FISCAL AUDIT

DEPARTMENT OF PARKS AND RECREATION

SCHENLEY PARK SKATING RINK

Report by the
Office of City Controller

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January, 2015

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MICHAEL E. LAMB

CITY CONTROLLER

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

January 12, 2015

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

The Office of the City Controller is pleased to present this audit of the **Schenley Park Skating Rink,** conducted pursuant to the Controller's powers under Section 404(b) of the Pittsburgh Home Rule Charter.

EXECUTIVE SUMMARY

The Schenley Park Skating Rink (the Rink) provides year round recreational activities to the public for a fee. Revenue is earned from a variety of public and special ice skating sessions, rental of the ice rink for hockey/miniature golf, and the rental of a meeting/banquet room. City personnel, who manage the Rink, are also responsible for the collection of payments for the Farmers Market program conducted throughout the City. Additional revenue is also earned for miscellaneous services such as rentals of skates, skate sharpening etc. All revenues collected are deposited into the Schenley Park Skating Rink Trust Fund established in 1990 via Resolution # 1213.

We performed certain procedures to determine whether revenues collected by the Rink are deposited intact and that related internal controls are adequate. Based on our procedures, existing internal controls and practices at the Rink are not sufficient to adequately safeguard monies collected on behalf of the city. Although our procedures did not disclose actual occurrence of misappropriation and/or theft, we identified deficiencies that increases the risk of errors, fraud and/or misappropriation to occur and not be detected in a timely manner. We found that:

- There are no formal procedures on the collection and deposit of Rink receipts
- Collections and deposit records are not properly restricted
- Cashier controls are inadequate; the same cash register access code is used by multiple users
- Collections were not always deposited timely
- Internal Controls over the Farmers Market Program are inadequate
- Meeting Room and Hockey Receipts not properly controlled
- Lack of controls over "No Sale" transactions
- Automated records/reports not utilized

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- Reconciliations not performed

Our findings and recommendations are discussed further in the Result section of this report.

Our procedures were conducted in accordance with applicable government auditing standards and are limited to our objectives noted in the "Scope and Methodology" section of this report and to the records we examined. We believe our recommendations will assist in providing more effective internal controls over the Rinks' operations.

We appreciate the cooperation of the staff during our audit.

Sincerely,

Michael E. Lamb
City Controller

INTRODUCTION

This audit of the **Schenley Park Skating Rink** 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, 2012 through December 31, 2013.

We performed procedures to gain and understanding of internal controls related to the collection and deposits of receipts by the Schenley Park Skating Rink. The findings and recommendations presented in this report pertain to records examined and matters discovered during this audit. Our procedures consist primarily of inquiries and examination of relevant records. Specifically we:

- Interviewed Schenley Park Rink Personnel to gain an understanding of the Rink's operations, processes and internal controls.
- Reviewed procedures relating to the process and deposit of the various types of revenue collected by the Rink.
- Evaluated adequacy of internal controls relating to the collection, recording and deposit of receipts collected by the Rink.
- Reviewed records related to all receipts received during 2012, 2013 and 2014.
- Applied procedures to verify receipts are deposited intact.
- Summarized all receipts by type and category.
- Performed variance/trend analysis on amounts and collections for the same period.
- Reviewed expenditures charged to the fund.
- Reconciled Rinks' record of receipts to deposit records, and the City's accounting system.

Our procedures were performed during the months of July and August of 2014.

BACKGROUND

The Schenley Park Skating Rink provides year round recreational activities to the public for a fee. Revenue is earned from a variety of public and special ice skating sessions, rental of the Ice Rink for hockey/miniature golf, and the rental of a meeting/banquet room. City personnel, who manage the Schenley Skating Rink, also oversee the Farmers Market program conducted throughout the city. Additional revenue is also earned for miscellaneous services such as skate rentals, skate sharpening etc. All revenues collected are deposited into the Schenley Skating Rink Trust Fund established in 1990 via Resolution #1213.

Patrons utilizing the Rink during open (public sessions) skating season pay regular admission fee ranging from $2.50 to $4.00 to a cashier at the front window. The payment is processed through a cash register and a receipt is issued which is also used as admission ticket. The admission ticket is collected by the attendant at the door and retained at the office. Cash, Check or Money Order are an acceptable form of payment, but most patrons pay with cash. All payments collected are recorded on a daily revenue report and summarized on a weekly revenue report (tally sheets). The process and procedure for Mini-golf offered during the summer months is the same as the open skating sessions, and payments mostly in the form of cash are handled in the same way. Other fees collected at the Rink (included in the total for Rink Admissions) include:

Table I-Schenley Park Skating Rink-Other Fees Charged
For the Period January 1, 2012 through December 31, 2013

Type	***Amount***
Skating lessons*	$ 36.00
Adult Passes(5 sessions)	16.00
Youth Passes(5 sessions)	12.00
Skate Rental	2.50
Skate Sharpening	3.50
Locker Rental	0.50

**For Children 5 years and older*

The Rink is available for group rentals (skating parties) when open season is not available. Groups interested in renting the ice rink are required to make reservations. Groups that often patronize the rink pay after utilizing the facility by sending a check or money order in the mail. New groups are required to pay in advance to secure a slot on the calendar. Payments are recorded on the daily tally sheet and kept in the safe with other collections.

The Skating Rink is available to individuals/groups for hockey sessions at a rate of $75 per session booked through the Rink Manager over the phone. Payments (mostly in cash) are usually

made after utilizing the facility. As these events are often late in the evening, patrons usually pay the Zamboni driver who puts the money in an envelope (noting the date, amount and payee) and slides it under the office door. The envelopes are collected in the morning, recorded on the daily tally sheet and kept at the safe pending deposit. Receipts are not issued for these payments; instead a notation is made on the scheduling calendar to indicate payment was received. No other procedures are utilized for recording/accounting for these payments.

The Meeting Room is available at $65/hour (minimum of 4 hours required) or $400/day payable by check or money order. An additional $100 is charged for alcohol permit. Parties interested in renting the facility are required to pay a nonrefundable deposit of $100 with the remaining balance to be paid no later than 30 days prior to using the facility. A *Banquet Room Rental Permit* to use the facility is issued after all payments are received. Detail of the payments are manually recorded on a monthly log, included on the tally sheet and processed the same way with all Rink collections received for the day. Permits issued are not pre-numbered and there are no formal procedures to track payments other than notations made on the scheduling calendar to indicate payment was received.

Farmers Markets are held in eight city locations throughout the summer. Vendors interested in participating in the Farmers' Market may rent a stand/space at any of the eight farmers' market operated around the city. The first stand is rented at a rate of $225 with additional stand at $150 (except for the Squirrel Hill Farmer's Market which rents for a flat fee of $150). An invoice is mailed to the vendor with payment due by the end of the season. All payments collected are recorded as received on the framers market vendor invoice, summarized on a *Dept. of Parks & Recreation Cash Deposit Form* and processed for deposit. Invoices issued for the farmers' market program are not pre-numbered.

Citiparks also contracted with an outside vendor to operate a concession stand at the Rink. The annual fee of $2,600 collected from the vendor is also deposited into this fund and included in the totals for Ice Hockey revenue on table II.

All payments received are itemized on a daily revenue report (tally sheet) by the cashier operating the cash register detailing the sessions, activity type, quantity and amounts for each receipt category. At the end of the day, the cashier balances the day's collection by reconciling receipts, monies collected and the cash register tapes. A deposit slip is prepared and stored with the day's collection in a safe pending deposit to the bank. A weekly tally sheet is also prepared to summarize total collections for the week. The daily and weekly tally sheets (with the cash register tape attached) plus the prepared deposit slips are reviewed by the Rink Manager. All collections for the day plus prepared deposit slips are stored in a safe pending actual deposit at the bank. Three Rink staff have key to the safe. There are no polices as to when deposits are to be made, deposits are usually made by the Rink manager once a week.

Copies of the deposit documents (deposit slip, tally sheets, copies of checks/money orders) are sent to Department of Parks and Recreation Cash Management Office who then prepare a deposit memo for the total deposit slips. The deposit information is forwarded to the Finance department to record the information on the City's accounting system, JD Edwards. A memo with deposit information is forwarded to the Controller's Office for their records and/or reconciliations.

Revenues collected at the Rink during the period 2012 and 2013 are as detailed below:

Table II-Schenley Park Skating Rink Revenues For the Period January 1, 2012 through December 31, 2013			
Type	**2012**	**2013**	**Total**
Ice Hockey**	$ 80,573	$ 79,073	$ 159,646
Rink Admissions***	68,145	73,534	141,679
Farmers Market	19,450	18,580	38,030
Meeting Room	12,952	23,115	36,067
Transfer in- Travel Reimbursement	-	1,155	1,155
Total	**$ 181,120**	**$ 195,457**	**$ 376,577**

**-Include revenue for Concession Contract
***-Include total amounts collected for other revenue categories identified on table I

Per resolution establishing the trust fund, deposits are to be used for expenses related to the Department of Parks and Recreation such as salaries, equipment, materials, repairs and supplies. The only expense charged to the fund in *2013* was for Maintenance in the amount of *$13,685.* A transfer out (of the fund) in the amount of *$15,000* was also made in 2013 to reimburse the Police Premium Pay Account for a city event. The following expenses were charged to the fund in 2012:

Table III-Schenley Park Skating Rink Expenditures for 2012	
Category	**Amount**
Building	$ 104,661
Materials	80,826
Repairs	54,023
Transfers Out****	46,088
Supplies	29,536
Machinery and Equipment	24,794
Transportation	10,445
Professional Services	4,550
Workforce Development	3,248
Promotional	2,837
Total	**$ 361,008**

****This transfer represents reimbursement to the Police Premium Pay Account for a Park's city event

Significant portion ($6,942 or 66%) of the 2012 transportation expenses noted above were for rental of vehicles used by:

- The Aquatics division for transport of equipment, supplies and personnel to the various city pools and,
- The Community Services division for its community enrichment program through which recreational activities are facilitated throughout the city.

A performance audit issued October 2012 by the Controller's Office recommended leveraging existing contracts (including the County's) for potential savings in rental car usage by the City.

RESULT

Finding #1: Lack of Written Policies and Procedures

There are no formal policies and procedures governing the Skating Rink operations. Written policies and procedures define responsibilities as well as explain processes involved in accomplishing tasks involved in the collection and deposit of funds. To ensure adequate monitoring and management of the fund, detailed documentation of operating procedures that incorporate appropriate level of internal controls provide a foundation for an effective internal control structure. Without written policies and procedures, roles and responsibilities may not be clearly defined thereby making it difficult to establish and/or enforce accountability.

Recommendation

Develop detailed policies and procedures that include the duties and responsibilities involved with the collection and deposit of all rink receipt types. The policy and procedures should include authorization and documentation requirements for issuing any refund from the fund, deposit policy, record retention etc.

Finding #2: Access to Receipts and Deposit Records Not Properly Restricted

Access to receipts collected and the prepared deposit slips are not properly restricted thereby increasing the risk of misappropriation. Although prepared deposit slips plus monies (cash and check) collected for the day are kept at a safe pending actual deposit at the bank, more than one person has the key to the safe. Per discussion with Rink management, three of the staff have key to the safe and that multiple access is considered necessary due to the Rinks' operating schedule.

Recommendation

Access to the safe should be restricted to two people (one serving as back-up). Alternatively, the department may consider implementing a policy of requiring two people; person with a key and another staff to be present whenever the safe is opened.

Finding #3: Inadequate Cashier Controls

Accesses to the cash registers utilized to process receipts collected at the Rink are not properly controlled. The current practice of using the same access code by multiple users of the cash registers does not provide for proper accountability. Implementation of an effective internal

control structure includes establishing adequate cashier controls. Granting separate access for each person using the cash register not only establish accountability and provide assurance that collections are properly recorded, but also protect users from charges of misappropriation.

Recommendation

Provide for proper control of receipts by establishing separate access codes to users of the cash registers.

Finding #4: Timeliness of Deposits and Deposit Records Retention

Deposits were not always made timely and not all deposit records are retained by the Rink. Our review of 2013 deposit records revealed 16 (out of 250 or 6.4%) instances where deposits were not made weekly as is the established practice. We were also unable to test timeliness of the deposit for 46 (out of 250 or 18.4%) deposit slips due to missing date on the prepared deposit slips and/or validated bank deposit receipts. Although, we did not identify any indication of missing funds, a significant amount of cash is collected at the rink. The sooner deposits are made, the less exposure to potential for loss of funds. Ideally, deposits should be made within 24 hours, especially in situations where the majority of collections are in the form of cash.

Recommendation

- Ensure deposits are made timely. Management should also consider making deposits more often than the current practice of once a week, preferably daily to reduce the risk of misappropriation.

- Retain all validated deposit slips and/or deposit receipts from the bank. This should be periodically reconciled to daily/monthly revenue records to verify all collections are actually deposited intact.

Finding # 5: Internal Controls over Farmers Market Program Needs Strengthened

Invoices not Pre-numbered

Our audit procedures revealed that invoices issued to vendors utilizing the farmers' market program are not pre- numbered, instead numbers are manually assigned and handwritten. Although a manual list of all vendors is maintained, use of pre-numbered invoices will allow for completeness of records, easier tracking of vendors and payments collected. Pre-Numbered invoices aid in providing adequate audit trail and establishing proper accountability over payments collected. In addition sequencing of invoice numbers allow for records to be easily reviewed, accounted for and also allow Citiparks to easily track revenue generated from the program.

Bylaws not signed by all Vendors

Not all participants of the Farmers Market program signed and returned the *"Farmers Market Program Bylaws"*. Acceptance of terms and conditions for participating in the farmer's market program is to be established via submission of a signed copy of the Bylaws. Discussions with the Schenley Rink Personnel indicated vendors are slow in responding to the request to turn in the signed copy of the Bylaw. Bylaws were created to establish rules and regulations governing participation in the program. Vendor signature on the bylaws indicates their understanding and agreement to abide by the specific requirements of the program. Bylaws not only provide guidelines/regulations over operations of the Farmer's Market Program but also provide important information on:

- Permitted and prohibited acts and participants responsibilities,
- Penalty for violating any of the provisions of the program and,
- Indemnifies the City and its employees against any liability, claim or other actions arising out of participating in the program.

Recommendations

- Utilize pre-numbered invoices to allow for a formal accounting of payments and tracking of activities of the farmers market program.
- Establish procedures to ensure all participants of the farmer's market program submit a signed copy of the bylaws.

Finding # 6: Meeting Room Permits Not Pre-Numbered

Permits issued for the meeting room rentals are not pre-numbered and receipts are not issued for payments collected. Requests received to rent the facility is noted on a calendar by marking the date and time of the scheduled event. The calendar is then updated as payments are received. Full payments are required before the date of the event. The use of the calendar to keep track of the rental activities does not provide for a complete/adequate record. This also increases the risk that payments may be collected and not deposited into the designated city account especially since receipts are not issued for the payments. Use of pre-numbered documents is a vital internal control measure that provides assurance that all receipts collected for that activity are actually recorded and deposited intact. Existence of such documentation will help in the prevention/early detection of misappropriation and will also provide a solid foundation for reconciliations to be performed.

Recommendation

Implement the issuance of only pre-numbered meeting room permits and create a formal method of tracking payments so that information is clearer and readily available.

Finding #7: Hockey Receipts Not Properly Controlled

The current practice of the Zamboni driver collecting payments from groups that rent the rink facility after operating hours and sliding the payments under the door does not provide adequate assurance that all receipts collected are actually recorded intact. Also, the use of the calendar to track receipt of payments does not provide sufficient audit trail. Sound internal controls dictate all receipts should be adequately safeguarded against loss and/or misappropriation.

Recommendation

Implement a better procedure for collecting payments from groups that utilize the rink for hockey. This is especially important since significant portion of these payments are in the form of cash; 46% in 2012 and 44% in 2013. The department may consider utilizing pre-numbered invoices to ensure all payments are collected from groups that utilized the facility.

Finding #8: Inadequate "No Sale" Procedures

Internal controls over "No Sale" transactions are inadequate. There are no controls in place relating to the "No Sales" procedures to mitigate and prevent misappropriation of funds. Explanations for no sales are not documented and there are no supervisory reviews of these transactions to verify their validity. Our analysis of 2013 activities revealed a total of 118 "*No Sale*" transactions during the months of January to March of 2013 and November-December of the same year. Although these months appear to be the busiest, sound accounting practice dictates reasons for no sales transactions be documented and reviewed to ensure they are valid and not used to manipulate receipts.

Recommendation

- Establish procedures where the reasons for any *"No Sale"* transaction is documented and reviewed.

Finding #9: Cash Payments

About 60% in 2012 and 65% in 2013 of all payments collected by the Rink are in the form of cash. The percentage is even higher for rink admissions; 90% in 2013 and 94% in 2012. Although payments in the form of cash are convenient for customers and it may be impractical to eliminate, cash in its nature is susceptible to misappropriation. In order to lower the risk of loss and/or misappropriation, payments in the form of cash should be minimized.

Recommendation

Consider eliminating acceptance of payments in the form of cash by implementing credit and/or debit card only payment option. This will reduce risk of misappropriation, provide better audit trail and also reduce/eliminate the need for more frequent bank deposits.

Finding #10: Reconciliations

There are no reconciliations performed to agree all revenues collected at the Rink to deposit records and to the city's accounting system to ensure accuracy and allow for early detection of errors and/or irregularities. Performing periodic reconciliation to agree daily and weekly receipt records to validated deposit records and to the accounting system is a good management control practice to ensure accuracy and early detection of errors and/or irregularities. Reconciliations also enhance the usefulness of records generated.

Recommendation

Establish procedures to periodically reconcile validated deposit slips/receipts to daily and weekly revenue reports/records and also to the City's accounting system.

Finding #11: Manually Prepared Documentation

Documents utilized at the Rink are manually prepared. Standard copies of the cash deposit forms, revenue records (tally sheets), mini-golf income reports, meeting room deposits logs and farmer's market invoices are printed and manually completed. Automated/system generated documents establish better audit trail and document management/control.

Recommendation

Provide for greater efficiencies by reducing time and effort to complete documents by implementing a system of generating automated records.

Finding #12: Lack of System Generated Reports

The Cash Registers currently utilized by the Rink to process receipts do not have the capability to generate reports or to track statistical data other than the register tapes. Revenue reports are manually prepared from information on the register tapes. The use of outdated equipment makes it easier for misappropriation to occur and not be detected timely.

Recommendation

Explore the option of upgrading to a more automated cash register system that provides for automated report generation thereby reducing the risk of errors or misappropriation. This will also eliminate the concern on finding #11 documented above.

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

December 8, 2014,

Controller Lamb:

Attached is the Department of Parks and Recreation preliminary response to your office's fiscal review of the Department of Parks and Recreation's Schenley Park Skating Rink. This asset is a vital component in allowing Citiparks to program youth recreational skating, hockey, and special events programs. The funds management processes and procedures have ensured enjoyment for children and families for generations.

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.

We look forward to working with your office as we move forward. We expect to provide a final report regarding our planned implementation of solutions required to address any deficiencies by February 2, 2015.

Please feel free to contact me if you have questions or concerns regarding the responses provided.

Sincerely,

Jim Griffin
Director

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CITY CONTROLLER'S OFFICE

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Department of Parks and Recreation Response to fiscal audit of the Schenley Park Skating Rink

Finding #1: Lack of Written Policies and Procedures

Citiparks acknowledges and concurs with the Auditors' finding and recommendation.

Citiparks lacks written policies or procedures that clearly delineate how rink funds should be managed.

Moving forward, Citiparks now commits to developing written policies and procedures that will allow for the proper management, payment processing, reconciliation and audit of this fund. Citiparks will develop and implement these changes no later than February 1, 2015. These policies will include the following elements:

- Roles and responsibilities for all fund participants
- List of required documentation
- Procedures initiating a refund request
- Procedures for managing documentation process

Finding #2: Access to Receipts and Deposit Records is Not Properly Restricted

Citiparks acknowledges and concurs with the Auditors' finding and recommendation.

Citiparks will restrict access to rink safes to two individuals during any one shift and no more than 4 individuals in total. Citiparks will also purchase and utilize a drop safe that allows only deposits into the safe without allowing access to other assets within.

Finding #3: Inadequate Cashier Controls

Citiparks acknowledges and concurs with the Auditors' finding and recommendation.

Citiparks establish separate access codes for all cash register users to allow for improved controls.

Finding #4: Timeliness of Deposits and Deposit Records Detention

Citiparks acknowledges and concurs with the Auditors' finding and recommendation.

Per the City of Pittsburgh's Department of Finance's Cash Management policy, deposits will be made within 48 hours or the next available business day. In addition, all deposit slips and receipts will be stored in the safe until a quarterly reconciliation with the City's automated record system (JD Edwards) is conducted by Citiparks' Manager of Operations and Administration's staff and results forwarded to the Office of the Controller.

Finding #5: Internal Controls over Farmers Market Program Need to be Strengthened

Citiparks acknowledges and concurs with the Auditors' finding and recommendation.

Citiparks will ensure that all invoices to vendors are pre-numbered and that Citiparks Farmers Market Program Bylaws are endorsed by all vendors by establishing a detailed process for registration, invoicing and payment.

Finding #6: Meeting Room Permits are Not Pre-Numbered

Citiparks acknowledges and concurs with the Auditors' finding and recommendation.

Citiparks will ensure that all meeting room permits are pre-numbered and establish a detailed process for documenting permit applications, invoicing and payment.

Finding #7: Hockey Receipts are Not Properly Controlled

Citiparks acknowledges and concurs with the Auditors' finding and recommendation.

Per the City of Pittsburgh's Department of Finance's Cash Management policy, Citiparks will implement payment management system that mitigates the use of cash payments and eliminates cash payments when cashiers are not present.

Finding #8: Inadequate "*No Sale*" Procedures

Citiparks acknowledges and concurs with the Auditors' finding and recommendation.

Citiparks will establish procedures to minimize, document and review all "*No Sale*" transactions.

Finding #9: Cash Payments

Citiparks acknowledges and concurs with the Auditors' finding and recommendation.

Per the City of Pittsburgh's Department of Finance's Cash Management policy, Citiparks will implement payment management system that mitigates the use of cash payments.

Finding #10: Reconciliation

Citiparks acknowledges and concurs with the Auditors' finding and recommendation.

As in Finding #4, Citiparks will conduct a quarterly reconciliation or Schenley Park Rink transactions with the City's automated record system (JD Edwards) by Citiparks' Manager of Operations and Administration's staff and results forwarded to the Office of the Controller.

Finding #11: Manually Prepared Documentation

Citiparks acknowledges and concurs with the Auditors' finding and recommendation.

Citiparks will minimize the use of manually prepared documentation by working with DPW and Citiparks staff to develop automated forms and reports which tabulate receipts, permits, invoicing and payments.

Finding #12: Lack of System Generated Reports

Citiparks acknowledges and concurs with the Auditors' finding and recommendation.

Citiparks will look to migrate to a Point of Sale system that provides for automated report generation and reduces the risk of errors or misappropriation.