

**Review of Concession Agreement MY-0812 with J&S
Investment Properties, LLC at Sebastian Inlet State Park**

Division of Recreation and Parks

Report: A-1617DEP-041

Office of Inspector General

Internal Audit Section

Florida Department of Environmental Protection

August 31, 2017

3900 Commonwealth Boulevard, MS 40
Tallahassee, Florida 32399-3000
www.dep.state.fl.us





Review of Concession Agreement MY-0812 with
J&S Investment Properties, LLC at Sebastian Inlet State Park
Division of Recreation and Parks



Report: A-1617DEP-041

Table of Contents

Scope and Objectives	1
Methodology	1
Background	1
Results	2
Conclusions.....	6

Review of Concession Agreement MY-0812 with
J&S Investment Properties, LLC at Sebastian Inlet State Park
Division of Recreation and Parks

Report: A-1617DEP-041

The Office of Inspector General (OIG) conducted a review of Concession Agreement MY-0812 (Agreement) with J&S Investment Properties, LLC (Concessionaire) at Sebastian Inlet State Park (Park).

Scope and Objectives

The scope of this review included Concessionaire revenues reported between July 1, 2016, through April 30, 2017. The objective was to determine the accuracy of reported revenues and payment of commission fees.

Methodology

This review 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 a review of Concessionaire and Department records.

Background

In December 2012, the Division of Recreation and Parks (Division) entered into an Agreement with the Concessionaire to provide a full-service restaurant, merchandise retail operations, equipment and watercraft rentals, event planning and catering services, Wi-Fi services, and primitive overnight camping accommodations at the Park. The Concessionaire also used a subcontractor to operate a bait shop in the Park. The Concessionaire's agreement with the subcontractor required the subcontractor to pay the Concessionaire 12% commission on all gross sales and a \$200.00 monthly use fee.

Review of Concession Agreement MY-0812 with
J&S Investment Properties, LLC at Sebastian Inlet State Park
Division of Recreation and Parks

Report: A-1617DEP-041

As required by the Agreement, commission rates on all gross sales generated at the Park were as follows.

PERFORMANCE PERIOD	COMMISSION RATE
Execution of Agreement through October 31, 2014	10%
November 1, 2014 through October 31, 2015	11%
November 1, 2015 through October 31, 2022	12%

In March of 2017, the Division sent a letter to the Concessionaire with a notification that the Agreement would be terminated for convenience on June 30, 2017. According to the Monthly Report of Gross Sales for the period July 1, 2016, through April 30, 2017, reported gross sales were \$580,356.99 and Department commission payments totaled \$69,642.84.

Results

Accuracy and Timeliness of Commission Fees

According to Section 24 of the Agreement, the monthly commission fee and the Monthly Report of Gross Sales shall be submitted to the Park Manager no later than the twentieth day of each month. We verified that all commission fees were paid within the required timeframe. We also verified commission payments for the period were calculated correctly at 12% of the Concessionaire's reported monthly gross sales.

Request for Source Documentation

To verify reported gross sales, we requested the general ledger, daily and monthly receipts, register reports, sales journals, credit card settlement reports, bank statements, validated deposit slips, and Department of Revenue sales tax reporting forms (DR-15) from the Concessionaire for all revenues reported during the review period of July 1, 2016 through

Review of Concession Agreement MY-0812 with
J&S Investment Properties, LLC at Sebastian Inlet State Park
Division of Recreation and Parks

Report: A-1617DEP-041

April 30, 2017. Based on this request, the Concessionaire provided the Sales by Tax and Category reports, and an Online Banking Account Activity report reflecting deposits for each month of the review period. The Concessionaire also provided Item Sales Reports, reflecting Marina sales for the months of July, September, November, and December 2016; DR-15s for Marina sales for the months of July through November 2016; and DR-15s for Grill and Gift sales for the months of July through December 2016. We compared reported gross sales as related to these documents.

The Sales by Tax and Category reports provided for the review period included sales of food, gifts, and rentals. We compared the revenues listed in the Sales by Tax and Category reports to the reported Gift Shop, Food/Snack Bar, and Rental revenue categories in the Monthly Report of Gross Sales.

Sales by Tax and Category Reports Compared to Gift Shop, Food/Snack Bar, and Rental Sales on the Monthly Report of Gross Sales July 1, 2016 to April 30, 2017		
A.	Total: Sales by Tax and Category Reports	\$363,077.91
B.	Monthly Report of Gross Sales - Gift Shop Sales	\$143,291.01
C.	Monthly Report of Gross Sales - Food/Snack Bar Sales	\$216,289.09
D.	Monthly Report of Gross Sales - Rentals Sales	\$721.27
E.	Total: Monthly Report of Gross Sales Gift Shop, Food/Snack Bar, Rentals (B+C+D)	\$360,301.37
	Difference	\$2,776.54

Revenues listed in the Sales by Tax and Category reports were \$2,776.54 more than reported gross sales. This difference was attributed to discrepancies in two of the ten months reviewed. The discrepancies occurred in August 2016 and April 2017.

The Concessionaire provided Item Sales Reports for the months of July, September, November, and December 2016 for the Marina. According to the Agreement, *Gross sales shall*

Review of Concession Agreement MY-0812 with
J&S Investment Properties, LLC at Sebastian Inlet State Park
Division of Recreation and Parks

Report: A-1617DEP-041

not include tax collections, discounts, exchanges, refunds or food consumed by Concessionaire's employees. Therefore, we excluded taxes listed in the Item Sales Reports for comparison. We compared Marina sales amounts reflected in the Item Sales Reports for the months provided to the Marina sales in the Monthly Report of Gross Sales as shown in the following table.

Marina Item Sales Reports Compared with the Monthly Report of Gross Sales	
Marina Item Sales Reports for July, September, November, and December 2016	\$65,812.97
Less: Tax	\$266.40
Item Sales Report Excluding Tax	\$65,546.57
Monthly Report of Gross Sales	\$65,558.27
Difference	(\$11.70)

For the months provided, revenues listed in the Item Sales Reports for the Marina were consistent with the reported gross sales. The difference of \$11.70 was due to a clerical error where tax was incorrectly reported for the month of September.

According to Paragraph A.1 of the Minimum Accounting Requirements, *the Concessionaire shall establish and maintain bank accounts (checking, savings, etc.) that are used solely for concession Agreement operations and are separate from any non-concession Agreement operations.* The Concessionaire provided an Online Banking Account Activity report for the ten-month period. We compared the deposit amounts to the Marina gross sales reported in the Monthly Report of Gross Sales and the Concession gross sales, including tax, recorded in the Sales by Tax and Category reports. We excluded transactions that did not appear to be related to Concessionaire gross sales including refunds from operating expenditures and bank credits. We used the reported Marina gross sales from the Monthly Report of Gross Sales because we were not provided Marina sales documentation that included tax for the entire review period.

Review of Concession Agreement MY-0812 with
J&S Investment Properties, LLC at Sebastian Inlet State Park
Division of Recreation and Parks

Report: A-1617DEP-041

Online Banking Account Activity Compared to the Sales by Tax and Category Report and the Monthly Report of Gross Sales for the Period July 1, 2016 to April 30, 2017		
A.	Total Bank Deposits	\$555,091.06
B.	Less: Deposits Not Related to Concessionaire Gross Sales	\$1,904.47
C.	Net Deposits (A - B)	\$553,186.59
D.	Sales by Tax and Category Including Tax	\$388,493.35
E.	Monthly Report of Gross Sales for the Marina	\$149,383.72
F.	Total Sales (D + E)	\$537,877.07
	Difference (C - F)	\$15,309.52

Adjusted Online Banking Account Activity deposits were \$15,309.52 (2.77%) more than the sales in the Item Sales Report and the Monthly Report of Gross Sales. This difference was not considered material and is mostly due to the sales tax that was collected for the Marina sales that was not required to be reported on the Monthly Report of Gross Sales.

The Concessionaire provided DR-15 forms for Marina sales for the months of July through November 2016. We compared the gross sales reported in the DR-15 to the Monthly Report of Gross Sales.

Marina DR-15 Forms Compared to the Monthly Report of Gross Sales for the Months of July through November 2016	
Marina Sales According to the DR-15	\$77,260.77
Marina Sales According to the Monthly Report of Gross Sales	\$77,154.48
Difference	\$106.29

For the months provided, DR-15 forms agreed with amounts reported in the Monthly Report of Gross Sales with minor discrepancies.

The Concessionaire also provided DR-15 forms for Grill and Gift sales for the months of July through December 2016. We compared the gross sales reported in the DR-15 forms to the Concession gross sales category reported on the Monthly Report of Gross Sales.

Review of Concession Agreement MY-0812 with
J&S Investment Properties, LLC at Sebastian Inlet State Park
Division of Recreation and Parks

Report: A-1617DEP-041

Grill and Gift DR-15 Forms Compared to the Monthly Report of Gross Sales for the Months of July through December, 2016	
Grill and Gift Sales According to the DR-15	\$184,472.91
Concession Sales According to the Monthly Report of Gross Sales ¹	\$223,703.81
Less: Subcontracted Bait and Tackle Gross Sales	\$35,329.85
Adjusted Concession Sales	\$188,373.96
Difference	(\$3,901.05)

The Grill and Gift sales according to the amounts reported in the DR-15s were \$3,901.05 (2.11%) less than the amounts reported in the Monthly Report of Gross Sales for the months of July through December 2016.

Conclusions

The Concessionaire did not provide all the support documentation requested for this review as required under Section 25.a of the Agreement. However, for the limited business categories and months provided, source documents generally agreed with the reported gross sales as applicable. Due to the lack of necessary financial support, we are unable to make a determination regarding the overall accuracy of reported gross sales for the review period. Therefore, the Department does not have assurance on the accuracy of reported gross sales by the Concessionaire. Since the Agreement expired as of June 10, 2017, this uncertainty should be considered during the course of all Agreement finalization efforts by the Division. This report contains no findings and recommendations.

¹The Concession category on the Monthly Report of Gross Sales includes the sales subcategories Food/Snack Bar, Gift Shop, Vending, Rentals, Bait & Tackle, and Internet Services.

Review of Concession Agreement MY-0812 with
J&S Investment Properties, LLC at Sebastian Inlet State Park
Division of Recreation and Parks

Report: A-1617DEP-041

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 Patrick Tebo 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*