

Audit of Friends of Blue Springs State Park, Inc. CSO

Division of Recreation and Parks

Report: A-1415DEP-041

Office of Inspector General

Internal Audit Section

Florida Department of Environmental Protection

February 12, 2016

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Division of Recreation and Parks



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The Office of Inspector General (OIG) conducted an audit of Friends of Blue Springs State Park, Inc. Citizen Support Organization (CSO). 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 Friends of Blue Springs State Park, Inc. CSO during the period July 1, 2013 to June 30, 2014 and current events as considered relevant to testing.

The objectives of this audit were to:

- Evaluate CSO compliance with the CSO Agreement, Bylaws, Sections 20.058, 112.3251, 258.015 and 617.0832, Florida Statutes (F.S.), CSO Handbook, and the Division of Recreation and Parks' Operations Manual
- Determine the accuracy of reported revenue and expenditures
- Evaluate management oversight, volunteer reporting, and Park resources used in CSO activities

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 procedures included tests of records provided by the CSO, Division, and Park, including general ledger and bank statements, monthly bank reconciliations, along with limited copies of deposit slips, invoices, and receipts for purchases made on behalf of the CSO, as well as expenditure documentation. We reviewed the CSO Agreement, Bylaws,

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Articles of Incorporation, and CSO Handbook. We also conducted interviews of Division and CSO Board members.

Background

The CSO for Blue Springs State Park (Park) is a volunteer organization that participates in and facilitates special events for the Park. CSO members volunteer within the Park, and organize, and assist with fundraisers in order to purchase needed items for the Park's use. The most significant contribution the CSO has made to the Park was upgrading Park radios in April 2014. They also accept donations, which are used to purchase items for the Jr. Ranger's program and decorations for events. The Park covers approximately 2,600 acres and includes the largest spring on the St. John's River and is a designated Manatee Refuge. The Park offers swimming, fishing, canoeing and boating, camping and picnicking. During FY 2013-2014, the CSO'S total revenue was \$20,108.00 and expenditures were \$24,303.00.

Results & Conclusions

Financial management and oversight

According to the Bylaws, *at no time shall the Corporation have less than five Directors.* At the time of our audit, the CSO Directors consisted of the President, Vice President, Secretary, and Treasurer. The CSO President is acting in the capacity of both the President and Treasurer positions, which are two of the three CSO positions filled. The CSO President also operates one of the Park concessions.

The President writes financial summaries, creates the Treasury Reports, and is assisted by a concession employee. The President is also authorized to write checks, as well as receive and

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reconcile the bank statements. According to the President, a second CSO member reviews the statements and a Certified Public Accountant provides assistance when needed. Either the President or the concession employee collects CSO funds from the sale of firewood and prepares deposits and also makes the bank deposits.

The CSO uses a general ledger in Quick Books. The President records revenue, expenditure transactions and transactions reflected in the CSO's bank account. According to the President, the Board votes on CSO expenditures. If there is a change in an approved amount, it must be brought back to the Board for approval. Expenditures are tracked to show how they benefit the needs of the Park by documenting them in the meeting minutes.

Financial Compliance

To determine the accuracy of reported revenue and expenditures, we reviewed the CSO general ledger, bank statements, monthly bank reconciliations, along with limited copies of deposit slips, invoices, and receipts for purchases made on behalf of the CSO. All reports were compared to the supporting documentation provided. We also interviewed Park management and CSO Board members. We conducted detailed testing during the sampled months of August 2013 and February 2014.

Regarding purchases, the CSO utilizes checks, debit card, and cash to make payments. These items are stored in the concession safe. There are three CSO members who are authorized to use the CSO's debit card, and they also have signature authority to sign checks. However, the CSO only requires one member sign checks, which is contrary to their Bylaws. Based on our review, not all checks issued in the sampled months were signed by two CSO members, as

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outlined in the CSO Bylaws. For the month of August 2013, we were unable to determine if two CSO members signed the two checks issued because documentation was not made available. In the month of February 2014, all three checks issued had only one signature.

Expenditures and Revenue

Based on our review of expenditures, the financial recordkeeping included accounting errors and inconsistencies. In addition, support documentation was not retained. When examining the general ledger, an entry for a payment made in February 2014, for the Jr. Rangers Program for \$300.00, was actually for tax services according to the invoice provided. In the month of August 2013, there was a total of \$1,000.00 in payments made to the firewood vendor for which no invoices were obtained. In February 2014, there was a total of \$10,800.00 in expenditures. Of that total amount, one invoice for \$500.00 to the firewood vendor was not obtained. Additionally, within the review period, a former Park employee was paid \$200.00 by the CSO to handle accounting tasks. According to CSO Board meeting minutes from October and November 2014, the employee was paid \$50.00 per month. According to the Park Manager, the Board approved paying the former Park employee in 2012. However, no meeting minutes were maintained to verify the approval. At the time of this audit, a concession employee was being paid to handle the CSO's accounting tasks. The request for payment to the concession employee was noted in the meeting minutes from October and November 2014 and approved for payment per the February 2015 meeting minutes.

In reviewing the revenue activity for the CSO, one discrepancy was noted. In February 2014, a deposit document and payment receipt from a recycling center indicated \$166.25 in

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revenue was received from recycling material, but this amount was not deposited in the bank account and there was no entry into the general ledger.

Based on our review of the source documents and books of original entry, not all of the CSO's expenditures and revenues were documented and adequately supported during the sampled months. As a result, the CSO does not appear to be in compliance with their established Bylaws.

Cash collection and controls

According to the CSO President, any of the three CSO Board members are authorized to collect revenue. Collections are verified and then deposited by a separate member. The CSO does not maintain written policies regarding all aspects of cash handling but a Cash Flow Management Plan is used. According to the CSO President, the only time the Park staff handle CSO money is for firewood sales. According to the Park Manager, funds are kept in a locked box in the Park designated for the CSO. Park staff do not make purchases for the CSO.

According to the CSO President, when firewood is purchased for resale, the vendor provides a receipt that specifies the quantity and cost at the time of delivery. This is used by the CSO to track inventory. According to the CSO's general ledger, firewood was purchased one or two times each month during FY 2013-2014. Each delivery cost was \$500.00 (200 bundles). According to the Park Manager, the wood was purchased for \$2.50 and sold for \$5.00 per bundle. However, there were no invoices documenting the number of bundles of wood received or the amounts owed before or after the payments were made to the vendor. Between July 22, 2013 and June 3, 2014, the CSO spent \$9,000.00 on firewood, but only deposited \$4,344.00 in

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firewood sales revenue into the CSO bank account. According to Park management, firewood sales are tracked on a sales log. This practice was implemented September 2015. Therefore, logs were not available for the audit period.

Sales tax collection

The CSO has a Florida Sales Tax Number and a Florida Exempt Number. Sales tax is included in the price of the wood. The CSO files a 1099 tax form at the end of the year to account for revenue and sales tax collected. According to the Park Manager and CSO President, the CSO Board reviews and approves the annual financial statements and tax forms.

Fundraising

The CSO facilitates special events, raises funds, and conducts promotional outreach at events such as parades and festivals. Fundraising events include a Paddle Battle event and Manatee Festival. Approvals for fundraising events are obtained during CSO Board meetings. For funds collected at fundraising events, CSO Board members use a locked cash box until funds are deposited. Revenue is deposited into the bank the same day.

The CSO obtained a fiduciary grant of \$10,000 for a Scrub Jay Project during the audit period to assist with Park mowing. Based on CSO financial documentation, 100% of the grant funds were paid to a vendor for the mowing service.

The CSO has a penny press machine located in the Park. Revenue from the machine is considered a donation to the CSO. The payment is documented on the penny press Income Log. According to the CSO President, the CSO has a verbal agreement with an individual, who

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purchased the press machine for \$3,800. This agreement allows the individual to receive 50% of the penny press revenue until the cost of the machine is reimbursed. There were no receipts available for the payments to the vendor.

Non-profit designation and reporting

The CSO is designated as a 501c3 Not for Profit organization. During our audit we verified their current Not for Profit Corporation Annual Report and Articles of Incorporation certificate.

Annual reporting and communication with the Park

The CSO does not create an annual budget, but submits an Annual Financial Report to the Division as required. The Park Manager regularly attends CSO meetings; however, regular communication is informal.

CSO Membership

According to the CSO President, the CSO currently has 11 active members. The types of memberships available are family for \$25.00 and individual for \$15.00. According to the CSO President, volunteer hours are tracked monthly. According to the CSO's Statement of Accomplishment and Goals, as well as interviews with the CSO President, CSO members volunteered 450 hours during FY 2013-2014. However, support documentation only supported 137 volunteer hours.

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

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Findings & Recommendations

Finding 1: Separation of Duties

CSO Bylaws, Article V-Management, Section 1 Directors, states *The Directors, by majority vote, may increase or reduce the number of Directors from time to time, and may appoint Directors to serve in any additional positions created until the next following meeting of the members, provided, however, that at no time shall the Corporation have less than 5 Directors.* At the time of our audit, there were only three filled CSO Director positions. The CSO President holds two of the three filled positions including the position of Treasurer. This requires the President to write the financial summaries and create the Treasury Reports. The President also writes checks and receives and reconciles the bank statements.

Recommendation

We recommend the Division direct the CSO to fill the minimum five Directors positions, as outlined in their Bylaws, with five separate individuals. The duties of collecting and depositing revenue, as well as reconciling financial statements and bank accounts should be separated to provide internal control and accountability over finances.

Finding 2: Documentation and Approval of Payments to Park and Concession Staff

According to the 2009 CSO handbook, Section 5.3, *Any CSO member with a financial interest in any business dealings with the CSO, Park or Park Service should disclose any such interest to the Park Manager and to members of the CSO. That CSO member should recuse him or herself on voting on any issue that may give the appearance of a conflict of interest. It should be noted in the minutes that the CSO member abstained from voting on issues, which may have*

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appeared to have been a conflict of interest. The CSO President is also the concession owner in the Park and the concession's Administrative Assistant handles CSO revenue and financial documentation. CSO Board meeting minutes have not documented that the President abstained from voting on CSO matters involving paying his concession employee.

According to CSO Bylaws, Article VI-Officers, Section 6 *Secretary, The Secretary shall keep minutes of all meetings, attend to all correspondence, and file all papers for reference, who also give all notices required by statutes, Bylaws or resolution.* According to entries made to the general ledger during the audit period, a former Park employee had been paid \$200.00 for CSO accounting tasks. The CSO could not provide documentation to verify that the monthly payments to the former Park employee were approved by the Board. Currently the CSO Presidents' concession employee is being paid for CSO accounting tasks. Without documented support for the separation between the President's employee and Board decision, the arrangement has the appearance of a conflict of interest.

Recommendation

We recommend the Division instruct the CSO to take and retain minutes at each meeting in order to properly document all CSO business and outcome of voting results. The CSO Board, with independently voting members, should formally vote on the accounting service expenditure, ensuring that there is clear separation of duties and interest regarding payments to the CSO President's business employee.

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Finding 3: Financial Compliance and Support for CSO Revenue and Expenditure

Transactions

According to CSO Bylaws, Article VI-Officers, Section 7, the *Treasurer shall pay bills and give receipts for their payments. Treasurer shall pay by check, bills authorized by the Board and shall receive and file vouchers for such payment.* According to the general ledger, there were accounting errors and inconsistencies. In addition, proper documentation was not retained in transactions including the following:

- A payment for \$300.00 to the Jr. Rangers Program was entered incorrectly in February 2014. The payment was for tax services.
- In February 2014, payment receipt from a recycling center for \$166.25 in revenue was received by the CSO, but the revenue was not deposited.
- During the sample months of August 2013 and February 2014, invoices or receipts did not support a total of \$1,500.00 in payments to the firewood vendor.

According to the CSO's general ledger, firewood was purchased one to two times each month during FY 2013-2014, totaling \$500.00 for each delivery. There were no invoices documenting the actual number of bundles of wood received or the total amounts owed before or after payments were made to the vendor. Between July 22, 2013 and June 3, 2014, the CSO purchased \$9,000.00 of firewood, but only deposited \$4,344.00 in firewood revenue. Firewood sale logs for the audit period were not available, per the Park Manager, because controls were not in place to keep an accurate account of the firewood purchases and sales. According to CSO meeting minutes, *there was a serious funding issue* in the month of July 2014. The CSO was

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missing over \$1,000.00 in revenue, which was thought to be due to firewood sales and inventory practices. As a result, the CSO was inconsistent in properly documenting and retaining documentation for firewood sales revenue.

Recommendation

In accordance with CSO Bylaws, we recommend the Division direct the CSO to comply and document accounting practices that demonstrate accountability in recordkeeping. Receipts and invoices should be retained to maintain appropriate supporting documentation and justification for all CSO transactions. In addition, all CSO revenue should be deposited in the CSO bank account.

Finding 4: Check Writing Procedures

In accordance with CSO Bylaws, Article VI-Officers, Section 7, *All disbursement checks shall require the signatures of two of the following: Treasurer, President, Secretary.* Based on our review, in the month of February 2014, all three checks issued had only one signature.

Recommendation

We recommend the Division direct the CSO to comply with the Bylaws by requiring signatures from two of the specified Board members outlined in the Bylaws when writing checks.

Finding 5: Unapproved Verbal Agreement

According to the CSO Bylaws, Article V-Management, Section 3 *Agreements, No Officer, Agent or other person shall have the power or authority to bind the Corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose, without*

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Board approval. According to the CSO President, 50% of the income profits from the penny press machine during December 2014 to January 2015 were paid to an individual who purchased the machine. The agreement between the CSO President and the individual regarding the penny press revenue is verbal and receipts for payments have not been documented or approved by the Board.

Recommendation

We recommend the Division direct the CSO to put all agreements in writing. The CSO Board should vote on a written agreement and document the related revenues and payments.

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 Auditor Cindy Newsome and supervised by Valerie J. Peacock.

Please address inquiries regarding this report to the OIG's Audit Director by telephone at (850) 245-3151. Copies of final reports may be viewed and downloaded via the internet at <http://www.dep.state.fl.us/ig/reports.htm>. Copies may also be obtained by telephone (850) 245-3151, by fax (850)245-2994, in person or by mail at Department of Environmental Protection, Office of Inspector General, 3900 Commonwealth Boulevard, Mail Station #41, Tallahassee, FL 32399.

*Valerie J. Peacock,
Director of Auditing*

*Candie M. Fuller,
Inspector General*



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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 Friends of Blue Springs State Park, Inc. CSO
Division of Recreation and Parks Report: A-1415DEP-041

DATE: February 11, 2016

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

Finding 1: Separation of Duties

CSO Bylaws, Article V-Management, Section 1 Directors, states *The Directors, by majority vote, may increase or reduce the number of Directors from time to time, and may appoint Directors to serve in any additional positions created until the next following meeting of the members, provided, however, that at no time shall the Corporation have less than 5 Directors.* At the time of our audit, there were only three filled CSO Director positions. The CSO President holds two of the three filled positions including the position of Treasurer. This requires the President to write the financial summaries and create the Treasury Reports. The President also writes checks and receives and reconciles the bank statements.

Recommendation

We recommend the Division direct the CSO to fill the minimum five Directors positions, as outlined in their Bylaws, with five separate individuals. The duties of collecting and depositing revenue, as well as reconciling financial statements and bank accounts should be separated to provide internal control and accountability over finances.

Division Response: The Division agrees with the recommendation and at the January 11, 2016 CSO Board meeting four new officers were elected and the Board now has seven members. The Division directed the CSO to provide for separation of duties with collecting and depositing revenue, and reconciling financial statements and bank accounts which the CSO is addressing.

Finding 2: Documentation and Approval of Payments to Park and Concession Staff

According to the 2009 CSO handbook, Section 5.3, *Any CSO member with a financial interest in any business dealings with the CSO, Park or Park Service should disclose any such interest to*

the Park Manager and to members of the CSO. That CSO member should recues him or herself on voting on any issue that may give the appearance of a conflict of interest. It should be noted in the minutes that the CSO member abstained from voting on issues, which may have appeared to have been a conflict of interest. The CSO President is also the concession owner in January 7, 2016 the Park and the concession's Administrative Assistant handles CSO revenue and financial documentation. CSO Board meeting minutes have not documented that the President abstained from voting on CSO matters involving paying his concession employee.

According to CSO Bylaws, Article VI-Officers, Section 6 *Secretary, The Secretary shall keep minutes of all meetings, attend to all correspondence, and file all papers for reference, who also give all notices required by statutes, Bylaws or resolution.* According to entries made to the general ledger during the audit period, a former Park employee had been paid \$200.00 for CSO accounting tasks. The CSO could not provide documentation to verify that the monthly payments to the former Park employee were approved by the Board. Currently the CSO Presidents' concession employee is being paid for CSO accounting tasks. Without documented support for the separation between the President's employee and Board decision, the arrangement has the appearance of a conflict of interest.

Recommendation

We recommend the Division instruct the CSO to take and retain minutes at each meeting in order to properly document all CSO business and outcome of voting results. The CSO Board, with independently voting members, should formally vote on the accounting service expenditure, ensuring that there is clear separation of duties and interest regarding payments to the CSO President's business employee.

Division Response: The Division agrees with the recommendation and directed the CSO Board to provide for complete meetings minutes to properly document all CSO business and outcome of voting results. The Division further directed the CSO Board to formally vote on the accounting service expenditure showing abstention of anyone with any indication of a conflict of interest with a CSO Board member's business dealings.

The individual serving as the CSO President, who is also the concession owner, stepped down as President at the January 11, 2016 Board Meeting and he continues to serve as a member of the Board.

Finding 3: Financial Compliance and Support for CSO Revenue and Expenditure Transactions

According to CSO Bylaws, Article VI-Officers, Section 7, the *Treasurer shall pay bills and give receipts for their payments. Treasurer shall pay by check bills authorized by the Board and shall receive and file vouchers for such payment.* According to the general ledger, there were accounting errors and inconsistencies. In addition, proper documentation was not retained in transactions including the following:

- A payment for \$300.00 to the Jr. Rangers Program was entered incorrectly in February 2014. The payment was for tax services.
- In February 2014, payment receipt from a recycling center for \$166.25 in revenue was received by the CSO, but the revenue was not deposited.
- During the sample months of August 2013 and February 2014, invoices or receipts did not support a total of \$1,500.00 in payments to the firewood vendor.

According to the CSO's general ledger, firewood was purchased one to two times each month during FY 2013-2014, totaling \$500.00 for each delivery. There were no invoices documenting the actual number of bundles of wood received or the total amounts owed before or after payments were made to the vendor. Between July 22, 2013 and June 3, 2014, the CSO purchased \$9,000.00 of firewood, but only deposited \$4,344.00 in firewood revenue. Firewood sale logs for the audit period were not available, per the Park Manager, because controls were not in place to keep an accurate account of the firewood purchases and sales. According to CSO meeting minutes, *there was a serious funding issue* in the month of July 2014. The CSO was missing over \$1,000.00 in revenue, which was thought to be due to firewood sales and inventory January 7, 2016 practices. As a result, the CSO was inconsistent in properly documenting and retaining documentation for firewood sales revenue.

Recommendation

In accordance with CSO Bylaws, we recommend the Division direct the CSO to comply and document accounting practices that demonstrate accountability in recordkeeping. Receipts and invoices should be retained to maintain appropriate supporting documentation and justification for all CSO transactions. In addition, all CSO revenue should be deposited in the CSO bank account.

Division Response: The Division agrees with the recommendation and directed the CSO Board to comply with accounting practices that demonstrate accountability in recordkeeping which the CSO is addressing. This includes the expectation that the CSO Treasurer shall pay bills by check, bills authorized by the Board, receive and file vouchers for such payment and give receipts for their payments.

Finding 4: Check Writing Procedures

In accordance with CSO Bylaws, Article VI-Officers, Section 7, *All disbursement checks shall require the signatures of two of the following: Treasurer, President, Secretary.* Based on our review, in the month of February 2014, all three checks issued had only one signature.

Recommendation

We recommend the Division direct the CSO to comply with the Bylaws by requiring signatures from two of the specified Board members outlined in the Bylaws when writing checks.

Valerie Peacock, Audit Director
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Division Response: The Division agrees with the recommendation and directed the CSO Board to have disbursement checks authorized with two signatures as required in the Bylaws.

Finding 5: Unapproved Verbal Agreement

According to the CSO Bylaws, Article V-Management, Section 3 *Agreements, No Officer, Agent or other person shall have the power or authority to bind the Corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose, without Board approval.* According to the CSO President, 50% of the income profits from the penny press machine during December 2014 to January 2015 were paid to an individual who purchased the machine. The agreement between the CSO President and the individual regarding the penny press revenue is verbal and receipts for payments have not been documented or approved by the Board.

Recommendation

We recommend the Division direct the CSO to put all agreements in writing. The CSO Board should vote on a written agreement and document the related revenues and payments.

Division Response: The Division agrees with the recommendation and directed the CSO to have all approved agreements in writing and the CSO Board should approve them. Any agreement related revenues or payments will be documented.