

DEPARTMENT OF RECREATION AND YOUTH SERVICES
REVIEW OF ADAMS STREET COMMUNITY CENTER
CASH HANDLING ACTIVITIES

Office of Public Integrity
Date: June 26, 2014

I. EXECUTIVE SUMMARY

In this review, the Office of Public Integrity (OPI) examined accountability of reported cash collections, the adequacy of internal control procedures, and compliance with City and Bureau cash handling policies at the Adams Street Community Center. We accounted for all reported cash receipts within the test period. Additionally, the results of this review indicate adequate internal control procedures over the Center's operations and, in general, compliance with City and Bureau cash handling policies. However, we noted the following findings that require management attention to ensure compliance with City and Bureau policies.

- ◆ OPI noted Bureau of Recreation personnel did not always follow the cash deposit procedures outlined in the City's and Bureau's cash handling policies. Of the 263 deposits made by Adams Street personnel in the scope period, Center personnel deposited 237 of them beyond the period required by City and Bureau policy. Additionally, of the six cash deposits made by the Bureau's central office in the scope period, Bureau personnel deposited three of them beyond the period required by City and Bureau policy.

II. BACKGROUND, OBJECTIVES AND SCOPE

A. Assignment

The Office of Public Integrity conducts routine examinations of cash receipts, records and related internal controls at City recreation and community centers. The work plan for the current fiscal year includes the examination of one of these centers. We selected the Adams Street Community Center for this examination.

B. Background

The Adams Street Community Center provides year-round and seasonal leisure activities in the southwest section of the City. The Adams Street Center Director is responsible for all activities at the Center. Some of these activities and programs require the payment of participant user fees. All fees of this type are processed at the Adams Street Community Center. Additionally, this facility offers, for a fee, permits to use the pool and the gym. The Bureau's central office collects, deposits and accounts for cash receipts attributable to permits. The following table summarizes reported cash collections related to Adams Street during the period January 1, 2013 to December 31, 2013.

Adams Street Community Center
 Reported Revenue
For the Period January 1, 2013 to December 31, 2013

<u>Activity</u>	<u>Reported Revenue</u>
Adult Swim Lessons	\$ 420.00
Pre-school Swim Lessons	810.00
Annual Swim Pass	700.00
Open Swim	749.00
CPR Recertifications	925.00
Water Safety Instruction	385.00
Life Guarding Classes/Supplies	3,895.00
Birthday/Swim Parties	210.00
Seabreeze Field Trip	650.00
Permit Sales	<u>4,350.00</u>
Total	<u>\$13,094.00</u>

The Department of Finance issued the most recent City Cash Collection Policies in May 2014. Additionally, the Bureau of Recreation issued a separate cash handling policy in May 2000 that supplements the City's overall policy. Public Integrity used these two policies as standards to review and evaluate internal controls and procedures in this examination.

C. Objectives and Scope

The objectives of the review were to determine whether the Adams Street Community Center could account for reported cash collections, to determine the adequacy of internal control procedures, and to determine the extent of compliance with City and Bureau cash handling policies. The scope included cash receipts and corresponding records applicable to fees collected for all programs conducted at the Adams Street Community Center and all permits applicable to Adams Street issued during the period January 1, 2013 through December 31, 2013.

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 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 the degree of compliance with procedures may deteriorate.

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

III. RESULTS OF REVIEW

The results of our testing indicate Adams Street Community Center personnel generally appear to be complying with prescribed policy. Additionally, we were able to determine the Center deposited all reported revenue. However, certain deficiencies exist that require management's attention to improve internal accounting and administrative practices.

A. Untimely Deposits

City Cash Collection Policies and the Department of Recreation and Youth Services Policy and Procedure No. 00-1 require City personnel to deposit all cash within five days of receipt or immediately upon the accumulation of \$100.00, whichever occurs first. The Office of Public Integrity noted that personnel from the Adams Street Community Center and the Bureau's central office do not always deposit revenue in accordance with these policies.

The Office of Public Integrity noted personnel at the Adams Street Community Center delinquently deposited 237 of the 263 payments received at the Center. These 237 payments account for \$7,332.00 or 83.85% of the total revenue collected at Adams Street in the test period. The following table summarizes these late deposits.

Adams Street Center Revenue
 Analysis of Delinquent Deposits
For the Period January 1 to December 31, 2013

<u>Days Deposited Late</u>	<u>Frequency of Occurrence</u>		<u>Percent of Total Dollars</u>	
	<u>Number</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Timely Deposits	26	9.89%	\$1,412.00	16.15%
Deposited 1 day late	23	8.75%	1,016.00	11.62%
Deposited 2 days late	19	7.22%	1,294.00	14.80%
Deposited 3 days late	36	13.69%	1,865.00	21.33%
Deposited 4 days late	13	4.94%	401.00	4.59%
Deposited 5 days late	23	8.75%	795.00	9.09%
Deposited 6 to 10 days late	54	20.53%	1,063.00	12.15%
Deposited 11 to 15 days late	41	15.59%	560.00	6.40%
Deposited 16 to 20 days late	12	4.56%	194.00	2.22%
Deposited more than 20 days late	<u>16</u>	<u>6.08%</u>	<u>144.00</u>	<u>1.65%</u>
Total	<u>263</u>	<u>100.00%</u>	<u>\$8,744.00</u>	<u>100.00%</u>

Additionally, during calendar year 2013, the Bureau's central office collected cash payments of \$300.00 for permits related to the Adams Street Community Center. The Office of Public Integrity noted personnel in the Bureau's central office delinquently deposited three of the six permit payments. These three payments account for \$75 or 25% of the cash payments for permits issued for Adams Street in the test period. The following table summarizes these late deposits.

Adams Street Permit Revenue
 Analysis of Delinquent Deposits
For the Period January 1 to December 31, 2013

<u>Days Deposited Late</u>	<u>Frequency of Occurrence</u>		<u>Percent of Total Dollars</u>	
	<u>Number</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Timely Deposits	3	50.00%	\$225.00	75.00%
Deposited 3 days late	1	16.67%	15.00	5.00%
Deposited 8 days late	1	16.67%	30.00	10.00%
Deposited 11 days late	<u>1</u>	<u>16.67%</u>	<u>30.00</u>	<u>10.00%</u>
Total	<u>6</u>	<u>100.00%</u>	<u>\$300.00</u>	<u>100.00%</u>

Timely deposits of cash are important because a delay in deposit results in a greater risk of theft or diversion. Additionally, personal checks received in payment may be good upon receipt, but not at a later point in time. Finally, undeposited cash is idle cash and does not contribute to the best possible utilization of City resources.

◆ Recommendation

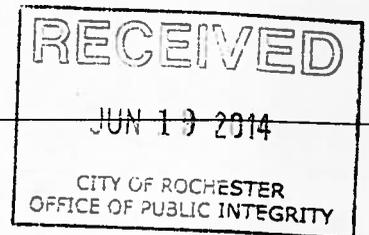
The personnel at the Bureau's central office and at the Adams Street Community Center should deposit cash collections in accordance with City and Bureau policies.

IV. DEPARTMENT RESPONSE

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



City of Rochester



To: Daniel Mastrella, Manager of Internal Audit, OPI

From: Marisol O. Ramos-Lopez, Commissioner, DRYS 

Date: June 20, 2014

Subject: **Adams Street Community Center Audit Review**

Findings: Untimely Deposits

City Cash Collection Policies and the Bureau of Recreation's Policy and Procedure No. 00-1 require that City personnel deposit all cash within five days of receipt or immediately upon the accumulation of \$100, whichever occurs first. The Office of Public Integrity noted that personnel do not always deposit Adams Street revenue in accordance with these policies.

The Office of Public Integrity noted that personnel at the Adams Street Community Center delinquently deposited 237 of the 263 payments received at the Center. These 237 payments account for \$7,332.00 or 83.85% of the total revenue collected at Adams Street in the test period.

Response: The Department acknowledges that although no funds were found missing during the audit, the number of late deposits is unacceptable and increases our vulnerability in the future. It also requires an immediate and sustained response. All staff at the Adams Street Center has been retrained in appropriate cash handling procedures. Additionally, a segment of the upcoming June, full staff training will focus on reviewing the City's cash handling policy. This will be repeated annually.

The Department also will reinstitute an internal audit system at all sites, beginning in September, 2014. This will be conducted by the DRYS Administrative Analyst along with the Area Coordinator responsible for the site. This audit will review cash handling at least twice annually at every location where cash is collected. Copies of these reports will be reviewed by the Assistant Commissioner of the Department of Recreation and Youth Services.

MLR:jp

cc: Eric Rose
John Picone