

I. EXECUTIVE SUMMARY

In this review the Office of Public Integrity (OPI) examined cash collection activity at the Genesee Valley Park Sports Complex ice arena. We examined the accountability of reported cash collections, the adequacy of internal control procedures, and compliance with City and Bureau policies. We accounted for all cash receipts reported within the scope period. However, we noted the following findings that require management attention to ensure compliance with City and Bureau policies and to improve internal control over cash collections.

- ◆ Of the 251 cash deposits in the scope period, Department of Recreation and Youth Services (DRYS) personnel delinquently deposited 88 of them, representing \$33,103.25, beyond the period required by City and Bureau policy.
- ◆ OPI determined inconsistent billing and payment procedures that have significant impact on revenue collections.
- ◆ GVP has delinquent accounts receivable and at the time of this review, had not billed the University of Rochester \$90,000 from the 08-09 and 09-10 seasons.
- ◆ OPI noted a \$20.00 disbursement from cash receipts. Cash Collection Policies prohibit any disbursements from cash receipts.
- ◆ OPI noted that more than two people collect cash and enter transactions on the GVP cash register and do not use cashier codes to identify the individuals responsible for each transaction. This condition causes an inability to assign responsibility to individuals for particular transactions.

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. Genesee Valley Park (GVP) Sports Complex is an all season facility that offers ice skating

and aquatics amenities. The ice arena offers periods of open skating, skating lessons, birthday parties, reserved skating by permit and participation in hockey leagues. The Bureau's central office processes permits for use of the GVP rink, however, personnel at GVP record and deposit most cash collections. During the period July 1, 2009 through December 31, 2009 the ice rink generated the following revenue.

Genesee Valley Ice Rink
Summary of Revenue
July 1, 2009 through December 31, 2009

Permit revenue	\$ 74,425.75
Hockey league revenue	41,440.00
Open skating and skate rentals	8,791.50
Skate and shoot	4,294.50
Other revenue	<u>7,369.75</u>
Total revenue	<u>\$136,321.50</u>

The Department of Finance issued the most recent City Cash Collection Policies in June 2009. Additionally, the Bureau of Recreation issued a separate cash handling policy in April 2010, that supplements the City's overall policy. OPI used these two policies as standards to review and evaluate internal controls and procedures in this examination. We performed a detailed examination of the ice arena programs and all associated revenues.

C. Objectives and Scope

The objectives of the review were to assess the adequacy and effectiveness of internal controls, determine accountability of reported cash collections, and ascertain compliance with the City Cash Collection Policies and Bureau of Recreation Cash Handling Policies. The Office of Public Integrity selected records applicable to all ice rink revenue reported for Genesee Valley Park Sports Complex from July 1, 2009 through December 31, 2009 totaling \$136,321.50.

Management is responsible for establishing and maintaining a system of internal accounting and administrative control. In fulfilling this responsibility, estimates and judgments by management are required 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.

III. RESULTS OF REVIEW

The results of our testing indicate certain deficiencies exist that require management attention to improve internal accounting and administrative practices. We accounted for all reported cash within the test period.

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. OPI noted that of the 251 cash deposits tested, representing collections deposited in the scope period, personnel delinquently deposited the cash recorded on 88 of the deposits. These 88 deposits account for \$33,103.25 or 24% of the cash deposited in the scope period. The following table summarizes the delinquent deposits.

Genesee Valley Ice Rink
 Analysis of Delinquent Deposits
July through December 2009

Elapsed Business Days for Delinquent Deposits	Number of Delinquent Deposits	Amount of Delinquent Deposits
1	70	\$ 26,687.00
2	16	6,081.25
> 2	<u>2</u>	<u>335.00</u>
Total	<u>88</u>	<u>\$ 33,103.25</u>
Total, tested deposits	<u>251</u>	<u>\$136,321.50</u>
Late deposits, as a percentage of total tested	35%	24%

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. Finally, 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. Inconsistent Payment Requirements

Upon analyzing billing and payment procedures at the GVP ice rink, OPI determined inconsistent billing and payment procedures that have significant impact on revenue collections.

- 1) The DRYS application for permits states that if full payment is not required at the time of the application, specific payment due dates should be outlined on the face of each permit. Bureau of Recreation personnel do not require full payment at the time of application from ice rink applicants, however, OPI did not observe any specific payment due dates on any of the permits we examined.
- 2) A Bureau of Recreation memo originally dated September 26, 2000 and reissued to GVP personnel on January 22, 2004, states that all permit applicants are required to submit payment in full at the time of the application. Contrary to this memo, the permit application states that applications for only some facilities require payment in full. We found no written policy to distinguish between which facilities require payment in full and those that do not.

As stated in B.1. above, GVP personnel do not require full payment at the time of application for ice rink permits. This is in direct conflict with the September 26, 2000 memo.

- 3) The payment schedule for the 2009-2010 men's hockey season requires payments from each team by three specific due dates. OPI observed that none of the six teams registered for the league paid the first installment of \$1,650.00 by the due date of September 10, 2009. Additionally, only one of the six teams paid the league fee in full by the required final due date of November 5, 2009.

These inconsistent business procedures contribute to the cause of delinquent accounts and sporadic payments.

◆ Recommendation

DRYS should develop a clear and concise payment policy and should consistently enforce that policy for all ice rink program participants.

C. Delinquent Amounts Receivable Balances

GVP personnel issue monthly bills for ice time to some permit holder organizations who have multiple occasion usage of the ice rink and who do not pay the required fees in advance.

OPI determined that GVP personnel bill certain permit holder organizations, including many schools, after the conclusion of the ice rink season. (The ice rink season normally concludes annually in mid-April).

Additionally, the University of Rochester has a contract with the City allowing them to pay a fixed fee of \$45,000.00 annually for ice time. The contract requires the University to pay the \$45,000.00 by June 15 of each year subsequent to the conclusion of the ice rink season.

These billing situations result in accounts receivable balances due to the City. Management should regularly analyze balances to determine delinquent and uncollected accounts. This analysis is an important basis for the administration of ongoing credit and collection efforts and maintaining control over delinquently paying customers. OPI analyzed the receivable balances of all customers with unpaid accounts and compiled an aged listing of those balances as of June 25, 2010. The following table summarizes that analysis:

Genesee Valley Ice Rink
Accounts Receivable Analysis
As of June 25, 2010

<u>Permit Holder</u>	<u>Permit #</u>	<u>Total Amount Due</u>	<u>0-30 Days Old</u>	<u>31-60 Days Old</u>	<u>61-90 Days Old</u>	<u>Over 90 Days</u>
U of R (Krauss)	IR-05-2010	\$ 300.00	\$ 200.00	\$ 100.00	-	-
Pittsford Ice Hockey	IR-15-2010	545.00	-	-	\$ 277.50	\$ 267.50
Rochester Skating School	IR-66-2010	4,288.75	350.00	1,575.00	1,750.00	613.75
U of R	Contract #031743	90,000.00*	45,000.00	-	-	45,000.00
	Total	<u>\$95,133.75</u>	<u>\$45,550.00</u>	<u>\$1,675.00</u>	<u>\$2,027.50</u>	<u>\$45,881.25</u>

As of June 25, 2010, the accounts receivable balance is \$95,133.75. Of this amount, \$45,881.25, or 48% is over 90 days delinquent. The oldest of the outstanding receivables is \$45,000.00 due from the University of Rochester. GVP personnel failed to bill the University for ice time in the 08-09 season and for the 09-10 season until June 17, 2010 and at OPI's insistence.* The analysis indicates that the outstanding and delinquent accounts receivable balances for some is excessive.

* The University of Rochester paid the \$90,000.00 on June 30, 2010 after receipt of the billing.

◆ Recommendation

DRYS should develop and enforce a policy to administer delinquent accounts receivable balances. Management should require and review a monthly aged receivable analysis to assist in the administration of receivables.

OPI recommends that DRYS bills all customers on a monthly basis instead of after the conclusion of each season.

D. Cash Disbursements From Cash Receipts

OPI reconciled all daily cash collections to deposits in the test period and noted that GVP personnel paid, directly from their cash collections, \$20.00 for a pizza served at a birthday party at the ice rink. Personnel did not retain a receipt for this purchase.

City Cash Collection Policies states “All disbursements shall be made by claim vouchers or cash journals.” It also states that “ the day’s cash receipts shall be deposited intact.” GVP personnel can maintain clear accountability only when the cash receipt function is separate from the cash disbursement function. Cash collections may be diverted or stolen when there is no clear separation between cash receipts and cash disbursements, and when there are no records to substantiate cash disbursements.

◆ Recommendation

DRYS personnel should adhere to the Cash Collection Policies and separate cash receipt and cash disbursement functions. GVP personnel can make purchases under \$40.00 from petty cash. Additionally, all cash disbursements should be supported by a receipt, invoice or other supporting documentation.

E. Unlimited People Handling Cash

OPI observed that up to three GVP personnel operate the cash register during a particular work shift. The cashiers do not identify themselves when they enter transactions on the register by utilizing an identifying code assigned only to them, although the register has this capability. Consequently, management is unable to identify the responsible employee for any specific transaction.

Section 7 of the City’s Cash Collection Policies states that “the number of people collecting cash at the same time from a common drawer should be limited to one person. In those cases when the cash collection responsibility cannot be delegated to one person, no more than two individuals shall be assigned during a particular shift”. In either situation, the cash register operator should always identify themselves by using the code assigned to them whenever they enter a transaction.

◆ Recommendation

DRYS personnel should adhere to the City’s Cash Collection Policies and limit the number of people handling cash from a common drawer to no more than two individuals during a particular shift. Each cashier should use their identifying code whenever they enter a transaction on the cash register.

IV. DEPARTMENTAL RESPONSE

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



RECEIVED
AUG 09 2010
CITY OF ROCHESTER OFFICE OF PUBLIC INTEGRITY

To: Dan Markese, Manager of Internal Audit

From: Luis Burgos, Commissioner/DRYS

Date: August 5, 2010

Subject: Genesee Valley Ice Rink Audit Response

FILED

While all cash during the period of the audit was accounted for, DRYS management staff realizes that the deficiencies noted in the report are serious and could have jeopardized the security and collection of City funds. The following changes have been instituted to correct the areas noted in the audit.

1) Late Deposits

Although some of these may have been related to non-banking day transactions, the number of late deposits is still significant. Before this rink season begins, GVP staff will acquire bank bags from Chase Bank which will be utilized to make "drops" to the bank's night deposit box on nonbanking days and weekends.

The rink manger's daily checklist also has been amended to stress the importance of complying with the cash handling policy related to timely deposits.

2) Delinquent accounts

An accounts receivable log is being developed and will be in place before the start of the new season. This log will flag all balances over 30 days past due and will be reviewed by management staff monthly. Permittees with outstanding balances will not be allowed ice time until either full payment or a written repayment schedule is received.

GVP staff has made arrangements with City's Finance Department to institute an automatic billing system for the University of Rochester's annual fee. This is to be billed on April 30 each year and will be due by June 15. It will be the responsibility of the Coordinator of Athletics and Aquatics to insure that this payment has been received and properly accounted for.

3) Inconsistent Payment requirements

The DYRS permit manual will be revised to specifically state that permittees at GVP with multiple usage permits will be billed monthly. All such payment arrangements will be specifically noted on the permit form. Also the fee schedule for all "classes" of ice usage will be updated per the rate sheet submitted with the revenue budget and these rates will be consistently applied. The rate sheet will be readily available to any staff that interacts with permittees. Any "special" rates outside of this schedule will require approval by the Assistant Director of Recreation.

The league agreements for both the men's and women's hockey programs will be revised to include a schedule of payments. Any teams who do not abide by this schedule will not be allowed to play until any balance in arrears has been satisfied.

4) Cash Disbursement

All rink staff will be trained in the City's Cash Collection Policy. The policy's prohibition against cash disbursements from cash collections will be stressed. Also the party procedures have been amended to require separate payment to the concessionaire for any food/beverage items not supplied by the City.

5) Multiple Cashiers

The number of cashiers during a shift will be limited to two. All staff will be assigned separate cashier codes starting September 2010. Also cash will be reconciled at the end of each shift. Training for this new procedure will be conducted prior to the start of the season.

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