

FISCAL AUDIT

DEPARTMENT OF PARKS AND RECREATION

**ALLEGHENY REGIONAL ASSET DISTRICT TRUST FUND
(ARADTF-PARKS)**

Report by the
Office of City Controller

**MICHAEL E. LAMB
CITY CONTROLLER**

Douglas W. Anderson, Deputy Controller

Hadiza Buhari, CPA, MBA, Fiscal Audit Manager

Scott A. Crawford, MS, Fiscal Auditor

January, 2016

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MICHAEL E. LAMB

CITY CONTROLLER

First Floor City-County Building 414 Grant Street Pittsburgh, Pennsylvania 15219

January 19, 2016

To the Honorables: Mayor William Peduto and
Members of Pittsburgh City Council:

The Office of the City Controller is pleased to present this fiscal review of the **Allegheny Regional Asset District Trust Fund-Parks** conducted pursuant to the Controller's powers under Section 404(b) of the Pittsburgh Home Rule Charter.

EXECUTIVE SUMMARY

The Allegheny Regional Asset District Trust Fund (ARADTF-Parks) was established in 2005 via resolution # 49 to account for monies received from the Allegheny Regional Asset for the purpose of funding the City's Regional Parks' operating expenses. The Allegheny Regional Asset District (RAD) was created as a special purpose government unit authorized under the Pennsylvania State Legislature Act 77 of 1993 to provide funding for regional assets ranging from libraries, museums, sports or cultural facilities, and regional parks, as well as to provide tax relief to the region. RAD is funded with the revenue generated from the 1% Sales and Use tax increase enacted within Allegheny County under the same legislature.

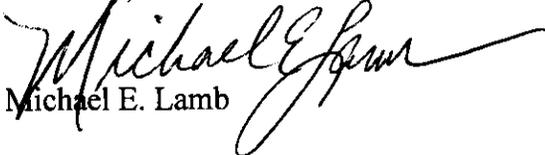
We performed certain procedures to determine whether policies, procedures and internal controls relating to the administration of the fund are adequate and that expenditures charged to the fund are allowable and properly supported. Although our procedures did not disclose any significant internal control deficiencies, we noted instances of improper use of the trust fund monies and also identified the need for improved supporting documentation of expenditures charged to the fund. These issues and our recommendations are explained further in the Result section of this report.

We appreciate the assistance of the staff involved with the administration of the fund. We also appreciate the written response from the Department of Parks and Recreation; however it is our opinion that these responses did not adequately address the concerns identified in this report.

As discussed at the exit conference, expenditures charged to the fund need to clearly support proper use of trust fund monies. The utilization of the City's accounting system in managing these funds does not necessarily preclude the department from establishing routine operating procedures and internal records to ensure adequate documentation exist to support all

expenditures charged to the fund. Written procedures and the existence of appropriate document trail are an integral part of a sound internal control system.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael E. Lamb". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Michael E. Lamb

City Controller

INTRODUCTION

This fiscal review of the **Allegheny Regional Asset District Trust Fund-Parks** was conducted pursuant to the Controller's powers under Section 404(b) of the Pittsburgh Home Rule Charter.

SCOPE AND METHODOLOGY

Our procedures were conducted pursuant to Article IV, Section 404(b) of the City of Pittsburgh Home Rule Charter and covered the period January 1, 2013, through December 31, 2014.

The objective of this review is to determine whether procedures and internal controls relating to the administration of the Fund are adequate, and expenditures are properly supported, in accordance with Resolution #49 and the agreement between the City and the Regional Asset District. Our procedures consist primarily of inquiries and examination of relevant records. Specifically we:

- Interviewed Parks' personnel involved with the Fund to gain an understanding of its operations, processes, and related internal controls.
- Reviewed procedures relating to the administration of the trust fund including the receipt and deposit of grants received from the Regional Asset District.
- Reviewed relevant agreements between the City and the Regional Asset District.
- Examined a sample of supporting documentation related to the expenditures charged to the Fund.
- Summarized expenditures charged to the trust fund during the period of our review.
- Performed variance/trend analysis on expenditures for plausible relationships.

BACKGROUND

The Allegheny Regional Asset District Trust Fund (ARADTF-Parks) was established in 2005 via resolution # 49 to account for monies received from the Allegheny Regional Asset for the purpose of funding the City's Regional Parks' operating expenses. The Allegheny Regional Asset District (RAD) was created as a special purpose government unit authorized under the Pennsylvania State Legislature Act 77 of 1993 to provide funding for regional assets ranging from libraries, museums, sports or cultural facilities, and regional parks, as well as to provide tax relief to the region. RAD is funded with the revenue generated from the 1% Sales and Use tax increase enacted within Allegheny County under the same legislature. Half of the 1% tax increase collected is provided to the County and Municipalities for local tax relief and the remaining half is utilized by RAD for the provision of grants to support regional assets, civic, cultural and recreational entities, libraries, parks and sports activities.

RAD grants are approved by a Board of Directors comprising of seven members; four appointed by the Allegheny County Chief Executive, two by the Mayor of Pittsburgh and one elected by the six appointees. The Board also appoints a 27 person Advisory Board to provide public input and comments on policies and procedures. All proposed grant allocations require the support of the six appointed board members.

The City's regional parks are among the nine identified regional assets that are funded under a contractual agreement that provides guaranteed funding for a period of five years (2010-2015). Grants received for the City's regional parks are split between the Department of Parks and Recreation and the Department of Public Works, 30%, and 70% respectively. Both funds are accounted for in separate trust funds established by the City. The portion for the Department of Parks is accounted for in the trust fund; ARADTF-Parks established for that purpose.

The City first entered into a contract with RAD in 1995 for the provision of a minimum amount of annual funding for the four *Regional Parks*¹ (defined as parks that are over 200 acres). The amount was set at \$3,500,000 annually for the contract period that ran from 2005 through 2009. Contract terms are subject to periodic review and renewal is not automatic. This contract was extended to run through 2014 with the provision to include a new fifth *Regional Park*². Grants are released by RAD in accordance with a draw down schedule established following the adoption of each annual budget of the City after invoices supporting allowable expenditures incurred at the Parks are submitted for reimbursement.

A total of \$3,098,490 was received from RAD during the review period January 1, 2013 through December 31, 2014; \$1,533,900 in 2013 and \$1,564,590 in 2014. The average monthly amount received was \$129,104 during the same period.

Monies deposited into the ARADTF-Parks are used to pay for all expenditures related to the regional parks including but not limited to salaries, fringe benefits, utilities, equipment, professional and other miscellaneous services. All expenditures require the approval of the Director of Parks and Recreation.

¹ Frick Park(561 acres), Highland Park(388 acres), Riverview Park(287 acres) and Schenley Park(456 acres)

² Emerald View Park (257 acres) added to agreement in 2010

A total of \$3,102,177 was paid out of the fund for expenditures related to the regional parks as detailed below:

Table I-Allegheny Regional Asset District Trust Fund (ARADTF-Parks)			
Expenditures			
For the Period January 1, 2013, through December 31, 2014			
Expenditure Category	2013	2014	Total
Personnel	\$ 707,376	\$ 576,878	\$ 1,284,254
Property Services ³	475,283	216,481	691,764
Supplies	274,438	130,180	404,618
Professional/Technical	236,467	150,413	386,880
Property	99,025	203,857	302,882
Other Services ⁴	26,655	2,902	29,557
Other - Refunds ⁵	1,822	400	2,222
Total	\$ 1,821,066	\$ 1,281,111	\$ 3,102,177

³ Includes Cleaning Services, Rents and Utility Service

⁴ Includes Telephone, Promotional, Printing & Binding and Travel

⁵ Refunds in 2013 were from the Frick Nature Center which is no longer under control of the Parks and Recreations Department. The refunds from 2014 were from the use of the conference room at Schenley Park.

RESULT

Finding #1: Lack of Formal Policies and Procedures

There are no formal operating policies and procedures governing the operation of the trust fund other than the resolution establishing it. Formal policies and procedures define responsibilities as well as explain processes and controls involved in the administration of the fund. To ensure adequate monitoring and management of the fund, detailed documentation of operating procedures that incorporate appropriate level of internal controls are important. Detailed operating policies and procedures should include duties and responsibilities of those involved with the fund as well as requirements for adequate supporting documentation for all expenses charged to the fund.

Recommendation

Develop written policies and procedures that include duties and responsibilities of those involved with the administration of the fund. Establish requirements for adequate supporting documentation for all expenses charged to the fund.

Finding #2: Improper Use of Trust Fund Monies

Trust fund monies were not used in accordance with the resolution establishing the trust fund or the grant requirements under the contract with RAD. During our review, we noted that the *Special Parks Programs Imprest Trust Fund (SPPIF)* was replenished twenty-two times from the ARADTF-Parks during the period July 2012 through September 2015 for a total of \$201,758 as detailed below:

Allegheny Regional Asset District Trust Fund (ARADTF-Parks) Schedule of Replenishments		
Year	# of Times	Amount
2012	5	\$ 49,186
2013	7	61,226
2014	5	46,711
2015	5	44,635
Total	22	\$ 201,758

The *SPPIF* is typically used to pay for expenses related to Big League Program events such as payments to referees and umpires for officiating sporting events or other special programs that may not necessarily be at any of the regional parks.

In addition, 11 invoices with a total amount of \$8,512 were charged to the trust fund, however only a portion of the program or activity was related to a regional park. These invoices should have either been split between the Regional Parks and the other Facilities or paid fully from another funding source.

Recommendation

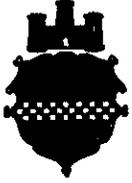
Ensure the trust fund is solely utilized for expenses related to the Regional Parks as stipulated by the resolution and RAD agreement.

Finding #3: Inadequate Supporting Documentation

Expenditure records were not adequately documented to verify payments made from the trust fund are in accordance with the requirements of the Resolution and/or RAD agreement. We examined supporting documentation for a sample of expenditures charged to the trust fund to determine whether they were authorized, properly documented and allowable in accordance with the resolution and the agreement with RAD. We were unable to verify 13 out of 121 (11%) of invoices totaling \$63,020 were actually for expenses incurred at one of the regional parks. Section 3a of the contract between RAD and the City stipulates that it is the City's responsibility to "*maintain adequate books, records, and accounts regarding the utilization of the grant*".

Recommendation

Maintain adequate records with an appropriate level of detail to ensure all expenditures charged to the fund are properly supported and allowable per the resolution establishing the trust fund.



CITY OF PITTSBURGH

Department of Parks & Recreation

William Peduto, Mayor

Jim Griffin, Director

Mr. Michael E. Lamb
City of Pittsburgh
Office of the City Controller
414 Grant Street
Pittsburgh, PA 15219

January 5, 2016,

Controller Lamb:

Attached is the Department of Parks and Recreation (Citiparks) response to your office's fiscal review of the Department of Parks and Recreation's management of funds received by the Allegheny Regional Asset District (ARAD). These assets are vital in allowing Citiparks to maintain and program many Citiparks facilities. The funds management processes and procedures have ensured public enjoyment for twenty years.

Thank you for your report. We appreciate the care and diligence that was required to create this report and we resolve to respond carefully and critically to all your audit team's recommendations. Most of all, Citiparks is pleased to know that your office found no significant deficiencies in our internal controls. Still, we are always looking for ways to improve our performance and provide both your office and the public with transparent, equitable and accountable processes.

We look forward to working with your office in the future. Please feel free to contact me if you have questions or concerns regarding the responses provided.

Sincerely,


Jim Griffin
Director

cc: Mayor William Peduto
City of Pittsburgh Council Members
Director of Finance, Paul Leger
Chief of Operations, Guy Costa

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CITY OF PITTSBURGH

**Department of Parks and Recreation Response to fiscal audit of
Allegheny Regional Assets District (ARAD) Trust Funds**

Finding #1: Lack of Formal Policies and Procedures

Citiparks currently conforms to the City of Pittsburgh's prescribed methods for program and project accounting. Furthermore, Citiparks operates our accounting through a structured enterprise management system (JD Edwards) that necessitates standardized procedures for all City of Pittsburgh agencies and Departments that have access to ARAD Trust Fund resources, including the City of Pittsburgh's Department of Public Works and the City of Pittsburgh's Office of Management and Budget. Modifications to these processes would have to be done at the direction of these organizations, but would also effect and require conformity by all JD Edwards users across city government.

Finding #2: Improper Use of Trust Fund Monies

Citiparks notes that ARAD funds in question have all been utilized in a manner consistent with ARAD mandate to provide cultural, educational and recreational opportunities to the citizens of Allegheny County. All the program expenditures highlighted in your review conform to that mandate and were performed entirely in or for the benefit of improving ARAD supported facilities and programs such as the Schenley Ice Rink, the Frick and Highland Park Tennis Courts, Riverview Heritage Day, BIG League soccer, softball and baseball in Emerald View Park, etc.

Finding #3: Inadequate Supporting Documentation

Citiparks would refer to our responses for Findings #1 and #3 to respond to this finding. The policies and procedures that are identified for improvement have not defined by Citiparks but rather by the City of Pittsburgh's enterprise management system. While we recognize the many failings of this system, we are bound, at this time, to conform to the comprehensive directives of this mandate.

We do, however, look forward to working with the Controller's Office to develop improved and automated process to improve the efficiency and effectiveness of our management systems and software. Consequently, we have engaged with the Controller's Office to pilot a process improvement project for invoice processing that should serve as a stepping stone to wider automation and improved performance.

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