

**Audit of Paragon of Florida, Inc. Concessionaire at St.
Andrews State Park**

Division of Recreation and Parks

Report: A-1516DEP-011

Office of Inspector General

Internal Audit Section

Florida Department of Environmental Protection

April 11, 2016

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Tallahassee, Florida 32399-3000
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Division of Recreation and Parks



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The Office of Inspector General (OIG) conducted an audit of Agreement MY-0910 (Agreement) with Paragon of Florida, Inc. (Concessionaire) at St. Andrews State Park (Park). This audit was initiated as a result of the Fiscal Year (FY) 2015-2016 Annual Audit Plan.

Scope & Objectives

The scope of this audit included selected activities of the Concessionaire during the period of January 1, 2015 through September 30, 2015. The objectives were to determine:

1. concessionaire compliance with the Agreement's Minimum Operational Requirements, Minimum Accounting Requirements, and selected provisions
2. the accuracy of the Concessionaire's reported gross sales

Methodology

This audit was conducted under the authority of Section 20.055, Florida Statutes (F.S.), and in conformance with the *International Standards for the Professional Practice of Internal Auditing*, published by the Institute of Internal Auditors. The procedures of this audit included an inspection of the Concessionaire's operations, interviews with Concessionaire and Park management, as well as a review of Concessionaire and Park records.

Background

In January 2011, the Department of Environmental Protection (Department) through its Division of Recreation and Parks (Division) entered into the Agreement with the Concessionaire to provide visitor services at the Park through December 2015. Under the Agreement, the Concessionaire conducts merchandise retail operations, offers equipment and watercraft rentals, and provides shuttle boat services.

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As required by the Agreement, the Concessionaire pays the Division a monthly commission fee equal to fourteen percent (14%) of gross sales for all of its operations within the Park. According to the monthly reports of gross sales submitted during the audit period of January 1, 2015 through September 30, 2015, the Concessionaire reported \$1,852,844 in gross sales, and paid \$259,398 in commissions to the Division.

An OIG audit dated March 2009 revealed that a subcontractor under the Concessionaire did not maintain documentation supporting gross sales and that a restroom on a vessel stationed at Shell Island was not ADA compliant. According to the Division, the Concessionaire directed its subcontractor to provide monthly breakdowns of its daily boat rentals that tie to their reported gross sales. The subcontractor agreed to provide monthly sales detail and the Concessionaire was to maintain this documentation for any future audits as recommended. The Division also stated that there were no accessibility guidelines developed for small vessels. The only guidelines applied to passenger vehicles permitted to carry more than 150 passengers or more than 49 overnight passengers. The concession vessel in question did not fall under these guidelines. According to the Division's follow up response, both issues were resolved.

Results & Conclusions

Compliance with Minimum Operational Requirements

Section 1(D) of the Minimum Operational Requirements requires the Concessionaire to post business hours near the main entrance of the business. The Concessionaire had business hours posted at the Jetty and Pier locations. Section 1(F) requires the Concessionaire

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to provide full service commercial washers and dryers. These items were verified during the site visit.

Sections 7(B) and 8 of the Minimum Operational Requirements require that Environmental Protection and Safety Plans be implemented within the first 60 days of operation under this Agreement. The Park Manager and Concessionaire were unable to provide a copy of these items.

Compliance with Minimum Accounting Requirements

During the site visit, we observed the use of tablet-based registers and other approved receipt systems at all operations. The registers produced reports (Z-tapes) that summarize all sales and sales tax detail on a daily basis. All points of sale utilizing registers did not have a visual display that faced customers as required by Section B(1) of the Minimum Accounting Requirements.

Signs reminding customers to obtain receipts were posted at all points of sale and we observed sales receipts being offered to customers. Sales receipts were sequentially numbered, time and date stamped, and captured pertinent sales and sales tax detail. According to the Park Manager and the Concessionaire, duties associated with handling, recording, and reconciling receipts and disbursements are assigned to different employees. Employees who handle cash are supervised and daily register totals are verified by Concessionaire management at the end of each day as required by Section A(7) of the Minimum Accounting Requirements.

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Section A(5) of the Minimum Accounting Requirements requires daily receipts exceeding \$2,000 to be deposited within a 24 hour working day period, while daily receipts not exceeding \$2,000 must be deposited within a 5 working day period. According to bank statements for the audit sample months of July and August 2015, the Concessionaire made 62 cash deposits. Of these 62 deposits, 30 deposits exceeded \$2,000 per day, but were deposited between two to three days later (excluding weekends). Section A(5) indicates that un-deposited cash receipts should be stored in a secure manner, with a safe being the preferred method. We verified the existence of safes at the points of sale except the Camp Store.

Compliance with Selected Agreement Provisions

Based on the review of provided documentation, the Concessionaire submitted commission payments, utility payments, monthly reports of gross sales, the annual profit and loss statement, and the limited engagement document to Park management by required deadlines. As required by Sections 21, 25, 33, and 34 of the Agreement, the Concessionaire secured a letter of credit for an amount equaling \$30,000, submitted the Payment Card Industry Self-Assessment Questionnaire to the Park Manager, and maintained general, automobile, and worker's compensation insurance coverage meeting the minimum liability requirements.

Sections 44 and 45 of the Agreement require the Concessionaire to conduct E-Verify employment eligibility authorizations and sexual predator/offender searches for all Concessionaire staff. E-Verify authorizations and documentation of sexual predator/offender searches were provided for all five full-time employees, but were dated just prior to our site

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visit. E-Verify employment eligibility authorizations and sexual predator/offender searches were not performed for any of the Concessionaire's leased part time employees. The Concessionaire stated that the company, from which employees are leased, performs these searches. According to a representative of the employment company, these services are offered, but have not been utilized by the Concessionaire.

During our site visit, the Concessionaire's operations appeared to be stocked with an adequate supply of inventory and maintained sufficient amounts of equipment available for rent as required by Section 20 of the Agreement. We also observed Concessionaire employees wearing visitor service uniforms as required by Section 22 of the Agreement.

Based on interviews with the Concessionaire, an undocumented subcontractor operates the Concession Boat. The Concessionaire indicated that a verbal agreement was made between the parties. Under this verbal agreement, the subcontractor is allowed to sell concession items for profit as long as they maintain the kayak portion of the Pontoon Shack operations and pay the 14% commission required by the Division to the Concessionaire for submission. Based on our interviews and observations, the subcontractor does not use an electronic register or other approved receipt system to record sales, receipts are not offered to customers, and revenue-supporting documentation is not generated or maintained.

Accuracy of Reported Gross Sales

We obtained bank statements, sales journals, and revenue-supporting documentation. Bank accounts appear to be utilized solely for the use of the Concessionaire operations. Supporting sales documentation was not provided for the Pontoon Shack cash transactions.

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The Concessionaire indicated that the liability waiver signed by the customers at the Pontoon Shack serves as the customer's receipt. The receipt is provided to the customer and the carbon copy is retained by the Concessionaire for reconciliation at the end of each day. After reconciliation, the receipts are discarded.

Section 23 of the Agreement indicates that the Concessionaire is required to pay the Division a monthly commission fee equal to 14% of gross sales. For the audit sample months of July and August 2015, we compared the Concessionaire's register reports and source documents with gross sales reported to the Division. Overall, gross sales according to register reports and source documents appeared to agree with reported gross sales with immaterial differences as detailed below.

	July	August
Camp Sales according to register reports	\$31,583.32	\$58,420.30
Jetty Sales according to register reports	\$97,135.13	\$56,785.87
Pier Sales according to register reports	\$325,595.93	\$124,327.74
Pontoon Sales according to register reports and sales journals	\$96,993.26	\$66,899.84
Concession Boat Sales according to sales journals	\$7,426.00	\$5,069.00
Telescope Commissions according to bank deposit slips	\$89.35	\$97.73
Laundry Collections according to sales journals	\$2,013	\$1,116.00
Total Calculated Gross Sales	\$560,835.99	\$312,716.48
Total Reported Gross Sales	\$560,920.00	\$312,752.00
Difference	(\$84.01)	(\$35.52)

The Concessionaire submits DR-15 sales tax returns to the Florida Department of Revenue detailing gross sales and tax collections. For the audit period of January 1, 2015 through September 30, 2015, we compared submitted DR-15 sales tax returns with gross sales

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reported to the Division. Overall, gross sales according to DR-15 returns appear to agree with reported gross sales with immaterial differences as detailed below.

DR-15 Sales Tax Returns	Monthly Reports of Gross Sales	Difference
\$1,852,842.94	\$1,852,844.00	1.06

Using the Concessionaire’s bank statements, we compared the Concessionaire’s deposits with gross sales reported to the Park for the audit sample months of July and August 2015. Based on review and input from the Concessionaire, we adjusted for deposits not included in gross sales as defined in the Agreement. These included transfers from other accounts to cover business expenses or represented shareholder withdrawals. The Concessionaire stated that differences were attributed to timing associated with credit card sales deposits. Overall, gross sales according to bank deposits appeared to agree with reported gross sales with differences as detailed below.

	July	August
Cash Deposits	\$300,608.71	\$142,857.13
Credit/Debit Deposits	\$409,587.69	\$268,372.65
Transfers & Withdrawals	(\$115,000.00)	(\$65,000)
Sales Tax	(\$35,358.87)	(\$19,663.83)
Total Calculated Deposits	\$559,837.53	\$326,565.95
Total Reported Gross Sales	\$560,920.00	\$312,752.00
Difference	\$1,082.47	(\$13,813.95)

Section 23 of the Agreement defines gross sales as all sales of goods and services by the Concessionaire and its subcontractors. Based on interviews and review of the provided documentation, the Concessionaire excluded sales from vending machines and the rental of shuttle boats from monthly reports of gross sales.

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The Concessionaire has an agreement with a vendor to stock and maintain inventory for each vending machine. The vendor collects monies generated and remits a commission to the Concessionaire each month. Copies of commission checks were provided for each month in the audit period, but these amounts were not included on the monthly reports of gross sales submitted to the Division.

The Concessionaire also rents shuttle boats when not being utilized to transport visitors to Shell Island. Sales for shuttle boat rental were included in the Concessionaire's sales journals, but were not included in the monthly reports of gross sales submitted to the Division.

Findings and Recommendations

Finding 1: Environmental Protection and Safety Plans

Section 7(b) of the Minimum Operational Requirements states *a final Environmental Protection Plan which incorporates all comments from the Department must be approved by the Park Manager and implemented within the first sixty (60) days of operation under this Agreement.* Section 8 of the Minimum Operational Requirements states *a final Safety Plan which incorporates the District and Park Manager's comments and shall be approved by the Park Manager, shall be implemented within the first sixty (60) days of operation under this Agreement.*

The Park Manager and Concessionaire were unable to provide copies of these items. The Concessionaire was unfamiliar with the contract requirement for implementation of these items.

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Recommendation:

We recommend the Division direct the Concessionaire to implement and document an Environmental Protection and Safety Plan as required in the Agreement.

Finding 2: Safeguarding Cash Deposits

Section A(5) of the Minimum Accounting Requirements states *if receipts exceed \$2,000.00 they shall be deposited intact daily. If receipts do not exceed \$2,000.00 a day, they shall be deposited intact periodically, which shall be no more than a five day working period.* According to the Concessionaire's bank account statements for the audit sample months of July and August 2015, the Concessionaire made 62 cash deposits. Of these 62 cash deposits, 30 deposits exceeded \$2,000 per day, but were deposited between two to three days later (excluding weekends).

Section A(5) of the Minimum Accounting Requirements also states *un-deposited receipts shall be stored in a secure manner – a safe is preferable.* We verified the existence of safes at the points of sale except the Camp Store. Per interviews with the Concessionaire, un-deposited cash receipts generated at the Camp Store are maintained in an unsecure location. Upon discussion of this issue, the Concessionaire indicated that another safe was to be installed at the Camp Store or any un-deposited cash receipts will be transferred to other secure locations going forward.

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Recommendation:

We recommend the Division direct the Concessionaire to deposit cash receipts that exceed \$2,000 daily in accordance with the Minimum Accounting Requirements. We also recommend the Division direct the Concessionaire to provide adequate protection to un-deposited receipts generated at all concession locations.

Finding 3: Revenue Supporting Documentation

Section 6 of the Minimum Accounting Requirements states *source documents, such as daily cash register tapes, Concessionaire's copy of pre-numbered receipts and use schedules for pre-numbered tickets, shall be retained to support recorded gross sales and sales tax collections.* During our review, revenue-supporting documentation was not provided for the Pontoon Shack cash transactions. The Concessionaire indicated that the liability waiver signed by the customers at the Pontoon Shack serves as the customer's receipt. The receipt is provided to the customer and the carbon copy is retained by the Concessionaire for reconciliation at the end of each day. After reconciliation, the receipts are discarded. As a result, the Division does not have assurance of the accuracy of reported cash collections. According to the Concessionaire, procedures have since been modified to ensure that Pontoon Shack receipts are maintained.

Recommendation:

We recommend the Division direct the Concessionaire to develop and document procedures to retain all receipts generated at the Pontoon Shack.

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

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

E-Verify authorizations and documentation of sexual predator/offender searches were provided for all five full-time employees, but were dated just prior to our site visit. The Concessionaire indicated that this step had been missed during the hiring process. In addition, E-Verify employment eligibility authorizations and sexual predator/offender searches were not performed for the Concessionaire's part time employees. These employees are leased from a temporary employment company. The Concessionaire's understanding was that the employment company performs these searches. According to a representative of the employment company, these services are offered, but have not been utilized by the Concessionaire.

Recommendation:

We recommend the Division direct the Concessionaire to conduct E-Verify authorizations and sexual predator/offender searches on all employees at the time of hire, and retain documentation of these authorizations and searches. The Park Manager should verify these searches as part of the Concessionaire's quarterly evaluations.

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Finding 5: Undocumented Subcontractor

Section 16 of the Agreement states *the term subcontractor, as used in this agreement, shall include any entity or person offering goods or services in the Park by written or oral agreement, license, or other arrangement with the Concessionaire.* According to the Concessionaire, a verbal agreement was made between the Concessionaire and the subcontractor who operates the Concession Boat. Under this verbal agreement, the subcontractor maintains the kayak portion of the Pontoon Shack operations and provides the required 14% commission to the Concessionaire for submission to the Division. This subcontractor does not use an electronic register or other approved receipt system to record sales, does not offer receipts to customers, and does not generate or maintain revenue-supporting documentation. According to the Concessionaire, a decision is pending on whether this subcontractor will be released from service or an official subcontract agreement will be set up and an authorized sales recording system will be implemented.

Recommendation:

We recommend the Division direct the Concessionaire to establish a formal subcontractor agreement with the individual currently operating the Concession Boat. We also recommend the Division require the Concessionaire to ensure subcontractor compliance with the Minimum Accounting Requirements regarding use of authorized sales recording systems, disbursement of customer receipts, and retention of revenue supporting documentation.

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Finding 6: Unreported Revenue

Section 23 of the Agreement defines gross sales as *all sales of goods and services by the Concessionaire and its subcontractors, agents, and employees excluding tax collections, discounts, exchanges, refunds, or food consumed by Concessionaire's employees*. Based on interviews and review of the provided documentation, the Concessionaire has excluded sales accumulated through vending machines and the rental of shuttle boats from monthly reports of gross sales.

A vending company stocks and maintains inventory for each vending machine, collects monies generated, and remits a commission to the Concessionaire each month. Copies of commission checks were provided for each month in the audit period, but these amounts were not included on the monthly reports of gross sales submitted to the Division. Total commissions received from the vendor during the audit period equaled \$2,921.38. Total payment that should have been remitted to the Division for the audit period was \$408.99 ($\$2,921.38 \times 14\%$). The Concessionaire stated that their bookkeeper had been crediting their cost of goods sold account by the commission amounts each month. The Concessionaire indicated that this procedure has since been corrected, and that the amounts will be reported each month moving forward.

The Concessionaire also rents shuttle boats for various purposes and activities when not being utilized to transport visitors during normal operations. These sales were included in the Concessionaire's sales journals, but were not included in the monthly reports of gross sales submitted to the Division. Total sales for shuttle boat rentals that were not reported

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during the audit period equaled \$2,745.47. A commission payment of \$384.37 ($\$2,745.47 \times 14\%$) should have been remitted to the Division for the audit period. The Concessionaire indicated that since renters utilize the shuttle boats outside of the Park, they believed these transactions did not qualify as Park related business activities; therefore, commission remittance was not required.

Recommendation:

We recommend the Division ensure that the Concessionaire includes the sale of all goods and services as defined in the Agreement in the monthly reports of gross sales. Further, the Division should direct the Concessionaire to pay \$793.36 ($\$408.99 + 384.37$) for vending machine and shuttle boat rental commissions. The Division should take steps to recuperate commission payments on sales not included in the total gross sales commission calculation for periods outside the scope of this audit.

Management Comment and Recommendation

Management Comment: Cash Register Requirements

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

During our site visit, we noted that the Concessionaire uses tablet-based cash registers to collect and document sales. The Concessionaire's cash registers consist of a single

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touchscreen tablet that can rotate to face either the customer or employee operating the cash register. According to Concessionaire management, tablets are typically positioned to face the employee operating the cash register. Tablets are only rotated to face customers when paying by credit card.

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

Recommendation:

We recommend the Division update Section B(1) of the Minimum Accounting Requirements to address the Concessionaire's use of tablet-based cash registers. Any required specifications for cash registers should be applicable to tablet-based cash registers, which may not feature a visual display that faces customers.

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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 Adam Crump 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

Marjory Stoneman Douglas Building
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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 Paragon of Florida, Inc. Concessionaire at St. Andrews State Park,
Division of Recreation and Parks Report: A-1516DEP-011)

DATE: April 1, 2016

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

Finding 1: Finding 1: Environmental Protection and Safety Plans

Section 7(b) of the Minimum Operational Requirements states *a final Environmental Protection Plan which incorporates all comments from the Department must be approved by the Park Manager and implemented within the first sixty (60) days of operation under this Agreement.* Section 8 of the Minimum Operational Requirements states *a final Safety Plan which incorporates the District and Park Manager's comments and shall be approved by the Park Manager, shall be implemented within the first sixty (60) days of operation under this Agreement.*

The Park Manager and Concessionaire were unable to provide copies of these items. The Concessionaire was unfamiliar with the contract requirement for implementation of these items.

Recommendation: We recommend the Division direct the Concessionaire to implement and document an Environmental Protection and Safety Plan as required in the Agreement.

Division Response: The Division agrees with the recommendation and park management has provided an Environmental Protection and Safety Plan template to the Concessionaire to assist in development of the Concessionaire's Safety Plan for the types of services and equipment offered by the Concessionaire. The Division has directed the Concessionaire to submit the plans to the Park and District by April 1 for review and approval.

Finding 2: Safeguarding Cash Deposits

Section A(5) of the Minimum Accounting Requirements states *if receipts exceed \$2,000.00 they shall be deposited intact daily. If receipts do not exceed \$2,000.00 a day, they shall be deposited intact periodically, which shall be no more than a five day working period.* According to the Concessionaire's bank account statements for the audit sample months of July and August 2015, the Concessionaire made 62 cash deposits. Of these 62 cash deposits, 30 deposits exceeded \$2,000 per day, but were deposited between two to three days later (excluding weekends).

Section A(5) of the Minimum Accounting Requirements also states *un-deposited receipts shall be stored in a secure manner – a safe is preferable.* We verified the existence of safes at the points of sale except the Camp Store. Per interviews with the Concessionaire, un-deposited cash receipts generated at the Camp Store are maintained in an unsecure location. Upon discussion of this issue, the Concessionaire indicated that another safe was to be installed at the Camp Store or any un-deposited cash receipts will be transferred to other secure locations going forward.

Recommendation: We recommend the Division direct the Concessionaire to deposit cash receipts that exceed \$2,000 daily in accordance with the Minimum Accounting Requirements. We also recommend the Division direct the Concessionaire to provide adequate protection to un-deposited receipts generated at all concession locations.

Division Response: The Division agrees with the recommendation and Concessionaire will purchase a safe for the Camp Store and will follow the Minimum Accounting Requirements and make deposits daily when receipts exceed \$2,000.00.

Finding 3: Revenue Supporting Documentation

Section 6 of the Minimum Accounting Requirements states *source documents, such as daily cash register tapes, Concessionaire's copy of pre-numbered receipts and use schedules for pre-numbered tickets, shall be retained to support recorded gross sales and sales tax collections.* During our review, revenue-supporting documentation was not provided for the Pontoon Shack cash transactions. The Concessionaire indicated that the liability waiver signed by the customers at the Pontoon Shack serves as the customer's receipt. The receipt is provided to the customer and the carbon copy is retained by the Concessionaire for reconciliation at the end of each day. After reconciliation, the receipts are discarded. As a result, the Division does not have assurance of the accuracy of reported cash collections. According to the Concessionaire, procedures have since been modified to ensure that Pontoon Shack receipts are maintained.

Recommendation: We recommend the Division direct the Concessionaire to develop and document procedures to retain all receipts generated at the Pontoon Shack.

Division Response: The Division agrees with the recommendation and the Concessionaire has implemented a procedure to maintain receipts for all Pontoon Rental Shack sales.

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

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

E-Verify authorizations and documentation of sexual predator/offender searches were provided for all five full-time employees, but were dated just prior to our site visit. The Concessionaire indicated that this step had been missed during the hiring process. In addition, E-Verify employment eligibility authorizations and sexual predator/offender searches were not performed for the Concessionaire's part time employees. These employees are leased from a temporary employment company. The Concessionaire's understanding was that the employment company performs these searches. According to a representative of the employment company, these services are offered, but have not been utilized by the Concessionaire.

Recommendation: We recommend the Division direct the Concessionaire to conduct E-Verify authorizations and sexual predator/offender searches on all employees at the time of hire, and retain documentation of these authorizations and searches. The Park Manager should verify these searches as part of the Concessionaire's quarterly evaluations.

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 employees prior to employment. Park management will review the Concessionaire's personnel files for E-Verify and sexual predator/offender search retained documentation during quarterly concession inspections.

Finding 5: Undocumented Subcontractor

Section 16 of the Agreement states *the term subcontractor, as used in this agreement, shall include any entity or person offering goods or services in the Park by written or oral agreement, license, or other arrangement with the Concessionaire.* According to the Concessionaire, a verbal agreement was made between the Concessionaire and the subcontractor who operates the Concession Boat. Under this verbal agreement, the subcontractor maintains the kayak portion of the Pontoon Shack operations and provides the required 14% commission to the Concessionaire for submission to the Division. This subcontractor does not use an electronic register or other approved receipt system to record sales, does not offer receipts to customers, and does not generate or maintain revenue-supporting documentation. According to the Concessionaire, a decision is pending on whether this subcontractor will be released from service or an official subcontract agreement will be set up and an authorized sales recording system will be implemented.

Recommendation: We recommend the Division direct the Concessionaire to establish a formal subcontractor agreement with the individual currently operating the Concession Boat. We also recommend the Division require the Concessionaire to ensure subcontractor compliance with the Minimum Accounting Requirements regarding use of authorized sales recording systems, disbursement of customer receipts, and retention of revenue supporting documentation.

Division Response: The Division agrees with the recommendation and Concessionaire has been directed to establish a formal subcontractor agreement with the individual currently operating the Concession Boat if this arrangement continues. The subcontractor will be required to comply with the Minimum Accounting Requirements regarding use of authorized sales recording systems, disbursement of customer receipts, and retention of revenue supporting documentation.

Finding 6: Unreported Revenue

Section 23 of the Agreement defines gross sales as *all sales of goods and services by the Concessionaire and its subcontractors, agents, and employees excluding tax collections, discounts, exchanges, refunds, or food consumed by Concessionaire's employees*. Based on interviews and review of the provided documentation, the Concessionaire has excluded sales accumulated through vending machines and the rental of shuttle boats from monthly reports of gross sales.

A vending company stocks and maintains inventory for each vending machine, collects monies generated, and remits a commission to the Concessionaire each month. Copies of commission checks were provided for each month in the audit period, but these amounts were not included on the monthly reports of gross sales submitted to the Division. Total commissions received from the vendor during the audit period equaled \$2,921.38. Total payment that should have been remitted to the Division for the audit period was \$408.99 ($\$2,921.38 \times 14\%$). The Concessionaire stated that their bookkeeper had been crediting their cost of goods sold account by the commission amounts each month. The Concessionaire indicated that this procedure has since been corrected, and that the amounts will be reported each month moving forward.

The Concessionaire also rents shuttle boats for various purposes and activities when not being utilized to transport visitors during normal operations. These sales were included in the Concessionaire's sales journals, but were not included in the monthly reports of gross sales submitted to the Division. Total sales for shuttle boat rentals that were not reported during the audit period equaled \$2,745.47. A commission payment of \$384.37 ($\$2,745.47 \times 14\%$) should have been remitted to the Division for the audit period. The Concessionaire indicated that since renters utilize the shuttle boats outside of the Park, they believed these transactions did not qualify as Park related business activities; therefore, commission remittance was not required.

Recommendation: We recommend the Division ensure that the Concessionaire includes the sale of all goods and services as defined in the Agreement in the monthly reports of gross sales. Further, the Division should direct the Concessionaire to pay \$793.36 ($\$408.99 + 384.37$) for vending machine and shuttle boat rental commissions. The Division should take steps to

recuperate commission payments on sales not included in the total gross sales commission calculation for periods outside the scope of this audit.

Division Response: The Division agrees with the recommendation and all sales for goods and services defined in the Agreement are now being reported and applicable commission paid to the Department. The Division will collect from the Concessionaire \$793.36 (\$408.99 + 384.37) for vending machine and shuttle boat rental commissions.

Management Comment and Recommendation

Management Comment: Cash Register Requirements

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

During our site visit, we noted that the Concessionaire uses tablet-based cash registers to collect and document sales. The Concessionaire's cash registers consist of a single touchscreen tablet that can rotate to face either the customer or employee operating the cash register. According to Concessionaire management, tablets are typically positioned to face the employee operating the cash register. Tablets are only rotated to face customers when paying by credit card. The Concessionaire's use of tablet-based cash registers represents the broader trend of increased use of tablet-based cash registers by businesses. In general, tablet-based cash registers do not feature a secondary display that faces customers. Based on current language in Section B(1) of the Minimum Accounting Requirements, most tablet-based cash registers are not permissible for use by the Concessionaire. The required specifications for cash registers in Section B(1) do not reflect or address the increased use of tablet-based cash registers.

Recommendation: We recommend the Division update Section B(1) of the Minimum Accounting Requirements to address the Concessionaire's use of tablet-based cash registers. Any required specifications for cash registers should be applicable to tablet-based cash registers, which may not feature a visual display that faces customers.

Division Response: The Division agrees with the recommendation and the Concessionaire has already purchased a forward facing customer transaction screen for tablet based registers. In addition, the Division in partnership with the Bureau of Operational Services will review the Minimum Accounting Requirements to identify potential updates to point of sale equipment requirements based on current technologies.