

DEPARTMENT OF RECREATION AND HUMAN SERVICES
REVIEW OF
PUBLIC MARKET CASH HANDLING ACTIVITIES

Distribution: Malik D. Evans, Mayor
Patrick Cunningham, Deputy Mayor
Dr. Shirley J. A. Green, Commissioner DRHS
Linda S. Kingsley, Corporation Counsel

Office of Public Integrity
Date: March 31, 2022

I. EXECUTIVE SUMMARY

The Office of Public Integrity (OPI) examined the accountability of reported cash collections, the adequacy of internal control procedures, and compliance with City policies in the Department of Recreation and Human Services (DRHS), Public Market. We accounted for all reported cash receipts within the test period. Additionally, the results of this review indicate adequate internal control procedures over the Market's operations. However, we noted one finding that requires management attention to ensure compliance with City and Departmental policies.

- ◆ OPI noted Public Market staff did not always follow the cash deposit procedures outlined in the City's Cash Collection Policies handbook. Of the 79 deposits made by Public Market staff during the test period, 9 or 11 percent were deposited beyond the period required by City policy. This is an increase when compared to the 4 percent delinquency rate on deposits that OPI noted in 2019.

II. BACKGROUND, OBJECTIVES AND SCOPE

A. Assignment

The Office of Public Integrity routinely reviews City operations, cash handling procedures, and accountability for cash collections. OPI selected the Public Market for this examination of cash handling activities. We performed the last review of this area in July 2019.

B. Background

The Public Market is a unit within the Department of Recreation and Human Services (DRHS). The unit manages and operates the Rochester Public Market facilities at 280 North Union Street. Market personnel rent stall space to vendors, collect rent payments, maintain buildings and grounds, and supervise operations on market days. Facilities at the Public Market include open-air, enclosed and heated sheds, kiosks, and additional non-traditional open air spaces within the market grounds. Public Market personnel divide sheds into stalls and rent them to vendors on a daily, seasonal, or annual basis at rental rates established by the DRHS Commissioner.

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 Cash Collection Policies. The Office of Public Integrity selected records applicable to all revenue reported for the period May 1, 2021 through October 31, 2021. For this period, the Public

Market deposited \$58,520 applicable to daily rentals and \$341,028.46 applicable to seasonal/special events/annual lease payments.

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). 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.

III. RESULTS OF REVIEW

The results of this review indicate that internal controls are adequate. We accounted for all reported cash receipts within the test period. We noted improvements from our prior review of this area including Market personnel assuring that all vendors have properly executed leases on file and they document fees and receipts accurately on vendor accounts. However, one deficiency exists that requires management's attention to improve internal accounting and administrative practices.

A. Untimely Deposits

The City's Cash Collection Policies require City personnel to deposit all cash within 5 days of receipt or immediately upon the accumulation of \$300.00, whichever occurs first. The Office of Public Integrity noted that Public Market staff do not always deposit cash revenue in accordance with these policies.

The Office of Public Integrity noted Public Market staff delinquently deposited 9 or 11 percent of the 79 total deposit from the Public Market during the test period. These 9 delinquent deposits are comprised of 85 receipts totaling \$21,800 or 5.5 percent of the \$399,548 collected in revenue during the test period. This is an increase compared to the 5 delinquent deposits of 16 receipts noted in 2019.

Public Market Revenue
 Analysis of Delinquent Receipts
For the Period May 1, 2021 to October 31, 2021

<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	1763	95.4%	\$377,748.46	94.5%
Deposited 1 day late	81	4.4%	20,720.00	5.2%
Deposited 2 days late	3	.16%	1045.00	0.26%
Deposited 3 days late	1	0.04%	35.00	0.04%
Total	<u>1,848</u>	<u>100.00%</u>	<u>\$399,548.46</u>	<u>100.00%</u>

IV. DEPARTMENTAL RESPONSE

The response of the Department of Human Resource Management to this report begins on the next page.



City of Rochester

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MAR 30 2022

City of Rochester
Office of Public Integrity

To: Timothy R. Weir, Director of the Office of Public Integrity (OPI)
From: Dr. Shirley JA Green, Commissioner of DRHS *SJ Green*
Date: March 30, 2022
Subject: DRHS Public Market Cash Handling Audit Findings

On March 24, 2022 OPI reviewed findings of a review conducted for cashing handling activities at the Rochester Public market.

While the findings reported that all cash receipts were accounted for and that DRHS currently exhibits adequate internal control procedures over the Market's Operations, OPI reported that there were a small number of delinquent deposits made that fell outside of deadline outlined in the City's current cash collection policy.

As a result of this review, DRHS Public Market staff have reviewed the City's current policy and clarified any areas of confusion with OPI and Finance. DRHS Public Market staff will work diligently to follow all internal process that will ensure that funds are deposited within 5 days of receipt or immediately upon the accumulation of \$300.00 (cash and/or check).

cc:

Malik D. Evans, Mayor

Patrick Cunningham, Deputy Mayor

Linda Kingsley, Corporation Counsel

James Farr, Director of Markets