

I. EXECUTIVE SUMMARY

The Office of Public Integrity examined the Department of Recreation and Youth Services (DRYS), Bureau of Recreation, 2009 Adult Softball League Program. The purpose of this review was to determine accountability of reported cash collections, the adequacy of internal control procedures, and compliance with City policies. We accounted for all cash receipts reported within the scope period. The results of the review identify various instances of weak internal control and noncompliance with policies.

- ◆ Of the 343 cash deposits in the scope period, DRYS personnel delinquentlly deposited 216 cash receipts, representing \$109,165, beyond the period required by City and Bureau policy.
- ◆ DRYS personnel do not maintain adequate records of dishonored checks. One dishonored check in the amount of \$375 has not been replaced since May 2009.
- ◆ Bureau of Recreation personnel do not maintain a record of who they issue pre-numbered receipt books to or the numerical sequence of each receipt book distributed. Proper control over these receipt books is essential to maintain accountability of cash collections.
- Of the 265 registered teams that played in the 2009 Adult Softball Program, six did not have roster/waiver forms on file. These forms release the City from liability and are required by Bureau policy.

II. BACKGROUND, OBJECTIVES AND SCOPE

A. Assignment

The Office of Public Integrity routinely reviews City operations, cash handling procedures, and accountability for cash collections.

B. Background

The Department of Recreation and Youth Services, Bureau of Recreation provides leisure time programs and services to residents. The Adult Softball Program is one such program within the Bureau of Recreation. The City contracted with Brooklyn Sports Management (BSM) to administer the program. DRYS personnel collect and deposit the registration fees and reimburse the contractor for expenses. For the 2009 Adult Softball Program, 265 teams registered at a cost of \$675 per team, for a total of

\$178,875. Actual cash collections totaled \$178,500 and reimbursed expenses totaled \$168,786 for a profit to the City of \$9,714.

C. Objectives and Scope

In this review, we assessed the adequacy and effectiveness of internal controls, determined accountability of reported cash collections, and ascertained compliance with City and Bureau of Recreation Cash Collection Policies. The Office of Public Integrity selected records applicable to all revenue reported for the 2009 softball program.

Management is responsible for establishing and maintaining a system of internal accounting and administrative control. Fulfilling this responsibility requires estimates and judgments by management to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of accurate, informative reports that are fairly stated.

Because of inherent limitations in any system of internal accounting and administrative control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any system evaluation to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with procedures may deteriorate.

The recommendations presented in this report include the more significant areas of potential improvement that came to our attention during the course of the examination, but do not include all possible improvements that a more extensive review might develop.

III. RESULTS OF REVIEW

Public Integrity noted findings that require management attention to improve internal and administrative controls and practices, and to assure compliance with City and Bureau policies.

A. Untimely Deposits

City Cash Collection Policies and the Bureau's Policy and Procedure No. 00-1 require that Bureau personnel deposit all cash within five days of receipt or immediately upon the accumulation of \$100, whichever occurs first. For the

2009 Adult Softball League Program, the Bureau of Recreation made 343 cash deposits representing \$180,715. This amount includes registration fees, dishonored checks, check fees, and overpayments. Of the 343 deposits made in 2009, Bureau personnel delinquent deposited 216 deposits or 63%. The 216 deposits account for \$109,165, or 60%, of the dollar value of the total cash deposits in the scope period. The following table summarizes the delinquent deposits.

**DRYS Adult Softball League
Analysis of Delinquent Deposits
All Softball League Payments**

<u>Elapsed Business Days for Delinquent Deposits</u>	<u>Number of Delinquent Deposits</u>	<u>Amount of Delinquent Deposits</u>
1	130	\$ 67,525
2	69	34,455
3	15	6,270
4	1	675
7	<u>1</u>	<u>240</u>
Total	<u>216</u>	<u>\$ 109,165</u>
Total, tested deposits	<u>343</u>	<u>\$ 180,715</u>
Late deposits, as a percentage of total tested	63%	60%

Timely deposits of cash are important because delays in deposit result in greater risk of theft or diversion. Additionally, checks received in payment may be good upon receipt, but not at a later point in time. Undeposited cash is idle cash and is not contributing to the best possible utilization of City resources.

◆ Recommendation

DRYS personnel should deposit all cash collections in accordance with City and Bureau policy.

B. Uncollected Dishonored Check

OPI examined the Bureau's handling of dishonored checks due to insufficient funds applicable to the 2009 Adult Softball League Program. For 2009, the Bureau received five dishonored checks for the softball program. We observed the following conditions relative to these dishonored checks:

- a) As of February 2010, the Bureau collected on four out of five of the dishonored checks. However, one of the checks in the amount of \$375, remains uncollected.
- b) The team that passed the dishonored check noted above was allowed to play in the league for the entire season.
- c) The Bureau of Recreation does not maintain a log of checks dishonored due to insufficient funds.
- d) Consequently, the Bureau does not have an organized method of tracking the replacement of dishonored checks.

City Cash Collection Policies require each department to maintain a log of returned checks and to pursue the replacement and collection of dishonored checks and associated fees. Additionally, the Bureau's Policy and Procedure No. 00-1, 5.6 requires the Bureau to prohibit from participation any individual or team until they pay all required fees.

◆ Recommendation

Bureau of Recreation personnel should comply with Bureau and City Cash Collection Policies by maintaining a log of all returned checks, pursue collection of these dishonored checks and remove participants from programs until they pay all fees.

C. Lack of Accountability Over Numerically Sequenced Receipt Books

The Bureau of Recreation administration office distributes serially numbered books of customer receipts to office personnel who collect program fees and to various recreation centers. Bureau personnel utilize these pre-numbered

receipt documents when customers make payment to participate in the programs the Bureau offers.

In reviewing the numerical sequence of pre-numbered cash collection receipt documents relative to the softball program, we noted that Bureau personnel do not maintain a record of who they issue the receipt books to, or the numerical sequence of each receipt book they distribute. Additionally, four receipt documents are missing and unaccounted for from one of the receipt books and Bureau personnel cannot provide any explanation regarding these missing receipts.

City Cash Collection Policies require that the person responsible for maintaining and distributing the inventory of pre-numbered receipt books keep records of who they issue the books to, and the numerical sequence of the receipt documents in each book issued.

Proper maintenance of pre-numbered receipt documents assures accountability of those documents. The present condition creates the potential for manipulation of cash collections. Transactions could occur for which Bureau personnel issue the pre-numbered receipts and then divert the related cash collections.

◆ Recommendation

Bureau of Recreation personnel should comply with City Cash Collection Policies, and maintain a record of who they issue receipt books to and the numerical sequence of each book issued. Voided receipts should remain in the books and the Bureau should assure accountability of all receipt documents by a supervisor who does not handle cash transactions.

D. Team Roster/Waiver Forms Missing

Six of the 265 teams registered in the Adult Softball Program do not have roster/waiver forms on file with the Bureau for 2009. All six of these teams participated in the league throughout the 2009 season. Bureau of Recreation Policy and Procedure No. 00-1 Section 5.7 states that a registration/roster form shall be maintained for all fee based activities. The rules and regulations for the 2009 Adult Softball League state that teams must properly complete and submit roster/waiver forms to the Recreation office. "Under no circumstances can a player play without being properly registered on the roster /waiver form."

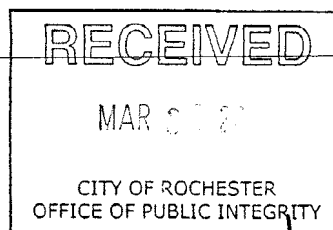
The required roster/waiver forms release the City of liability and indemnification. Without the proper documentation, the City can potentially be subject to liability.

◆ Recommendation

Bureau personnel should verify that all softball teams complete a roster/waiver form signed by all players and releasing the City of liability and indemnification.

IV. DEPARTMENTAL RESPONSE

The response of the Department of Recreation and Youth Services to this report begins on the next page.



To: Dan Markese, Manager of Internal Audit

From: Luis Burgos, Commissioner of Recreation and Youth Services

Date: March 21, 2010

Subject: Response to Softball Audit

DRYS RESPONSE TO AUDIT OF SOFTBALL PROGRAM

In general the inconsistencies noted can be attributed to staff turnover and insufficient training of replacement staff. The Bureau's Cash Handling Policy has been updated to reinforce the deficiencies noted in the audit. (See attached) All staff who are responsible for cash handling will be trained with-in 30 days of this response on the content of the revised policy.

TIMELY DELIVERY OF SOFTBALL DEPOSITS TO CITY HALL'S CASHIER'S WINDOW

A year ago changes were made in the staffing and assignments of DRYS Stockroom staff (now assigned to DES) which resulted in an inconsistent schedule for transportation of deposits to City Hall. We are currently investigating a new procedure that will allow us to use one of the City's contracted courier services. Until such arrangements are made the Recreation Bureau commits to developing a rotating schedule utilizing office staff that will insure that daily deposits are made.

DISHONORED CHECKS

DRYS Policy for the collection of dishonored checks has been reviewed with the Municipal Assistant in the Recreation Bureau. A log of dishonored checks has been established and will be maintained by the Municipal Assistant who will also insure that appropriate collection procedures are followed. Management will conduct quarterly reviews of the log and collection status.

ISSUANCE OF PRE-NUMBERED RECEIPT BOOKS

A log has been implemented in order to properly track names, work locations, and dates of issuance of Recreation's pre-numbered receipt books. All receipt books whether at 400 Dewey or in a remote location will be stored in a secure area. Staff will also be reminded of the necessity of securing books when not in use. The DRYS Cash Handling Policy has been amended to better reflect the importance of safeguarding receipts. The issuance log will be reviewed quarterly by management staff.

ROSTER FORMS

The contractor in charge of the Adult Softball Program has been reminded of the importance of obtaining and maintaining files of rosters. In the future the Recreation Bureau's Municipal Assist. will ensure that all rosters are received before the start of the program.

**DEPARTMENT OF RECREATION AND YOUTH SERVICES
BUREAU OF RECREATION
POLICY AND PROCEDURE**

P.P.No.00-1

Issue Date: 5/1/00
Effective Date: 5/1/00
Revision Date: 6/15/00
4/1/09
4/1/10

1.0 SUBJECT: Cash Handling - Revenue

2.0 POLICY: It is the policy of the Bureau Recreation to provide an accurate account of all revenue.

3.0 APPLICABILITY AND SCOPE: This policy applies to all Bureau of Recreation employees.

4.0 DEFINITIONS:

D.C.R.: Daily Cash Report
F.I.S.: Finance Information System

5.0 PROCEDURES:

5.1 RECEIPTS

*Receipts must be written for all fee-based activities **over \$10.00** or for any participant who requests a receipt. **Exceptions:** when tickets or cash registers are used.

*Payment by check or money order should be encouraged, but cash may be accepted. All checks and money orders must be made payable to the "City Treasurer" and immediately stamped with the Center's deposit stamp. Stamps were issued to all Center Directors in May, 1998. Additional stamps may be ordered through the Bureau's Administrative Analyst. **DO NOT ACCEPT THIRD PARTY CHECKS!**

*Voided receipts must be marked "**VOID**". Original receipt and copy #2 submitted to Bureau's Administrative Analyst with that week's FIS. Copy #3 remains in receipt book.

*Receipts are not to be used for any non-City funds.

*Money received for fee-based activities **under \$10.00** (Seabreeze, Monroe County Fair, Adult Swim at Adams, Weight rooms) are to be recorded on a Registration/Roster Form (see attached sample). Address and phone numbers are only required when the activity is a field trip or off-site activity program. The original form must be retained on-site for six years after the date of the event. Duplicate copy must be attached to FIS.

5.1.1 Receipt Distribution

*Original receipt is given to customer. It is not necessary to mail receipt if customer has paid by check or money order. **Exceptions:** Softball league receipts.

*Copy #2 is attached to the FIS Data Input form.

*Copy #3 remains in receipt book.

5.1.2 Receipt Book

*A supply of pre-numbered receipt books will be stored in a secure location by the Bureau's Administrative Analyst. An issuance log will be maintained which includes: the date of issuance, the numerical sequence of the receipts included in the issued book, and the recipient's name and work location.

*Receipt books will be issued by the Bureau's Administrative Analyst. Replacement receipt books should be requested at least one week prior to using up the old book.

*Books must be stored in a secure location.

*Completed, must be returned to the Bureau's Administrative Analyst who will retain receipt books for seven years.

5.1.3 Writing Receipts

Receipts are to be written in numerical order to provide a chronological record of transactions.

*All receipts must state the date written; customer's name and address; amount received; name, session and dates of program; method of payment (cash, check and/or money order); employee's signature (full name). FIS # should also appear on receipt.

*Per Federal Guidelines for Dependent Child Care Tax Deductions, Kids Club and Club House receipts must also have name of child, week of payment, City ID number and Facility address. Stamps with the above information were issued to each Director in February, 2000.

5.2 CASH REGISTERS

*All admissions/fees must be entered individually into the cash register. At the end of each day, a "Z" tape reading (which is attached to the DCR) must be taken.

*All money must be removed from the cash register overnight and locked in an on-site safe or deposited.

*The cash register must be locked whenever left unattended and then secured.

5.3 TICKETS

Serially numbered tickets are used as receipts for admission to Da weekly dances, Edgerton's Big Band dances, and the Haunted Ho Cobbs Hill. Tickets may not be issued for any other activity unless approved by the Bureau's Administrative Analyst. A record of the numbers will be submitted on a DCR and attached to the FIS data form. The Bureau's Administrative Analyst monitors all ticket use.

5.4 DEPOSITS

All revenue must be deposited within five days of receipt or accumulation of \$100.00 whichever occurs first as outlined in the "City of Rochester Collection Policies". Deposits may be made at any Chase Branch Cashier's Office at City Hall. Bank deposit slips should be requested one week prior to anticipated need.

5.4.1 FIS Data Input Form

*All deposits must be identified by a completed FIS Data Input Form. The FIS must be legible and filled out in pen. The attached form correctly shows the proper information that needs to be recorded. The following items must be attached, but not stapled, to the form (staples are not permitted): receipt copy #2, tickets, registration forms, DCR's, two copies of bank deposit slips, Z-tapes and any supporting documentation (if applicable).

*Completed FIS and attachments must be submitted to the Administrative Analyst each Monday for the previous Sunday and Saturday week. Once City cashiers process the FIS, a copy will be returned to the Facility Director.

5.5 SAFEGUARDING FUNDS

Facility Directors are responsible for ensuring that all reasonable precautions are taken to safeguard all cash that is received.

Cash must be kept in a secure, locked location that is not easily accessible to the public. In most locations, this area will be the safe. Only the Facility Director or their designee may have access to the safe.

In no case shall cash be removed from the facility, except when the appropriate person is making a deposit.

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5.6 NON-SUFFICIENT FUND CHECKS

All checks returned by the Finance Department are the responsibility of the Bureau's Administrative Analyst who will maintain a log of dishonored checks and be responsible for sending a letter stating that payment must be received within ten working days. If no payment is received, the Bureau's Administrative Analyst will notify the Facility Director or other responsible party who will remove the participant from the program until all fees are paid. The account will be forwarded to the City's Law Department for possible civil or criminal prosecution.

Any individual or group having outstanding financial obligation to the Bureau after reasonable attempts have been made to collect will be denied future participation in fee-based programs or the issuance of permits.

5.7 REGISTRATION/ROSTERS/LEAGUE SCHEDULES

Registration/roster forms shall be maintained for all fee-based activities. All information on the form is to be completed (see attached sample). The League Schedule will be submitted to the Bureau's Administrative Analyst prior to the start of the League. At the conclusion of the activity, a copy of the completed registration/roster form shall be submitted to the Bureau's Administrative Analyst.

Payment of the required fee is to be made **prior to the start of the activity**. Any person and/or group not paying the fee shall be prohibited from participation.

No Facility Director shall hold checks or cash due to possible league cancellation.

5.8 REFUNDS

Under no circumstances shall refunds be made from funds collected. If a refund is to be issued, the request shall be made in writing to the Bureau's Administrative Analyst who will process the City's Cash Journal. The request must include the name, address, amount of refund, reason for refund, payment receipt number and FIS number of deposit.

5.8.1 Acceptable Refunds

Refunds will be issued for the following reasons:

- *The City cancels, reschedules, or otherwise changes the conditions of a program so that it is substantially different from that which has been announced to the public.
- *Structural, mechanical or building maintenance problems.
- *Weather conditions which forces the City to close the facility.
- *Permittee cancels their permit ten working days prior to event.

5.8.2 Unacceptable “Refunds”

Refunds will not be issued for the following reasons:

- *customer’s convenience
- *customer who withdraws from an activity after enrolling
- *customer contends, after enrollment/payment, a physician has directed him/her not to join in strenuous activity. The customer is responsible for determining that his/her physical condition is adequate for participation in the activity before enrolling.

5.8.3 Credits

If, in the opinion of the Bureau Head, the reason for withdrawing from a program is valid and extenuating circumstances exist, a credit may be offered the client which the client may apply to a future program of the department.

5.8.4 Promotional Materials

All promotional materials for a fee activity must include a statement that “No refunds made unless activity is canceled”.

6.0 REFERENCES: City of Rochester Cash Collection Policies

7.0 ATTACHMENTS

- *FIS Data Input Form
- *DCR
- *Registration/Roster Form