 deposits made in July and August 2014 exceeded \$1,000. Of the total deposits, 11 (17.74%) were made daily. The remaining deposits were made between two and six days later. One deposit was not made intact, but all parts added up to that days total receipts. Prior to being deposited, cash is stored in a safe with limited management access.

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Daily sales entries are documented in a general ledger. Daily entries include point of sale, tax, and gross sales for each day. According to the Concessionaire, a supervisor makes entries to the general ledger based on the cash register daily reports. Based on our review of daily cash register receipts for the sampled month of July 2014, daily reports matched source documents.

Sales Adjustments and Refunds

According to Section 4 of the Minimum Accounting Requirements, *customer refunds shall be supported by customer signed documents. Transaction voids shall be documented and approved by the Concessionaire's Agreement Manager or designated employee.* We reviewed transaction voids and refunds from the daily reports for July and August 2014.

In July 2014, we noted 148 incidences when a manager did not approve transaction voids, six incidences where the customer's signature was not present, and eight refunds where the manager's approval was not present. In August 2014, we noted 26 incidences when a manager's approval was not present for transaction voids, four refunds where a customer's signature was not present, and 10 refunds where a supervisor's approval was not present.

According to the Concessionaire Manager, high turnover rates resulting in low staff during peak operating hours contributed to the lack of signatures as required. This was consistent with the Independent Accountant's report.

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E-Verify, Sexual Predator, and Sexual Offender

Section 43 of the Agreement requires the Concessionaire to comply with all applicable federal, state, and local laws, rules, regulations, and ordinances in providing services to the Department under the Agreement. According to the Federal Department of Homeland Security, companies are required to employ only individuals who may legally work in the United States. According to the E-Verify User Manual for Employers, this is to be done no later than three days after the employee hire date. E-Verify authorizations were provided for all employees. Of the 50 staff members, 27 staff members had E-Verify documentation dated more than three days after their hire date.

According to Section 48 of the Agreement, *the Department shall conduct a sexual predator and sexual offender check on the VSP's² Agreement Manager and its officers prior to executing a VSP Agreement.* We obtained sexual predator and offender checks from February 2008 and September 2013 that the Division had performed on four of the five principle partners of the Concessionaire. The check on the remaining principle partner was conducted during our audit.

According to Section 48 of the Agreement, *the VSP shall perform sexual predator and sexual offender checks on all its employees and shall keep a copy of such records in their personnel files that will be accessible by the Department during the VSP's regular office*

² Visitor Service Provider

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hours. Documentation of sexual predator/offender searches were provided for all employees. However, the documentation for the current 50 staff members were dated during this audit.

Licenses, Permits, and Insurance

We verified licenses for food service and permits for retail sales, charter boating/tours, diving, marina storage, and water activities. The Concessionaire holds insurances for general liability, auto, dive center, and workers compensation. We verified these policies were at the limits required by the Agreement and were up to date. We verified that bond information was up to date. The Concessionaire also holds a Storage Tank Registration Placard for their fuel tanks.

According to the Agreement, *[a safety plan] must be approved and implemented in place at the time of Agreement execution under this Agreement.* We obtained the November 2014 updated Concessionaire Safety Plan. The Concessionaire Manager advised that a Safety Plan was in place at the time of the Agreement execution.

Reported Gross Sales

We reviewed Concessionaire revenue reports. This included Department of Revenue Sales Tax forms (DR-15 sales tax forms), Monthly Reports of Gross Sales forms, bank statements with deposits, the general ledger, and daily reports.

We compared the DR-15's to the Monthly Reports of Gross Sales. Adjustments were made for fuel sales, employee meals, and sale of used concession equipment to the DR-15.

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According to the Concessionaire Manager, fuel sales included fuel only sold to the Department.

Monthly Report of Gross Sales	DR-15	Adjustments to Revenues not included in Gross Sales Reports	Difference
\$6,978,749.11	\$7,056,311.64	\$(77,562.53)	\$0.00

For the sample months of July and August 2014, we compared the Concessionaire's daily reports with gross sales reported to the Department. Overall, gross sales according to register reports and source documents appear to agree with reported gross sales with minor difference as detailed below.

July 2014			
	Monthly Report of Gross Sales Subtotal	Daily Reports Gross Sales	Difference
Total	\$1,016,177.70	\$1,015,601.94	\$575.76

August 2014			
	Monthly Report of Gross Sales Subtotal	Daily Reports Gross Sales	Difference
Total	\$873,514.18	\$872,492.45	\$1,021.73

We compared the general ledger totals to the daily sales report receipts totals for the Concessionaire for July and August 2014. The daily sales reports agreed with cash registers receipts for each day. Daily sales report receipt totals include totals for cash and credit cards for each individual day.

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July 2014			
	Daily Report Receipts Total	General Ledger Total	Difference
Total	\$1,095,393.39	\$1,095,393.39	\$0.00

August 2014			
	Daily Report Receipts Total	General Ledger Total	Difference
Total	\$938,952.08	\$938,952.08	\$0.00

The general ledger was compared to the bank statements for cash and credit card deposits for sample months of July and August 2014. For cash and American Express settlements, the general ledger agreed with deposits. For EDC³ and Discover⁴ settlements, most days were consistent between the bank statements and general ledger, with the exception of a minor difference during the week of July 26 through August 1, 2014. The tables below show the comparison between the general ledger and bank statements for cash and credit cards for July and August 2014. Deposit dates for Discover and EDC were adjusted because the deposit for August 1 was combined with July 26 – August 1.

July 2014	
General Ledger Cash Deposits	\$239,332.40
Bank Statement	\$239,332.40
Difference	\$0.00

³ EDC represents Electronic Data Capture used to facilitate debit and credit card payments.

⁴ EDC and Discover are combined on bank statements as “Merchant Services.”

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	July 2014	July 1 - August 1
	American Express	Discover/EDC
General Ledger	\$107,686.69	\$769,125.19
Bank Statement	\$107,686.69	\$769,123.09
Difference	\$0.00	\$2.10

August 2014	
General Ledger Cash Deposits	\$211,969.47
Bank Statement	\$211,969.47
Difference	\$0.00

	August 2014	Aug 2 - 31
	American Express	Discover/EDC
General Ledger	\$96,418.74	\$601,427.92
Bank Statement	\$96,419.04	\$601,427.92
Difference	(\$0.30)	\$0.00

Based on our review, reported gross sales were supported by source documents. Noted differences were not considered material.

Findings and Recommendations

Finding 1: Daily deposits on receipts over \$1,000

According to the Minimum Accounting Requirements, *if receipts exceed \$1,000, they must be deposited intact daily*. Based on our review of Concessionaire deposits, all 62 deposits made in July and August 2014 exceeded \$1,000. Of the total deposits, 11 (17.74%) were made daily. The Concessionaire indicated that due to high sales volume and high

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turnover rates, the ability to make deposits each day was difficult. Deposits are kept in a secured location prior to being deposited. The new Agreement between the Division and the Concessionaire has increased the daily deposit limit to \$2,000. However, the majority of daily deposit amounts during the sampled months exceed the updated limit.

Recommendation:

We recommend the Division work with the Concessionaire to ensure adequate resources are in place so that deposits are made daily in accordance with the Minimum Accounting Requirements.

Finding 2: E-Verify checks, Sexual Predator, and Sexual Offender Checks

Section 43 of the Agreement requires the Concessionaire to comply with all applicable federal, state, and local laws, rules, regulations, and ordinances in providing services to the Department under the Agreement. According to the Federal Department of Homeland Security, companies are required to employ only individuals who may legally work in the United States. According to the E-Verify User Manual for Employers, this is to be done no later than three days after the employee hire date. E-Verify authorizations were provided for all employees. Of the 50 staff members, E-Verify documentation on 27 staff members were dated more than three days after the employee hire date.

According to Section 48 of the Agreement, *the Department shall conduct a sexual predator and sexual offender check on the VSP's Agreement Manager and its officers prior to executing a VSP Agreement.* We obtained documentation from sexual predator and offender

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checks from February 2008, and September 2013 that the Division performed on Agreement Managers and officers. We found documentation for checks conducted on one Agreement Manager and all officers during the required dates. The other Agreement Manager; however, was not included in the February 2008 check. The Division completed checks for both Agreement Managers for the new Agreement CA-0415 signed May 2015, dated February 2016.

According to Section 48 of the Agreement, *the VSP (Concessionaire) shall perform sexual predator and sexual offender checks on all its employees and shall keep a copy of such records in their personnel files that will be accessible by the Department during the VSP's regular office hours.* Documentation of sexual predator/offender searches were provided for all employees. However, the documentation for the current 50 staff members was dated after the announcement of this audit.

Recommendation:

We recommend the Division direct the Concessionaire to conduct sexual predator and sexual offender checks prior to an employee's hire date as required by the Agreement. We also recommend the Division direct the Concessionaire to conduct E-Verify by the third day after the employee's hire date as required in the Agreement. The Park Manager should verify these checks during the routine Concessionaire evaluation.

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Finding 3: Transaction Voids and Refunds

According to Section 4 of the Minimum Accounting Requirements, *customer refunds shall be supported by customer signed documents. Transaction voids shall be documented and approved by the Concessionaire's Agreement Manager or designated employee.* We reviewed transaction voids and refunds of the daily reports for July and August 2014.

For July 2014, we noted 148 incidences where a manager did not approve transaction voids. We noted six refunds where the customer's signature was not present, and eight refunds where the manager's approval was not present.

For August 2014, we noted 26 incidences where a manager did not approve transaction voids. We noted four refunds where a customer's signature was not present, and 10 refunds where a manager's approval was not present.

According to the Concessionaire Manager, high turnover rates resulting in low staff count during peak operating hours contributed to the lack of signatures as required. This was consistent with the Independent Accountant's report, which identified that not all over rings/voids or refunds were approved and that customer signatures on refunds were not always obtained.

Recommendation:

We recommend the Division work with the Concessionaire to ensure customer refunds and voids are approved by management and signed as required in the Minimum Accounting Requirements.

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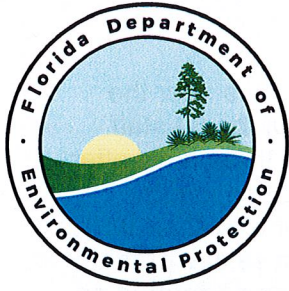
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To promote accountability, integrity, and efficiency in state government, the OIG completes audits and reviews of agency programs, activities, and functions. Our audit was conducted under the authority of Section 20.055, F.S., and in conformance with 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 Nick Dodge 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

3900 Commonwealth Blvd.
Tallahassee, FL 32399

Rick Scott
Governor

Carlos Lopez-Cantera
Lt. Governor

Jonathan P. Steverson
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 Coral Reef Park Company, Inc.
Concessionaire at John Pennekamp Coral Reef State Park
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DATE: May 13, 2016

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

Finding 1: Daily deposits on receipts over \$1,000

According to the Minimum Accounting Requirements, *if receipts exceed \$1,000, they must be deposited intact daily*. Based on our review of Concessionaire deposits, all 62 deposits made in July and August 2014 exceeded \$1,000. Of the total deposits, 11 (17.74%) were made daily. The Concessionaire indicated that due to high sales volume and high turnover rates, the ability to make deposits each day was difficult. Deposits are kept in a secured location prior to being deposited. The new Agreement between the Division and the Concessionaire has increased the daily deposit limit to \$2,000. However, the majority of daily deposit amounts during the sampled months exceed the updated limit.

Recommendation: We recommend the Division work with the Concessionaire to ensure adequate resources are in place so that deposits are made daily in accordance with the Minimum Accounting Requirements.

Division Response: The Division agrees with the recommendation. The Division will direct the concessionaire to ensure adequate resources are in place so that deposits are made daily in accordance with the Minimum Accounting Requirements.

Finding 2: E-Verify checks, Sexual Predator, and Sexual Offender Checks

Section 43 of the Agreement requires the Concessionaire to comply with all applicable federal, state, and local laws, rules, regulations, and ordinances in providing services to the Department under the Agreement. According to the Federal Department of Homeland Security, companies are required to employ only individuals who may legally work in the United States. According to

the E-Verify User Manual for Employers, this is to be done no later than three days after the employee hire date. E-Verify authorizations were provided for all employees. Of the 50 staff members, E-Verify documentation on 27 staff members were dated more than three days after the employee hire date. According to Section 48 of the Agreement, *the Department shall conduct a sexual predator and sexual offender check on the VSP's Agreement Manager and its officers prior to executing a VSP Agreement.* We obtained documentation from sexual predator and offender checks from February 2008, and September 2013 that the Division performed on Agreement Managers and officers. We found documentation for checks conducted on one Agreement Manager and all officers during the required dates. The other Agreement Manager; however, was not included in the February 2008 check. The Division completed checks for both Agreement Managers for the new Agreement CA-0415 signed May 2015, dated February 2016. According to Section 48 of the Agreement, *the VSP (Concessionaire) shall perform sexual predator and sexual offender checks on all its employees and shall keep a copy of such records in their personnel files that will be accessible by the Department during the VSP's regular office hours.* Documentation of sexual predator/offender searches were provided for all employees. However, the documentation for the current 50 staff members was dated after the announcement of this audit.

Recommendation:

We recommend the Division direct the Concessionaire to conduct sexual predator and sexual offender checks prior to an employee's hire date as required by the Agreement. We also recommend the Division direct the Concessionaire to conduct E-Verify by the third day after the employee's hire date as required in the Agreement. The Park Manager should verify these checks during the routine Concessionaire evaluation.

Division Response: The Division agrees with the recommendation. The Division has directed the Concessionaire to ensure E-Verify work authorizations and sexual predator/offender searches are conducted for all Concessionaire and subcontractor employees prior to employment. Park management will review the Concessionaire's personnel files for E-Verify and sexual predator/offender searches compliance during quarterly concession inspections.

Finding 3: Transaction Voids and Refunds

According to Section 4 of the Minimum Accounting Requirements, *customer refunds shall be supported by customer signed documents. Transaction voids shall be documented and approved by the Concessionaire's Agreement Manager or designated employee.* We reviewed transaction voids and refunds of the daily reports for July and August 2014.

For July 2014, we noted 148 incidences where a manager did not approve transaction voids. We noted six refunds where the customer's signature was not present, and eight refunds where the manager's approval was not present.

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Recommendation:

We recommend the Division work with the Concessionaire to ensure customer refunds and voids are approved by management and signed as required in the Minimum Accounting Requirements

Division Response: The Division agrees with the recommendation. The Division will work with the Concessionaire to ensure customer refunds and voids are approved by management and signed as required in the Minimum Accounting Requirements.