

**CITY OF FORT LAUDERDALE
INTERNAL AUDIT OFFICE
AUDIT REPORT**

**Contract Compliance Review
Beach Equipment Rental Concession**



**AUDIT NO. 02/03-XX-13
DATED August 11, 2003**

MEMORANDUM NO. 03-33

DATE: August 11, 2003

TO: Parks and Recreation Director/Ernest Burkeen

SUBJECT: *Contract Compliance – Beach Equipment Rental Concession*

Enclosed is a copy of the Final Report of Audit on the Contract Compliance Review – Beach Equipment Rental Concession.

Allyson C. Love
Internal Audit Director

1 Attachment - Final Report of Audit

C: Floyd T. Johnson/City Manager
Bud Bentley/Assistant City Manager
Gregory Kisela/Assistant City Manager
Terry Sharp/Finance Director
Kirk Buffington/Manager of Procurement and Materials Management
Stu Marvin/Aquatic Complex and Beach Patrol Operations Manager

ACL/cs

REPORT OF AUDIT NO. 02/03-XX-13

DATE: July 31, 2003

TO: Parks and Recreation Director/Ernest Burkeen

FROM: Internal Audit Director/Allyson C. Love/5853

SUBJECT: *Contract Compliance – Beach Equipment Rental Concession*

BACKGROUND

On November 1, 1995, the City of Fort Lauderdale (herein “City”) entered into a contract with Beached Management, Inc. (herein “Concessionaire”) to provide for the rental of cabanas, umbrellas, chairs, chaises and related equipment at six (6) areas on the public beach.¹ The original contract was due to end on October 31, 1998; however, the contract was extended to October 31, 2003.

The Concessionaire is required to make fixed annual concession fee rental payments in advance, based on an agreed to amount, prior to the commencement of each year. The City’s Park and Recreation Department is responsible for the overall management and administration of the contract.

SCOPE

The overall objective of our review was to determine if the Concessionaire complied in material respect with the various provisions of the contract and to determine if adequate internal controls were in place to validate concession customers are charged correct rates and whether there is a system in place to value the level of service provided at the beach. The audit included to the extent possible a site visit to various area beach locations, discussion with Concessionaire staff and review of various documents to verify receipts. We reviewed documents and transactions from years 1998 to 2002 during the months of April through May 2003 and during the month of July 2003 according to generally accepted government auditing standards.

¹ See Exhibit.

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OVERALL EVALUATION

The Concessionaire has provided the City with the fixed annual concession fee payments, as follows for years 2000, \$134,291; 2001, \$141,006; 2002, \$148,056; and 2003, \$155,459. However, some improvement is needed in the enforcement of certain contract provisions and contract language could be strengthened to assist in the overall accountability for services provided by the Concessionaire.

FINDING 1

The City did not enforce the requirement for the Concessionaire to submit annual Certified Public Accountant (CPA) Certified Statements of Gross Receipts.

Contract No. 352-7233, Provision 20 states under Annual Reports that the Concessionaire shall submit an annual CPA Certified Statement of Gross Receipts to the City. Such certified statement will include an opinion by the CPA as to the accuracy of the Concessionaire Gross Receipts. The period covered by this...will be submitted to the City within sixty (60) days after the end of each twelve (12) month fiscal year.

Internal audit validated that the City received annual concession fee payments for calendar years 2000 – 2003². However, for the same contract periods, no Certified CPA Statements of Gross Receipts were provided to the City.

The Concessionaire indicates their gross receipts were as follows.

Year	Gross Receipts
1998	\$158,187.00
1999	191,589.00
2000	247,403.00
2001	289,901.00
2002	344,419.00

The Contract Administrator did not take *actions* to obtain the required certified CPA statements of gross receipts when the reports were not

² Internal audit only validated receipts in the Financial Accounting Management System for these years.

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received within sixty days after the end of the Concessionaire's³ 12-month fiscal year.

Presentation of certified gross receipts reports will assist the City in the evaluation of the value of the service/business in order to identify future concession rental fee payments whenever the contract is renewed and/or rebid.

RECOMMENDATION 1

The Contractor Administrator should enforce the requirement for the Concessionaire to submit annual CPA Certified Statement of Gross Receipts to the City within sixty (60) days after the end of each twelve (12) month fiscal year.

MANAGEMENT COMMENT

Management concurred with the finding and recommendation and stated: "The Parks Department Contract Administrator will handle tracking all reporting requirements as outlined in the contract. This individual is hired for this specific purpose and has an excellent understanding of these types of contracts. I will continue to provide knowledge and input about the beach environment and assist in administering the contract." This item is closed.

FINDING 2

Internal control procedures were not adequate to validate whether the City approved the increase in rental fees/rates and whether customers are charged the appropriate rates.

Contract Provision 10, Rental Rates states rates must be presented to the City, a minimum of thirty (30) days prior to the desired date of rate change. Such requests must be in writing and directed to the applicable City representative. The city shall review and accept, refuse or modify such rate change requests.

³ Beached Management indicates their Fiscal Year begins/ends Jan – December.

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Since 1998, the following identifies the equipment rental rates charged by the Concessionaire.

Type of Equipment	1998-99 - Original Contract Rates	2000 Rate Increase	2001 Contract Rates (No change)	2002 Contract Rates (No change)
Lounge chair	\$ 5.00 a day	\$ 5.00	\$ 5.00	\$ 5.00
Cabana Shade	5.00 a day	5.00	10.00	10.00
Umbrella	5.00 a day	5.00	10.00	10.00
2 Lounge Chairs & Cabana	15.00 a day	20.00	20.00	20.00
Shows increase in approved rates				

During each of the contract years, the Concessionaire informed the City via letters of proposed changes to annual concession rental fee payments, rates and/or additions to their inventory. However, internal audit was unable to validate whether the request to increase the level of annual rental fee payments and rate change requests were ever reviewed and accepted by the City.

In addition, based on our site visit to various concession areas along the beach and through discussion with the Concessionaire, we noted the following concerns.

- ◇ Rental rates are not published/displayed on signs within the beach areas to afford customers the knowledge of the City’s approved rates. **(Asset Accountability)**
- ◇ Receipts used by the Concessionaire are not pre numbered and/or duplicated to provide for the tracking of monies taken in based on the type of equipment rented or sale made. As a result, we were unable to validate whether customers were charged approved City rates. **(Asset Accountability)**
- ◇ Concessionaire staff is not clearly uniformed and/or badged to reflect that they are representatives of the Contractor. Furthermore, receipts provided to customers do not reference the “Concessionaire”, or the City. Therefore, if any concerns arise, customers may not be aware of the Concessionaire’s name and association/contract with the City. **(Accountability)**

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Implementation of certain internal controls will assist the City in the identification of the value of the services and will ensure customers are aware of City rates and the Concessionaire's association with the City.

RECOMMENDATIONS AND MANAGEMENT COMMENTS

The *Contract Administrator* should:

Recommendation 2. *Submit all Concessionaire requests for price/rental fee payments increases/adjustments to the Parks and Recreation Director for written approval. The documentation should be maintained on file to evidence approval of increases and/or changes to rental fee payments.*

Management Comment. *Management concurred with the finding and recommendation and stated: "Any requests by the Concessionaire regarding changes in rates or other provisions in the agreement will be submitted to the Parks and Recreation Director for written approval." This item is closed.*

Recommendation 3. *Consider once contract is rebid, inclusion of a provision to require the Concessionaire to display aluminum signs at each designated beach area⁴, which advertise the approved prices/rates. The signs should not be larger than twelve (12) inches wide by twenty-four inches long and also show the name and number of the operator. This recommendation is in compliance with Provision 09 of the current contract.*

Recommendation 4. *Include in the new contract, a requirement that the Concessionaire use pre-numbered and multiple-copy receipts in order to track monies taken in for equipment rental and other item sales. The Beach "area" within the City where the sale took place should be identified on the receipt. This will assist in the verification customers are charged approved City rates.*

Recommendation 5. *Include in the new contract, a requirement that the Concessionaire preprints on the back of the receipts provided to customers, a list of City approved rates and a City contact number for complaints. This is an alternative, if more cost beneficial, to signs per recommendation 3.*

⁴ See Exhibit.

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Management Comment. *Management concurred with the finding and recommendations 3 - 5 and stated:* “These three recommendations are being added to the RFP and will be included in the contract language.” **These items are closed.**

EVALUATION OF MANAGEMENT COMMENTS

Management comments provided and actions taken and/or planned are considered responsive to the recommendations.

REPORT OF AUDIT NO. 02/03-XX-13**PART IV – TECHNICAL SPECIFICATIONS/SCOPE OF SERVICES****05. LOCATION OF SERVICES**

For the purpose of defining and awarding the concession contract for cabana service to the public, the Fort Lauderdale beach is divided into six areas. The areas are shown in the attached drawings and described as follows:

AREA A.: Area with southern boundary line being the north boundary line of government lot 3, section 12, township 50 south, range 42 east, Broward County, Florida, and the northern boundary line being the south right-of-way line of Poinsettia Street extended to the waters of the Atlantic Ocean.

AREA B.: Area with southern boundary line being the north right-of-way line of Poinsettia Street extended to the waters of Atlantic Ocean, and northern boundary line being the south right-of-way line of Valencia Street extended to the waters of the Atlantic Ocean.

AREA C.: Area with southern boundary line being the north right-of-way line of Valencia Street extended to Atlantic Ocean, and northern boundary line being the south right-of-way of Rio Mar Street in the subdivision of Birch Ocean Front extended to the waters of the Atlantic Ocean.

AREA D.: Area with southern boundary line being the northern right-of-way line of Rio Mar Street in the subdivision of Birch Ocean Front extended to the waters of the Atlantic Ocean, and northern boundary line being the north of right-of-way line of the sub division of Las Olas by the Sea extension, extended to the waters of the Atlantic Ocean (excluding four hundred feet at Birch Park).

BAHIA-MAR SOUTH: A portion of Parcel 39 of Bahia-Mar (less area used for parking and roadway) according to the plat thereof recorded in plat book 35, page 39, of the public records of Broward County, Florida. More specifically 30 feet west of high water mark and 10 feet from Yankee Clipper.

BAHIA-MAR NORTH: A portion of Parcels 36 and 37, Bahia-Mar, according to the the plat thereof recorded plat book 35 page 39 of the public records of Broward County, more particularly described as follows: That portion of said Parcel 37 lying north of a line 215 feet north of the center line extended of the pedestrian overpass across state road A-1-A (Seabreeze Boulevard) at the entrance of the Bahia-Mar shopping area and east of the concrete wall along the easterly edge of the South Beach parking lot and that portion of said Parcel 36 lying south of a line 490 feet north of the center line extended of the said pedestrian overpass and east of the said concrete wall.