

**Review of Short Term Event Permit
STSEP-2016 with Coin-O-Matic, Inc.
at John Pennekamp Coral Reef State Park**

Division of Recreation and Parks

Report: A-1718DEP-035

Office of Inspector General

Internal Audit Section

Florida Department of Environmental Protection

May 25, 2018

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Tallahassee, Florida 32399-3000
<https://floridadep.gov/>





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The Department of Environmental Protection (Department) Office of Inspector General (OIG) conducted a review of Short Term Special Event Permit STSEP-2016 (Permit) between the Division of Recreation and Parks (Division), and Coin-O-Matic, Inc (Permittee) at John Pennekamp Coral Reef State Park (Park). This review was initiated as a result of the Fiscal Year (FY) 2017-2018 Annual Audit Plan.

Scope and Objectives

The scope of the review included Permit activities during the period of July 1, 2017, through January 31, 2018. The objectives were to:

- determine the accuracy of payments submitted under the Permit
- evaluate management oversight of the Permit

Methodology

This review was conducted under the authority of Section 20.055, Florida Statutes (F.S.), and in conformance with the current *International Standards for the Professional Practice of Internal Auditing*, published by the Institute of Internal Auditors. Our procedures included a site visit, interviews with Park management, as well as a review of Permittee and Park records.

Background

The Department permits a laundry service vendor to provide coin-operated laundry service for Park visitors. The current Permit is effective from July 1, 2016, to June 30, 2018. Services under the Permit include operation of two full-service commercial washers and two full-service commercial dryers at the Park, which are available to visitors 24 hours a day. Under the Permit, the Permittee shall pay the Park 50% of total gross sales. Gross Sales is defined as revenue collected on all sales of goods, inventory, equipment, food, vending and services

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generated as a result of operations at the Park. All monthly fees should be submitted to the Department through the Park Manager. Between July 1, 2017, and December 31, 2017, reported collections were \$2,655.25. Department commission payments with applicable use taxes were \$1,454.44.

Effective January 10, 2018, WASH Multifamily Laundry Systems, LLC acquired Coin-O-Matic, Inc. According to the vendor notification of this transition, all processes shall remain the same.

Results

Payments and Permit Activities

Based on observations at the Park and interviews with Park management, the Permittee provides two coin-operated commercial washers and two commercial dryers at the Park for visitor use. During our site visit, the equipment appeared to be well maintained.

Park management indicated that periodic collections are coordinated with Park staff on site. Although not specifically required under the Permit, when funds are collected, laundry coin revenues for the four machines are to be counted by both the Permittee and a Park staff member. Both verify the amount and sign an On-Site Collection Sheet. The Permittee subsequently submits the 50% commission fee and applicable use tax, along with a copy of the signed On-Site Collection Sheet and the Permittee's Currency Collection Sheet¹. These documents are retained by the Park.

We reviewed revenues between the period of July 1, 2017, to December 31, 2017, as

¹ A separate Currency Collection Sheet is signed by the Permittee but does not include a Park staff signature.

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reflected on the Monthly Report of Visitor Service Provider Gross Sales. Reported revenues were compared to amounts reflected on the On-Site Collection Sheets, Currency Collection Sheets, and commission payments. The following table represents a comparison of the reported collections to commission payments received.

Revenue Collections							
Monthly Report of Visitor Service Provider Gross Sales				Documents Submitted to Park			
Collection Date	Gross Sales	Tax	Total Payable (50%)	On Site Collection Sheet	Currency Collection Sheet	Date Commission Payment Received ²	Commission Payment Amount
7/6/2017	\$303.75	\$28.13	\$403.26	Not Provided	\$303.75	11/6/2017	\$403.26
7/20/2017	\$446.50			Not Provided	\$446.50		
8/10/2017	\$468.00	\$26.16	\$374.91	Not Provided	\$468.00	11/6/2017	\$374.91
8/24/2017	\$229.50			Not Provided	\$229.50		
9/29/2017	\$147.00	\$5.51	\$79.01	Not Provided	\$147.00	11/6/2017	\$79.01
10/19/2017	\$15.25	\$0.57	\$8.20	\$15.25	\$15.25	11/6/2017	\$8.20
11/2/2017	\$98.00	\$11.98	\$171.61	\$98.00	\$98.00	1/3/2018	\$171.61
11/16/2017	\$221.25			\$221.25	\$221.25		
12/7/2017	\$402.50	\$54.45	\$417.45	\$402.50	Not Provided	1/5/2018	\$417.45
12/20/2017	\$323.50			\$323.50	Not Provided		
Total	\$2,655.25	\$126.80	\$1,454.44	\$1,060.50	\$1,929.25		\$1,454.44

Based on the Monthly Report of Visitor Service Provider Gross Sales, \$2,655.25 was collected during sampled months. These revenues were consistent with either the On-Site Collection Sheets or Currency Collection Sheets provided during the review period. However, of the ten collections made during the period, the On-Site Collection Sheets signed by Park staff were not provided for five.

² Date Commission Payment Received is the date the Park completed form DEP FPS-A007(6-94) and entered the payment into their point of sale system.

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According to the Permit, the Permittee shall pay the Department 50% of the total gross sales, which is submitted through the Park along with the Monthly Report of Visitor Service Provider Gross Sales, within 30 days of the preceding month. Payments received after the due date shall result in a late fee being assessed in the amount of 1% the current amount due for each day the payment is late. At the Department's discretion, late fees may be waived based on documented circumstances beyond reasonable control of the Permittee. Of the six months reviewed, payments for collections were made past the required due dates for four³. The Permittee was not assessed late fees for any of these months, and there was no documentation provided to support approval of the waivers.

Per discussions with Park management, if necessary, visitor refunds can be given at the Ranger Station by Park staff. Refunded amounts are provided from Park daily revenue, and the transaction is documented for Permittee reimbursement to the Park. During the review period, three refunds were documented on the Currency Collection Sheets, which totaled \$15.00.

According to discussion with Park management, at times, machines are full with currency and inoperable. Park staff contact the Permittee for maintenance as necessary, and out-of-service signs are displayed until machines can be emptied.

Permit Requirements

The processes currently in place at the Park with respect to coin-operated laundry services and collections are primarily a result of verbal or informal correspondence between the Permittee and Park management. This includes processes for Park staff verification and dual signature on the On-Site Collection Sheets, equipment maintenance, collection periods, and

³Late payments were received for the months of July, August, September, and November.

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refunds. The Permit does not require submission of an On-Site Collection Sheet or verification of collection by Park staff. The Permit also does not contain a schedule for collections or performance expectations with respect to equipment operations or response for service.

The Minimum Accounting Requirements contained in Exhibit B of the Permit as well as several other sections of the Permit document contain requirements that are consistent with requirements applicable in standard concession agreements. However, many of these requirements are not applicable to the Permittee's type of business, method of sales and collections, or expected level of performance. There are also discrepancies regarding the monthly required payment due date between Section 9 of the Permit and Exhibit A, *Monthly Report of Visitor Service Provider Gross Sales*.

According to email correspondence received by the Park on February 5, 2018, Coin-O-Matic, Inc was acquired by WASH Multifamily Laundry Systems, LLC effective January 10, 2018. However, the Permit has not been amended to reflect the change of vendor.

Conclusions

Based on our review, at the time of our site visit, the equipment appeared to be well maintained. However, current processes regarding collections, payments, refunds, and operations are not consistent with requirements under the Permit. The Permit has also not been amended to reflect recent business changes with the vendor currently providing services. Our finding and recommendation is included in the remainder of this report.

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Finding and Recommendation

Finding: Permit Requirements and Management Oversight

The Minimum Accounting Requirements contained in Exhibit B of the Permit as well as several other sections of the Permit document contain requirements that are not applicable to the Permittee's type of business, method of sales and collections, or expected level of performance.

The Park's processes and reporting mechanisms currently in place with respect to coin-operated laundry services and collections are primarily a result of verbal or informal correspondence between the Permittee and Park management. The Permit does not contain requirements regarding collection schedules, maintenance, coordination, or verification of collection by Park staff. As a result, processes associated with these mechanisms have not been followed consistently.

While the Park's current process for verification of on-site collection reflects a beneficial control for verifying revenues, On-Site Collection Sheets were not available for five of the ten recorded collections during our review period. In addition, four of the six months, the Park received payments over 30 days late, but late fees specified under the Permit were not assessed. Additionally, Park staff indicated there had been times when machines were inoperable needing coins to be emptied.

Lastly, the Permit currently in place has not been amended to reflect the change of vendor per notification received from the Permittee February 5, 2018.

Recommendation:

We recommend the Division amend the Permit to reflect the correct vendor and requirements specifically applicable to the coin-operated laundry services provided.

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This should include requirements regarding collections, reporting, payments, and refunds. The Permit should also reflect the Division's expected level of service and associated financial consequences. The Division should discontinue the inclusion of concession minimum accounting requirements that do not apply to the services provided.

Going forward, we also recommend the Division ensure the Park provides effective oversight and documentation of collections and commission payments and assessment of late fees where applicable.

To promote accountability, integrity, and efficiency in state government, the OIG completes audits and reviews of agency programs, activities, and functions. Our review 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 review was conducted by Angie Cringan 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 <https://floridadep.gov/oig/internal-audit/content/final-audit-reports> 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,
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Memorandum

TO: Valerie Peacock, Audit Director
Office of the Inspector General

FROM: Chuck Hatcher, Assistant Director
Division of Recreation and Parks

A handwritten signature in black ink, appearing to read "Chuck Hatcher", is written over the "FROM:" line.

SUBJECT: Review of Short Term Event Permit STSEP-2016 with Coin-O-Matic, Inc.
at John Pennekamp Coral Reef State Park (Report A-171BDEP-035)

DATE: May 24, 2018

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

Finding 1: Permit Requirements and Management Oversight

The Minimum Accounting Requirements contained in Exhibit B of the Permit as well as several other sections of the Permit document contain requirements that are not applicable to the Permittee's type of business, method of sales and collections, or expected level of performance.

The Park's processes and reporting mechanisms currently in place with respect to coin-operated laundry services and collections are primarily a result of verbal or informal correspondence between the Permittee and Park management. The Permit does not contain requirements regarding collection schedules, maintenance, coordination, or verification of collection by Park staff. As a result, processes associated with these mechanisms have not been followed consistently.

While the Park's current process for verification of on-site collection reflects a beneficial control for verifying revenues, On-Site Collection Sheets were not available for five of the ten recorded collections during our review period. In addition, four of the six months, the Park received payments over 30 days late, but late fees specified under the Permit were not assessed. Additionally, Park staff indicated there had been times when machines were inoperable needing coins to be emptied.

Lastly, the Permit currently in place has not been amended to reflect the change of vendor per notification received from the Permittee February 5, 2018.

Recommendation

- 1) We recommend the Division amend the Permit to reflect the correct vendor and requirements specifically applicable to the coin-operated laundry services provided. This should include requirements regarding collections, reporting, payments, and refunds. The Permit should also reflect the Division's expected level of service and associated financial consequences.
- 2) The Division should discontinue the inclusion of concession minimum accounting requirements that do not apply to the services provided.
- 3) Going forward, we also recommend the Division ensure the Park provides effective oversight and documentation of collections and commission payments and assessment of late fees where applicable.

Division Response:

Corrective Action #1

Agree. The Division will replace the Permit with a more appropriate contract instrument, the recently developed Commercial Use Agreement ("CUA"). The CUA will be adapted or modified for coin-operated laundry services. The CUA has appropriate legal protections for the Division up to and including termination. The subject Permit and similar Permits are expected to be replaced with CUAs no later than June 30, 2018.

Corrective Action#2

Agree. In collaboration with the Office of General Counsel, the Division is updating three concessions-specific contract instruments: Concession Agreement, Commercial Use Agreement, and Short Term Special Event Agreement. Accounting requirements will be adapted or modified to avoid conflict with services authorized by the contract instrument. Completion of the above revisions are expected no later than June 30, 2018.

Corrective Action #3

Agree. A rapid process improvement exercise began on May 1, 2018, to assist in streamlining the monitoring and compliance of concession agreements. A follow up meeting is scheduled on May 24, 2018, and the revised processes and supporting materials (user guides, training, etc.) are expected to be deployed before June 30, 2018. Among many other aspects of contract management, the above recommendation will be specifically addressed with a defined process and accompanying expectation in the Division's Operations Manual.