

DEPARTMENT OF RECREATION AND HUMAN SERVICES
BUREAU OF RECREATION
REVIEW OF DRHS PERMITS

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

Office of Public Integrity
Date: July 5, 2023
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Phone: 428-6061

I. EXECUTIVE SUMMARY

In this review, the Office of Public Integrity (OPI) examined the Department of Recreation and Human Services (DRHS) 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 DRHS permits are adequate, reported revenues are accurate and DRHS personnel comply with City and departmental policies. 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 DRHS rate schedule and the actual amount charged for seven of the 148 permits selected for detail testing. This is an error rate of 4.7%. This included five undercharges totaling -\$420.00 and 2 overcharges totaling \$42.00 for a net variance of -\$378.00. This is a significant improvement when compared to the previous audit report of DRHS permits issued in 2018 where this testing resulted in an error rate of 19.3%.
- ◆ DRHS refunded one of six permit refunds twice. Each refund was for an amount greater than what the cancellation policy allows. The overpayments total \$262.50.
- ◆ OPI could not trace three permit payments to the City's MUNIS financial system. The total of all payments was \$1,053.18.

II. BACKGROUND, OBJECTIVES AND SCOPE

A. Assignment

OPI routinely reviews City operations, internal controls and accountability for revenue collections.

B. Background

DRHS issues permits that allow the public to access lodges, ice rinks, auditoriums, gyms, softball and baseball fields, tennis courts and other City-owned facilities. DRHS 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. Applicants are charged a \$20 processing fee for transactions completed in person. DRHS can grant fee waivers to organizations that meet certain criteria.

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

For fiscal year 2022, DRHS issued 514 facility permits for a total of \$121,932 in estimated fees. The Perfect Mind report of the total permits did not include the actual payments made. The report provided only the estimated fees based on the fee schedule. We reviewed 148 of those permits and the revenue totaling \$37,797 specific to those permits.

C. Objective and Scope

The objectives of the review were to assess the adequacy and effectiveness of internal controls within the DRHS 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, 2021 through June 30, 2022. OPI examined 148 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 DRHS permits are adequate, reported revenues are accurate and DRHS personnel comply with City and departmental policies and procedures. 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

DRHS 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. Additionally, DRHS charges a \$20 processing fee for transactions completed in person and events scheduled on holidays require an additional \$100 fee.

OPI selected 148 permits for detail testing. Out of this sample, OPI noted variances between the DRHS rate schedule and the actual amount charged for seven of the 148 permits tested. This included five undercharges totaling -\$420.00 and 2 overcharges totaling \$42.00 for a net variance of -\$378.00. This is an error rate of 4.7%. This is significantly lower than the previous error rate of 19.3% noted in the previous permits report issued in 2018. The following table presents the exceptions from the sample selection as well as the reason for each exception.

Review of DRHS Permits
Variance Between DRHS Rate Schedule and Actual Amount Charged

Permit #	Amount Charged	Calculated Fee	Difference	Comment
FA-0965	\$1,292.00	\$ 1,270.00	\$ 22.00	Applicant paid a portion of fee, \$822.00, in E-Hamer system prior to Perfect Mind, which included a convenience fee (\$22.00) that should have been a credited.
FA-1514	\$ 150.00	\$ 250.00	\$(100.00)	New Year's Day holiday fee not charged
FA-1605	\$ 175.00	\$ 275.00	\$(100.00)	New Year's Day holiday fee not charged
FA-1617	\$ 150.00	\$ 250.00	\$(100.00)	Christmas Day holiday fee not charged
FA-2157	\$ 450.00	\$ 550.00	\$(100.00)	Good Friday holiday fee not charged
FA-2447	\$ 500.00	\$ 520.00	\$(20.00)	Applicant was not charged processing fee but should have been
FA-2523	\$ 295.00	\$ 275.00	\$ 20.00	\$20 processing fee charged on a holiday. DRHS waives processing fees for events on holidays since applicants are required to pay in person.
	<u>\$3,012.00</u>	<u>\$3,390.00</u>	<u>\$(378.00)</u>	

◆ Recommendation

DRHS personnel should continue to exercise care and diligence when determining permit fee rates and they should charge all customers the correct permit fees.

B. Refund Paid Twice, Amounts Incorrect

OPI recalculated refunds processed during the scope period. One of the six refunds issued was paid twice and the amount was incorrect each time. The first refund was a credit card refund for \$175, the full amount paid. The second was a check issued for \$155, the original amount paid less the \$20 cancellation fee. DRHS has a cancellation policy and if the customer cancels less than 30 business days from the event date only 50% of the permit fee is refunded. The customer should have received \$67.50 of the \$175 payment. The result is a total overpayment of \$262.50.

◆ Recommendation

Although we recognize refunds are infrequent and this is an isolated incident, we recommend DRHS personnel exercise care, diligence when calculating, and processing refunds.

C. Deposit Not Recorded In MUNIS

OPI traced permit revenue to MUNIS. We were unable to find three payments totaling \$1,053.18. Although this appears to be a clerical error, a reconciliation of the receipts to MUNIS would identify this discrepancy between MUNIS and the payments.

MUNIS procedures include, Documenting Deposit Exceptions, which describes how to document exceptions found during reconciliation of deposit activity. Without reconciliation of deposits, there is the potential for unidentified errors in reporting revenue in MUNIS.

Payments not entered into MUNIS may go unnoticed and result in under reported revenue. The City's financial system, MUNIS should accurately reflect the department's total revenue.

◆ Recommendation

Staff should reconcile all permit revenue collected in person and in Perfect Mind to MUNIS to ensure they have accurately reported all revenue to the City's financial system.

IV. DEPARTMENTAL RESPONSE

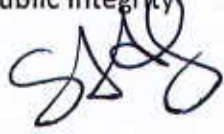
The response of the Department of Recreation and Human Services to this report begins on the next page.



City of Rochester

Department of Recreation and Human Services
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To: Timothy Weir, Director of the Office of Public Integrity

From: Shirley JA Green, DRHS Commissioner 

Date: June 30, 2023

Subject: Review of DRHS Permits

In response to the Office of Public Integrity (OPI) examination of the Department of Recreation and Human Services (DRHS) permit activity, it was reported that the in general the department's internal controls over DRHS permits are adequate, reported revenues are accurate and DRHS personnel comply with City and departmental policies.

However, some items required management attention to improve administrative and internal controls and to ensure compliance; therefore, DRHS will implement the corrective action as follows:

- **Rate Variance** – DRHS will add holiday charges to R-Central to automatically charge customers for holiday fee in lieu of the current manual process to ensure all customers are charged a holiday fee if applicable.
- **Refund Paid Twice, Amounts Incorrect** – DRHS is working with City's finance department to allow the use of R-Central automatic credit card refund feature to avoid manual refund process errors.
- **Deposit Not Recorded In MUNIS** – DRHS is working with the City's finance department to implement a MUNIS-XPlor integration to avoid any discrepancy between MUNIS and the payments.

cc: Mai Ho, Manager of Administration and Marketing, DRHS
Sarah Hooper, Project Manager, DRHS