

**FLORIDA**  
**DEPARTMENT OF ENVIRONMENTAL PROTECTION**  
**OFFICE OF INSPECTOR GENERAL**



**Internal Audit Section**  
**2600 Blair Stone Road, Mail Station 41**  
**Tallahassee, Florida 32399-2400**

**Financial and Compliance Audit of**  
**Schwarze Enterprises, Inc.**  
**Visitor Service Provider at DeLeon Springs**  
**State Park**

**For the period**  
**January 1, 2005 through June 30, 2005**

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**DEPARTMENT OF ENVIRONMENTAL PROTECTION  
OFFICE OF INSPECTOR GENERAL**

**December 2005**

**Report No. IA-02-07-2006-021**

**BACKGROUND**

DeLeon Springs State Park covers 603 acres near Deland, Florida. Schwarze Enterprises, Inc. operates a concession at the Old Spanish Sugar Mill Grill and Griddle House. The restaurant specializes in pancakes cooked by the patron on griddles built into the tables. The concessionaire also provides a gift shop, recreational equipment rental, and sub-contracts a boat tour operation.

DEP contract number R-0002 (the concession agreement) with Schwarze Enterprises, Inc. was initiated in May 2002 and ends in May 2007. This audit was part of our 2005-2006 audit plan. For the audit period, January 1, 2005 through June 30, 2005, the concession, or visitor service provider (VSP), reported \$423,011 in gross sales. Commission fees in the amount of \$42,301 were remitted to the department during the period. Schwarze Enterprises, Inc. reported gross sales of \$683,784 during calendar year 2004 and remitted \$68,378 in commission fees.

**SCOPE AND OBJECTIVES**

Financial and compliance audit of Schwarze Enterprises, Inc. at DeLeon Springs State Park for the period January 1, 2005 through June 30, 2005.

The audit objectives are to determine if Schwarze Enterprises, Inc. is in compliance with provisions of the contract and to determine the accuracy of reported gross sales.

**METHODOLOGY**

- The audit was conducted under the authority of s. 20.055, Florida Statutes, and in accordance with the *International Standards for the Professional Practice of Internal Auditing* published by the Institute of Internal Auditors.
- Interviews were conducted with the Schwarze Enterprises, Inc. owner and manager and staff in the Division of Recreation and Parks. Auditors visited the park in August 2005.
- Accounting records from Schwarze Enterprises, Inc. and the Bureau of Finance and Accounting were examined and tested. Other audit procedures were performed as necessary.
- The criteria used in evaluating compliance came from the contract.

**Audit tests included:**

- Evaluating internal controls over cash handling.
- Observing the operation and testing financial records to determine compliance with the contract including the minimum accounting requirements.
- Reviewing:
  - Reported monthly gross sales and commission fees paid.
  - Source documents used to support sales including accounting journals, cash register tapes, and bank records.

<b>CONCLUSION</b>
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Based on the Office of Inspector General’s (OIG) audit, the overall assessment of Schwarze Enterprises, Inc. operation is favorable. The VSP has established a quality reputation as a destination for park visitors and enhances the DeLeon Springs State Park experience. Gross sales reported to the department were supported by a daily sales ledger and cash register records. The VSP has engaged professional bookkeeping and financial statement preparation services as well as an independent CPA who performs the required annual audit.

Schwarze Enterprises, Inc. was last audited by this office in 2001. This report stated that full compliance with the contract’s minimum accounting requirements was lacking in that sales receipts were not always offered to customers but were available upon request. This has not changed. The report also questioned the practice of not providing customers with itemized table bills as is customary in most restaurants. The server notes the items ordered by the customer on a pad which is available to the cash register operator who rings up the total when the customer is finished with the meal. A 15% gratuity is added to the bill as stated in the menu. This practice is still questioned as it could be perceived as not fully disclosing to the customer what he or she is paying for. However, the practice has been used for many years and is well known by park staff and regular patrons. While Schwarze Enterprises, Inc. is substantially complying with the contract, not offering sales receipts unless requested and not providing customer table bills reduces accountability. These practices are again brought to management’s attention in this report as their continuation is at management’s discretion.

In order to assess the scope and quality of the annual audit OIG visited the independent CPA, (Greene, Dycus & Co., P.A., Sanford, Florida) to review the audit work papers and interview the auditor. OIG found that the auditor was diligent in performing the audit but a report which more fully describes the results of the audit testing and contains a clear statement regarding the accuracy of gross sales reported to the department and compliance with the minimum accounting standards included in the contract would be preferable for analysis of the VSP’s past year performance. To that end, OIG will provide an example of such a report to Schwarze Enterprises, Inc. for guidance during the next annual audit.

A finding regarding vending machine sales is discussed below.

<b>FINDING AND RECOMMENDATION</b>
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**The VSP is not maintaining vending machine sales reconciliation documentation as required by the contract.**

Appendix D in the contract states cash receipts removed from vending machines must be reconciled at least monthly with receipts expected either from inventory calculation or a counter installed on the machine. A sample reconciliation worksheet is provided in the contract.

The VSP notes vending machine counter numbers in the daily sales ledger. However no evidence of reconciliation with sales as required by the contract was found during this review.

**Recommendation:**

In order to be accountable to the department for vending revenue, the VSP should comply with the contractual requirement to document reconciliation of vending machine sales through worksheets provided in Appendix D.

To promote accountability, integrity and efficiency in State Government; the OIG completes audits of selected programs, activities, and functions. This audit was requested by management and included on the Annual Audit Plan for Fiscal Year 05-06.

**Conducted by:**

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Valerie Peacock, Management Review Specialist

**Supervised by:**

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Greg White, Audit Administrator

**Approved by:**

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Joseph Aita, Director of Auditing

## **Division Response**

Memorandum

Florida Department of  
Environmental Protection

December 15, 2005

TO: Valerie Peacock, Management Review Specialist  
Office of Inspector General

FROM: Mike Bullock, Director  
Florida Park Service



SUBJECT: Financial and Compliance Audit – Schwarze Enterprises, Inc.

Please let this memo serve as our Division's response to Draft Report Number IA-02-07-2006-021, Financial and Compliance Audit of Schwarze Enterprises, Inc., Visitor Service Provider at DeLeon Springs State Park, for the period, January 1, 2005 through June 30, 2005.

Finding 1 – The VSP is not maintaining vending machine sales reconciliation documentation as required by the contract – The Division of Recreation and Parks is in agreement with the current recommendation. The Division shall require Schwarze Enterprises, Inc., to document the reconciliation of vending machine sales by using the worksheets (Vending Machine Accountability Form and Vending Machine Counter Reconciliation Worksheet) as provided in VSP Agreement, DEP Contract #R-0002, Exhibit D, Minimum Accounting Requirements and are attached to this memo. These forms shall be submitted to the Park Manager during the quarterly evaluation process.

Although this is the only finding, the Division is in agreement with the Inspector General's Office's comments in regards to Schwarze Enterprises, Inc. not being in full compliance with the VSP Agreement's Minimum Accounting Requirements, based on the fact that Schwarze Enterprises, Inc. does not always offer sales receipts to customers, as addressed in the 2001 audit, conducted by the Inspector General's Office, which is attached. The 2001 audit additionally addresses the practice of not providing customers with itemized table bills and although stated in the menu, the adding of a 15% gratuity to the bill. This practice can be perceived as not fully disclosing to the customer what he/she is paying. By not offering sales receipts, unless requested, and not providing customer table bills, this reduces Schwarze Enterprises, Inc.'s accountability.

The Division shall request that the sign stating "Receipts Available Upon Request" be removed and replaced with signage as specified in Exhibit D, Minimum Accounting Requirements in the VSP Agreement – "signs reminding customers to ask for a receipt must be conspicuously posted at or near all collection stations".

Finally, OIG found the auditor working with Schwarze Enterprises, Inc. to be diligent in performing the audit. The concern that needs to be addressed is as follows: the report could more fully describe the results of the audit testing and contain a clearer statement regarding the accuracy of gross sales reported to the Department. The Department shall supply Schwarze Enterprises, Inc., to be forwarded to their auditor, an example of what OIG expects to be used as guidance during future annual audits.

Valerie Peacock  
December 15, 2005  
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All of the above shall be addressed in our follow up with Schwarze Enterprises, Inc.

Please let us know when the final report is ready so we may share it with Schwarze Enterprises, Inc. As always, contact us if you have any questions at 850-245-3078. Thank you!

MB/gf

cc: Larry Perry  
Pete Scalco  
Steve Dana  
Geri Forslund