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December 27, 2013

Intergovernmental Cooperation Authority of Pittsburgh
c/o Mr. Henry Sciortino
Four North Shore Center
106 Isabella Street
Suite 105
Pittsburgh Pa 15212

Re: Review of City of Pittsburgh Cash Management Practices – Department of Public Works

To the Board of Directors of the Intergovernmental Cooperation Authority of Pittsburgh:

At your request, we have performed procedures designed to assess the adequacy of the Department of Public Works (“DPW”) cash management practices on behalf of the Intergovernmental Cooperation Authority (“ICA”) and in conjunction with the City of Pittsburgh’s (“City”) Controller’s office.

This report is organized into the following sections:

- I. Background
- II. Objectives of the Engagement
- III. Tasks Performed and Information Reviewed
- IV. Analysis of the Department of Public Works Cash Management Practices, Policies and Procedures
- V. Summary of Analysis and Recommendations
- VI. Conclusions

I. Background

The City's Department of Public Works ("DPW") is comprised of five bureaus¹:

- Administration – The Bureau of Administration is responsible for information management, long term planning, and performance of all accounting functions of DPW. It is also responsible for the permitting, management, enforcement of the public right of way, and ensuring that all uses and work is done in accordance with City standards.²
- Operations – The Bureau of Operations is responsible for maintaining the City's infrastructure and ensuring public safety by responding to weather-related emergencies. It includes the following divisions: Streets/Parks Maintenance, Forestry, Traffic, Labor Relations, and Special Events.
- Environmental Services – The Bureau of Environmental Services meets the needs of Pittsburgh residents by collecting residential refuse and recyclables. It is divided into two divisions: Refuse and Recycling.
- Transportation and Engineering – The Bureau of Transportation and Engineering oversees the design, construction, and maintenance of the City's infrastructure. It is comprised of five divisions: Executive, Engineering, Traffic Operations, Construction Services, and Architecture/Facilities.
- Properties (formerly Facilities/Facilities Management)³ – The Bureau of Properties is responsible for the maintenance, repair, and capital improvement of City-owned facilities.

The Department of Public Works is currently led by Director, Robert Kaczorowski. An abbreviated organization chart depicting the current structure of DPW is presented at **Exhibit A**.

II. Objectives of the Engagement

The objectives of our engagement were to:

1. Analyze and assess DPW's cash management practices, policies and procedures;

¹ Unless otherwise noted, the information in this section has been obtained from the City of Pittsburgh's 2013 Operating Budget dated November 13, 2012.

² Municipalities Financial Recovery Act - Amended Recovery Plan dated June 30, 2009.

³ Ibid.

2. Identify and evaluate the adequacy of said cash management practices, policies and procedures as well as any related internal controls; and
3. Offer recommendations for improvement.

III. Tasks Performed and Information Reviewed

To accomplish the objectives of the engagement, we have performed the following tasks:

1. Discussed the background of the case and the objectives of the engagement with various representatives in the City's Controller's Office, Finance Department, representatives of City Council, and the City's external auditors.
2. Reviewed and analyzed the documents received in connection with this engagement as well as independent research and review of documents available in the public domain.
3. Conducted interviews of the following DPW personnel:
 - a. DPW – Bureau of Administration
 - i. Robert Kaczorowski, Director Department of Public Works
 - ii. Dave Osterman, Manager Personnel and Finance
 - iii. Chuck O'Neill, Assistant Director Administration
 - iv. Ben Carlise, Operations Manager/Coordinator
 - v. Michael ("Mike") Salem, Engineering Technician 3/Supervisor, Permits Office
 - vi. Bobbie Abbondanza, Utility Service Specialist, Permits Office
 - b. DPW – Bureau of Environmental Services
 - i. Shawn Wigle, Recycling Supervisor
4. Observed relevant sample documents provided during the course of the aforementioned interviews.

IV. Analysis of DPW's Cash Management Practices, Policies and Procedures

An initial interview with Bureau of Administration employees helped us to identify the primary entry points of cash into DPW. These include cash received via DPW-Bureau of Administration (Permits Office) and DPW- Bureau of Environmental Services.

The primary sources of cash into DPW are as follows:

- Permit Fees



- State Recycling Grants
- Monthly Recycling Revenues
- Fees For Services Provided
 - Yard Debris Drop Off Fees
 - Excess Trash/Special Collection Fees
- Other
 - Sale of Memorial Benches
 - Reimbursements for Services Provided
 - Paving and Utility Co-Op Agreements
 - Lease Agreements
 - Federal and State Reimbursements

Our review of the City's 2012 and 2013 Operating Budgets also outlines the following DPW-related revenues:⁴

	Budget 2013	Estimates 2012	Actual 2011	Actual 2010	Entry Point ⁵
<i><u>Permits</u></i>					
Street Excavations	\$ 390,287	\$ 453,818	\$ 314,901	\$ 300,548	DPW - PO
Street Excavations - Sidewalk Open	20,109	21,762	18,337	17,593	DPW - PO
Street Excavations - Curb Cuts	29,037	23,336	22,320	16,590	DPW - PO
Street Excavations - Pole Permits	65,614	64,736	66,100	62,375	DPW - PO
Street Excavations - Temporary Barricades	190,480	189,191	138,290	138,708	DPW - PO
Street Excavations - Machinery or Equipment	157,227	207,000	151,736	131,702	DPW - PO
Encroachments	8,969	19,865	7,750	14,106	DPW - PO
Encroachments - Permanent Bridge	18,556	38,218	18,372	20,542	DPW - PO
Picnic and Ballfield	295,558	308,095	238,091	296,285	DPW - PO
<i><u>Charges for Services</u></i>					
Misc - Public Works	\$ 689,290	\$ 685,895	\$ 726,322	\$ 1,030,819	DPW - PO & ES
Refuse - Dumpster Fees	67,975	55,955	84,755	77,930	DPW - PO
Charges - Point State Park	397,512	393,777	402,806	420,626	DPW - ADMIN
<i><u>Grants</u></i>					
Commonwealth Recycling Grant	\$ 488,130	\$ 585,204	\$ 572,688	\$ 485,680	DPW - ES

⁴ The following list is not inclusive of all funds entering through the Department of Public Works.



Permit Fees – Entry Point: DPW-Permits Office

General Cash Management Procedures

Permit Fees enter DPW through the Permits Office located at 611 Second Avenue, Pittsburgh PA, 15219. Permit Counter staff process all permits in the Accela and RecPro systems.⁵ Payment of the associated fees is made in person, in full, upon permit issue.⁶ Customers must pick up and sign for their permit in person.⁷ Permit Counter staff processes and issues roughly 20-25 permits on a “typical” day and over 200 on “Permit Day.”⁸ The top permits (in terms of both quantity and dollars) issued by the Permits Office are those for Street Excavations (Street and Sidewalk Openings, also known as “Utility Cuts”) and those related to Shelter and Ballfield rentals.

Permit Counter staff consists of approximately 8 people⁹, all of whom have access to the Accela and RecPro systems to write permits, assess/edit fees, and receive payments. When permits are issued, the clerk receives payment in the form of a money order or check.¹⁰ No cash is accepted (with the exception of Permit Day) and payment by credit card is not currently an option. The clerk enters the payment information into the Accela or RecPro system (including date, amount, payor and check/money order number). The clerk then prints five copies of the permit: one for the customer (this acts as their receipt, as permits will not be issued without payment), one for the inspector, one for the division, one to process/file, and one additional copy. The clerk then writes the permit number on the check/money order, attaches it to the filing copy and places both items into an accordion file that is kept behind the Permit Counter.¹¹

Roughly twice per month¹², Utility Survey Specialist, Bobbie Abbondanza, empties the accordion file and processes its contents. She stamps the checks/money orders “For Deposit Only” and manually tallies them by permit type and enters these totals on a “Public Works/Parks Permit Receipts” summary sheet. She then prints a record of permits issued from Accela and RecPro and reconciles the totals to those on manually calculated on the summary sheet. Once reconciled, both she and Supervisor Mike Salem sign off on the summary sheet. She then hand delivers the summary sheet, a bank deposit slip, and the checks/money orders to the Finance Department.¹³ Finance makes the deposit at the

⁵ RecPro is used to process shelter and ballfield permits. All other permits are processed in Accela.

⁶ Due to the high volume of permits requested, utility companies are invoiced by DPW-PO monthly for permits issued.

⁷ Exceptions are made for the elderly and others who cannot physically make it into the Permits Office at management’s discretion.

⁸ Permit Day is discussed in greater detail below.

⁹ This does not include 6 Permit Office inspectors who do not write permits, assess/edit fees or receive payments.

¹⁰ Business/organization and certified/official checks are preferred, but DPW-PO will accept personal checks on occasion, also upon management’s discretion.

¹¹ This accordion folder is locked in a safe located in Mike Salem’s office every night.

¹² As of July 24, 2013, Mike Salem and Ben Carlise indicated that processing now occurs on a weekly basis.

¹³ Bobbie Abbondanza has Finance certify the receipt of these items by signing a summary sheet that she also keeps on file.

financial institution and return the validated summary sheet and a copy of the deposit slip to the Permits Office. The Permits Office does not conduct any of its own banking and keeps no cash on hand for any reason.

Permit Day

As mentioned above, the Permits Office accepts cash payments one day per year on Permit Day. Permit Day is held at the City County Building on a Saturday in the early spring.¹⁴ On this day, thousands of people wait in line to reserve shelters.¹⁵ The Permits Office issues over 200 permits on this day and takes in roughly \$40,000 in payments. The permitting process is similar to that described above, other than the writing of permits and collection of payments is performed by separate individuals on Permit Day, and file copies of all permits issued are separated based on the form of related payment. A running tally of cash received is kept and cash is separated by bill denomination and banded in stacks of \$500. Banded cash is periodically removed by Mike Salem and Ben Carlise, recounted and placed into a locked safe (at DPW headquarters) until the following Monday, when Bobbie Abbondanza processes and reconciles the permits issued with cash received, and hand delivers the cash to the Finance Department. Permits paid for with money orders and checks¹⁶ are processed and reconciled over the following days in a manner similar to that detailed above.

State Recycling Grants – Entry Point: DPW-Bureau of Environmental Services

Shawn Wigle, Recycling Supervisor, applies for available state and federal grants whenever possible. DPW receives two state grants on a regular basis: a Recycling Performance Grant and a Programming Grant. The Recycling Performance Grant is an annual, performance-based grant that has varied between \$250,000 and \$800,000. The Programming Grant is available every other year and spans two year periods. It is reimbursement-based, meaning the City purchases qualifying machinery, equipment, etc. and submits receipts to the Commonwealth for reimbursement. The Programming Grant has been as much as \$500,000 in the past, but is approximately \$250,000 for the current two year period.

Shawn Wigle receives one check per year for the Recycling Performance Grant and as often as reimbursements are requested for the Programming Grant. Upon receipt, Mr. Wigle or the Assistant Director of Environmental Services, Bill Klimovich hand delivers the grant checks to Director of Public Works, Robert Kaczorowski, who then forwards them to Dave Osterman to process and forward to the City Finance Department for deposit. No other employees at the Bureau of Environmental Services have access to these checks or process them in any way.

¹⁴ Permit Day 2013 was March 23, 2013.

¹⁵ Only Shelter Permits are issued on Permit Day.

¹⁶ On Permit Day, all money orders and checks are kept on-hand until the end of the day when they are taken to the Permits Office by Bobbie Abbondanza and locked in a safe located in Mike Salem's office until they are processed.

Monthly Recycling Revenues – Entry Point: DPW-Bureau of Environmental Services

DPW-Bureau of Environmental Services has contracts with vendors who purchase the recycled materials the City collects from residents and businesses. Currently three such contracts exist related to scrap metals, various paper commodities, and single stream residential materials. Recycling Supervisor, Shawn Wigle receives monthly¹⁷ checks from these vendors. He verifies the tonnage and payment amount to his records and then forwards the checks to Dave Osterman via interoffice mail. No other employees at the Bureau of Environmental Services have access to these checks or process them in any way.

Upon receipt of these checks, Dave Osterman prepares a deposit cover sheet, stamps the checks “For Deposit Only” and manually tallies the checks on an adding machine. The deposit cover sheet and checks are then hand delivered to Finance for deposit.¹⁸

Fees for Services Provided – Entry Point: DPW-Bureau of Environmental Services

Yard Debris Drop off Fees – Specific Entry Point: Yard Debris Collection Centers

The Bureau of Environmental Services has three Yard Debris Collection Centers (located in Public Works Divisions) where City residents can drop off leaves, grass, tree trimmings, branches, etc. Fees for this service only apply to larger loads of debris. The resident fills out a form and provides payment to the City in the form of a money order. No cash or checks are accepted. Shawn Wigle receives forms and money orders from the three collection centers weekly during “busy” season (summer/fall) and monthly during slow season. A “typical” day in busy season results in approximately 20-30 forms/money orders per collection center.

Shawn Wigle forwards the forms and related payments to a recycling clerk at the Bureau of Environmental Services for processing. Once processed, the money orders are forwarded to Dave Osterman via interoffice mail. Dave Osterman prepares a deposit cover sheet, stamps the money orders “For Deposit Only” and manually tallies the money orders on an adding machine. He then hand delivers the deposit cover sheet and money orders to Finance for deposit.

Excess Trash/Special Collection Fees – Specific Entry Point: Refuse Division

The Refuse Division of the Bureau of Environmental Services occasionally receives revenues related to special collection fees. These fees apply when a resident sets out excessive amounts of trash. Generally, a resident will contact the Refuse Division to request and schedule a special pick-up. The member of the Refuse Division who receives the call completes a form detailing the request and sends a foreman out to assess the appropriate fee

¹⁷ Scrap metal checks may be more or less frequent depending on the contract terms.

¹⁸ In addition, Dave Osterman maintains an excel file detailing every check processed.

(generally \$100) and perform the pick-up. The resident pays via check¹⁹ or money order on the day of service. When the foreman who performs the pick-up returns with the payment, the form is marked as “paid” and placed on file.

The checks and money orders along with a copy of the related forms are forwarded via interoffice mail to Dave Osterman, who processes them in a similar manner to that described above and forwards them to Finance for deposit.

Other

Sale of Memorial Benches

Chuck O’Neill, Assistant Director of Administration, occasionally receives requests for memorial benches. Mr. O’Neill sends the interested party an application, which they fill out and return along with a \$250 deposit. He then orders the bench and plaque. DPW installs the bench and requests the balance due from the customer. Once Mr. O’Neill receives the balance, the memorial plaque is installed. All payments are received by Chuck O’Neill, who forwards them to Dave Osterman for processing before forwarding them to Finance.

Reimbursements for Services Provided

DPW currently receives an annual reimbursement related to the maintenance of Point State Park (“the Park”). The Park is state-owned and for the past several years an agreement has been in place for the City DPW to maintain the Park and bill the Commonwealth for the related costs. Every January, the Deputy/Assistant Director’s Office (currently Chuck O’Neill) invoices the Commonwealth for the prior year’s costs of maintenance. The Commonwealth remits a check to the Deputy/Assistant Director’s Office, who forwards it to Dave Osterman upon receipt for processing.²⁰

DPW also receives reimbursements for services provided to special events such as the Three Rivers Regatta and the Pittsburgh Marathon. After an event, the Deputy/Assistant Director’s Office invoices the event’s organizers for the cost of services provided. The organizers remit payment to the Deputy/Assistant Director’s Office, who forwards it to Dave Osterman upon receipt for processing.²¹

Paving and Utility Co-Op Agreements

Agreements are made with utility companies who must dig into City streets during the course of their work. While these companies are technically obligated to restore the side of the street that they excavate, the Co-Op Agreements ensure the entire width of the street is

¹⁹ Personal checks are accepted for Excess Trash/Special Collection Fees. Foremen collect the payments on the day of service.

²⁰ Dave Osterman processes this check in a manner similar to that described previously before forwarding it to Finance for deposit.

²¹ Dave Osterman processes this check in a manner similar to that described previously before forwarding it to Finance for deposit.

repaved. When the utility company completes their work, the City steps in and mills and paves the entire street from curb to curb. DPW invoices either the utility directly or the contractor working on behalf of the utility. All payments received are forwarded to Dave Osterman for processing.

Lease Agreements

There are currently three leases related to City-owned property for which DPW receives payments. These leases are between the City and private entities for the use of City-owned property. Monthly lease payments come to the Bureau of Transportation and Engineering²² and are forwarded to Dave Osterman for processing upon receipt.²³

Federal and State Reimbursements

Other payments received by the Bureau of Transportation and Engineering²⁴ are related to major, jointly-funded capital improvement projects. According to Dave Osterman, these are generally large sums of money received in the form of wire transfers. For example, the City would front the cost of a major project, say \$100,000, and then invoices the Commonwealth (PennDOT) for the federal and state shares (generally 80 percent and 15 percent, respectively or a total of \$95,000). PennDOT then wires the reimbursement to the appropriate City depository account.

V. Summary of Analysis and Recommendations

Bureau of Administration - Permits Office

Lack of Segregation of Duties – All permit counter clerks write permits, assess/edit fees, and receive payments. In at least one instance, Utility Survey Specialist Bobbie Abbondanza writes permits, assesses/edits fees, receives payments and reconciles all records. With properly segregated duties, no employee should have the opportunity to assess/edit fees, receive and record payments, and reconcile the related records.

Supervisory Review of Transaction Voiding/Editing – The editing capabilities within the Accela and RecPro systems make it possible for permit counter clerks to edit permits without supervisory oversight.²⁵ Currently managerial approval is not required to edit items²⁶ and all permit counter clerks have the ability to edit permits on an as needed

²² The Bureau of Transportation and Engineering is currently headed by Assistant Director, Patrick Hassett. We have not interviewed Mr. Hassett or the Fiscal Supervisor, Caroline Greco, at this time.

²³ Dave Osterman processes these checks in a manner similar to that described previously before forwarding them to Finance for deposit.

²⁴ The Bureau of Transportation and Engineering is currently headed by Assistant Director, Patrick Hassett. We have not interviewed Mr. Hassett or the Fiscal Supervisor, Caroline Greco, at this time.

²⁵ Per Mike Salem and Ben Carlise, clerks cannot void entire permits, but can only correct mistakes made during the permit writing process (i.e. if the incorrect fees are assessed or if there is a misunderstanding regarding the type of permit needed).

²⁶ Approval is not required in an effort to expedite the permitting process.

basis. At a minimum, managerial approval should be required for any permit issued and subsequently voided. The record of all items voided/edited in the Accela and RecPro systems should be reviewed by DPW management regularly.

Individual Permitting Clerk Files – Similar to each cashier at a retail store or bank teller having their own cash drawer, each permitting clerk should have their own file for permits issued. Having one communal folder where all issued permits and payments are stored makes it possible for employees to tamper with other employees' permits and the related payments.

Restrictive Endorsement of Checks as "For Deposit Only" Upon Receipt – As a best practice, all checks and money orders received should be stamped "For Deposit Only – City Of Pittsburgh Account XXX-XXX-XXX-XXX" immediately upon receipt. Doing so would make it more difficult for an unauthorized party to divert payments.²⁹

Supervision of Permits Counter - Standard controls dictate at least two people should be present at the permits counter at all times. Allowing any individual to be left alone with access to all payments received provides the opportunity to misappropriate those payments with little fear of detection. Merely increasing the perception of detection is a deterrent to employee fraud.

Timely Payment Processing – Permits issued and the related payments should be processed and forwarded to Finance daily. Doing so would not only allow management to identify any reconciling issues in a more timely manner, but it would also eliminate 15 days worth of payments from sitting on hand at any given time. Additionally, it would reduce the time lag between activity generated in Accela and RecPro and its subsequent entry into the JD Edwards system.³⁰

Enhanced Permit Day Controls – We recognize that cash is accepted on this day. Due to its ready liquidity and relative lack of traceability, cash inherently carries the greatest risk of misappropriation. As such, we recommend the following enhancements to controls be implemented on Permit Day:

- *Acceptance of payment by credit/debit card* – In addition to providing better customer service and convenience, credit cards offer enhanced security and reduce the risk of cash misappropriation
- *Treasurer's Office involvement* – All individuals present on Permit Day are DPW employees. Given the volume of activity, at minimum, a representative from the

²⁹ As of July 24, 2013, Mike Salem and Ben Carlise assert that "For Deposit Only – Treasurer City of Pittsburgh" stamps have been ordered and will be used to comply with this recommendation as soon as the stamps are received by the Department.

³⁰ As of July 24, 2013, Mike Salem and Ben Carlise assert that processing now occurs on a weekly basis.

Finance Department (Treasurer's Office) should be present to oversee the process and safeguard cash receipts.

- *Timely deposit of cash receipts*– Currently, permit day cash receipts are locked in a safe until the following Monday morning, at which time they are processed over the next several days in the fashion described above. While we acknowledge that making a same day deposit of cash received is not possible since Permit Day occurs on a Saturday, the processing of all permits paid with cash should occur that day, in the presence of the Finance Department representative. Alternatively, the cash received should be counted and remitted to the Finance representative at the end of the day for safekeeping.

Deposit Reconciliations – Cash receipt deposits made by Finance on behalf of DPW-PO are not reconciled to the department's records of cash receipts sent to Finance by DPW-PO. Currently, the Finance Department returns the verified summary sheet and deposit slip to the Permits Office, but the record of actual deposits (as recorded in JD Edwards) are never reconciled to Accela, RecPro or other department records. DPW management should perform this type of reconciliation on a regular basis.³¹

Bureau of Environmental Services

Automation of Cash Receipt Process - The Bureau of Environmental Services is essentially a manual department. While Recycling Supervisor Shawn Wigle uses Microsoft Excel and Access for tracking purposes, this system does not interface with any larger city-wide system such as the JD Edwards system.

Enhancement of yard debris drop off cash controls – While Recycling Supervisor Shawn Wigle is ultimately responsible for yard debris drop off fees, DPW Division Supervisors oversee the day-to-day operations at the Collection Centers.

Given the lack of direct supervision over the process, we recommend the following control enhancements:

- Uniform, formal written policies and procedures related to yard debris drop off protocol should be implemented at each of the Collection Centers.
- There is currently no record of everyone that comes through the door other than the forms filled out by each customer. The lack of such a record increases the risk that employees can misappropriate a payment and cover it up by simply not having the customer fill out the form or by simply discarding the form.³² At minimum, a log of all customers should be filled out by an on-

³¹ Additionally, the Finance Department does not reconcile/verify payments received beyond examining the summary sheets, memos and deposit cover sheets submitted thereto.

³² These forms are not sequentially numbered at this time so a missing one would be difficult to identify.

site employee (separate from the employee responsible for accepting forms and payments). Each day the site supervisor should review the forms and payments on hand with the log generated. One way to generate such a log is by issuing serially pre-numbered receipts to all customers.

- Serially press-numbered receipts³³ should be utilized at all Collection Centers. These receipts should be issued by someone other than the individual responsible for collecting the forms and payments. One copy should be provided to the customer and one should be retained for audit purposes. The audit copies should be periodically reviewed by DPW management or the Controller's office, and any gaps or missing forms should be investigated.³⁴ At all collection centers signs should be posted that state, "All customers are issued receipts. Please call XXX-XXX-XXXX if you do not receive a receipt."
- All money orders should be stamped "For Deposit Only – City of Pittsburgh Account XXX-XXX-XXX-XXX" immediately upon receipt. Doing so would increase the difficulty for an unauthorized party to divert payments.
- Access to the receipts, forms, and payment records should be limited (and be stored in a secure location) until transported to Shawn Wigle.
- All forms and payments should be forwarded to Shawn Wigle daily, along with a copy of the customer log generated.
- To ensure compliance with these formal policies/procedures, Shawn Wigle should perform periodic, surprise audits of each of these locations to ensure employee compliance.

Improved controls over excess trash/special collection fees - Excess trash/special collection fees are generally submitted directly to the foreman responsible for performing the pick-up on the day of service. This lack of segregation of duties provides the opportunity to perform the pick-up and misappropriate the payment. The foreman could then circumvent the manual system by simply removing the related form from the file, and claiming the pick-up was cancelled or that the requesting resident did not provide the appropriate payment. To help prevent this occurrence, the requesting resident should be billed and the service should not be scheduled or provided until payment is received by DPW-ES via mail or by someone other than the foreman responsible for performing the pick-up.

³³ These could replace the already utilized forms, thus eliminating additional paperwork.

³⁴ Both copies of voided receipts should be retained.

Confirmation of cash receipts - After checks and money orders are forwarded to Dave Osterman, DPW-ES is not provided with a receipt confirming that the cash was received. Likewise, Dave Osterman does not perform a reconciliation of cash received from DPW-ES to cash receipt records as there is currently no way for Dave Osterman to know what he *should be* receiving from DPW-ES (as opposed to what he actually receives).³⁵ This kind of information should be made available so that cash received and deposited can be reconciled to the underlying records. Dave Osterman *does* however reconcile actual deposits made by Finance (as recorded in JD Edwards) to records of deposits forwarded to Finance.

Utilization of the Controller's Fraud Hotline - All DPW employees should be made aware of the fraud hotline recently established by the Controller's Office. According to the Association of Certified Fraud Examiners' 2012 Report to the Nations on Occupational Fraud and Abuse, occupational fraud is more likely to be detected by a tip than by any other method. Likewise, the majority of tips reporting fraud come from employees of the victim organization. Providing individuals with a means to report suspicious activity is a critical part of any anti-fraud program.

VI. Conclusions

During our review of DPW, we noted that the department has some basic internal controls in place. Likewise during the course of our work, we did not observe, nor did DPW management identify, any actual instances of fraud, abuse or asset misappropriation. That said, the controls currently in place leave substantial room for improvement as several opportunities for asset misappropriation exist. DPW management should consider all recommendations contained herein in an effort to minimize the risk of asset misappropriation.

* * * * *

This report summarizes the results of our analyses to date. We reserve the right to amend or supplement this report as necessary should additional information become available to us. The use of this report is limited to the current matter referenced above and this report may not be used for any other purpose without our prior written consent.

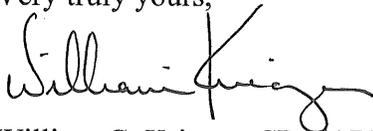
³⁵ Likewise, the Finance Department does not reconcile/verify payments received beyond examining the summary sheets, memos and deposit cover sheets submitted thereto.

All of the work conducted in preparing this report and the related analyses was performed by me or others working under my supervision. The opinions and conclusions stated in this report are expressed with a reasonable degree of professional certainty.

The scope of this consulting engagement was to provide a comprehensive review of the City of Pittsburgh's cash management processes, procedures and internal controls. This engagement does not constitute, nor have we performed, an examination in accordance with generally accepted auditing standards ("GAAS"). The objective of a GAAS examination is to express an opinion regarding the fair presentation of historical or prospective financial statements or other financial information presented in accordance with generally accepted accounting principles. Accordingly, we do not express such an opinion. Likewise, this engagement does not constitute a fraud investigation, the objective of which is to determine whether evidence is sufficient to support specific allegations of fraud. Having completed the procedures detailed herein, we have presented findings and provided recommendations to strengthen the City's cash management processes, procedures and internal controls. We believe that the consulting analyses we performed provide a reasonable basis for our findings and recommendations.

If you have any questions regarding our analysis or this report, please do not hesitate to contact me.

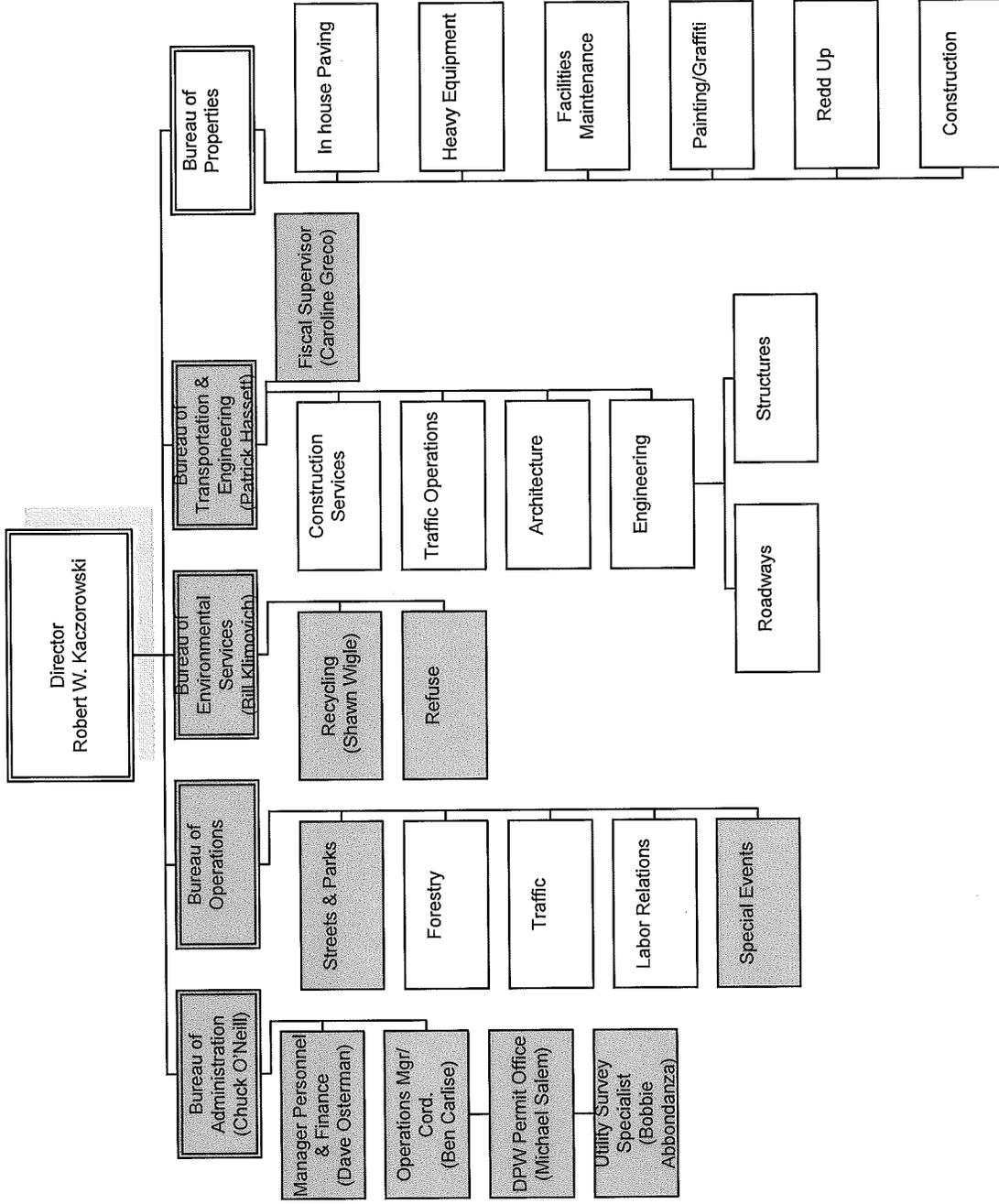
Very truly yours,



William G. Krieger, CPA/ABV/CFF/CGMA, CFE

Department of Public Works

Abbreviated Organization Chart



Note: This organization chart is an abbreviated version depicting only those positions involved in the financial processes of DPW. Highlighted positions are those that receive, process or have direct access to payments.