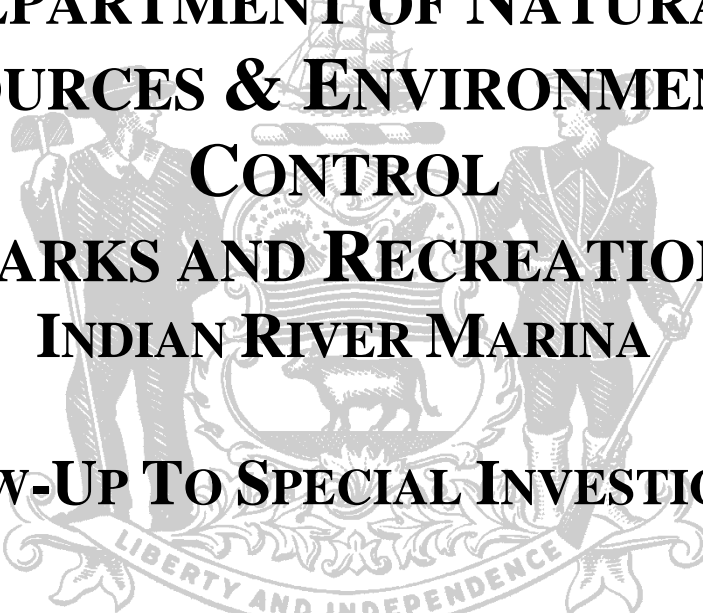


**STATE OF DELAWARE**  
**OFFICE OF**  
**AUDITOR OF ACCOUNTS**

**DEPARTMENT OF NATURAL  
RESOURCES & ENVIRONMENTAL  
CONTROL  
PARKS AND RECREATION  
INDIAN RIVER MARINA**



**FOLLOW-UP TO SPECIAL INVESTIGATION**

**FIELDWORK END DATE: JUNE 23, 2009**

**R. THOMAS WAGNER, JR., CFE, CGFM, CICA**  
**AUDITOR OF ACCOUNTS**

Townsend Building, Suite 1  
401 Federal Street  
Dover, DE 19901

TELEPHONE (302) 739-4241  
FACSIMILE (302) 739-2723

[www.state.de.us/auditor/index.htm](http://www.state.de.us/auditor/index.htm)

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# TABLE OF CONTENTS

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Audit Authority	1
Background	2
Objective, Scope, and Methodology	4
Status of Prior Year Findings and Recommendations	5
Distribution of Report	8

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# AUDIT AUTHORITY

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Title 29, Del. C. c. 29 authorizes the Auditor of Accounts to file written reports containing:

1. Whether all expenditures have been for the purpose authorized in the appropriations;
2. Whether all receipts have been accounted for and paid into the State Treasury as required by law;
3. All illegal and unbusinesslike practices;
4. Recommendations for greater simplicity, accuracy, efficiency, and economy; and
5. Such data, information, and recommendations as the Auditor of Accounts may deem advisable and necessary.

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# BACKGROUND

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The Office of Auditor of Accounts (AOA) issued a Special Investigation report entitled *Indian River Marina* (the Marina) for the Department of Natural Resources and Environmental Control (DNREC), Division of Parks and Recreation (Parks). The report was dated June 6, 2007. Findings in that report included:

- The Marina allowed one customer to charge fuel purchases to an account. This customer is the only Marina customer with this privilege. Employees of the customer purchase fuel at the Marina fuel dock and sign a receipt kept by the Marina. The Marina, however, does not maintain signature cards for those employees allowed to charge fuel. The Marina accumulates these charges and sends an invoice to the customer periodically for the amount owed. For the period May 31, 2005 to December 31, 2006, the Marina could not provide adequate supporting documentation for 92 out of 165 fuel receipts totaling \$37,351 and 27 out of 35 credits totaling \$43,339. Therefore, all of the receipts could not be traced to the customer account to determine proper billing.
- DNREC establishes rates for the dry stack storage facility and wet slips at the Marina. Of the 170 contracts reviewed, the rates charged by the Marina totaled \$607,443. Per review of the DNREC rate schedules, the total amount charged should have been \$659,185, resulting in approximately \$51,700 in lost revenue for the State. Certain customers received discounted or prorated rates, while others did not. Discounts and prorated rates are not included in the DNREC established rates and procedures. Therefore, 45 out of 170 contracts were not made in accordance with DNREC policy. Of the 170 contracts, 118 were signed by the Marina Manager. In addition, 22 out of 170 contracts were not required to be signed by any Marina personnel as there were continuing contracts; however, they may contain incorrect rates carried forward from previous years.
- The Marina uses a packaged software to maintain customer data, record customer transactions, and prepare customer statements. Based on a review of the security settings for the software, the Marina has not set the software to restrict certain users' access. Also, there are limitations in the software that do not allow for accurate calculations of the dockage and storage rates charged to customers. Therefore, the Marina must override certain software fields to correctly charge customers.
- DNREC allows DNREC employees to rent Marina cottages at a 50% discount. The Marina generally uses an outside vendor to process the cottage reservations; however, that vendor is unable to factor the employee discount when making employee reservations. Therefore, employees must contact a designated Management Analyst III at DNREC to make reservations. Employees then have the option to pay the accounting section of the Division of Parks and Recreation Office or the Marina directly. An additional tracking system is not utilized to monitor employee reservations and payments. As a result, the Marina is unable to easily provide a list of which employees reserved the cottages, when the cottages were reserved, and whether the payments were received.
- DNREC's Division of Parks and Recreation establishes rates for renting the cottages located at the Marina. Per Marina policy, a special flat rate may be used for vendors during special events if approved by DNREC management. However, during the Rocktoberfest Fishing event at the Marina in the fall of 2006, the Marina Manager offered different discounted rates to vendors. One vendor was charged \$250 for use of one cottage, while another vendor was charged \$150 for the use of another. These rates were established at the Marina Manager's discretion without proper approval.

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# BACKGROUND

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- AOA reviewed all SuperCard transactions for the Marina Manager and two Marina staff for the period July 1, 2004 to December 31, 2006. Out of the 509 SuperCard transactions reviewed, 23 of those transactions, totaling \$9,458, were for inappropriate purchases, including \$1,000 for an unauthorized sponsorship and \$1,375 in parasailing rides for Marina Day. In addition, the purpose of 56 transactions, totaling \$20,760, could not be determined based on the information provided by the Marina. Therefore, the propriety of the SuperCard transactions cannot be determined.
- DNREC establishes policies and procedures for timekeeping by employees; however, the Marina does not abide by the procedures set forth by the Department. There were six documented incidences where the Marina Manager approved or added time to seasonal employee time cards for time not worked by those employees. In addition, the Marina Manager consistently recorded compensatory time for time worked, but not pre-approved by his supervisor. Consequently, the Marina is not in compliance with DNREC timekeeping policies and procedures.

AOA conducted this follow-up engagement to determine if the above findings were satisfactorily corrected.

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# OBJECTIVE, SCOPE, AND METHODOLOGY

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## **OBJECTIVE AND SCOPE**

The objective of this follow-up engagement was to identify and evaluate the adequacy of management actions in response to the findings and recommendations included in the Special Investigation Report dated June 6, 2007.

The scope of this engagement, a non-audit service, was limited to the findings and recommendations in the aforementioned report. Testing of the status of the previous recommendations was performed for the period from July 1, 2008 through April 30, 2009.

## **METHODOLOGY**

Procedures consisted of interview and inquiry of key personnel, inspection and confirmation of documentation, and observation. The current status of findings and recommendations was reported as follows:

- |                        |  |
|------------------------|--|
| Implemented:           | The concern has been addressed by implementing the original or an alternate corrective action.   |
| Not Implemented:       | The corrective action has not been initiated.  |
| Partially Implemented: | The corrective action has been initiated but is not complete, and the auditor has reason to believe management fully intends to address the concern. |
| Withdrawn:             | The concern no longer exists because of changes in the Department's processes and/or auditor has reason to believe the issue is no longer relevant.  |

# STATUS OF PRIOR YEAR FINDINGS & RECOMMENDATIONS

Finding	Recommendation	Current Year Status
<p>The Marina allowed one customer to charge fuel purchases to an account. This customer is the only Marina customer with this privilege. Employees of the customer purchase fuel at the Marina fuel dock and sign a receipt kept by the Marina. The Marina, however, does not maintain signature cards for those employees allowed to charge fuel. The Marina accumulates these charges and sends an invoice to the customer periodically for the amount owed. For the period May 31, 2005 to December 31, 2006, the Marina could not provide adequate supporting documentation for 92 out of 165 fuel receipts totaling \$37,351 and 27 out of 35 credits totaling \$43,339. Therefore, all of the receipts could not be traced to the customer account to determine proper billing.</p>	<p>The Marina maintain adequate supporting documentation for all financial transactions.</p> <p>The Marina refrain from showing preferential customer treatment to the customer by discontinuing their fuel charging privileges.</p>	<p>Implemented.</p>
<p>DNREC establishes rates for the dry stack storage facility and wet slips at the Marina. Of the 170 contracts reviewed, the rates charged by the Marina totaled \$607,443. Per review of the DNREC rate schedules, the total amount charged should have been \$659,185, resulting in approximately \$51,700 in lost revenue for the State. Certain customers received discounted or prorated rates, while others did not. Discounts and prorated rates are not included in the DNREC established rates and procedures. Therefore, 45 out of 170 contracts were not made in accordance with DNREC policy. Of the 170 contracts, 118 were signed by the Marina Manager. In addition, 22 out of 170 contracts were not required to be signed by any Marina personnel as there were continuing contracts; however, they may contain incorrect rates carried forward from previous years.</p>	<p>The Marina comply with the established rate schedule to avoid showing preferential treatment to certain customers.</p>	<p>Implemented.</p>

# STATUS OF PRIOR YEAR FINDINGS & RECOMMENDATIONS

Finding	Recommendation	Current Year Status
<p>The Marina uses a packaged software to maintain customer data, record customer transactions, and prepare customer statements. Based on a review of the security settings for the software, the Marina has not set the software to restrict certain users' access. Also, there are limitations in the software that do not allow for accurate calculations of the dockage and storage rates charged to customers. Therefore, the Marina must override certain software fields to correctly charge customers.</p>	<p>The Marina tighten the controls surrounding the software in order to restrict users' access and minimize the effects of the software limitations.</p>	<p>Implemented.</p>
<p>DNREC allows DNREC employees to rent the Indian River Marina cottages at a 50% discount. The Marina generally uses an outside vendor to process the cottage reservations; however, that vendor is unable to factor the employee discount when making employee reservations. Therefore, employees must contact a designated Management Analyst III at DNREC to make reservations. Employees then have the option to pay the accounting section of the Division of Parks and Recreation Office or the Marina directly. An additional tracking system is not utilized to monitor employee reservations and payments. As a result, the Marina is unable to easily provide a list of which employees reserved the cottages, when the cottages were reserved, and whether the payments were received.</p>	<p>The Marina and DNREC develop a tracking system for employee reservations of Marina cottages and the subsequent receipt of payments for those reservations.</p>	<p>Implemented.</p>
<p>DNREC's Division of Parks and Recreation establishes rates for renting the cottages located at the Marina. Per Marina policy, a special flat rate may be used for vendors during special events if approved by DNREC management. However, during the Rocktoberfest Fishing event at the Marina in the fall of 2006, the Marina Manager offered different discounted rates to vendors. One vendor was charged \$250 for use of one cottage, while another vendor was charged \$150 for the use of another. These rates were established at the Marina Manager's discretion without proper approval.</p>	<p>The Marina comply with the established rate schedule and procedures to avoid showing preferential treatment to certain vendors.</p>	<p>Not Implemented.</p> <p>DNREC has implemented a system to track cottage reservations for special events; however, there is a lack of written authorizations for adjusted rates for special events.</p>

## STATUS OF PRIOR YEAR FINDINGS & RECOMMENDATIONS

Finding	Recommendation	Current Year Status
AOA reviewed all SuperCard transactions for the Marina Manager and two Marina staff for the period July 1, 2004 to December 31, 2006. Out of the 509 SuperCard transactions reviewed, 23 of those transactions, totaling \$9,458, were for inappropriate purchases, including \$1,000 for an unauthorized sponsorship and \$1,375 in parasailing rides for Marina Day. In addition, the purpose of 56 transactions, totaling \$20,760, could not be determined based on the information provided by the Marina. Therefore, the propriety of the SuperCard transactions cannot be determined.	The Marina tighten controls over SuperCard transactions.	Implemented.
DNREC establishes policies and procedures for timekeeping by employees; however, the Marina does not abide by the procedures set forth by the Department. There were six documented incidences where the Marina Manager approved or added time to seasonal employee time cards for time not worked by those employees. In addition, the Marina Manager consistently recorded compensatory time for time worked, but not pre-approved by his supervisor. Consequently, the Marina is not in compliance with DNREC timekeeping policies and procedures.	The Marina abide by the Procedures for Time Management and Procedures for Overtime/Compensatory Time Policy set forth by DNREC.	Implemented.

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# DISTRIBUTION OF REPORT

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Copies of this report have been distributed to the following public officials:

The Honorable Jack Markell, Governor, State of Delaware

The Honorable Russell T. Larson, Controller General, Office of the Controller General

The Honorable Joseph R. Biden, III, Attorney General, Office of the Attorney General

Officials of Audited Entities

The Honorable Collin O'Mara, Secretary, Department of Natural Resources and Environmental Control

Mr. David Small, Deputy Secretary, Department of Natural Resources and Environmental Control

Mr. Charles A. Salkin, Director of Parks and Recreation, Department of Natural Resources and  
Environmental Control