

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

Office of Public Integrity
Date: January 31, 2018

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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 one finding that requires 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 41 deposits made by Adams Street personnel in the scope period, Center personnel deposited 15 or 37 percent of them beyond the period required by City and Bureau policy. However, this is a significant improvement when compared to the 90 percent delinquency rate on deposits that OPI noted in 2013.

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 July 1, 2016 to March 31, 2017.

Adams Street Community Center
 Reported Revenue
For the Period July 1, 2016 to March 31, 2017

<u>Activity</u>	<u>Reported Revenue</u>
Adult Swim Lessons	\$ 350.00
Pre-school Swim Lessons	120.00
Annual Swim Pass	250.00
Open Swim	438.00
CPR Recertification	50.00
Life Guarding Classes/Supplies	455.00
Pool Rental Usage	75.00
RCSD annual usage fee	<u>49,618.00</u>
Total	<u>\$51,356.00</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 July 1, 2016 through March 31,, 2017.

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, one deficiency exists that requires 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 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 15 or 37 percent of the 41 payments received at the Center during the test period. These 15 payments account for \$380.00 or 0.74% of the total revenue collected at Adams Street in the test period. This is a significant improvement when compared to the 237 or 90 percent delinquency rate on 263 deposits that OPI noted in 2013. The following table summarizes these late deposits.

Adams Street Center Revenue
 Analysis of Delinquent Deposits
 For the Period July 1, 2016 to March 31, 2017

<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	63.4%	\$50,976.00	99.3%
Deposited 1 day late	8	19.5%	160.00	0.3%
Deposited 2 days late	1	2.4%	20.00	0.04%
Deposited 3 days late	0	0.0%	0.00	0.0%
Deposited 4 days late	1	2.4%	30.00	0.05%
Deposited 5 days late	0	0.0%	0.00	0.0%
Deposited 6 to 10 days late	1	2.4%	30.00	0.05%
Deposited more than 10 days late	4	9.9%	140.00	0.26%
Total	<u>41</u>	<u>100.00%</u>	<u>\$51,356.00</u>	<u>100.00%</u>

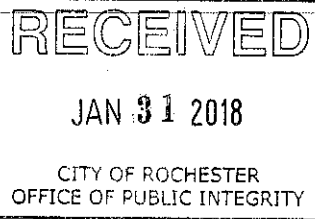
Timely deposits of cash are important because a delay in deposit results in a greater risk of theft or diversion. Additionally, personal checks received in payment may be good upon receipt, but not at a later point in time. Finally, undeposited cash is idle cash and does not contribute to the best possible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



To: Debbie Cole, Internal Audit/Office of Public Integrity

From: Eric Rose, Acting Commissioner, Department of Recreation and Youth Services

Date: January 15, 2018

Subject: Response to Cash Handling Audit- Bureau of Recreation

I have reviewed the draft audit report from the review of Adams R Center cash handling and I concur with the findings relative to Bureau of Recreation's cash handling transactions. All parties have been counseled concerning the violations noted in the audit and have been instructed to deposit cash collections in accordance with City and Bureau policies. My expectation is that there will be full adherence to the policy going forward.

Thank you for your continued work to improve department operations.

Cc: James Farr, Director of Recreation
Kendra Hayle, Area Coordinator

