

DEPARTMENT OF RECREATION AND YOUTH SERVICES
BUREAU OF RECREATION
REVIEW OF DRYs PERMITS

Distribution: Lovely Warren, Mayor
Dr. Cedric Alexander, Deputy Mayor
Daniele J. Lyman-Torres, Commissioner/DRYS
Tim Curtin, Corporation Counsel

Office of Public Integrity
Date: September 11, 2018

Case # 128-1131

I. EXECUTIVE SUMMARY

In this review, the Office of Public Integrity (OPI) examined the Department of Recreation and Youth Services (DRYS) permit activity to determine the adequacy of internal control procedures, the accountability of reported revenue collections and compliance with City and departmental policies. The results of the review indicate that, in general, internal controls over DRYS permits are adequate, reported revenues are accurate and DRYS personnel comply with City and departmental policies. We were able to account for all revenue collected during our test period. However, we noted the following findings that require management attention to improve administrative and internal controls and to ensure compliance with prescribed policy.

- ◆ OPI noted variances between the DRYS rate schedule and the actual amount charged for 33 of the 171 permits selected for detail testing. This included 3 overcharges totaling \$105 and 30 undercharges totaling \$3,765. This is an error rate of 19.3%.
- ◆ OPI noted that 16 of the 171 permits tested included Facility Use Permit Applications that were not properly notarized. This included 13 permit applications that were not notarized and 3 permit applications that were not dated by the notary. DRYS policies requires all permit applications, with the exception of in-house permits, to be notarized. This is an error rate of 9.4%.

II. BACKGROUND, OBJECTIVES AND SCOPE

A. Assignment

OPI routinely reviews City operations, internal controls and accountability for revenue collections. The Mayor's Office requested this review.

B. Background

DRYS issues permits that allow the public to access lodges, ice rinks, auditoriums, gyms, softball and baseball fields, tennis courts and other City-owned facilities. DRYS maintains a rate schedule that details the permit fees for each facility.

To obtain a permit, applicants must first complete a Facility Use Permit Application. This application includes the facility requested, the date(s) and time(s), the type of activity, information on the responsible person and an emergency contact, and any special needs. The application also includes a "Release & Indemnification Certificate" that releases the City from any liabilities that may arise and attests that the information entered onto the

application is accurate and true. The applicant must sign the application and this signature must be witnessed by a Notary Public or Commissioner of Deeds.

Applicants must submit full payment including a \$15 application fee when they submit the application. However, for athletic leagues and events that may cover several dates, the applicant may only have to pay the \$15 application upfront and then DRYS will bill the applicant for actual use once the season is over. Additionally, DRYS can grant fee waivers to organizations that meet certain criteria.

Applicants must make all payments by check, money order or credit card. DRYS does not accept cash payments for permits. Once DRYS personnel review and approve the application, they will issue a permit.

For fiscal year 2018, DRYS issued 1,172 permits and deposited \$173,877 in permit revenue.

C. Objective and Scope

The objectives of the review were to assess the adequacy and effectiveness of internal controls within the DRYS permits operation, to determine this area could account for reported revenue collections and to determine compliance with City and departmental policy. The review included an examination of permits issued during the period July 1, 2017 through April 5, 2018. OPI examined 171 permits selected using statistical sampling methods. As a result, the results of the sample examination are representative of the entire population.

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.

We conducted this audit in accordance with Generally Accepted Government Auditing Standards (GAGAS) and the International Standards for the Professional Practice of Internal Auditing. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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

The results of the review indicate that, in general, internal controls over DRYS permits are adequate, reported revenues are accurate and DRYS personnel comply with City and departmental policies and procedures. We were able to account for all revenue collected during our test period. However, we noted the following findings that require management attention to improve administrative and internal controls and to ensure compliance with prescribed policy.

A. Rate Variances

DRYS personnel maintain a fee schedule for each venue available for rent. The permit fee depends on the facility rented, the duration of the event, the date of the event and the start time and the end time of the event. All permit applications, with the exception of in house permits, require a \$15 nonrefundable application fee.

OPI selected 171 permits for detail testing. Out of this sample, OPI noted variances between the DRYS rate schedule and the actual amount charged for 33 of the 171 permits tested. This included 3 overcharges totaling \$105 and 30 undercharges totaling \$3,765. This is an error rate of 19.3%. The following table presents the exceptions from the sample selection as well as the reason for each exception.

Review of DRYS Permits
Variations Between DRYS Rate Schedule and Actual Amount Charged

Permit Number	Amount Charged	Calculated Amount	Variance	Reason for Variance
Base 4	\$615	\$1,215	(\$600)	Charged for one, instead of two, 4-hour time blocks.
CSD 4	0.00	15.00	(15.00)	Applicant not charged the permit application fee.
CSD 9	0.00	15.00	(15.00)	Applicant not charged the permit application fee.
GU 9	15.00	30.00	(15.00)	Applicant not charged the permit application fee.
GU 50	825.00	1,075.00	(250.00)	Hourly rate, rather than the longer time block rate, used to reflect extended hours of use.
GU 88	15.00	30.00	(15.00)	Applicant not charged the permit application fee.
GU 114	0.00	15.00	(15.00)	Applicant not charged the permit application fee.
GU 115	0.00	15.00	(15.00)	Applicant not charged the permit application fee.
GU 116	0.00	15.00	(15.00)	Applicant not charged the permit application fee.
GU 170	0.00	15.00	(15.00)	Applicant not charged the permit application fee.
GU 177	0.00	15.00	(15.00)	Applicant not charged the permit application fee.
GU 236	365.00	690.00	(325.00)	Charges reflect rate for a 4 hour time block. An additional hour was given free of charge.
GU 240	0.00	15.00	(15.00)	Applicant not charged the permit application fee.
GU 275	250.00	325.00	(75.00)	Applicant not charged the application fee and charged a reduced rate for additional hours.
GU 397	0.00	15.00	(15.00)	Applicant not charged the permit application fee.
GU 328	510.00	985.00	(475.00)	The applicant charged the Danforth rate for 4 hours. All additional time given at a reduced rate.
GU 351	207.50	415.00	(207.50)	Reduced rate since event was to take place within 10 days.
GU 353	0.00	15.00	(15.00)	Applicant not charged the permit application fee.
GU 357	0.00	15.00	(15.00)	Applicant not charged the permit application fee.
GU 359	105.00	175.00	(70.00)	An hour of use was given free of charge. (Non-resident)
GVFH 7	182.50	265.00	(82.50)	Appears to be a clerical error.
Lake 67	610.00	625.00	(15.00)	Applicant not charged the permit application fee.
MSQ 10	30.00	45.00	(15.00)	Applicant not charged the permit application fee.
MSQ 12	695.00	1,345.00	(650.00)	The applicant was not charged for use of the facility on the set-up day.
MSQ 21	865.00	1,425.00	(560.00)	The applicant was only charged \$100.00 for use of the facility on the set-up day.
MSQ 23	200.00	385.00	(185.00)	Longstanding vender not paying current rates.
Port 3	565.00	515.00	50.00	Rate sheet had an incorrect rate for this venue.
Port 20	565.00	515.00	50.00	Rate sheet had an incorrect rate for this venue.
Soft 8	0.00	15.00	(15.00)	Applicant not charged the permit application fee.
Soft 11	0.00	15.00	(15.00)	Applicant not charged the permit application fee.
Soft 12	0.00	15.00	(15.00)	Applicant not charged the permit application fee.
TAY 3	280.00	275.00	5.00	Clerical error.
Tenn 1	0.00	15.00	(15.00)	Applicant not charged the permit application fee.

The majority (19) of these variances occurred because DRYS did not charge applicants the \$15 application fee. Other reasons for the variances include clerical errors when determining the permit fees, an incorrect rate on the rate schedule, a longtime customer paying an outdated rate and DRYS personnel providing free or reduced rates for set-up time.

◆ Recommendation

DRYS personnel should exercise care and diligence when determining permit fee rates and they should charge all customers the correct permit fees. Any discounts or fluctuations from the DRYS rates should be approved in writing by the DRYS Commissioner.

B. Facility Use Permit Applications Not Properly Notarized

DRYS policy requires all permits, with the exception of in-house permits, to be notarized. Per the DRYS Facility Use Permit Application "This application will not be accepted unless it is signed by the applicant and witnessed by a Notary Public or Commissioner of Deeds". Additionally, a properly dated document is a requirement of a lawful notarial act.

Without properly notarizing the application, the validity of the applicants signature and the applicants acceptance of the "Release & Indemnification Certificate" is not assured. This certificate is part of the permit application and releases the City from any liabilities that may arise and attests that the information entered onto the application is accurate and true.

OPI noted that the Facility Use Permit Applications for 16 of the 171 permits selected for detail testing were not properly notarized. This included 13 permit applications that were not notarized and 3 permit applications that were not dated by the notary. This is an error rate of 16/171 or 9.4%.

◆ Recommendation

DRYS personnel should ensure that all Facility Use Permit Applications are properly notarized before accepting them.

IV. DEPARTMENTAL RESPONSE

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



City of Rochester

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Daniele Lyman-Torres
Commissioner



To: Timothy R. Weir, Director of Public Integrity

From: Daniele Lyman-Torres, Commissioner

Date: September 7, 2018

Subject: Review of Permits

On August 13, 2018 OPI delivered findings from a review of DRYS permits. That review presented two recommendations. Below is the departmental response.

1. Recommendation

DRYS personnel should exercise care and diligence when determining permit fees rates and they should charge all customers the correct permit fees. Any discounts or fluctuations from the DRYS rates should be approved in writing by the DRYS Commissioner.

Plan of Corrective Action

DRYS staff issuing permits ~~will be retrained on the fee schedule. All discounts or deviations from the fee schedule will be signed off on by the Commissioner.~~

2. Recommendation

DRYS personnel should ensure that all Facility Use Permit Applications are properly notarized before accepting them.

Plan of Corrective Action

DRYS staff issuing permits will be retrained on the notarization policy. The internal 2nd review of permits will inspect and follow up on any permits to ensure that all applications are notarized.

