

**Audit of the Friends of MacArthur Beach State Park, Inc.  
Citizen Support Organization**

**Division of Recreation and Parks**

**Report: A-1415DEP-051**

**Office of Inspector General**

**Internal Audit Section**

**Florida Department of Environmental Protection**

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The Office of Inspector General (OIG) conducted an audit of the Friends of MacArthur Beach State Park, Inc., Citizen Support Organization (CSO) for John D. MacArthur Beach 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 CSO during the period of January 1, 2014 through August 31, 2015. The objectives of this audit were to:

1. Determine the accuracy of the CSO's reported revenue and expenditures
2. Determine if the CSO is in compliance with sections 20.058, 112.3251, and 258.015, Florida Statutes (F.S.), CSO Agreement, CSO Bylaws, Division of Recreation and Parks (Division) CSO Handbook, and Division Operations Manual
3. Evaluate the level of oversight by Park management

## **Methodology**

This 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. Our audit procedures included review of CSO and Park records, and interviews with CSO and Park staff.

## **Background**

The Friends of MacArthur Beach State Park, Inc. was established in 1990. According to the Bylaws, the mission of the CSO is to *generate and employ additional resources and support for and in the best interests of John D. MacArthur Beach State Park*. To meet this mission, the CSO generates revenue through general contributions, fundraising events, endowment earnings,

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and grants. In addition, the CSO generates revenue through a gift shop at the Park offering various merchandise and kayak rentals. Membership dues also provide the CSO additional revenue. The CSO incentivizes membership by offering members free entry to the Park, as part of a pooled free-entry arrangement and complementary kayak rental privileges. As of February 2015, there were 2,432 memberships. In calendar year 2014, revenues from membership dues were \$185,808.50.

Revenue generated by the CSO is used for various purposes. The CSO purchases equipment, supplies, publications, permits, and advertising materials for the Park. In addition, the CSO provides funding for Park staff training fees, professional certifications, and memberships in professional associations. The CSO also funds construction of new Park facilities and maintenance of existing Park facilities, interpretive displays, and equipment. Further, the CSO has established an endowment to fund the Park's education program operated by the CSO.

The table below shows the CSO's reported revenue, expenses, and net income for calendar year 2014.

Revenue	\$ 1,187,861.96
Expenses	\$ 665,320.76
<b>Net Income</b>	<b>\$ 522,541.20</b>

## Results and Conclusions

### Compliance with Guidance Documents

Based on interviews with CSO and Park staff, and review of Park and CSO documents, the CSO generally complied with applicable requirements included in the following guidance documents:

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- Sections 20.058, 112.3251, and 258.015, F.S.
- Division CSO Handbook and Operations Manual
- Internal Revenue Service non-profit organization reporting guidelines
- CSO Agreement, Articles of Incorporation, and Bylaws

The CSO submitted required reports and filings to the Park, Division, Florida Department of Revenue, Florida Department of State, and the Internal Revenue Service. In addition, the CSO established a Code of Ethics statement and posted the statement on the CSO website.

According to Board meeting minutes, Board members reviewed and approved monthly financial statements and major financial transactions. In addition, the CSO Board prepared, reviewed, and approved an annual budget with input from Park management.

According to Park management, CSO fundraising events, activities, grant proposals, and the CSO's Annual Program Plan listing of planned activities were approved by the Park Manager.

#### Cash Collection and Oversight

All cash collected by the CSO, including general donations and membership dues, is recorded through one of two cash registers located in the Park's gift shop operated by the CSO. All transactions recorded through the cash registers are exported directly into the CSO's bookkeeping system.

According to CSO staff, the gift shop registers are closed daily by a member of CSO management. When closing, cash on-hand is compared with register Z-1 reports and collections. Overages or shortages are documented on a weekly Register Re-cap Report. A

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deposit slip is prepared and placed with the collected cash and register Z-1 reports in an envelope in the CSO's safe. According to CSO staff, the safe can only be accessed by CSO and Park management. In addition, the combination to the safe is changed when there is turnover in CSO management or the Park Manager position. Deposits are made weekly by either the CSO Executive Director or the manager of the CSO Gift Shop.

We reviewed the CSO's revenue collections during the months of January 2014 and March 2014. We compared revenue recorded in the CSO's General Ledger to register Z-1 reports, bank statements, deposit receipts, and Register Re-cap Reports. As shown in the table below, revenue recorded in the General Ledger in January 2014 and March 2014 agreed with Register Re-cap Reports, register Z-1 reports, bank statements, and deposit receipts with minor discrepancies.

Source	January 2014	March 2014
General Ledger	\$ 78,565.28	\$ 126,878.78
Register Re-cap Reports	\$ 78,564.28	\$ 126,874.57
Register Z-1 Reports	\$ 78,565.28	\$ 126,878.78
Bank Statements / Deposit Receipts	\$ 78,564.28	\$ 126,874.57

The CSO also collects donations through several donation boxes located in the Park's Nature Center and on visitor trams. Funds deposited in the donation boxes on trams are collected by the CSO staff, volunteer, or Park staff operating the tram and are recorded in one of the CSO's cash registers.

#### Collection and Reporting of Sales Tax

The CSO sells various taxable items through the gift shop. Monthly sales tax returns are prepared using sales information exported from the cash registers into the CSO's bookkeeping system.

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During the months of January 2014 and March 2014, we compared taxable sales, non-taxable sales, and sales tax collections according to register Z-1 reports with DR-15 sales tax returns filed by the CSO to the Florida Department of Revenue.

As shown in the table below, reported non-taxable sales, taxable sales, and remitted sales tax agreed with register Z-1 reports in January 2014, with minor discrepancies.

	<b>DR-15 (Reported)</b>	<b>Register Z-1 Reports</b>
Non-Taxable Sales	\$ 25,654.30	\$ 25,654.30
Taxable Sales	\$ 49,912.01	\$ 49,939.00
Sales Tax Remitted / Collected	\$ 2,994.72	\$ 2,994.87

In addition, as shown in the table below, reported non-taxable sales, taxable sales, and remitted sales tax agreed with register Z-1 reports in March 2014, with minor discrepancies.

	<b>DR-15 (Reported)</b>	<b>Register Z-1 Reports</b>
Non-Taxable Sales	\$ 31,622.40	\$ 31,622.40
Taxable Sales	\$ 89,867.80	\$ 89,867.80
Sales Tax Remitted / Collected	\$ 5,392.07	\$ 5,392.13

**Expenditure Management and Oversight**

The CSO makes purchases either through check or credit card. According to CSO staff, checks are prepared bi-weekly by the CSO's accountant and are signed by at least two Board members or one Board member and the CSO accountant. CSO staff and four Park staff have been provided with CSO credit cards. Purchases made by Park staff using CSO credit cards are approved by the Park Manager. Purchases made by CSO staff are approved by the CSO Executive Director.

Using the CSO's General Ledger, we selected a sample of 26 expenditures recorded in January 2014 and March 2014, including 14 purchases made by Park staff using a CSO credit card. For each sampled expenditure, we reviewed purchase documentation and interviewed

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CSO management to determine if the expenditure was supported, reasonable, and provided either a direct or indirect benefit to the Park.

Of the 26 sampled expenditures, all were supported by purchase documentation including receipts and invoices. In addition, all expenditures appeared to be reasonable and provide either a direct or an indirect benefit to the Park.

#### Petty Cash Fund Oversight

The CSO has established a \$200.00 petty cash fund for CSO staff, volunteers, and Park staff to use for smaller purchases and reimbursements. According to CSO staff, receipts for purchases made with petty cash are maintained and reviewed when the fund is replenished.

We reviewed two petty cash replenishments made in 2014 totaling \$164.41. Both petty cash replenishments were supported by purchase documentation, including receipts and invoices.

#### Park Staff Involvement in CSO Activities and Functions

Based on interviews with Park staff, and CSO officers, Park staff provides general assistance and guidance to the CSO. The CSO employs several staff who complete the majority of CSO functions and activities. On occasion, Park staff operates the CSO's visitor trams and collect funds from donation boxes. In addition, Park staff assists with CSO events held at the Park.

#### CSO Membership Incentives and Benefits

According to section 258.015, F.S., *The Legislature finds it to be in the public interest to provide incentives for partnerships with private organizations with the intent of producing additional revenue to help enhance the use and potential of the state park system.* In addition,



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the CSO Bylaws state that the function of the CSO *is to generate and employ additional resources and support for and in the best interests of the park.*

In order to generate additional revenue for the CSO through membership dues, the CSO offers several membership incentives including free unlimited entry into the Park for one year. CSO membership also provides members free kayak rentals with each Park visit.

According to chapter 4, section 4.2 of the CSO Handbook, *the Park Manager is authorized to allow up to twelve (12) CSO membership appreciation days per year, which require approval, in writing, by the Park Manager.* In addition, the CSO Handbook states, *it is at the discretion of the Park Manager to determine how the CSO free days will be offered. The Park Manager and CSO are not authorized to offer perpetual free admission as a benefit to the general members of the CSO.*

The CSO's membership incentives, as approved by Park management and included in the CSO Agreement contradict the CSO Handbook. In addition, these practices provide a method to divert the Park's normal entry or annual pass revenue for the benefit of members, rather than producing additional revenue. While it is acknowledged that the CSO membership dues provide additional revenue to the CSO for the benefit of the Park, the estimated net additional benefit, given the unlimited free entry and kayak privileges, is negligible.

## **Management Comment**

### **CSO Membership Incentives Related to Park and CSO Revenue**

According to chapter 4, section 4.2 of the CSO Handbook, *the Park Manager is authorized to allow up to twelve (12) CSO membership appreciation days per year, which require approval, in writing, by the Park Manager. Membership appreciation days allow*

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*members and their families (children, spouses, siblings, and parents) admission, free of charge, into the Park for recreational purposes. It is at the discretion of the Park Manager to determine how the CSO free days will be offered. The Park Manager and CSO are not authorized to offer perpetual free admission as a benefit to the general members of the CSO.*

The CSO and Park management have a long-standing arrangement that allows CSO members free Park entries to be pooled together. In March 2015, the CSO Agreement between the CSO and the Park was updated to include this practice. This practice is advertised on the CSO website as a membership benefit for *unlimited free admission (for a carload up to eight persons) to the Park*. CSO membership benefit also provides free *kayaking privileges (1 single or double) with every Park visit*.

According to the 2014 Profit and Loss Statement, the CSO collected \$185,808.50 in membership dues. According to the membership roster provided by CSO staff, the CSO had 2,462 active memberships as of August 2015. Based on each membership representing 12 free Park entries, this equates to a pool of 29,544 available free Park entries. According to the Park Administrative Assistant, the Park tracks each CSO member entering the Park on a form and deducts each entry from the calculated pool of entries. According to the Park's tracking forms, the Park provided 10,088 free entries to CSO members during the one-year period between September 2014 and August 2015<sup>1</sup>. Based on this, the CSO utilized 34% of 29,544 entries available to the CSO as of August 31, 2015.

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<sup>1</sup> We reviewed CSO free entries during the period of September 2014 to August 2015 because the Park was unable to provide CSO member free entry tracking forms for our complete audit sample period of calendar year 2014.

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It is unknown how many or which CSO members were allowed the maximum benefit from the pooled free entry. Many of the patrons of the Park are seasonal visitors. This circumstance allows the members who live in the area year round, as well as those living in the area for a portion of the year to use free entries on behalf of those that do not take advantage of all the allowed maximum free entries. In accordance with the Agreement, the CSO is not technically providing unlimited free Park entry; however, it is marketed as such by the CSO.

To evaluate the effect on revenue due to member kayak benefits, we reviewed a sample of the CSO's kayak rentals during one week in January 2014 and one week in March 2014. Using rental agreements, we compared the number of free kayak rentals provided to CSO members with the CSO's total number of kayak rentals for the week. During the week of January 13-19, 2014, CSO records documented 114 kayak rentals. Of the 114 kayak rentals, 52 (45.6%) were provided to CSO members at no cost. During the week of March 17-23, 2014, CSO records documented 485 kayak rentals. Of the 485 kayak rentals, 263 (54.2%) were provided to CSO members at no cost. According to the 2014 Profit and Loss Statement, the CSO reported \$127,617.06 in rental income.

An individual CSO membership costs \$50 per year. Without a CSO membership, an individual annual pass is \$60 per year and the kayak rental fee for a single full day is \$50. For an individual visitor of the Park, it is financially advantageous to join the CSO and receive free Park entry and a free kayak, rather than pay for these services as the normal course of business. As a result, the CSO members who visit the Park on a regular basis are the primary

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beneficiaries from memberships sold as a method of discounting services to infrequent visitors.

*According to section 258.015, F.S., The Legislature finds it to be in the public interest to provide incentives for partnerships with private organizations with the intent of producing additional revenue to help enhance the use and potential of the state park system.*

By marketing and essentially providing unlimited free Park entry and free kayaking privileges to CSO members, Park and CSO revenues are shifted with negligible revenue benefits for the sake of providing regular Park patron CSO member benefits.

**Recommendation**

We recommend the Division work with the Park to operate consistently with chapter 4, section 4.2 of the CSO Handbook, and discontinue the CSO's representation of unlimited free Park entry for CSO members. We also recommend the Division work with the CSO to review its policy of providing free kayaking privileges to CSO members with every Park visit. CSO policies should be consistent with section 258.015, F.S., so that the focus of the CSO is to produce additional revenue to help enhance the use and potential of the Park, rather than manipulating normal CSO and Park revenues for member benefits.

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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 Gabriel Earnest and supervised by Valerie J. Peacock.*

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