



## Revenue Collection and Reporting Bridges Everglades, LLC – Everglades Holiday Park

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**Office of the County Auditor**  
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## Executive Summary

This report presents the results of our review of revenue collection and reporting under the concession agreement between Broward County and Bridges Everglades, LLC (Bridges) at Everglades Holiday Park (EHP).<sup>1</sup>

The objectives of our review were to determine if revenue collection and reporting by Bridges was in compliance with the agreement and to evaluate controls over Bridges revenue collection processes to ensure the County receives all amounts due.

Our review disclosed that inadequate accounting by Bridges and poor contract administration by the County resulted in underpayment of County fees and taxes.

Several of the findings in this report are of greater concern because the underlying revenue accounting and cash handling deficiencies were communicated to Park's management and Bridges prior to contracting with Bridges. Although Bridges made substantial improvements including, hiring an Operations Manager, Accounting, and Administrative staff, and addressed safety and security weaknesses, we noted continuing control weaknesses over airboat tour, general store and photo booth sales.

Details of our findings and related recommendations are presented on pages five to seven.

## Scope and Methodology

Our review procedures encompassed site visits during May and June 2014 and selected transactions during the period from June 2013 to May 2014.

To accomplish our objectives, we:

- Reviewed:
  - The agreement between Broward County and Bridges Everglades, LLC for Concessions Operations at Everglades Holiday Park, dated May 14, 2013, and the Memorandum of Understanding (MOU) dated August 12, 2013
  - Bridges
    - Monthly Background Affidavits;
    - Certified Annual Special Report dated August 14, 2014, and agreed amounts to Monthly Commission and Sales Reports; and
    - Billings to group vendors;
  - Section 212.031, *Florida Statutes*, Tax on rental or license for use of real property; and
  - Florida Department of Revenue, Technical Assistance Advisement 84A – 010, dated June 29, 1984.

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<sup>1</sup> In 2012, Bridges Enterprises, Inc., and the Clint Corporation d/b/a Everglades Holiday Park, Inc., changed their names to Bridges Everglades, LLC

- Tested revenue collection and reporting by tracing revenues from cash registers to Monthly Commission and Sales reports and the County's Advantage Financial System.
- Evaluated:
  - Compliance with revenue collection and reporting requirements of the agreement and MOU;
  - Controls over Bridges' revenue and accounting processes; and
  - Status of control weaknesses cited in our 2012 review of Bridges operations.
- Toured EHP and observed operations and transaction processing;
- Interviewed Parks Division and Bridges staff; and
- Consulted with the Office of the County Attorney regarding applicability of sales and use taxes.

## Background

The County's Everglades Holiday Park (EHP) consists of 29 acres on the eastern edge of the Everglades. The Parks and Recreation Division assumed management of Everglades Holiday Park and entered into a concession agreement with Bridges Everglades, LLC in June 2012.

Park amenities include alligator presentation, boat rentals, airboat tours, photo booth services, a delicatessen and a general store selling Gator Boys merchandise, fishing tackle, snacks, and beer. The alligator presentation, boat rentals, airboat tours, and delicatessen operate seven days a week between 9 am to 5 pm while the General Store is open 24 hours a day. Airboat tours take visitors into the everglades to experience the distinctive ecosystem unique to Florida, including alligators.

In 2013 the County entered into a ten year<sup>2</sup> concession agreement with Bridges. Under the agreement Bridges operates the park, collects all revenues and pays the County concession fees based on a percentage of gross revenues or a Minimum Annual Guarantee (MAG) whichever is greater. The percentage fees due the County are shown in Table 1 on page 3. The MAG payments are \$50,000 for the campground operations<sup>3</sup> and \$300,000 for all other concession operations at EHP.

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<sup>2</sup> The agreement provides for an initial term of ten years and one renewal option for an additional ten years

<sup>3</sup> The campground operations is scheduled to open in 2015

**Table 1**  
**Percent of Concession Gross Revenues Due County**

Concession Service	Percent of Concession Revenues Due to the County
Alligator Show	12%
Airboat Tours and Boat Rentals	12%
Photo Booth	12%
Food, Beverage, and Sundries	12%
Bait, Tackle, and Miscellaneous	12%
Campground Operation	20%
Alcoholic Beverages	25%

**Source:** Concession Agreement, Article 5

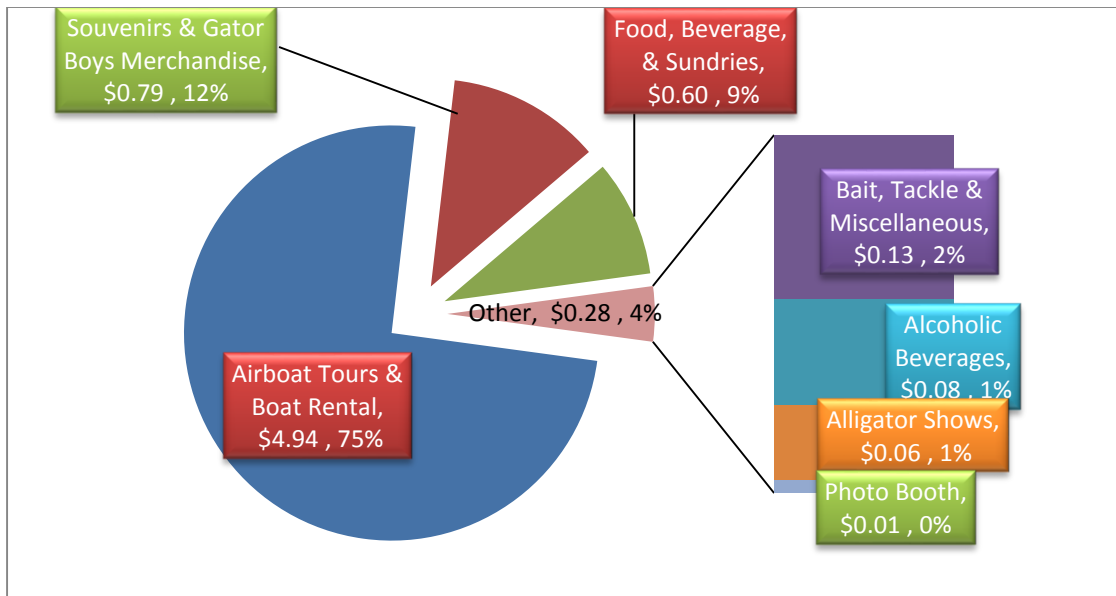
Since assuming management of the park, the Parks Division completed several renovation projects including: bringing ramps, restrooms and showers into ADA compliance; replacing the roof of the main building; installing new fencing and decking in front of the main building; adding new signage and lighting at the main parking lot; and replacing electrical conduits and wiring. The Division also organized and launched the first Everglades Day at Everglades Holiday Park and created the Everglades Holiday Park (EHP) Ad Hoc Advisory Committee and Water Resources Advisory Committee (WRAC) to provide representation of the Outdoor Recreation and Sporting interests at EHP.

**Concession Revenues**

*Summary*

For the twelve month period ending May 31, 2014, Bridges reported revenues of \$6.61 million and provided a Schedule of Revenues and Special Report to confirm the accuracy of the revenues for the same period. Exhibit 1 on page 4 depicts Bridges revenues by source for the twelve month period ending May 31, 2014.

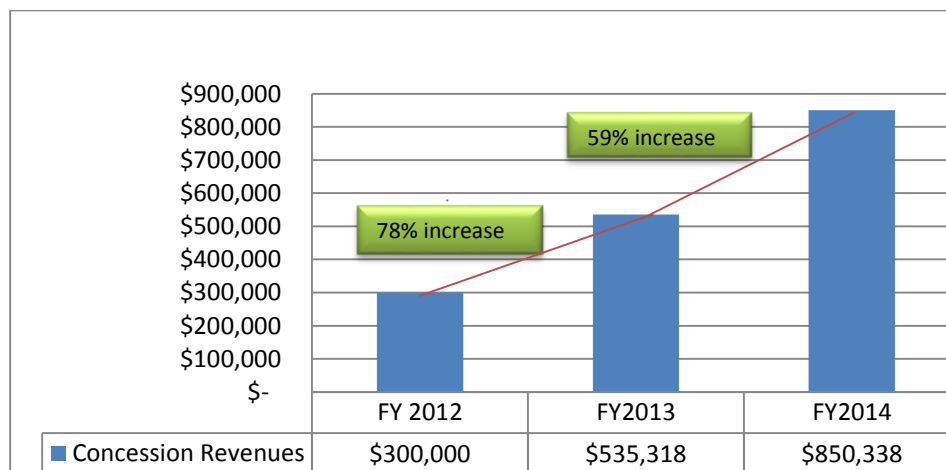
**Exhibit 1  
Bridges Revenues by Source (in Millions)  
June 2013 to May 2014**



Source: Bridges Monthly Revenue Reports

The concession fees paid to the County increased steadily from \$300,000 prior to Parks' involvement with Bridges to \$535,318 in FY 2013 (78% increase). In accordance with the latest concession agreement, the County received MAG payments and concession fees totaling \$850,338 for FY 2014 (59% increase). Exhibit 2 below depicts County concession revenues from FY 2012 to FY 2014.

**Exhibit 2  
County Concession Revenues  
FY 2012 to FY 2014**



Source: Advantage Financial System

## Findings

### **Finding 1 Bridges failed to account for and report photo booth sales, resulting in underpayment of County concession fees**

For the 12 months reviewed, Bridges reported \$9,225 from photo booth services and remitted \$1,107 (12%) to the County. We noted that photo booth transactions were not recorded in Bridges' standard cash receipts function. Following our inquiries, Bridges stated that the amount reported to the County represented monthly rental payments received from a subcontractor providing photo booth services at the Park. Under the terms of the concession agreement, subcontracting requires prior approval by the County and would not relieve Bridges from providing a full accounting for and payment of the 12% concession fee on actual photo sales. Bridges also did not provide evidence of County approval or an accounting for actual photo booth sales.

### **Finding 2 Bridges has not paid sales and use taxes in accordance with State law, creating potential liability to the County.**

In accordance with the agreement, Bridges' monthly payments to the County include sales and use taxes due on the concession fees paid to the County. These taxes are subsequently paid to the State of Florida Department of Revenue by the County. Our review disclosed that Bridges erroneously excluded the percentage concession fee from their tax payments (taxes were only paid on the MAG amount). This error has continued since 2012. We estimate the unpaid taxes were in excess of \$25,000 for the year ending May 31, 2014. Failure to collect and remit sales and use tax in accordance with Florida Statutes exposes the County to potential liability.

### **Finding 3 Bridges revenue collection and cash handling processes lack adequate controls to ensure the County is receiving all amounts due.**

**Inadequate accounting for airboat revenues.** Bridges does not have adequate accounting controls to ensure all airboat sales are reported accurately resulting in potential understatement of reported revenues and fees due to the County. Simple cost effective measures could be instituted to provide reasonable assurance that all revenues are reported. For example, cash register receipts could be used as boarding passes for airboat rides and a count of actual passengers could be taken and reconciled to cash receipts and group and outside vendor airboat sales for completeness and accuracy.

**Poor segregation of duties:** Duties performed by cashiers and selected administrative staff lack "segregation of duties" and potentially could result in theft of funds and loss of County revenues. Segregation of duties is a preventive control designed to reduce the likelihood of improper activity. Segregation of duties requires more than one individual to be responsible for completing a process and one individual should not have control over more than one phase of a transaction. Segregation of duties makes it difficult for

intentional wrongdoing because it requires collusion<sup>4</sup> of two or more individuals. Appropriately structured, segregation of duties can also be an effective means to identify errors or irregularities during the normal course of business. Our review found inadequate segregation of duties over:

- **Billing group airboat tours:** One administrative staff performs the billing function and receives and processes payments from vendors for group airboat tours. This lack of segregation of duties creates opportunities for undetected theft.
- **Cashiering:** Cashiers operating Bridges owned registers perform their own over rings, voids, openings, and closeouts. We also noted the register settings return to “zero” after each closeout. As a result, Cashiers can ring up sales, perform unauthorized closeouts, conceal the cash and restart the register without detection.

**Finding 4 Annual background rescreening’s are not performed as required by Parks Division procedures.**

Parks Division Vendor Permit Application procedure requires annual background screenings. From discussions with Bridges staff and review of the agreement, we confirmed that Bridges did not perform and the concession agreement does not require annual rescreening. Failure to perform annual rescreening’s could result in sexual predators or offenders providing services on County Park property.

**Finding 5 Parks Division did not perform adequate contract administration.**

Contract Administration<sup>5</sup> (CA) involves activities performed by County staff after a contract has been awarded to determine how well County staff and the contractor performed to meet the requirements of the agreement. CA encompasses all activities between the County and Bridges from the time the contract is awarded until the contract is terminated. As such, CA is an essential element of the procurement process to assure that both parties comply with the terms of the agreement and the County receives what it paid for.

The findings in this report indicate inadequate Contract Administration, including:

- **Previously cited control weaknesses remain unresolved.** As discussed above, several control weaknesses cited during our review in 2012 are of continuing concern and are cited in the findings above.
- **Bridges failure to report photo booth sales was inconsistent with the terms of the agreement.**

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<sup>4</sup> Collusion occurs when two or more employees collectively circumvent the control procedures

<sup>5</sup> Source: A Guide to Best Practices for Contract Administration, Office of Federal Procurement Policy

- **The County did not install electronic SD cards required by the agreement to capture independent sales data.** The SD cards would have stored register activities including closeouts and provide independent monthly sales reports on the six Bridges owned (stand-alone) registers. This information could have mitigated some of the control weakness over cash receipts processing.

## Recommendations

We recommend the Board of County Commissioners direct the County Administrator, in consultation with the County Attorney, to take steps to:

1. Obtain an accounting for all photo booth sales from June 2012, to present and recover concession fees on the unreported sales by March 31, 2015.
2. Collect the unpaid sales and use tax from Bridges due from June 2012, the inception of our initial agreement, by March 31, 2015, and remit the amount to the State.
3. Ensure the subcontracting of photo booth services complies with the Contract.
4. Have Bridges implement appropriate procedures to:
  - a. Ensure all revenue is accounted for and reported,
  - b. Establish supervisory control over register control keys,
  - c. Segregate the group airboat tours billings duties from cash receipts processing, and
  - d. Address annual background rescreening's.
5. Establish a process to ensure future compliance by Bridges and the Parks Division with the terms of the agreement.
6. Provide the Board with a quarterly status update of recommendations in this report until fully implemented.