

**Report of Gleason & Associates, P.C.**

**Comprehensive Review of City of Pittsburgh Cash  
Management Activities and Internal Controls**

**Prepared on Behalf of the Intergovernmental Cooperation  
Authority for Cities of the Second Class**

**December 27, 2013**

December 27, 2013

Nicholas D. Varischetti, Esquire  
Chairman

Henry Sciortino  
Executive Director

Intergovernmental Cooperation Authority of Pittsburgh  
Four North Shore Center  
106 Isabella Street  
Suite 105  
Pittsburgh Pa 15212

**Re: Report of Gleason and Associates - Consulting Services to the Intergovernmental Cooperation Authority of Pittsburgh - Comprehensive Review of City of Pittsburgh Cash Management Activities and Internal Controls**

Dear Messrs. Varischetti and Sciortino:

At your request, my firm has performed certain consulting procedures designed to examine the City of Pittsburgh's ("City") cash management policies and procedures, and to evaluate the adequacy of the City's internal controls over cash handling activities. Our work, which was performed on behalf of the Intergovernmental Cooperation Authority of Pittsburgh ("ICA of Pittsburgh") and in conjunction with the City Controller's Office, focused on the following City Departments and Bureaus:

1. Department of Parks and Recreation
2. Department of Public Works
3. Department of City Planning
4. Department of Public Safety – Bureau of Building Inspection
5. Department of Finance

For each of these Departments/Bureaus listed above, enclosed please find detailed reports that document the tasks performed and information reviewed during our analysis, and which present

Mr. Nicholas D. Varischetti  
Mr. Henry Sciortino  
December 27, 2013  
Page 2

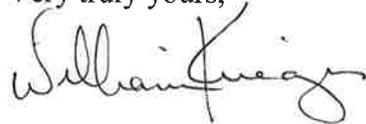
our recommendations for improvements in the City's internal controls over cash handling activities.

Please note that the scope of this consulting engagement was to provide a comprehensive review of the City'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 analyses and recommendations, we would be pleased to discuss them at your convenience.

Thank you again for the opportunity to be of assistance to the ICA of Pittsburgh.

Very truly yours,



William G. Krieger  
Managing Director





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 Parks and Recreation**

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

At your request, we have performed certain consulting procedures designed to assess the adequacy of the City of Pittsburgh's ("City") Department of Parks and Recreation ("Citiparks") cash management practices. This report is organized into the following sections:

- I. Background
- II. Objectives of the Engagement
- III. Tasks Performed and Information Reviewed
- IV. Analysis of Citiparks cash management practices, policies and procedures
- V. Summary of Observations and Recommendations
- VI. Conclusion

**I. Background**

Citiparks offers an array of recreational activities, facilities and community events designed to "enhance the quality of life for the people of Pittsburgh."<sup>1</sup> Some examples include community concerts and festivals, tennis facilities, swimming pools, recreational facilities, and an ice skating

---

<sup>1</sup><http://pittsburghpa.gov/citiparks/welcome> (Accessed June 11, 2013).

facility, among others.<sup>2</sup> While many of the activities are maintained using financial resources provided by the City of Pittsburgh, some programs are supplemented with revenue provided by the participant activity fees, or event sponsors. The following is a listing of the entities within Citiparks that are not solely funded by the City of Pittsburgh:<sup>3</sup>

- Tennis – The Citiparks Tennis Program offers lessons, summer camps, and tennis tournaments. Residents may access the tennis court at the Mellon Park Tennis Center (which is open year-round), regional tennis courts located in Highland, McKinley, Mellon, Schenley and Allegheny Commons Parks, and the additional 50+ courts in neighborhood parks and playgrounds.<sup>4</sup>
- Frick Park – The Frick Park Environmental Center provides residents with the opportunity to learn more about Pennsylvania’s natural plants and habitats through staff-led nature programs. The majority of the programming stems from day camps offered to local schools or other summer programs. This 151 acre reserve also offers an adult survival workshop and other family programs such as night hikes.<sup>5</sup>
- Schenley Rink – During the winter months, the Schenley Park Skating Rink offers a variety of lessons and open skate nights as well as the ability for people to rent the facility ice during certain hours for private use. During the summer, the rink offers a miniature golf course. The Schenley banquet and meeting room is available for rent year-round. Finally, the Schenley Rink operates a series of Farmer’s Markets which are held in seven city locations where people can purchase a wide-variety of farm fresh products.<sup>6</sup>
- Aquatics – Citiparks operates eighteen outdoor swimming pools as well as the indoor Oliver Bath House. Citiparks also offers swimming lessons and water aerobics, which are held at outdoor pools during the summer months and at the Oliver Bath House during the other seasons of the year.<sup>7</sup>
- Big League Program – The Citiparks Big League Program is a partnership between Citiparks, Pirates Charities and the Pittsburgh Penguins. The program offers recreational programming for children within Pittsburgh neighborhoods and includes sports such as hockey, softball, baseball, soccer and other team sports.<sup>8</sup>

---

<sup>2</sup> Citiparks Summer Magazine - 2013.

<sup>3</sup> Based on discussion with Pete Jackson and confirmed through individual meetings with Citiparks employees as noted in Section III.

<sup>4</sup> Citiparks Summer Magazine – 2013, pp. 24-25 &40-41.

<sup>5</sup> Citiparks Summer Magazine – 2013, pp. 46-47.

<sup>6</sup> Citiparks Summer Magazine – 2013, pp. 33 and 45.

<sup>7</sup> Citiparks Summer Magazine – 2013, pp. 36-38 and 59.

<sup>8</sup> Citiparks Summer Magazine – 2013, pp. 26-27.

- Great Race/Other Community Races – Each year Citiparks hosts the City of Pittsburgh Great Race, which is a 5k and 10k run through the streets of downtown Pittsburgh. In addition, Citiparks works in conjunction with other communities to assist with other local races including the Greenfield Glide, Riverview Park 5K Run and Fitness Walk, Brookline Breeze 5K Run and Fitness Walk, and the Run Around the Square in Frick Park.<sup>9</sup>
- Community Centers – There are ten community centers in the City of Pittsburgh. These centers organize leagues for people to play competitive sports including basketball, archery, flag football, soccer, and volleyball. The centers also offer other activities including after school tutoring, dance, fitness classes, movie nights, summer trips and talent shows to name a few. Though these centers focus mostly on the youth of the communities, adults are also able to participate in a number of these activities.<sup>10</sup>
- Community Events – Citiparks manages numerous community events each year which are free to the general public and supported mostly through sponsorships from outside entities. Some of these events include the Stars at Riverview Jazz Series, the Mellon Square Concert Series, and the Reservoir of Jazz Program. The Bach, Beethoven and Brunch program offers classical music and breakfast to those gathered in Mellon Park. Finally, seven different city parks offer the Cinemas in the Park Series.<sup>11</sup>
- Senior Community Centers – The City of Pittsburgh manages programs at fourteen Senior Community Centers, twelve of which are the responsibility of Citiparks (the other two are the responsibility of the Housing Authority). These community centers offer opportunities to residents aged sixty and older for healthy active independent living. Programs include nutrition (partially through a lunch program), wellness and recreation, socialization, transportation, and an extensive network of information and referral services. Outreach programs have provided professional legal advice, and during City emergencies or days of extreme heat or cold, these centers provide shelter for City residents.<sup>12</sup>

## II. Objectives of the Engagement

The objectives of our engagement were to:

1. Analyze and assess the Citiparks' cash management practices, policies and procedures;

---

<sup>9</sup> Citiparks Summer Magazine – 2013, pp. 18-23.

<sup>10</sup> Citiparks Summer Magazine – 2013, pp. 42-44.

<sup>11</sup> Citiparks Summer Magazine – 2013, pp. 6-11.

<sup>12</sup> Citiparks Summer Magazine – 2013, pp. 30-32.

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 improvements.

### III. Tasks Performed and Information Reviewed

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

1. Discussed the objectives of the engagement with various representatives from the City's Controller's Office, Finance Department, and City Council.
2. Reviewed and analyzed the documents received in connection with this engagement and performed independent research of publically available documents.
3. Conducted interviews of the following Citiparks personnel:<sup>13</sup>
  - a. Administration
    - i. Louann Horan - Acting Director
    - ii. Pete Jackson - Grant Accountant
    - iii. Jim Krashna - Recreation Supervisor
  - b. Tennis
    - i. Matt DelRaso - Administrative Aid
  - c. Frick Park
    - i. Lydia Konecky - Park Naturalist
    - ii. Patty Himes - Park Naturalist
  - d. Schenley Rink
    - i. Mirella Ranallo - Skating/Market Supervisor
    - ii. Joanne Mercuri - Rink Attendant, PT
    - iii. Brian Batko - Skating Rink/Markets Leader
  - e. Aquatics
    - i. Shelley Terlecki - Aquatics Supervisor
    - ii. Lona Arlia - Program Coordinator Three
    - iii. Arlene Hanna - Head Guard
  - f. Big League Program

---

<sup>13</sup> Refer to section IV for more details on the strategy of meetings.

- i. Michele Aul – Recreation Leader One
  - g. Great Race/Other Community Races/Community Events
    - i. Brian Katze - Program Coordinator Three
  - h. Community Centers
    - i. Timothy Ishman - Assistant Director - Recreation
    - ii. Monica Williams - Ormsby Center Director
  - i. Senior Community Centers
    - i. Dick Skrinjar - Assistant Director – Senior Program
4. Observed relevant sample documents provided during the course of the aforementioned interviews.

#### IV. Analysis of the Department of Parks and Recreation Cash Management Practices, Policies and Procedures

We initially interviewed Pete Jackson at the City County Building to understand the overall organization of Citiparks, and the various entry points of external funding into Citiparks. Fund entry points occur in the following sub-divisions within Citiparks: Tennis, Frick Park, Schenley Rink, Aquatics, the Big League Program, the Great Race and other Community Races, Community Centers, and Community Events.<sup>14</sup>

Each sub-division has a different team of employees and supervisors which help to operate and manage these programs, collect all appropriate funds and either deposit the funds or pass them along with evidence of the receipt of revenue onto Pete Jackson, Grant Accountant or the Acting Director, Louann Horan. In those cases, Mr. Jackson and Ms. Horan then pass the funds onto the Finance Department for deposit. To obtain an understanding of the processes and procedures within each sub-division of Citiparks, we met with each of the supervisors and other relevant personnel within those sub-divisions who have cash handling responsibilities.

#### Tennis<sup>15</sup>

The tennis program is currently managed by Matt DelRaso. While there are over 50 tennis courts in the jurisdiction of the City of Pittsburgh, only two locations provide revenue to

---

<sup>14</sup> More information about these programs is found within the Background section of our report. The Senior Community Centers do not collect revenue on behalf of Citiparks and instead have non-City of Pittsburgh bank accounts which hold funds received from funding by the advisory council members at each Center. These funds are utilized by the Senior Community Centers to hold future programming but are not City of Pittsburgh funds. As a result, the Senior Community Centers are outside the scope of our report.

<sup>15</sup> Information in this section is based on discussions with Matt DelRaso, Pete Jackson and Louann Horan.

Citiparks: Mellon Park Tennis Center (otherwise known as the “Bubble”) and Schenley Park Tennis Courts.

The Bubble is open year-round and generates revenue by renting each of the tennis courts to the general public. Year round, the courts can be rented through reservation as “permanent time” in which an individual may reserve the courts at a particular time each week.<sup>16</sup> Additionally, when permanent time is not scheduled, walk-up customers may rent the courts under what is called “occasional time”. Citiparks also offers tennis clinics and allows instructors to rent the courts for private lessons.

All permanent time and private lesson payments are mailed to the Citiparks office at the City County Building in the form of check or money order. A secretary opens the mail and delivers it to Mr. DelRaso. Mr. DelRaso creates a Word document for each customer and uses that document to create receipts and track payments. Mr. DelRaso sends a receipt to the customer and gives a copy of the check/money order and receipts to Ms. Horan along with the customer’s payment.

Occasional time is scheduled no more than a week in advance and may be scheduled the same day that a person would like to play. As a result, payments are made “in person” at the Bubble and collected by a center employee. The majority of these payments are made in cash, though checks or money orders are also accepted. The tennis clinics may be paid for each day or on a pre-pay basis. Tennis Clinic cash receipts are handled in a similar manner to the occasional time payments. All payments are accepted using a cash register and one copy of the receipt is given to the customer while the other copy is kept by the center employee. A daily tally sheet is kept by the center employee as payments are received. At the end of the day, this sheet, as well as the funds received, the receipts, and the cash register tape are filed away in a safe until the end of the week when Mr. DelRaso delivers the packages from all five days to Ms. Horan at the City County Building.

The Schenley Park Tennis Courts hold tennis camps between June and August each year, and allow participants to register ahead of time. Participants mail their registration forms along with payment, only in the form of check or money order, to the Biddle Building (which is the office located in Frick Park). Day registration is also permitted but cash is not accepted. Jose Mieres is the main supervisor for these camps and his office is located in the Biddle Building. Mr. Mieres or one of the Tennis Instructors copies each check or money order and registration form and files the forms, as well as the checks or money orders, into a filing cabinet at the Biddle Building. In prior years, the registration forms, checks, and money orders were picked up at the end of the year by Mr. DelRaso. In August of 2012, it was determined that these checks should not be held for such a long period of time, therefore Mr. DelRaso began to pick up the money more frequently. Mr. DelRaso tallies the total revenue for the week and delivers these funds to Mr. Jackson at the City County Building.

---

<sup>16</sup> The majority of permanent time occurs from October through April.

Once Ms. Horan and Mr. Jackson receive the money from the tennis program, they enter the financial information into an Excel tracking ledger, create a deposit slip and hand deliver the cash, checks and money orders to the Finance Department. The Finance Department then deposits the funds into the Citiparks Tennis bank account and enters the information into the JD Edwards system. Ms. Horan and Mr. Jackson then receive a copy of the deposit receipt back from the Finance Department and file that receipt along with a copy of the registration forms, checks/money orders, and receipts in a filing cabinet at the City County Building. Quarterly, Mr. Jackson will verify that his tracking spreadsheet matches up with the JD Edwards system.

### **Frick Park**<sup>17</sup>

The Frick Environmental Center obtains revenue through nature programs that Lydia Konecky, Patty Himes and Mike Cornell operate at the Frick Woods Nature Reserve. All programs may be paid for ahead of time by sending a check or money order to the Frick Environmental Center. Day-of-the-activity payments are also accepted in the form of cash (rarely), check or money order. These funds are then attached to the registration form for each customer and stored in a filing cabinet. In addition, when a check is received, it is restrictively endorsed by the staff on hand.

Approximately every two weeks, one of the supervisors takes all checks, money orders and cash to the City County Building to give to Mr. Jackson. At this point, Mr. Jackson enters the financial information into an Excel tracking ledger, files a copy of the check or money order and registration forms into a filing cabinet, and prepares the deposit slip. He gives the funds and the deposit slip to the Finance Department which deposits the funds into the proper bank account and enters the information into the JD Edwards system. Mr. Jackson receives a copy of the deposit receipt from the Finance Department and files the copy that with the other documents. Quarterly, Mr. Jackson will verify that his tracking spreadsheet matches up with the JD Edwards system.

### **Schenley Rink**<sup>18</sup>

Mirella Ranallo is the supervisor of the Schenley Rink and the Farmer's Markets program operated by the Schenley Rink personnel. Revenue is earned through open ice skating, rental of the ice rink space, rental of the Schenley banquet and meeting room, miniature golf in the summer, and through payment by vendors to participate in the Farmer's Markets.

Ice Skating is open to the general public during the winter months and payments are collected for entrance fees, skate rentals and sharpening. While check or money order is accepted, most of the patrons pay with cash at the front window of the Schenley Rink office. Every customer is given a receipt which is collected by the attendant before entering the area by the skating rink. In

---

<sup>17</sup> Information in this section is based on discussions with Lydia Konecky, Patty Himes, and Pete Jackson.

<sup>18</sup> Information in this section is based on discussions with Mirella Ranallo, Joanne Mercuri, Brian Batko and Pete Jackson.

addition, each payment is recorded on a daily tally sheet. The money is then moved to the safe at Schenley Rink.

When open skating is not available, different groups are able to rent out the ice skating surface.<sup>19</sup> For new groups interested in renting rink time, Ms. Ranallo will require that a check is mailed to the Schenley Rink ahead of time to reserve a spot on the schedule. Other groups that rent the space often will pay after they utilize the space by sending a check or money order to the Schenley Rink office. These payments are put into the safe on site daily and included on the daily tally sheet.

For the hockey rentals, at the end of each night, the hockey players pay for that evening's rental which is always \$75. Usually payments are made in cash. As these events are often late in the evening, no Schenley staff is on hand and therefore the cash is given to the Zamboni driver who puts the money in an envelope and slides it under the locked closet door in the interior of the Schenley office. The next morning one of the office members who has the safe key (Ms. Ranallo, Ms. Mercuri, or Mr. Batko), will lock up the cash within the safe on site. This rental income is then added to that day's tally sheet.

Mini golf is open to the general public during the summer months. These payments are handled in the same manner as the ice skating revenue and are also recorded on a daily time sheet. This money (mostly cash) is moved from the cash register to the safe at the end of each day.

The Schenley banquet and meeting room is available for rental during the year. Payments are made in advance by sending in a registration form and check or money order to the Schenley Rink. This money is put directly into the safe at Schenley Rink once received and included on the daily tally sheet.

Finally, the Farmer's Market is run through the Schenley Rink. There are seven locations that have Farmer's Markets and the vendors pay Citiparks to operate a stand at each market. This payment is made at the end of the year and is required to be mailed to the Schenley Rink in the form of a check or money order. This money is included on a daily tally sheet, and then put directly into the safe at Schenley Rink.

At the end of each day, the daily tally sheet is reconciled to the cash register tape for the ice skating and mini golf revenues. In addition, the receipts that were given to the attendant for these activities are also reconciled against the tally sheets. For the other activities, the daily tally sheet is reconciled against the total of the cash, checks and money orders. Twice a week, Ms. Ranallo takes the money in the safe to the local Citizen's Bank branch and deposits it. After deposit, a deposit slip will be attached to each tally sheet and reconciled once again to verify that the deposit and funds received match. On a weekly basis, Ms. Ranallo drops off a copy of the deposit slips, tally sheets, and copies of checks/money orders to Mr. Jackson at the City County

---

<sup>19</sup>Such groups include figure skating groups, instructors for private lessons, or even hockey teams for pick-up games or practices.

Building. Mr. Jackson enters the financial information into an Excel tracking ledger and files the control documents in his filing cabinet. He then passes the record of the deposit onto the Finance Department which enters information into the JD Edwards system. Quarterly, Mr. Jackson verifies that his tracking spreadsheet matches up with the JD Edwards system.

### Aquatics<sup>20</sup>

The aquatics program is run by Shelley Terlecki and has its main office on Ridge Avenue on the North Shore. The aquatics program collects revenue through the sale of pool tags, and fees for water aerobics and lessons.

The 18 outdoor swimming pools and Oliver Bath House require that residents buy a pool tag to access the pool. Pool tags, which are valid for a year from June through May or can be bought daily, may be purchased at the swimming pools or at the City County Building. The pool tags bought at the pools are usually purchased with cash, though checks or money orders are also accepted. The tag purchase is completed by a cashier at the front of the pool entrance. Each cashier records the purchase and the pre-numbered pool tag number on a daily tally sheet and collects a registration form from each patron. At the end of the day, a cashier and the head guard reviews the contents of the register and compares it to the total cash register tape and tally sheet for the day. The regional manager assigned to that pool<sup>21</sup> will also verify that the amount of money, cash register tape and tally sheet are equal. The manager then takes the funds to the local bank for deposit. In some cases, if a pool is very busy, the regional manager can make a mid-day deposit as well, though at the four highest attended sites (Highland, Moore, Schenley, and Magee), the cashiers (as opposed the regional manager) are escorted to the bank by police at 3:30 pm, Monday through Friday.

Once the regional manager or cashier finalizes the deposit, the deposit slip is returned to the Aquatics office along with the tally sheets, register tape, and registration forms. These forms are reconciled against the deposit support by an Aquatics supervisor, before ultimately being taken to the City County Building and given to Mr. Jackson. Mr. Jackson enters the financial information into an Excel tracking ledger and gives the deposit receipt to the Finance Department which enters information into the JD Edwards system. Quarterly, Mr. Jackson verifies that his tracking spreadsheet of all aquatics revenues matches up with the deposits recorded in the JD Edwards system.

The pool tags that are purchased at the City County Building can be purchased with cash, check or money order and are handled by two city employees, usually from the community events staff. The pool tag money is kept in a cash register for the day, and a similar process of recording on tally sheets and reconciling the totals at the end of the day is completed. The money collected at the City County Building is given directly to Mr. Jackson and stored in a safe within his office.

---

<sup>20</sup> Information in this section is based on discussions with Shelley Terlecki, Lona Arlia, Arlene Hanna, and Pete Jackson.

<sup>21</sup> There are four regional managers. Each one is assigned to certain pools in order to pick up funds for deposit at the end of each day.

The next day, Mr. Jackson then enters the financial information into an Excel tracking ledger and gives the money along with the deposit slip to the Finance Department which makes the deposit and enters information into the JD Edwards system.

To purchase water aerobics or swimming lessons, a pool location payment must be made by a check or money order. All checks are restrictively endorsed and a copy of the check or money order is attached to the registration form. These sales are then recorded in a spreadsheet at the pool location. At the end of the day, the office clerk reconciles the totals on the spreadsheet by pool for the amount of checks and money orders received that day. The Pool Office Staff sends these funds to Mr. Jackson who gives the money along with the deposit slip to the Finance Department. The Finance Department in turn makes the deposit and enters information into the JD Edwards system.

### **Big League Program**<sup>22</sup>

Michele Aul coordinates the Big League Program and operates the program out of the office in McKinley Park. All league fees for this program are remitted in the form of a check or money order. All checks are restrictively endorsed when received, a copy of the check or money order is made and attached to the registration form, and then stored in her locked desk on site. For the softball and baseball leagues, Ms. Aul deposits the money at the local PNC Bank in a non-City of Pittsburgh account.<sup>23</sup> This money is used to pay the Umpire Association.

For the non-softball and non-baseball leagues, Ms. Aul locks and accumulates the checks and money orders at her desk and once or twice per each activity season, Ms. Aul or other Big League Program staff deliver the money and the registration forms to Mr. Jackson at the City County Building. At this point, Mr. Jackson enters the financial information into an Excel tracking ledger, files a copy of the check or money order and the registration forms and prepares the deposit slip, which is given along with the checks and money orders to the Finance Department. The Finance Department deposits the funds and enters the information into the JD Edwards system. Quarterly, Mr. Jackson verifies that his tracking spreadsheet matches up with the JD Edwards system.

### **Great Race/Other Community Races**<sup>24</sup>

Brian Katze is the Manager of many of the community events run by Citiparks, including the Great Race and four other community races (the Greenfield Glide, Riverview Park 5K Run and Fitness Walk, Brookline Breeze 5K Run and Fitness Walk, and the Run Around the Square). These races generate revenue from participant registrations as well as third party sponsorships.

---

<sup>22</sup> Information in this section is based on discussions with Michele Aul and Louann Horan.

<sup>23</sup> This PNC Bank account is owned by the Big League Umpire Association "BLUA" which is the non-profit group that handles the umpires association.

<sup>24</sup> Information in this section is based on discussions with Brian Katze and Pete Jackson.

All Great Race registrants must sign up for the race through Active.com, though there are some registrants who receive a printed form upon request and mail it to the City County Building.<sup>25</sup> Only checks or money orders are accepted in that manner. Every two weeks, Active.com sends a check to the City County Building for the amount of the participant registration dollars from those who signed up in the previous two weeks. Once these checks are received at the City County Building, Mr. Katze will make a copy of the check and file it in that year's City Source Binder. For the first 6,000 entrants, the check that is sent to Citiparks is made out to a third party entity named City Source Associates which holds the Great Race dollars for the initial portion of the sign-ups. Great Race sponsorship checks are also received in the mail at the City County Building and are made payable to City Source Associates. City Source Associates deposits the funds into an account on behalf of the Great Race. This is a non-City of Pittsburgh account. This account is used (as opposed to a City of Pittsburgh account) because it is quicker to pay expenses out of this account during the pre-race time period than it would be using the City of Pittsburgh General Fund account.<sup>26</sup> A copy of the check is filed into the City Source Associates binder and Bill Schmidt (a City Source Associates employee) goes to the City County Building and picks up and then deposits the funds into their account earmarked for the Great Race.

After the first 6,000 entrants into the race, Mr. Katze or Mr. DelRaso (who also helps with some of the community events) will go into the Active.com system and change the target of the checks from City Source Associates to "Treasurer, City of Pittsburgh". Consequently, all of the checks received from Active.com from this point forward are made out to "Treasurer, City of Pittsburgh". These checks are once again copied and filed. One of the Community Event Office Staff members then gives any Active.com checks to Mr. Jackson. Mr. Jackson enters the financial information into an Excel tracking ledger, prepares the deposit slip and gives the slip and checks to the Finance Department, who then deposits the funds and enters the information into the JD Edwards system. Quarterly, Mr. Jackson will verify that his tracking spreadsheet agrees to the JD Edwards system.

For the other races, Citiparks simply aids those communities in the accumulation of registration and sponsorship money and ultimately passes the money onto those communities. For the Greenfield Glide and Riverview Park races, all pre-race registration and sponsorship dollars are mailed to the City County Building, but the checks or money orders are all made out to the respective community and not the City of Pittsburgh. The Greenfield Glide checks and registration forms are delivered by a Citiparks employee to the Greenfield office while the Riverview Park race registration forms and checks are delivered on a monthly basis to the Treasurer of Observatory Hill, Inc. For the other two races, all pre-race registration is done through Active.com and all sponsorships are directly mailed to that entity (and therefore Citiparks does not handle any of the money).

Citiparks also helps collect race day registrations and payments, which are mostly in the form of cash or check (between \$1k and \$2k for each race). At least one Citiparks employee is on hand

---

<sup>25</sup> Approximately 50 out of 15,000 registrants each year will mail a printed form to the City County Building.

<sup>26</sup> This account was authorized by City Council to be used to manage funds for this race.

along with other volunteers to collect the race day funds. At the end of registration for the event, Tim Ishman collects the cash box and registration forms and puts it in the trunk of his car until the clean-up for the race has begun. At this point, Tim brings the money into the office and locks it in his office. The next day Mr. Katze and another individual count the money. Mr. Katze then takes the cash received to the bank and has it converted into a cashier's check. This cashier's check is mailed along with the checks received on race day to the respective community group.

### Community Centers<sup>27</sup>

The community centers are supervised by Jim Krashna, but there is a local director for each individual community center (except Ammon) who handles the daily activities and deposits at that community center. The centers receive their revenue from daily programming at the center, and center rentals. Five of the centers do not charge for any programming while one of the centers (Ammon) is not available for rental. The West Penn facility is the center which is most often rented and the Ormsby, Brookline and Phillips centers are the busiest from a programming standpoint.

Payment for the rental is mailed or hand delivered to the center in the form of a check or money order (payable to Treasurer, City of Pittsburgh). This payment is kept in the safe at each center. Every two weeks, Jim Krashna stops by each community center and picks up any rental revenue. He then takes the check or money order to Mr. Jackson who enters the financial information into an Excel tracking ledger prepares a deposit slip and gives the rental check along with the slip to the Finance Department. The Finance Department makes the deposit and enters the information into the JD Edwards system. Quarterly, Mr. Jackson will verify that his tracking spreadsheet matches up with the JD Edwards system.

Since January 2013, no cash is accepted at the centers, and the centers no longer sell concessions at their locations. Instead, centers only receive revenues from programming such as youth sports and similar activities. Each of the community centers has their intricacies, but in general, program revenue is collected during the sign-up period for each event along with a registration form. Some of the community centers, such as the Ormsby Center, use a system called Rec Pro and enter the information from each program registration form into the system.<sup>28</sup> These centers print a receipt out of the Rec Pro system which is given to the customer and a copy is also maintained. This copy is attached to a copy of the registration form and check or money order and is maintained in a filing cabinet at each center. The actual check or money order is locked in a safe at the community center. The centers which do not use the Rec Pro system maintain a

---

<sup>27</sup> Information in this section is based on discussions with Tim Ishman, Monica Williams, and Pete Jackson. Due to the fact that each community center has small intricacies of how it is run and what is done with the cash, we visited the Ormsby Community Center and met with Monica Williams. In addition, we had phone conversations with Mickey Underwood (Brookline) and Steve Weis (Phillips) in order to gather information about the other two busiest centers.

<sup>28</sup>The Finance Department has access to this system and can view programming revenue information from each center that enters information into Rec Pro.

copy of the registration form and check or money order for each registrant. At least once per week (and sometimes more often) each center director deposits the checks and money orders into the local City of Pittsburgh account assigned to that community center. This money is utilized by each center to pay for center specific expenses as they arise.

On a monthly basis each community center gives a copy of all registration forms, checks and money orders, any Rec Pro receipts, and bank statement copies to Jim Krashna at the Wightman Building. Jim takes all of the community center information to the City County Building and delivers it to the Finance Department which enters it into the JD Edwards system.

### Community Events<sup>29</sup>

Brian Katze is responsible for managing the majority of the community events. Though the community events such as Cinemas in the Park, the Stars at Riverview Jazz Series, the Mellon Square Concert Series, the Reservoir of Jazz Program and the Bach, Beethoven and Brunch programs are free to the general public, Citiparks still receives sponsorship money for these events. These payments are in the form of checks sent directly to the City County Building. These checks are copied and maintained by Mr. Katze and then given to Mr. Jackson. Mr. Jackson enters the financial information into an Excel tracking ledger, prepares a deposit slip, and gives the slip and all checks to the Finance Department which deposits the funds and enters the information into the JD Edwards system. Quarterly, Mr. Jackson will verify that his tracking spreadsheet matches up with the JD Edwards system.

## V. Summary of Observations & Recommendations<sup>30</sup>

### 1. Funds are not maintained in a secure location outside of normal business hours

An entity must control physical access to valuable information or assets (especially cash) by restricting the ability for people (including employees) to have unauthorized access to these resources. This control can be achieved simply by locking doors, desks, and filing cabinets; storing money and valuables within a safe or lock box; having security cameras installed on the premises, and; utilizing passwords and ID cards to enter certain restricted areas. Controlling physical access can not only function as a physical deterrent to fraudsters, but also sends a strong message of security, which could cause them to think twice about committing fraud.<sup>31</sup>

While we believe that the use of physical security measures (safes, security cameras, etc.) is an ideal method of protecting assets, we understand that it may not be financially

<sup>29</sup> Information in this section is based on discussions with Brian Katze and Pete Jackson.

<sup>30</sup> Please refer to Appendix 1 for a Recommendation Matrix.

<sup>31</sup> Information in this paragraph is from the following website:  
<http://www.aicpa.org/Interest.Areas/ForensicAndValuation/Resources/FraudPreventionDetectionResponse/Pages/Internal%20Controls%20and%20Fraudproofing.aspx?action=print> (Accessed May 2, 2013).

feasible to use such controls in every location. In lieu of such physical security controls, we believe that requiring more timely deposits of cash is a method that should be employed to reduce the risk of misappropriation. For those Citiparks locations that are unable to deposit funds on a daily basis, we recommend the addition of extra physical security measures.

**Recommendation:** The Big League Program office at McKinley Park and the Tennis camp office at the Biddle Building should install a safe to hold funds in between deposits. Likewise, a safe should be installed at the Frick Park Environmental Center to protect funds in between deposits. If funds are not available for these security measures, then each location should make more frequent deposits (preferably daily, but no less than weekly) to counteract the lack of physical access controls.

**Recommendation:** For the community races, the cash received for race day registration should be immediately transferred to a location with a safe or secured lock box, such as at the City County Building, rather than initially keeping the funds in the trunk of a car.

2. **Funds are received directly from patrons without the use of a cash register or other point of service record-keeping system**

Cash is received at Frick Park without the use of a cash register or other accepted methods of cash record keeping. In addition, checks and money orders are also accepted at Frick Park as well as the Big League office and the Community Centers without the use of a cash register or other accepted method of cash record keeping.

**Recommendation:** All collections of Citiparks funds from customers should be done using a cash register or cash box and a receipt should be given to the customer as well as one maintained for Citiparks records. This receipt can be used to compare to deposits as a supervisory control. If Citiparks is unable or unwilling to improve these controls, then cash should no longer be accepted at Frick Park, and any checks or money orders collected at these locations should be locked in a safe or secure location immediately upon receipt.

3. **A non-City of Pittsburgh bank account exists into which City of Pittsburgh funds are deposited**

For its softball and baseball programs, the Big League Program makes deposits into and writes checks out of an account not owned by the City of Pittsburgh. The handling of this non-City of Pittsburgh account by City-employed personnel occurs to improve the timeliness of payments to the Umpire Association.

**Recommendation:** The funds within this account should be transferred into a City of Pittsburgh account and the non-City of Pittsburgh account should be closed. City

employees should not be handling non-City accounts as part of their ongoing job responsibilities.

For entry fees received from the first 6,000 entrants into the Great Race and Great Race sponsorships, the funds are deposited into a non-City of Pittsburgh account under the management of City Source Associates. As a result, City of Pittsburgh funds are being operated by a non-City of Pittsburgh entity. The use of this non-City of Pittsburgh account occurs to improve the timeliness of the payments and well as allow for larger dollar thresholds of payments to the Great Race vendors.

**Recommendation:** Controls over this account should be consistent with cash management controls over other City accounts, including ensuring that daily reconciliations (matching every deposit and withdrawal to receipts) are performed and reported to City employees responsible for the event. Alternatively, the funds within this account could be transferred into a City of Pittsburgh account and the non-City of Pittsburgh account closed. However, this change must be coupled with an increase in the explanatory expense limits (which are currently limited at \$2,000) or enhanced payment processing procedures that ensure timely payments to the vendors.

#### 4. Lack of controls to prevent cash skimming

“Cash, above all other local government assets, has the greatest potential for theft if a system of internal controls is not in place and functioning effectively.”<sup>32</sup> A major risk when an organization collects cash is that some of the cash that is collected is not recorded. As a result, during supervisory review, it is impossible to recognize that misappropriation has occurred. This is called “skimming”. A first step in preventing this is to have more than one employee running a cash collection booth or cash register. This prevents one individual from acting unethically without the other one also being aware of the acts. The Aquatics and Bubble occasionally have more than one person running the cash collection area, but going forward it should be required. Duplicate receipts also provide a trail for cash received whenever other means are not possible.<sup>33</sup>

**Recommendation:** A receipt system should be utilized for all Tennis Bubble "occasional time" sales and pool tags sales. A receipt should be given (or at least offered) to every customer. This prevents a transaction from occurring without utilizing the cash register. At the end of the day, a supervisor could then do a three way match between the total amount of receipts recorded within the cash register, the daily revenues listed on the tally sheet, and the total cash, checks, or money orders included in the cash register. The Schenley Rink currently uses a similar control process.

---

<sup>32</sup> “The Practice of Internal Controls – Local Government Management Guide,” Division of Local Government and School Accountability, Office of the New York State Comptroller, October 2010, p 4.

<sup>33</sup> “The Practice of Internal Controls – Local Government Management Guide,” Division of Local Government and School Accountability, Office of the New York State Comptroller, October 2010, p 5.

**Recommendation:** Because the pool uses pre-numbered pool tags, the supervisor should perform a daily check to verify that there are no gaps in pool tag numbers within the tally sheet. In general, this control prevents the cashier from being able to misappropriate cash without recording it.

At Frick Park, checks and money orders are accepted for payment the majority of the time but on rare occasions cash is still accepted.

**Recommendation:** Frick Park should make it a policy to no longer accept cash for any of its programming.<sup>34</sup>

5. Risk of checks being endorsed fraudulently

For the sub-divisions that handle no cash, but instead receive checks or money orders, there is still a risk that checks can be misappropriated and endorsed fraudulently. Checks received at the Tennis Bubble, the Tennis Center at Schenley, the Schenley Rink, and the Community Centers are not restrictively endorsed upon receipt.

**Recommendation:** All checks that are received should be stamped "For Deposit Only - Payable to the City of Pittsburgh" endorsement immediately upon receipt.

6. A system which allows credit or debit payments would lessen the risk of misappropriation

The use of a credit card or debit card system would reduce the amount of cash being accepted at locations and also provide a more traceable source of funding outside of cash, check, or money order. In addition, it lessens the risk of misappropriation of the physical tender. Eventually all locations should be equipped to utilize a credit or debit card system, but initially the locations that receive funds outside of the City County Building should be equipped with credit or debit card capabilities. These locations have the most customer interaction and also have a longer cash handling process than the funds received at the City County Building which intensifies the risk of misappropriation. This would also reduce the amount of funds that need to be deposited or stored on location which lessens the risk that physical access controls are unsatisfactory.

**Recommendation:** A credit and/or debit card system should be installed at the Tennis locations, the Schenley Rink, each of the city pools, Frick Park, the Big League office, and each of the Community Centers. The use of a credit and/or debit card system paired with Active.com would also be especially helpful for the Great Race funds as it would

---

<sup>34</sup>As noted in recommendation number 6, installing a credit/debit card system would be helpful to Frick Park. It could also help mitigate the adverse effect on customer service that may occur from eliminating the cash payment option.

allow for more timely and simplified receipt of funds and perhaps ultimately less reliance on City Source Associates.

**7. Supervisory controls must be consistent and timely**

The American Institute of Certified Public Accountants states that in some cases a “more thorough review, double-checking employees’ work, and redoing some tasks, may be necessary and should be approached diligently,” to address fraud concerns from a supervisory level.<sup>35</sup> Because funds enter Citiparks in so many ways and locations, even the most well designed control environment can be improved by a robust supervisory review at the end of the process. This type of supervisory review program relies upon each sub-division having a log to record all funds received from the patrons and sponsors at the beginning of the cash handling process. Once these funds are deposited, a supervisor (one who has not received or deposited the cash/checks along the way) should verify that the daily or weekly deposits reconcile to the cash, check, and money orders recorded on the receipt log. Currently, only Aquatics’ pool tags revenue (purchased at the swimming pools), and the Schenley Ice Rink’s cash receipts meet both of these requirements, and therefore have an adequate supervisory review process in place.

Most of the other sub-divisions (with the exception of the Great Race funds made out to City Source Associates, the Big League Program funds from softball and baseball leagues, and the Community Centers) currently rely upon a reconciliation completed by Mr. Jackson. In this process, Mr. Jackson records the funds that are passed onto Finance for deposit within an excel spreadsheet, and then compares that spreadsheet to the amounts listed within the JD Edwards system. While this reconciliation is helpful, it relies upon a log that is created by him and not by each sub-division when the funds are initially received. In addition, it is only done quarterly and does not match the receipts against a deposit slip. Instead, these sub-divisions require a system that properly logs receipts and matches those receipts against the deposit.

**Recommendation:** The receipt of funds related to Frick Park, the Big League Program (non-baseball/softball funds), the Great Race (City of Pittsburgh funds), and the Community Events should be logged upon receipt. The receipt log should be included with the funds provided to Mr. Jackson. After the funds have been deposited by the Finance Department, the deposit slip should be reconciled against the amounts that are recorded as received on the log.

**Recommendation:** A copy of the tennis, water aerobics, swimming lesson and pool tag (purchased at the City County Building) tally sheets should be included with the funds provided to Mr. Jackson. After the funds have been deposited by the Finance

---

<sup>35</sup><http://www.aicpa.org/Interest.Areas/ForensicAndValuation/Resources/FraudPreventionDetectionResponse/Pages/Internal%20Controls%20and%20Fraudproofing.aspx?action=print> (Accessed May 2, 2013).

Department, the deposit slip should be reconciled against the amounts that are recorded as received on these tally sheets.

**Recommendation:** The receipt of funds at each Community Center should be logged either by hand or through the Rec Pro software by a Community Center employee. After deposits of the funds have been made, the record of the deposit and the receipt log should be provided to a Citiparks supervisor (who neither deposited nor received the funds). This supervisor should match the deposit slip totals against the amounts that are recorded as received.

As noted in recommendation number three, the Great Race funds (made payable to City Source Associates), and the Big League baseball and softball funds, are deposited into non-City of Pittsburgh accounts. As a result, no supervisory review takes place over those accounts. Supervisory controls should be added to both sub-divisions whether the account remains outside of the City of Pittsburgh or is merged into a City of Pittsburgh account.

**Recommendation:** Every time that a check is received from Active.com for the Great Race and deposited, a supervisor should verify that the deposited amount matches to the total of the receipts listed within the Active.com portal.

**Recommendation:** The Big League Program baseball and softball revenues should implement the same supervisory controls as the rest of the Big League Program revenues, through a more focused and timely supervisory review process.

8. **Duties are not properly segregated to prevent the same individual from being able to receive, record, deposit and reconcile funds**

One of the most effective ways to mitigate the risk of fraudulent activity within any organization is through proper segregation of duties. In an ideal situation, an individual who is responsible for the initial handling of cash should not be the same person who has access to the accounting records, and both should be different than the person who reconciles the cash to the bank balances.<sup>36</sup> Other guidance states that segregation of duties includes a separate person for receipt, recording, depositing, and reconciling.<sup>37</sup>

For all of the sub-divisions, Pete Jackson records the funds in an Excel tracking spreadsheet, while the Finance Department records receipt of the funds (through the JD Edwards system), and performs the bank account reconciliations. For most of the sub-divisions, the Finance Department will also deposit the funds. This is appropriate as long

<sup>36</sup> 2011 McGraw Hill Higher Education, Intermediate Accounting Book, Chapter 7, p. 339.

<sup>37</sup> [http://www.fis.ncsu.edu/controller/training/publish/UACS/Ses2\\_IC\\_HO1\\_AICPA\\_9-1-05.pdf](http://www.fis.ncsu.edu/controller/training/publish/UACS/Ses2_IC_HO1_AICPA_9-1-05.pdf), p 17.

as different members within the Finance Department are responsible for the depositing, recording and reconciling activities (which we understand to be the case.)<sup>38</sup>

Aquatics, Schenley Rink, the Great Race, the Big League Program and the Community Centers are the only entities that deposit their own funds and are therefore at the greatest risk of segregation of duties issues.<sup>39</sup> Based upon our analysis, the Aquatics<sup>40</sup> sub-division maintains a healthy separation of duties which could be emulated by other entities: a cashier receives the funds, a head guard checks the daily tally sheet, a regional manager picks up the funds for deposit, an Aquatics supervisor reconciles the deposit to the cash received, Pete Jackson records the funds in the tracking spreadsheet, and the Finance Department records the receipt of funds in the JD Edwards system. The only issue that we noted within Aquatics is at the four pools where the cashiers make mid-day deposits (thus a cashier could be receiving and depositing funds.)

**Recommendation:** Each of the four pools that make mid-day deposits should require the deposits to be made by the head guards or regional managers rather than a cashier who may have also received the funds.

Each community center director has the ability to receive funds as well as deposit funds.

**Recommendation:** Each community center director should be responsible only for the depositing of funds and other Citiparks employees at each center should be responsible for the receipt of program income. Another solution would be for a Citiparks employee, not related to each center, to be assigned to pick up the funds from each center and make daily deposits. This would allow the center director to be responsible for simply receiving center income.

After the conclusion of other community races, the same Citiparks employee takes both the registration forms and day of race funds that were received. These forms and funds are maintained overnight and not counted until the following business day by a separate employee. As a result, there is a risk that funds (mostly cash) could be misappropriated due to that employee having the record of those funds (the registration forms) as well as those funds in his custody.

**Recommendation:** One Citiparks employee should be responsible for maintaining the funds from the day of race registration, while a different Citiparks employee should be responsible for maintaining the registration forms. Then the money should be counted

---

<sup>38</sup> As discussed in recommendation number seven, we recommend that the recording of funds within the JD Edwards system be completed by each sub-division to better segregate duties.

<sup>39</sup> As discussed in recommendation number three, it is recommended that the Big League Program and Great Race no longer deposit funds into a non-City of Pittsburgh bank account. As a result, no segregation of duties issues would exist with the Big League Program or the Great Race.

<sup>40</sup> The Schenley Rink also has appropriate segregation of duties throughout its cash management policies.

and compared to the registration forms by two Citiparks employees who were not responsible for the custody of the funds originally.

Complete separation of duties is not always realistic within every organization due to personnel and timing constraints. In those circumstances, mitigating controls need to be implemented to counteract this assumed risk.

**9. Great Race funds are decentralized**

A more decentralized environment makes it more difficult to maintain internal controls. Funds for the Great Race are received mostly through Active.com but also can be received through the mail.

**Recommendation:** The Great Race funds and registration forms should only be accepted through Active.com to more easily track all of the funds and registration forms.

**10. Standard operating procedures need to be created for each sub-division**

The Aquatics sub-division is the only entity at this point which has formal operating procedures which describe the processes and controls that exist within that sub-division.

**Recommendation:** To reduce the ability and incentive to commit fraud, it is important for each sub-division within Citiparks to create standard operating procedures and verify that all employees have received them and are appropriately trained to carry out those procedures.

These procedures should describe how money is handled throughout the process. In particular it should focus on which employees receive funds, record the fund receipt, deposit the funds and review or reconcile the funds. In addition, these procedures should detail each control, including where control documents and the actual funds should be stored, as well as describe the responsibilities of the parties involved. In general, these policies should create a systematic and repeatable process which employees can follow to lessen the risk of asset misappropriation.

**11. Utilization of the Controller's Fraud Hotline**

All Citiparks 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 a means to report suspicious activity is a critical part of any anti-fraud program.

## VI. Conclusions

Based upon our analysis, we concluded that Citiparks area has basic internal controls in place to ensure that cash is not misappropriated. During the course of our work, we did not observe, nor were we informed of, any actual instances of misappropriation of cash.<sup>41</sup>

However, the internal controls currently in place within Citiparks can and should be enhanced to minimize the risk of fraud. In particular, Citiparks management should focus on:

- Improving physical security measures within certain sub-divisions and/or improving the timeliness of deposits at those locations;
- Eliminating the acceptance of cash or implementing a point-of-sale cash receipts system at those the sub-divisions that do not collect cash by using a cash register;
- Immediately implementing restrictive endorsement of checks for any sub-divisions that accept checks;
- Establishing a credit or debit card payment system;
- Eliminating the use of any non-City of Pittsburgh bank accounts;
- Centralizing cash receipts processes by eliminating multiple ways of receiving funds such as is the case with the Great Race;
- Improving the segregation of duties and implementing supervisory controls over cash receipts;
- Implementing written policies and procedures over the handling of cash.

We believe that these control enhancements provide a cost-effective means by which Citiparks management can minimize the risk of cash misappropriation in the future.

### Management Representation Letter

We have requested that Citiparks' management provide a representation letter indicating that, to the best of their knowledge and belief:

- Citiparks' management has provided us with all information requested during our analysis;

---

<sup>41</sup> This is in no way a guarantee that abuse or misappropriation is not currently happening, has not occurred in the past, or will not occur in the future.

- Management is not aware of any cash receipt transactions that have not been properly deposited into the City's accounts;
- Management is not aware of any fraud, suspected fraud or violations of laws and regulations affecting Citiparks;
- Citiparks management is responsible for the design and implementation of programs and internal controls intended to prevent and detect fraud and ensure the safeguarding of City assets.

See **Exhibit A** for a draft of the representation letter that we have requested Citiparks' management to prepare and execute.

As of the date of this report, Citiparks management has refused to prepare or execute the management representation letter that we have requested, indicating that they have been directed not to do so by City legal counsel.

\* \* \* \* \*

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.

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

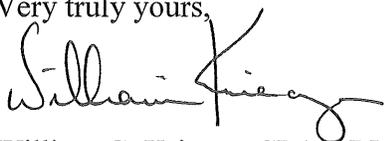


Mr. Henry Sciortino  
December 27, 2013  
Page 23

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,

A handwritten signature in black ink, appearing to read "William Krieger". The signature is fluid and cursive, with a large initial "W" and a long, sweeping underline.

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

**EXHIBIT A**

{Date}

William G. Krieger  
Managing Director  
Gleason & Associates, P.C.  
One Gateway Center, Suite 525  
Pittsburgh, PA 15222

**Re: Departmental Management Representations Regarding Cash Management Internal Controls – {Department/ Bureau Name}**

Dear Mr. Krieger:

I/we am/are providing this letter to you in connection with your review of the cash management procedures and internal controls of the City of Pittsburgh, Department of {Insert Department / Bureau Name} conducted from May xx, 2013 [date of opening conference letter for department] through the date of this letter.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

I/we confirm, to the best of my/our knowledge and belief, as of {Date of this letter}, the following representations made to you during your cash management controls review.

1. I/we have provided you with:
  - a. Access to all information that you have requested, as well as other information that may be relevant to your project, such as business practices, policies, procedures, cash receipt records, and other documentation of departmental business operations.
  - b. Unrestricted access to persons within the department from whom you obtained information regarding departmental cash management procedures and internal controls.

William G. Krieger

{Date}

Page 2

2. I/we am/are not aware of any material cash receipt transactions that have not been properly deposited into the accounts of the City of Pittsburgh and/or recorded in the accounting records underlying the City of Pittsburgh's financial statements.
3. I/we acknowledge my/our responsibility for the design and implementation of programs and internal controls intended to prevent and detect fraud and ensure the safeguarding of City of Pittsburgh assets.
4. I/we have no knowledge of any fraud or suspected fraud that affects the City of Pittsburgh and which involves:
  - a. {Departmental [or Bureau] Name} Management,
  - b. {Departmental [or Bureau] Name} employees who have significant roles in the cash management functions or internal controls intended to safeguard assets of the City of Pittsburgh, or
  - c. Others where fraud could have a material effect on the cash balances and/or other transactions recorded.
5. I/we have no knowledge of any fraud, allegations of fraud, or suspected fraud affecting the City of Pittsburgh's {Departmental [or Bureau] Name} which may have been communicated to me/us by employees, former employees, analysts, regulators, or others.
6. I/we have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be consider when analyzing the cash receipt transaction records of {Departmental [or Bureau] Name}.
7. To the best of my/our knowledge and belief, no events have occurred subsequent to the completion of your fieldwork and through the date of this letter that would require adjustment to, or disclosure in, your report on {Departmental [or Bureau] Name} cash management controls.

Very truly yours,

{Department / Bureau Director Name}  
{Title}

Cc: Michael Lamb, City Controller



**Gleason & Associates, PC**  
*Certified Public Accountants & Consultants*

One Gateway Center, Suite 525  
420 Fort Duquesne Boulevard  
Pittsburgh, PA 15222-1402

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 bureaus<sup>1</sup>:

- 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.<sup>2</sup>
- 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)<sup>3</sup> – 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;

---

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

<sup>2</sup> Municipalities Financial Recovery Act - Amended Recovery Plan dated June 30, 2009.

<sup>3</sup> 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:<sup>4</sup>

	Budget 2013	Estimates 2012	Actual 2011	Actual 2010	Entry Point <sup>5</sup>
<u>Permits</u>					
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
<u>Charges for Services</u>					
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
<u>Grants</u>					
Commonwealth Recycling Grant	\$ 488,130	\$ 585,204	\$ 572,688	\$ 485,680	DPW - ES

<sup>4</sup> 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.<sup>5</sup> Payment of the associated fees is made in person, in full, upon permit issue.<sup>6</sup> Customers must pick up and sign for their permit in person.<sup>7</sup> Permit Counter staff processes and issues roughly 20-25 permits on a “typical” day and over 200 on “Permit Day.”<sup>8</sup> 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 people<sup>9</sup>, 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.<sup>10</sup> 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.<sup>11</sup>

Roughly twice per month<sup>12</sup>, 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.<sup>13</sup> Finance makes the deposit at the

---

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

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

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

<sup>8</sup> Permit Day is discussed in greater detail below.

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

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

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

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

<sup>13</sup> 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.<sup>14</sup> On this day, thousands of people wait in line to reserve shelters.<sup>15</sup> 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 checks<sup>16</sup> 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.

---

<sup>14</sup> Permit Day 2013 was March 23, 2013.

<sup>15</sup> Only Shelter Permits are issued on Permit Day.

<sup>16</sup> 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 monthly<sup>17</sup> 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.<sup>18</sup>

### **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

---

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

<sup>18</sup> In addition, Dave Osterman maintains an excel file detailing every check processed.

(generally \$100) and perform the pick-up. The resident pays via check<sup>19</sup> 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.<sup>20</sup>

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.<sup>21</sup>

#### *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

---

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

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

<sup>21</sup> 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 Engineering<sup>22</sup> and are forwarded to Dave Osterman for processing upon receipt.<sup>23</sup>

### *Federal and State Reimbursements*

Other payments received by the Bureau of Transportation and Engineering<sup>24</sup> 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.<sup>25</sup> Currently managerial approval is not required to edit items<sup>26</sup> and all permit counter clerks have the ability to edit permits on an as needed

---

<sup>22</sup> 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.

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

<sup>24</sup> 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.

<sup>25</sup> 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).

<sup>26</sup> 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.<sup>29</sup>

**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.<sup>30</sup>

**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

---

<sup>29</sup> 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.

<sup>30</sup> 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.<sup>31</sup>

#### ***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.<sup>32</sup> At minimum, a log of all customers should be filled out by an on-

---

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

<sup>32</sup> 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 receipts<sup>33</sup> 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.<sup>34</sup> 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.

---

<sup>33</sup> These could replace the already utilized forms, thus eliminating additional paperwork.

<sup>34</sup> 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).<sup>35</sup> 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.

---

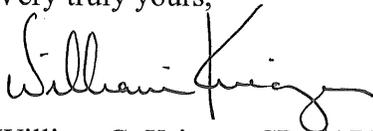
<sup>35</sup> Likewise, the Finance Department does not reconcile/verify payments received beyond examining the summary sheets, memos and deposit cover sheets submitted thereto.

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.

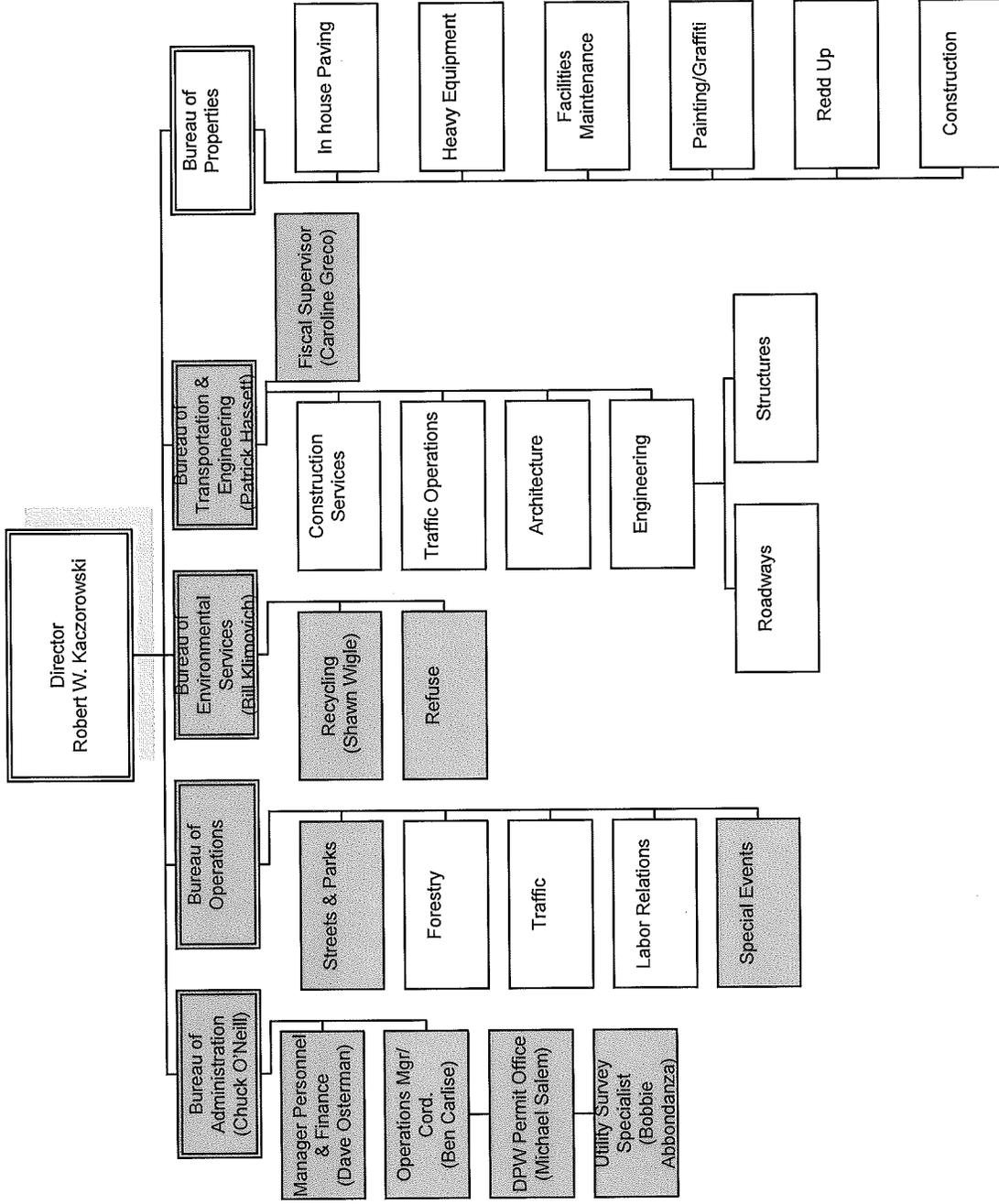
Very truly yours,



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.



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 City Planning**

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

At your request, we have performed certain consulting procedures designed to assess the adequacy of cash management practices in the City of Pittsburgh's ("City") Department of City Planning ("City Planning"). This report is organized into the following sections:

- I. Background
- II. Objectives of the Engagement
- III. Tasks Performed and Information Reviewed
- IV. Analysis of City Planning's Cash Management Practices, Policies and Procedures
- V. Summary of Observations and Recommendations
- VI. Conclusions

**I. Background**

The goal of City Planning is to "maintain and further foster Pittsburgh's development patterns." Led by Director Noor Ismail, City Planning is divided into the following five divisions:<sup>1</sup>

---

<sup>1</sup> <http://pittsburghpa.gov/dcp/welcome> (Accessed July 22, 2013).

- Community Development Administration Division – The Community Development Administration Division is responsible for receiving and deploying federal grant funding in connection with programs centered on housing, economic and human service needs. City Planning also manages the Community Development Block Grant Program, and the Neighborhood Stabilization Program and other community development programs that facilitate construction, community improvements and labor compliance. The Community Development Block Grant Program is the largest of these programs and focuses on the redevelopment of abandoned and foreclosed homes and residential properties. The Community Development Administration Division essentially acts as a pass-through entity for the grant funding received from the Federal government.<sup>2</sup>
- Geographic Information Systems Division – The Geographic Information Systems Division (“GIS”) uses statistics, econometrics, and digital visualization to create maps of the City of Pittsburgh. These maps are utilized for decision making by the City of Pittsburgh and outside entities such as the Census Bureau. Hardcopy or custom order maps are also available for purchase by Pittsburgh city residents and other interested parties.<sup>3</sup>
- Strategic Planning Division – The Strategic Planning Division utilizes its own personnel and public input to assemble long-range plans for future City development projects. This division also facilitates regional transportation planning, environmental planning initiatives, neighborhood planning, and the residential permit parking program.<sup>4</sup>
- Public Art Division – The Public Art Division works with the Art Commission to guide and monitor “art and design of works on City property/rights-of-way.” It sets policy and helps to direct organizations and neighborhoods in creating banners for activities and events.<sup>5</sup> The Public Art Division also maintains a listing of war monuments and memorials located with the City and processes applications for additions to the monument and memorial inventory listing.<sup>6</sup>
- Zoning and Development Review Division – The Zoning and Development Review Division is responsible for administering the Pittsburgh Zoning Code as well as collecting various project permit fees. This division acts as the first step in the building permit process and is tasked with approving the zoning of a project before passing the project onto the Bureau of Building Inspection (“BBI”). In addition, the Zoning and Development Review Division regulates any zone changes or amendments to the Zoning code and generally acts as the regulator of land use within the City of Pittsburgh. This

---

<sup>2</sup> <http://pittsburghpa.gov/dcp/community-development/> (Accessed July 22, 2013).

<sup>3</sup> <http://pittsburghpa.gov/dcp/gis/> (Accessed July 22, 2013).

<sup>4</sup> <http://pittsburghpa.gov/dcp/strategic-planning/> (Accessed July 22, 2013).

<sup>5</sup> Through discussion with Noor Ismail and review of the City Planning website, we note that all revenue from the sale of these banners is received by Public Works.

<sup>6</sup> <http://pittsburghpa.gov/dcp/public-art/banners> (Accessed July 23, 2013).

division collects occupancy and zoning processing fees for each project, and other permit fees such as antenna permit fees.<sup>7</sup>

There are also four committees that work directly with City Planning. These committees are appointed by the mayor and are responsible for performing specific tasks related to City Planning. The following is a listing and description of each of these divisions:<sup>8</sup>

- Art Commission – The Art Commission is a nine member committee that is responsible for reviewing projects in the public realm (that may include items defined as art) and granting approval for such projects. Art in this case includes items of permanent or fixed nature that are intended for ornamentation. Some examples include paintings, murals, statues, sculptures, monuments or fountains.<sup>9</sup>
- Historic Review Commission – The Historic Review Commission is a seven member committee that is charged with protecting and maintaining significant historical buildings and neighborhoods in the City. This commission works with the home or land owner during any construction or demolition projects to verify that the history of the building or neighborhood is protected.<sup>10</sup>
- Planning Commission – The Planning Commission is comprised of nine members. Its main responsibility is to guide the development and use of land within the City and to make any needed recommendations to City Council regarding development proposals and zoning ordinances and maps.<sup>11</sup>
- Zoning Board of Adjustment – The Zoning Board of Adjustment is made up of three members and is designed to hear any appeals from the general public for special variances or exceptions to the Zoning Ordinance.<sup>12</sup>

## II. Objectives of the Engagement

The objectives of our engagement were to:

1. Analyze and assess the City Planning's cash management practices, policies and procedures;

<sup>7</sup> <http://pittsburghpa.gov/dcp/zoning/> (Accessed July 23, 2013).

<sup>8</sup> <http://pittsburghpa.gov/dcp/welcome> (Accessed July 22, 2013).

<sup>9</sup> <http://pittsburghpa.gov/dcp/boards/art-commission> (Accessed July 23, 2013).

<sup>10</sup> <http://pittsburghpa.gov/dcp/historic-review-commission> (Accessed July 23, 2013).

<sup>11</sup> <http://pittsburghpa.gov/dcp/boards/planning-commission> (Accessed July 23, 2013).

<sup>12</sup> <http://pittsburghpa.gov/dcp/boards/zoning-board> (Accessed July 23, 2013).

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 improvements.

### III. Tasks Performed and Information Reviewed

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

1. Discussed the objectives of the engagement with various representatives from the City's Controller's Office, Finance Department, and City Council.
2. Reviewed and analyzed the documents received in connection with this engagement and performed independent research of publically available documents.
3. Conducted interviews of the following City Planning personnel:<sup>13</sup>
  - i. Noor Ismail – Director
  - ii. Willa Holt – Chief Clerk
  - iii. Dana Deresh – Fiscal and Accounting Officer
  - iv. Jennifer Jeffers – Permitting Manager
  - v. Dolores Hanna – Special Projects Operations Manager
  - vi. Sarah Quinn – Planner II
4. Observed relevant sample documents provided during the course of the aforementioned interviews.

### IV. Analysis of the Department of City Planning Cash Management Practices, Policies and Procedures

We initially interviewed Noor Ismail at the City Planning office to understand the overall organization of City Planning, and the various entry points of external funding into City Planning. The main sources of revenue for City Planning include:

- Zoning, Ordinance and other permitting fees (Zoning and Development Review Division);
- Sales of maps to the City residents;

---

<sup>13</sup> Refer to section IV for more details on the strategy of meetings.

- Copying historical documents for customers;
- Grant receipts (Strategic Planning Division and Community Development Administration Division);<sup>14</sup>
- Fees for Historical Review Commission applications.

Each division has a different team of employees and supervisors who help to operate and manage these programs. These employees collect all appropriate funds and pass them along to the Finance Department for deposit. With the exception of grants, all funds are processed through one of the City Planning counters located at the City Planning office at 200 Ross Street. Additionally, all funds are received in the form of check (made out to “Treasurer, City of Pittsburgh”) or money order. No cash is accepted within City Planning. To obtain an understanding of the processes and procedures within each division of City Planning, we met with each of the supervisors and other relevant personnel within those divisions who have cash handling responsibilities.

#### **GIS Mapping Revenue/Copy Revenue**<sup>15</sup>

The GIS Division generates revenue by selling its GIS maps and projections to City residents. Willa Holt is responsible for overseeing the GIS revenue.

A customer fills out an application for a map and turns in the application along with a check or money order to the map counter at the City Planning office. The employee who accepts the application at the map counter logs the application and funds received into an Excel spreadsheet. The employee then separates the application from the payment and immediately takes the payment to Ms. Holt who immediately restrictively endorses any checks as payable to “Treasurer, City of Pittsburgh”, and locks the checks and money orders in a drawer at her desk.

Occasionally, citizens come to the City Planning office and request copies of zoning regulations, past applications, Historical Zoning Board decisions, or other historical documents. City Planning charges 50 cents per copy for these documents. When customers request these copies at the City Planning office, the desk employee receives the request, makes the copy, and collects the check or money order for the total of the copies requested by the customer. The employee immediately takes the check and drops it off in a tray in Dolores Hanna’s office. Ms. Hanna stores this revenue along with the permit revenue within her office. Once per week she takes any copy revenue to Ms. Holt who restrictively endorses any checks upon receipt as payable to “Treasurer, City of Pittsburgh”. Ms. Holt adds the copy revenue to the GIS log spreadsheet and locks the checks and money orders in the drawer of her desk in which the GIS revenue is stored.

---

<sup>14</sup> Through discussions with Noor Ismail, we ascertained that the residential permit parking program does not bring in revenue to City Planning. It instead focuses on awarding free parking permits to Pittsburgh City Residents when they meet certain criteria as reviewed by the Strategic Planning Division.

<sup>15</sup> Information in this section is based on discussions with Willa Holt, Dolores Hanna and Noor Ismail.

Once Ms. Holt determines that enough checks or money orders have accumulated in her office, (usually every two weeks), she prepares a deposit slip, which lists the total amount of the funds. She attaches the deposit slip to the physical checks and money orders and mails the package via interoffice mail to the Finance Department. On some occasions, Ms. Holt will hand deliver the funds. In both situations, Ms. Holt maintains a copy of the deposit slip at her desk. Once the Finance Department receives the funds, they enter the GIS and copy revenue into the JD Edwards system, deposit the checks and money orders, and send a copy of the deposit slip back to Ms. Holt for her records.

### City Planning Grants<sup>16</sup>

Both the Community Development Administration Division and Strategic Planning Division receive grants from the Federal Government to fund their programs. Dana Deresh is responsible for handling the Community Development Administration Division grants that are received, while Willa Holt handles the Strategic Planning Division grants.

All of the Community Development Administration Division grants are received through wire transfers as direct deposits in the Finance Department Treasurer's Office. In addition, a letter is mailed to City Planning which includes information about each grant. Every time that one of these letters is received by City Planning it is given to Ms. Deresh or Ms. Holt (depending on the division to which the grant applies) to alert them that a grant was received.

For the Community Development Administration Division grants, Ms. Deresh logs the receipt of a grant into Excel and enters the grant receivable into the JD Edwards system. She then creates a memo for that grant which includes the batch and document numbers, the wire transfer detail, and information about the source of the grant and its designated purpose. This letter is sent via interoffice mail to the Controller's Office.

Most Strategic Planning Division grants are also received via wire transfers as direct deposits. When Ms. Holt receives a letter about a grant that was received, she first logs the receipt of a grant into Excel. Next she prepares a memo for that grant which includes the batch and document numbers, the wire transfer detail, and information about the source of the grant and its designated purpose. This letter is sent via interoffice mail to the Controller's Office. When the Controller's Office receives the memo, they enter the grant information into the JD Edwards system.

On the rare occasion that Strategic Planning Division grants are received through the mail in the form of a check<sup>17</sup>, they are immediately taken to Ms. Holt who restrictively endorses the check as payable to "Treasurer, City of Pittsburgh". These checks are then maintained and delivered with the GIS copy revenue. Ms. Holt enters a log of these checks into Excel and prepares a memo for each of these grants in a similar manner as she does for the wire transfer grants

---

<sup>16</sup> Information in this section is based on discussions with Willa Holt, Dana Deresh, and Noor Ismail.

<sup>17</sup> Ms. Holt estimates that less than 5 percent of Strategic Planning Division grants are received in this manner.

received. These memos are attached to the checks and delivered together to the Controller's Office.

For all expenditures that are paid using grant money, Ms. Deresh or Ms. Holt submits a memo to the Controller's Office detailing the expenditures and verifies within the JD Edwards system that the expenditures match the grant revenue received. Once the Controller's Office receives the memo they offset the receivable in the JD Edwards system and verify that the expenditures match the grant money received.

### Permit Revenue<sup>18</sup>

All permit revenue (except for revenue for certain antenna permits<sup>19</sup>) is received directly through the zoning desk at the City Planning office.<sup>20</sup> Dolores Hanna is responsible for handling the permit funds that are received.

When an application for a permit is received at the zoning desk, the desk employee copies the application, enters the permit information into the Accela system, and immediately takes the check or money order as well as the permit application to a tray next to Ms. Hanna's desk.<sup>21</sup> The desk employee also takes the copy of the application to Janice Abate (Clerical Assistant 2), who scans it into the "On-Base" system. The "On-Base" system acts as a way to reference past applications.

Ms. Hanna reviews the applications placed in her tray and immediately restrictively endorses the checks as payable to "Treasurer, City of Pittsburgh". Ms. Hanna then enters the check or money order information into a tracking database in Access. Ms. Hanna then reviews the application for zoning approval and passes the application form back to the customer. The checks and money orders are placed into a filing cabinet within Ms. Hanna's office.

At the end of each month, Ms. Hanna prints out a monthly summary of the permit applications and fees from the Access database. She compares the listing to the physical checks and money orders and verifies that they reconcile together.<sup>22</sup> At this point, Ms. Hanna attaches the Access report to the checks and money orders and sends them via interoffice mail to the Finance

---

<sup>18</sup> Information in this section is based on discussions with Jennifer Jeffers, Dolores Hanna, and Noor Ismail.

<sup>19</sup> Because many of the antenna permit customers do not reside in the City of Pittsburgh, antenna permit applications and the corresponding check or money order revenue are often received by Ms. Hanna via US Mail. Ms. Hanna immediately restrictively endorses these checks as payable to "Treasurer, City of Pittsburgh" and enters the application information into the Accela system. After that, these applications and the funds are processed with the other applications and checks/money orders (at the zoning desk) to be entered into the Access database.

<sup>20</sup> All building permit applications are initiated at the permit desk at the City Planning office. City planning receives initial permit fees. If applicable, the customer is then responsible for taking the application to BBI or the Department of Public Works (which will assess their own permit fees). The permit fees for BBI or the Department of Public Works are collected by those entities separately from the permit desk at the City Planning office.

<sup>21</sup> While citizens are able to access applications online, the applications must be printed out and turned in to the permit desk in a hardcopy form along with payment.

<sup>22</sup> Each month approximately \$80,000 in permit revenue is received.

Department. The Finance Department enters the information into the JD Edwards system and deposits the funds. Finance then send a copy of the deposit slip back to Ms. Hanna. Ms. Hanna keeps a copy of the Access report and the deposit slip on hand for three to six years, to aid in the resolution of any NSF checks.

### **Zoning Certificates**<sup>23</sup>

Zoning Certificates are required for a refinancing or closing of a real estate property transactions.<sup>24</sup> This revenue (\$100 check per certificate) is split between BBI and City Planning. City Planning receives the initial application and check at the zoning desk. The desk employee holds the check and application at the desk for the day and then delivers both the check and application to BBI via interoffice mail. BBI then handles the rest of the application process and the handling of the check.<sup>25</sup>

### **Historic Review Commission Revenue**<sup>26</sup>

As a requirement of Title 11 of the Pittsburgh City Code, when an individual wishes to alter a building or a parcel of land which is identified as “historical” or falls within a historical district within the City, they must first submit an application to the Historical Review Commission to get approval to move forward with a building or demolition project. Along with this application, a fee is required to be paid to City Planning.

The application is available online but must be printed out and either mailed with a check or money order, or submitted with payment in person at the zoning desk. Any mailed applications are received directly by Sarah Quinn, while the applications received at the zoning desk are immediately given to Ms. Quinn for review. Ms. Quinn logs the applications received in an Excel spreadsheet, reviews the application and matches the amount of the check with the proper application fee based on the project proposal. Ms. Quinn makes a note on the application to show that it has been reviewed and stores the application at her desk until it can be presented to the Historical Review Commission Board for approval. In the meantime, Ms. Quinn places the check in the tray next to Ms. Hanna’s desk. Ms. Hanna stores this payment along with other checks held within her office. Once a week she takes any Historical Review Commission revenue to Ms. Holt who restrictively endorses any checks upon receipt as payable to “Treasurer, City of Pittsburgh”.

Once Ms. Holt deems that enough checks or money orders have accumulated in her office (usually every two weeks) she prepares a deposit slip, (listing the total amount of the funds) attaches the deposit slip to the physical checks and money orders, and mails the package via interoffice mail to the Finance Department. On some occasions, Ms. Holt will also hand deliver

---

<sup>23</sup> Information in this section is based on discussions with Dolores Hanna and Noor Ismail.

<sup>24</sup> <http://pittsburghpa.gov/dcp/zoning/zoning-faq> (Accessed July 24, 2013).

<sup>25</sup> City Planning receives a portion of the Zoning Certificate revenue in the form of a wire transfer from BBI after the application is reviewed by BBI.

<sup>26</sup> Information in this section is based on discussions with Sarah Quinn and Noor Ismail.

the funds. Ms. Holt maintains a copy of the deposit slip at her desk. Once the Finance Department receives the funds, they enter the Historical Review Commission funds into the JD Edwards system, deposits the checks and money orders, and sends a copy of the deposit slip back to Ms. Holt to keep for her records.

## V. Summary of Observations & Recommendations

### 1. Acceptance of credit/debit card payments

All City Planning funds are received via check or money order. While these forms of payment are less likely to be misappropriated than cash, the use of a credit card or debit card system would reduce the handling of funds by City Planning staff, provide a more traceable source of funding, and improve overall customer service. Further, acceptance of credit or debit cards will improve department efficiency and reduce the risk of cash misappropriation. Use of credit/debit cards will also reduce the amount of funds that need to be deposited or stored on location, which in turn reduces the need for physical access controls.

**Recommendation:** A credit card and debit card system should be made available as a form of payment by applicants for of all City Planning revenue (excluding grants.)<sup>27</sup>

### 2. More timely deposit of cash receipts

Checks and money orders that are received by City Planning are not deposited into the City of Pittsburgh's accounts on a timely basis. In most situations, payments are deposited either weekly or biweekly. However, in some instances (permit payments), a month or more may elapse before a check received by the department is deposited and available for use by the City.

**Recommendation:** All checks and money orders received by the department should be forwarded to the Treasurer's office for deposit on a daily basis.

### 3. Use of online applications

All applicants, except for applicants who mail antenna permits or Historical Review Commission approvals, must apply for a permit or approval in person at the zoning counters at the City Planning office. While these applications are available online, they must be printed out and submitted in person at the zoning counter. Applications for GIS maps, zoning certificates, and the Historical Review Commission approvals that are not mailed are also handled in the same manner.

---

<sup>27</sup> This task will need to be an inter-departmental collaborative effort including the Finance Department and CIS in addition to City Planning.

The Accela and JD Edwards systems can be linked in a manner that allows for the acceptance of online applications and the corresponding credit card payments.<sup>28</sup> However this functionality has not yet been implemented. As such, City Planning does not yet allow applications to be received and paid online.

**Recommendation:** City Planning should utilize the online application software to allow applicants to submit applications for permits, maps, certificates or approvals. This functionality would reduce the volume of “walk in” applicants at the zoning and mapping counters, create less paperwork, improve processing efficiency, and reduce the risk of cash misappropriation.

#### 4. Elimination of multiple computer applications for transaction recording

Currently, permit application transactions are entered into Accela, Access, and the JD Edwards software<sup>29</sup> to log and record transactions. This method can promote errors and create inefficiencies as employees must enter the same data multiple times. In addition, the GIS, Historical Revenue Commission and copy revenue is logged using Excel, and is accounted for in the Finance Department using the JD Edwards system.

**Recommendation:** All transactions that take place at the zoning or mapping counters should be entered into Accela immediately by the counter employee through the Accela point of sale system. Additionally, a receipt should be provided to each customer. This receipt prevents transactions from occurring without funds changing hands and the record of this receipt (within Accela) can be used as a supervisory control to compare fund receipts to deposits.<sup>30</sup>

**Recommendation:** City Planning should implement the Accela System’s point-of-sale / cash receipt functionality and link the Accela system directly to the JD Edwards systems.<sup>31</sup> As a result, transactions will be automatically recorded in the JD Edwards system as they are entered into Accela.<sup>32</sup> Furthermore, this would permit acceptance of credit and debit card transactions at the zoning and mapping counter, which will in turn

---

<sup>28</sup> This link is created using software known as Paymentus.

<sup>29</sup> As noted previously, permit transactions are entered into JD Edwards by the Finance Department.

<sup>30</sup> The only revenues collected by City Planning outside of the zoning and mapping counters are grant money, antenna revenue and Historical Review Commission applications received through the mail. Most grants are received as direct deposits in the Finance Department Treasurer’s Office, and therefore would not be applicable for this recommendation. The grants that are received through the mail in the form of a check (less than 5% of the Strategic Planning Division Grants) should be entered into Accela. Each time antenna revenue or Historical Review Commission application funds are received; they should also be entered into Accela.

<sup>31</sup> This task will need to be an inter-departmental collaborative effort including the Finance Department and CIS in addition to City Planning.

<sup>32</sup> Because grant revenue is vastly different from the other revenue sources within City Planning, Accela does not seem applicable for grant revenue and instead it seems appropriate that it is entered into JD Edwards directly rather than by interfacing with Accela.

post directly to JD Edwards. As noted in the first recommendation, this would improve processing efficiency, reduce the manual handling of funds, and permit timelier recording of revenue. In addition, this process would create an immediate log of revenue received, which would be useful for supervisory review and eliminate the need for City Planning to log the receipts in Excel, as is the current practice.

BBI and Public Works also have access to Accela. By utilizing Accela to record permit applications it would create a means for all three departments to interface regarding outstanding and in process permits. This would provide added efficiency as City Planning zoning applications are often the first step in the application process for many of the permits that BBI or Public Works handle.

#### 5. Maintaining funds in a secure location outside of normal business hours

An entity controls physical access by restricting the ability for people to come in contact with valuable information or assets. This can be achieved through locking doors, desks, and filing cabinets, storing money and valuables within a safe or lock box, having security cameras on premises, and utilizing passwords and ID cards to enter certain restricted areas. Controlling physical access can not only be a physical deterrent to fraudsters, but also sends a strong message of security, which could cause them to think twice about committing fraud.<sup>33</sup>

**Recommendation:** Any checks or money orders pertaining to permit and Historical Review Commission revenue should be kept in a locked filing cabinet and/or maintained in a locked office in order to protect funds in between deposits. Until these security measures are taken, more frequent deposits (preferably daily, or at least weekly) should be made to counteract the lack of physical access controls.

**Recommendation:** The Zoning Certificates (held on behalf of BBI) should be locked in a drawer behind the zoning desk until they are sent to BBI.

#### 6. Immediately endorsing checks as payable to "Treasurer, City of Pittsburgh"

Permit, GIS, and copy revenue are received by the respective desk employee and passed onto Ms. Hanna or Ms. Holt. After Ms. Hanna and Ms. Holt receive the funds, they restrictively endorse the checks "For Deposit Only" as payable to "Treasurer, City of Pittsburgh".

**Recommendation:** Checks received at the zoning and GIS desks should be stamped "For Deposit Only" and with a City of Pittsburgh endorsement immediately upon receipt

---

<sup>33</sup> Information in this paragraph is from the following website,  
<http://www.aicpa.org/Interest.Areas/ForensicAndValuation/Resources/FraudPreventionDetectionResponse/Pages/Internal%20Controls%20and%20Fraudproofing.aspx?action=print> (Accessed May 2, 2013).

by the employees working the zoning or mapping counters instead of relying upon this restrictive endorsement after the funds have been delivered to Ms. Hanna or Ms. Holt. This practice ensures that checks are immediately and appropriately endorsed, and minimizes the risk of misdirection or misappropriation of funds.

The Historic Review Commission revenue is either received directly by Ms. Quinn or delivered to Ms. Quinn by the zoning counter staff. It is not restrictively endorsed until it is delivered to Ms. Holt (which is sometimes up to a week after it is received.)

**Recommendation:** Historical Review Commission checks received at the zoning desk should be stamped "For Deposit Only" and with a City of Pittsburgh endorsement immediately upon receipt by the employee working the zoning counter instead of relying upon this restrictive endorsement after the funds have been delivered to Ms. Holt. In addition, the funds received through the mail by Ms. Quinn should be immediately restrictively endorsed by Ms. Quinn rather than Ms. Holt (which is currently up to a week after the funds were received).

#### 7. Eliminating inconsistencies in grant revenue process

Community Development Division grants are entered into the JD Edwards system by the City Planning Division, while the Strategic Planning Division grants are entered into the JD Edwards system by the Finance Department once they receive a grant memo from Ms. Holt.

**Recommendation:** The Strategic Planning Division grants should be entered into JD Edwards by City Planning personnel.<sup>34</sup> This adds consistency to the process and allows for the Strategic Planning Division grants to be recorded on a more timely basis.

#### 8. Implementing consistent and timely supervisory controls<sup>35</sup>

The American Institute of Certified Public Accountants states that in some cases a "more thorough review, double-checking employees' work, and redoing some tasks, may be necessary and should be approached diligently," to address fraud concerns from a supervisory level.<sup>36</sup> Because funds enter City Planning in different ways, even the most in depth control environment can be improved by a robust supervisory review during and at the end of the process.

---

<sup>34</sup> City Planning currently only has access in the JD Edwards system to enter Community Development Division grants. Consequently, the Finance Department would need to approve access within JD Edwards in order to allow City Planning to enter Strategic Planning Division grants.

<sup>35</sup> Grant revenue falls outside of this recommendation as the grant money received is matched against expenditures by City Planning personnel as well as the Controller's Office, to verify that the receipts and expenditures properly offset.

<sup>36</sup> <http://www.aicpa.org/Interest.Areas/ForensicAndValuation/Resources/FraudPreventionDetectionResponse/Pages/Internal%20Controls%20and%20Fraudproofing.aspx?action=print> (Accessed May 2, 2013).

City Planning already verifies that the funds sent to Finance for deposit are equal to the funds logged as received, but this review is not done in a timely fashion. Likewise, City Planning does not utilize any point of sale system, and as such, does not compare revenue receipts to the funds received daily. The implementation of these procedures along with sufficient supervisory controls will ensure that cash receipts are deposited and recorded correctly.

**Recommendation:** A City Planning supervisor (who neither received, recorded, nor deposited the funds)<sup>37</sup> should match the daily check and money order totals against the receipts recorded in Accela<sup>38</sup> to verify the accuracy of the daily funds received.

When City Planning receives the deposit receipt from Finance, it does not reconcile the amount deposited to the amounts logged as received.

**Recommendation:**<sup>39</sup> After deposits of funds have been made, the deposit slip totals should be matched against the amounts that are recorded within Accela.<sup>40</sup>

## 9. Implementing written operating procedures

Currently, none of the divisions within City Planning have formal written operating procedures documenting the cash management processes and internal controls that are utilized.

**Recommendation:** To reduce the ability and incentive to commit fraud, it is important for each sub-division within City Planning to create standard operating procedures and verify that all employees have received them and are appropriately trained to carry them out.

These procedures should describe how money is handled throughout the process. In particular, procedures should focus on specific tasks and segregation of duties over the

---

<sup>37</sup> Segregation of Duties guidance states that a separate individual should be responsible for receipt, recording, depositing and reconciling of data,

[http://www.fis.ncsu.edu/controller/training/publish/UACS/Ses2\\_IC\\_HO1\\_AICPA\\_9-1-05.pdf](http://www.fis.ncsu.edu/controller/training/publish/UACS/Ses2_IC_HO1_AICPA_9-1-05.pdf), p. 17.

<sup>38</sup> Until all receipts are entered into Accela the check and money order totals should be matched against the daily Excel and Access logs that are currently being created.

<sup>39</sup> The Finance Department completes bank reconciliations for every account and therefore the supervisory review of the amount recorded versus what was deposited is evaluated during the bank reconciliation process. As a result, once Accela and JD Edwards are linked (recommendation number 3, above), this recommendation will no longer be applicable.

<sup>40</sup> Until all receipts are entered into Accela the deposit slip totals should be matched against the daily Excel and Access logs that are currently being created.

receipt, recording, review, and reconciliation of funds. Procedures should also detail the method and frequency of depositing funds through the Finance department.<sup>41</sup>

These procedures should detail each control, including where control documents and the actual funds should be stored. Likewise, operating procedures should also describe the responsibilities of each employee in the revenue cycle/cash receipt process. Implementation of these policies will create a systematic and repeatable process which employees can follow and which in turn will reduce the risk of asset misappropriation.

## VI. Conclusion

Based upon our analysis, we concluded that City Planning has basic internal controls in place to ensure that funds are not misappropriated. During the course of our work, we did not observe, nor were we informed of, any actual instances of fraud or the misappropriation of cash.<sup>42</sup>

However, the internal controls currently in place within City Planning can and should be enhanced to minimize the risk of fraud. In particular, City Planning management should focus on:

- Improving physical security measures within certain divisions and/or improving the timeliness of deposits at those locations;
- Immediately implementing restrictive endorsement of checks for any divisions that accept checks;
- Establishing a credit or debit card payment system;<sup>43</sup>
- Depositing cash receipts on a more timely basis;
- Implementing an online application process;
- Removing inconsistencies in the grant revenue process;
- Eliminating the use of multiple computer application programs for transaction recording by implementing Accela's point-of-sale / cash receipt functionality and linking the

---

<sup>41</sup> Currently, Ms. Holt and Ms. Hanna use their own discretion as to when it is appropriate to deliver funds to the Finance Department for deposit. Standard operating procedures would allow for a more firm time frame or dollar value threshold on when funds should be given to Finance for deposit.

<sup>42</sup> This is in no way a guarantee that abuse or misappropriation is not currently happening, has not occurred in the past, or will not occur in the future.

<sup>43</sup> As noted previously, this task will need to be an inter-departmental collaborative effort including the Finance Department and CIS in addition to City Planning.

Accela and JD Edwards systems together. This will ensure that all cash receipts entered into Accela are directly and timely posted into JD Edwards;

- Expanding supervisory controls over receipts;
- Implementing written policies and procedures over the handling of receipts.

We believe that these control enhancements provide a cost-effective means by which City Planning management can minimize the risk of cash misappropriation in the future.

\* \* \* \* \*

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.

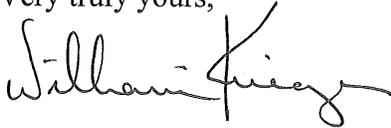
All of the work conducted in preparing this report and the related analyses was performed by me or others working under my supervision. The opinions and conclusions stated in this report are expressed with a reasonable degree of professional certainty.

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.

Mr. Henry Sciortino  
December 27, 2013  
Page 16

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

Very truly yours,

A handwritten signature in cursive script that reads "William Krieger". The signature is written in black ink and is positioned above the printed name.

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



**Gleason & Associates, PC**  
*Certified Public Accountants & Consultants*

One Gateway Center, Suite 525  
420 Fort Duquesne Boulevard  
Pittsburgh, PA 15222-1402

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 Safety, Bureau of Building Inspection**

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

At your request, we have performed consulting procedures designed to assess the adequacy of the Department of Public Safety - Bureau of Building Inspection's ("BBI") 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 BBI's Cash Management Practices, Policies and Procedures
- V. Summary of Analysis and Recommendations
- VI. Conclusions

## I. Background<sup>1</sup>

BBI is one of the Department of Public Safety's ("DPS") six bureaus. BBI regulates the construction, occupancy, and demolition of all buildings and structures within the City of Pittsburgh. BBI is also responsible for the review, approval, and issuance of all permits required by the City's building code for both existing structures and new construction.<sup>2</sup> BBI is comprised of four divisions:

- Construction and Engineering – Reviews and approves applications for building and all related permits, and inspects buildings for compliance with the City's building code and building permit provisions. Some of the permits issued by the Bureau include: building, electrical, mechanical, sign, land operation, occupancy, fire sprinkler, and fire alarm permits. See attached listing of BBI Permits at **Exhibit A**.
- Code Enforcement –The City's Property Maintenance Code sets forth standards for property owners that are designed to maintain the health, safety, and aesthetic quality of private properties in the City. BBI enforces the City's Property Maintenance Code by inspecting properties and issuing violation notices, either in response to complaints or direct observation. Code Inspectors also enforce the Business Licensing Code. The Business Licensing Code requires that businesses pay licensing fees to the City for a variety of business-related activities, including those for street vending and mechanical devices. See **Exhibit A**.
- Demolition – This division is responsible for condemning unsafe and structurally unsound buildings and monitoring condemned buildings for improvement or demolition. The Division, through private contractors, demolishes buildings that are a public safety hazard and City-owned buildings that are either unsafe, deemed unmarketable, or economically infeasible to repair. The Division also issues demolition permits for demolition work to be completed by private property owners.
- Administration – This division provides administrative support to the other three divisions through the Permit Counter and other clerical staff. The various functions of this division as they pertain to the financial processes of BBI are discussed in more detail below.

BBI is currently led by Acting Chief, John Jennings. An abbreviated organization chart depicting the current structure of BBI is available at **Exhibit B**.

---

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

<sup>2</sup> Municipalities Financial Recovery Act - Amended Recovery Plan dated June 30, 2009.

## II. Objectives

The objectives of our engagement were to:

1. Analyze and assess BBI's cash management practices, policies and procedures;
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 in internal controls.

## III. Tasks Performed and Information Reviewed

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

1. Discussed the background and objectives of the engagement with the ICA and various representatives in the City Controller's Office and Finance Department, Members 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 BBI personnel:
  - a. John Jennings – Acting Chief
  - b. Bonnie Recker – Chief Clerk
  - c. David White – Business/Technology Analyst
4. Observed relevant sample documents provided during the course of the aforementioned interviews.

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

An initial interview with BBI employees helped us to identify the primary entry points of funds into BBI. These cash entry points include the Permits Counter, the Chief Clerk, the Demolition Division, Fire Prevention Division and other clerical staff.

The primary sources of cash into BBI are as follows:

- Permit and License Fees (See Schedule of 2013 BBI Fees at **Exhibit A**)

- Other Items Processed Through the Permit Counter Include:
  - State Education Training Fees
  - “No Violation” Fees
  - Appeals Fees
  - Plan “Per Page” Fees
- Demolition Bid Package Fees
- Premium Pay:
  - Off-hours Fire Inspections
  - “Special Details” for Code and Building Inspectors
- Filing Room Copy Fees

BBI is classified as a breakeven center in the City’s Operating Budget, meaning it generates revenues at least equal to the cost of the services it provides. A review of the City of Pittsburgh’s 2013 and 2012 Operating Budgets reveals the following:<sup>3</sup>

	<b>Budget 2013</b>	<b>Estimates 2012</b>	<b>Actual 2011</b>	<b>Actual 2010</b>
<i>Building Inspection Revenue</i>	\$ 5,134,100	\$ 3,801,939	\$ 5,375,672	\$ 4,656,525

**Permit and License Fees – Entry Point: Permits Counter**

Permit and License Fees enter BBI through the Permits Counter located at 200 Ross Street, Pittsburgh PA, 15219.<sup>4</sup> BBI utilizes the Accela software system<sup>5</sup> as well as a Microsoft Access database commonly referred to as the “Cashier” system to process this activity.<sup>6</sup> Every BBI employee has read-only access to the Accela system and select employees (Permit Counter staff) have the ability to assess/edit fees or to process payments. Payment of BBI fees is made in person, in full, upon permit issuance.<sup>7</sup> Permit Counter staff process hundreds of permits per day and take in anywhere from \$5,000 to over \$80,000 in related fees per day.<sup>8</sup>

<sup>3</sup> The following revenues may not be inclusive of all funds generated through BBI.

<sup>4</sup> With the exception of Electrical and HVAC permits, which are written, reviewed, approved, issued and the related fees assessed and collected by a separate BBI clerk. These payments are then processed by the Permit Counter Clerk in the Cashier system.

<sup>5</sup> BBI and the DPW-Permits Office utilize separate modules of the same Accela system.

<sup>6</sup> The “Cashier” system is a Microsoft Access database maintained by Business/Technology Analyst, David White.

<sup>7</sup> There is no invoicing/billing of permit-related fees. The only exception relates to trade and vendor licenses. In these instances only, BBI will mail license renewal forms to the licensed tradesman and/or vendor who will fill out the form and return it along with the appropriate fee to BBI (via mail or in-person at the Permit Counter). Upon receipt of payment, BBI either mails out the new license or allows it to be picked up in-person at the Permit Counter.

<sup>8</sup> Items like annual trade license renewals and building permits for large commercial projects will cause large fluctuations in daily fees collected.

BBI Permit Counter staff currently consists of five Plan Review Engineers and one Permit Counter Clerk. Plan Review Engineers review building plans and assess the appropriate fee(s), while the Permit Counter Clerk receives and processes the related payments. Plan Review Engineers do not receive or process payments and the Permit Counter Clerk cannot review plans or assess fee(s). However, while Plan Review Engineers have the ability to edit/void already assessed charges, the Permit Counter Clerk cannot edit/void fees already assessed.

Checks and money orders are the only forms of payment currently accepted by the Permit Counter. The Permit Counter Clerk enters payment information into the Accela system immediately upon receipt.<sup>9</sup> Before the checks and money orders can be forwarded to the Finance Department, additional processing, not currently available within the Accela system, is necessary.<sup>10</sup> All charges<sup>11</sup> generated in Accela must be manually entered into the Cashier system by the Permit Counter Clerk.<sup>12</sup> After the Cashier system is populated with all assessed charges, each charge associated with each check/money order received is physically printed onto the back of that check/money order by the Permit Counter Clerk.<sup>13</sup> At this point the check/money order is considered “processed.” All processed checks and money orders are placed into a lock box that is kept behind the Permit Counter. All customers are given a receipt that is generated from the Accela system.<sup>14</sup>

#### Daily Reconciliation Process

At the end of every business day, the Permit Counter Clerk removes all processed checks and money orders from the lock box, sorts them based on amount (smallest to largest), and

---

<sup>9</sup> In the Accela system, each charge has a check/money order number, payor and license/permit number assigned to it.

<sup>10</sup> Ideally, this additional processing occurs simultaneously with entry into the Accela system. Currently, this is the case 90% of the time, however, there is a time lag related to Electrical and HVAC permits which do not come through the Permit Counter but do come to the Permit Counter Clerk for processing.

<sup>11</sup> Upon permit issue, the Plan Review Engineer prints 4 copies of the issued permit. One goes to the customer, one is retained and filed by BBI for audit purposes, one is attached to the original application and goes to the building/code/electrical inspector and one is attached to the check or money order (“paper record”) and remains with it until the check is processed through the Cashier system. Essentially it is this “paper record” that is used to populate the Cashier system.

<sup>12</sup> The Cashier database is user name and password protected and is currently only accessible by the Permit Counter Clerk, David White and Wayne Bossinger. Plan Review Engineers do not have access to the Cashier database and Wayne Bossinger no longer uses it.

<sup>13</sup> The Permit Counter Clerk manually selects to which charges each check/money order applies since one check/money order may apply to multiple charges and/or permits/licenses. The information printed onto the back of each check/money order includes: an itemized listing of all selected charges including the corresponding license/permit number, the amount of each selected charge and a total of all selected charges. This total must match the amount for which the check/money order is written.

<sup>14</sup> Ideally, all receipts would be generated from Accela; however, this is the case approximately 90% of the time. For items not currently available in Accela (i.e. Fire Inspectors’ Off Hours Assignments, Code Inspectors’ Special Detail Assignments, Charges for Demolition Bid Packages, Charges to purchase hard copies of the Code, Special Events Permits, Annual Sign Certificates, Building Inspector Subpoena charges, etc.) receipts must be generated from the Cashier system instead.

separates them into bundles of 50 checks/money orders each.<sup>15</sup> The clerk then manually tallies each bundle of checks/money orders and attaches the adding machine tape to the bundle. Once all bundles are tallied, another manual tape is run summing the bundle totals. She then prepares a bank deposit slip based on these figures.

At this time, the Permit Counter Clerk prints a “Daily Summary of Fees Collected for (date)” report (the “Summary Report”) from the Cashier system. This report details the quantity of licenses, permits and other items processed that day, the corresponding fees collected and the JDE accounts to which said items are to be posted (as determined by the Finance Department). The Summary Report prepared by the Permit Counter Clerk is reconciled to the deposit slip (and underlying check bundles)<sup>16</sup> and everything is placed into a locked filing cabinet overnight.

The next morning the following items are delivered to the Finance Department:

- The check bundles (of 50 checks each) with adding machine tapes attached;
- The bank deposit slip; and
- The Summary Report generated from the Cashier system.

Upon receipt, the Finance Department enters the information into JDE and makes the deposit at the financial institution. A validated deposit slip (stamped by the bank) and a validated copy of the Summary Report are returned to BBI. BBI does not conduct any of its own banking and keeps no cash on hand for any reason.

#### Monthly Reconciliation Performed by the Finance Department

In addition to the above, the Finance Department requests a monthly Summary Report (of fees collected) for additional reconciliation on their end. While BBI reconciles on a daily basis, it does not follow-up with Finance regarding any monthly reconciliations they perform.

#### Other Items Processed Through the Permit Counter

*State Education Training Fees* – Every permit issued by BBI includes a \$4 fee for State Education Training. This fee is collected and processed by BBI in a manner similar to that described above and periodically paid to the Commonwealth by Chief Clerk, Bonnie Recker.<sup>17</sup>

*“No Violation” Fees* – Applicable to every real estate sale. Before a deed can be transferred, BBI must confirm that there are no code violations on the property in question. This fee is paid to City Planning, at which the checks are held for approximately one week. City

---

<sup>15</sup> This is done at the request of the Finance Department.

<sup>16</sup> David White only reviews these items when they do not reconcile properly.

<sup>17</sup> Every month the Permit Counter Clerk sends a memo to the City Controller requesting that the total amount collected in the prior month be transferred from the General Fund to a Special Revenue Fund (the “Code Trust Fund”) to pay the Commonwealth (quarterly, as described above) and purchase code books.

Planning then brings the “No Violation” checks to BBI, where they are processed in a manner similar to that described above. When these checks are deposited, 25% is credited to BBI accounts and 75% to City Planning accounts.

*Appeals Fees* – There is a charge to file an appeal with the Board of Appeals or Zoning Board. Appeals are filed with a Plan Review Engineer and fees are paid to the Permit Counter Clerk (upon filing) and subsequently processed in a manner similar to that described above.

*Plan “Per Page” Fees* – There is a \$3 per page fee on all plans submitted. This fee is collected and processed by BBI in a manner similar to that described above and is used to pay for scanning the plans onto CD/DVDs and the purchase of any related storage equipment.<sup>18</sup>

### **Additional Cash Entry Points**

*Demolition Bid Package Fees* – Individuals interested in bidding on a demolition project may purchase a bid package at the BBI office. Fees vary based on the size of the bid package. Clerical Assistant, Sylvia Satariano collects payments (checks or money orders) from interested parties and remits them when the bid closes to Chief Clerk Bonnie Recker.<sup>19</sup> Bonnie then prepares a memo to the Finance Department detailing the attached payments and identifying the appropriate depository account (generally the Demolition Trust Fund). The memo along with the checks/money orders are then forwarded to the Finance Department for deposit and recording.

*Premium Pay: Off Hours Fire Inspections* – Fire Inspectors will occasionally perform off-hours inspection work (i.e. early morning or late evenings) to prevent the disruption of building staff, tenants, etc. Because Fire Inspectors coordinate these inspections directly with the specific project leader, the BBI office is not involved in the assignment or coordination of these types of jobs. At the time of the inspection, the Fire Inspector will collect the associated payment.<sup>20</sup> Inspectors then remit all checks collected to Chief Clerk, Bonnie Recker for processing. Similar to demolition fees, she prepares a memo to the Finance Department detailing the attached payments and identifying the appropriate depository account, the Premium Pay account.<sup>21</sup> The memo along with the checks is then

---

<sup>18</sup> Every month the Permit Counter Clerk sends a memo to the City Controller requesting that the total amount collected in the prior month be transferred from the General Fund to a Special Revenue Trust Fund to be used for the purposes described above.

<sup>19</sup> Per Bonnie Recker, there is no set schedule for letting bids but they generally have about one per month.

<sup>20</sup> All payments must go through the City of Pittsburgh; contractors do not pay inspectors directly. No additional surcharges are applied. All payments are in the form of a check. No cash payments are accepted.

<sup>21</sup> Chief Clerk Bonnie Recker and a previous BBI Chief determined that these checks should be deposited into a Premium Pay account and discussed accordingly with Finance. The Premium Pay account into which these checks are deposited was established and is maintained by the Finance Department, not BBI.

forwarded to the Finance Department for deposit and recording.<sup>22</sup> The inspectors are then paid their respective overtime through the City of Pittsburgh's payroll system.

**Premium Pay: "Special Details" for Code and Building Inspectors** – Inspectors will work special events (i.e. Steelers games) with the police to enforce the vending ordinances during football season. Chief Clerk, Bonnie Recker invoices Heinz Field and they remit payment to her via mail. No checks are collected by the inspectors on duty in this case. Bonnie then prepares a memo to the Finance Department detailing the attached payments and identifying the appropriate depository account, the Premium Pay account.<sup>23</sup> The memo along with the checks is then forwarded to the Finance Department for deposit and recording.<sup>24</sup> The inspectors are then paid their respective overtime through the City of Pittsburgh's payroll system.

**Filing Room Copy Fees** – Two BBI file room clerks occasionally receive payments for copies of records. The file room clerks remit the checks/money orders to Chief Clerk, Bonnie Recker upon receipt, who then forwards them to the Permit Counter Clerk for processing. No records are kept of payments received in the file room and no surprise audits are conducted.

Bonnie Recker does not receive anything back from the Finance Department confirming deposit and she does not reconcile the deposits (as recorded in JDE) to her records.

## V. Summary of Analysis and Recommendations

Based upon our review and analysis of BBI's cash management procedures, we noted the following recommendations for improvement of the overall control environment:

- **Written Cash Management Policies and Procedures** - Formal, written policies and procedures regarding cash management functions should be adopted within BBI. These policies and procedures should be periodically audited for compliance by management and updated on a regular basis.
- **Segregation of Duties** – As previously stated, Plan Review Engineers review building plans and assess the appropriate fee(s) and the Permit Counter Clerk receives and processes the related payments. Likewise, Plan Review Engineers do not receive or process payments and the Permit Counter Clerk cannot review plans or assess fee(s). However, the Permit Counter Clerk who receives and processes payments and is also responsible for entering all data related thereto

---

<sup>22</sup> BBI conducts no banking and maintains no peripheral or independent accounts of any kind.

<sup>23</sup> Chief Clerk Bonnie Recker and a previous BBI Chief determined that these checks should be deposited into a Premium Pay account and discussed accordingly with Finance. The Premium Pay account into which these checks are deposited was established and is maintained by the Finance Department, not BBI.

<sup>24</sup> BBI conducts no banking and maintains no peripheral or independent accounts of any kind.

into the Cashier system and preparing the related bank deposit slip. Since no reconciliation of the bank deposit slip / Summary Report / Cashier System to the Accela System is performed, it is possible to assess a fee (and record it as paid) within the Accela system but not enter the payment into the Cashier system. The risk of cash misappropriation that would result is at least partially mitigated by the cashier database being used for financial reporting purposes at this time (as the Accela system is not yet interfaced with JDE).

In addition, one individual is currently responsible for writing, reviewing, approving and issuing all HVAC and Electrical permits in Accela, assessing the appropriate fees, and collecting the related payments. This also represents an insufficient segregation of duties and presents an opportunity for potential misappropriation. Internal control best practices dictate that no employee in any institution should have the opportunity to assess/edit fees, collect and record payments, and reconcile the related accounts.

- **Management Approval of Voided Transactions** - As stated above, Plan Review Engineers have the ability to edit/void already assessed charges, while the Permit Counter Clerk cannot edit/void fees assessed. The editing/voiding capabilities within Accela make it possible for Plan Review Engineers to edit/void fees assessed at will. While fees assessed are generally only voided upon discussions with management, management approval is currently not required. An electronic record of all edited and voided charges (including who edited/voided the charge and when they did so) is maintained within the Accela system. This record should be reviewed by management regularly.

The BBI clerk in charge of Electrical and HVAC permitting presents a unique (and higher risk) situation, since they enjoy editing and voiding capabilities but, unlike Plan Review Engineers, also receive payments. The electronic record of all edited and voided charges for this individual should be reviewed by BBI management regularly as a precautionary measure.

- **Cash Drawer Controls** - Similar to each cashier at a retail store or bank teller having their own cash drawer, each counter clerk should have their own lock box or cash drawer for payments processed. Having one communal lock box where all payments are kept makes it possible for employees to access and potentially tamper with payments processed by other employees. While this is not currently an issue as there is currently only one Permit Counter Clerk receiving and processing payments, it will become an issue if and when additional Clerk vacancies are filled.
- **Deposit Controls** - Checks and money orders are not stamped "For Deposit Only" upon receipt – As a general rule of thumb, 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 increases the difficulty for an unauthorized party to convert them, thereby reducing the risk of misappropriation.

- **Permit Counter Controls** - Sound controls include having at least two people 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 minimal fear of detection. Merely increasing the perception of detection is a deterrent in and of itself.
- **System Integration** - Currently two separate systems are being employed by BBI – Accela to process/write and track permits and the Cashier Access database for financial reporting and check processing purposes. These two systems are not duplicates of one another because there are several items that cannot yet be processed within the Accela system<sup>25</sup> and there is often a time lag<sup>26</sup> related to HVAC and Electrical permits issued and their subsequent entry into the Cashier database. Regularly using two separate, non duplicative systems that are not reconciled on a regular basis, not only increases the opportunities for human error and manipulation of data, but it also creates additional work for BBI employees. These systems’ functions should be consolidated within Accela,<sup>27</sup> and a direct interface between Accela and the City’s JDE System developed.
- **Daily Reconciliation Review and Approval** - BBI management only reviews the daily Summary Report, the deposit slip and the underlying check bundles (all prepared by the Permit Counter Clerk) when these items do not reconcile properly. BBI management should review and sign off on all daily reconciliations before they are forwarded to the Finance Department to consistently document this control procedure.
- **“Special Detail” Employment Coordination** - Currently Fire Inspectors are free to independently arrange off-hours inspections directly with contractors. These inspectors are entrusted to report all such inspections to BBI and collect and remit the associated fees. This provides the inspectors the opportunity to perform off-record inspections and misappropriate the related fees. BBI should establish a system where all work is arranged and coordinated through the Bureau and all related charges are invoiced to the respective contractors accordingly. BBI should

---

<sup>25</sup> Per David White, these items include Special Events permits, annual sign certificates, building inspector subpoena charges, charges to purchase hard copies of code books, etc.

<sup>26</sup> Per David White, this delay is roughly two weeks currently. The one Permit Counter Clerk on staff is responsible for all data entry and payment processing in the Cashier system. BBI is currently interviewing individuals to fill two additional Permit Counter Clerk vacancies and should have the vacancies filled by the end of 2013. Additional Permit Counter Clerks available to process HVAC and Electrical permits in the Cashier system should eliminate this delay.

<sup>27</sup> Per David White, the Accela system is useful for writing licenses and permits and tracking the related workloads and history but it is not currently useful at all for financial reporting and payment processing purposes.

consider applying a surcharge to these assignments as well as the Inspectors' "Special Detail" assignments to help cover any overhead or processing costs.<sup>28</sup>

- **Record Copy Fee Controls** - Payments made to file room clerks for copies of records could be skimmed relatively easily with little chance of detection. At minimum, records of all payments received should be maintained and periodic surprise audits conducted by management.
- **Interdepartmental Reconciliations** - Much like observed with other City Departments reviewed, a lack of checks and balances exists between Departments and Divisions of those Departments. Each Department/Division performs its own internal functions and reconciliations, but does little (if anything) to verify what came before and/or happened after it in the process. For example, once payments and summary sheets are forwarded to the Finance Department, no verification/reconciliation of deposits recorded in JDE to records of what was forwarded to them is conducted by BBI personnel.<sup>29</sup> Likewise, the Finance Department does not reconcile/verify payments received beyond examining the Summary Report produced by BBI.<sup>30</sup> The Finance Department should have the capability to access and run any reports needed for more independent verification and reconciliation. This could be at least partially alleviated if the Accela system was directly interfaced with the JDE System.
- **Fraud Hotline** - All BBI 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 and the majority of tips reporting fraud come from employees of the victim organization. Providing individuals a means to report suspicious activity and encouraging them to do so, is a critical component of any anti-fraud program.

## VI. Conclusions

During our review of BBI, 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 BBI 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

---

<sup>28</sup> It is important to note that any revenue generated from this surcharge would need to be adequately segregated from any related premium pay.

<sup>29</sup> David White reviews and confirms the amount deposited by Finance (as displayed on the bank validated deposit slip returned) matches the amount forwarded to Finance.

<sup>30</sup> Furthermore, the Finance Department requests a monthly Summary Report from BBI to perform their monthly reconciliations.

for cash misappropriation exist. BBI management should consider all recommendations contained herein in an effort to minimize the risk of cash misappropriation.

\* \* \* \* \*

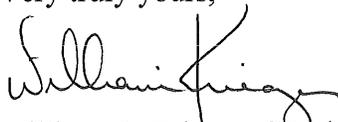
This report summarizes the results of our analyses to date. We reserve the right to amend or supplement this report as necessary should additional information become available to us. The use of this report is limited to the current matter referenced above and this report may not be used for any other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

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



**BBI Fees 2013**

<b>2013 Fees</b>		<b>Effective 1/01/2013</b>
<b>BUILDING PERMITS</b>		<b>ALL BUILDING</b>
R3, R4 -New Construction	per dwelling unit	270.00
R3,R4-New additions, detached garages, other new structures	per dwelling unit	70.00
R3,R4-Repairs & Alterations	per dwelling unit	37.00
Commercial-New construction, additions	per sq.ft.	0.47
	minimum	89.00
Commercial-Repairs and alterations	up to \$1000 cost	82.00
	each additional \$1000	14.00
	each \$1000 over \$1 Mil	6.00
R2-New construction, additions	per sq.ft.	0.47
	minimum	90.00
R2-Repairs and alterations	up to \$1000 cost	82.00
	each additional \$1000	14.00
	each \$1000 over \$1 Mil	6.00
<b>ELECTRICAL PERMITS</b>		<b>ALL ELEC</b>
Use Groups R-3 & R-4		
new construction or complete rewire	per dwelling unit	90.00
repairs & alterations	per dwelling unit	44.00
All Use Groups EXCEPT R-3 & R-4		
Outlets, Fixtures, Fractional HP Motors (separate fee required for each)	1-20	40.00
	1-100	70.00
	each addl. 100 add	50.00
Panel boards, sub-panels, disconnects, controllers (each service panel, sub-panel, etc. counted separately)	up to 100 amps	40.00
	up to 200 amps	50.00
	up to 400 amps	70.00
	up to 800 amps	90.00
	over 800 amps	179.00
Transformers & capacitors – convert to amps and use above fees listed for panel boards		
Protective signaling system (security system only)	each	44.00
Fire Pumps (sealed drawings required for review)	each	44.00
Power Outlets over 30 amps	1-5 outlets	44.00
	each additional	6.00
Motors and Generators (1 HP or larger)	1-5	44.00
	each Additional	6.00
Control Wiring not included with motors listed above	each	44.00
Photovoltaic, wind power, micro hydro systems	each installation	266.00
Non-residential radio, television, microwave antennas (grounding systems only)	each	179.00
For Sign	each sign	50.00
Swimming Pools	each permit	60.00
Holiday Lighting	each	82.00
Final Wiring Certificate	each	6.00
<b>HVAC PERMITS</b>		<b>ALL HVAC</b>
Use Groups R-3 & R-4		
New installations	per dwelling unit	70.00
Replacements (incl. repairs, alterations, etc.)	per dwelling unit	38.00
All Other Use Groups	up to \$1,000 cost	66.00
	each addit. 1,000 to \$1 Mil.	10.00
	each \$1,000 over \$1 Mil.	4.00
<b>SPRINKLER AND FIRE ALARM PERMITS</b>		<b>ALL SPRINK AND FIRE</b>
Sprinkler Permit and Fire Alarm	up to \$1,000 cost	82.00
	each addit. \$1,000 to \$1 Mil.	14.00
	each \$1,000 over \$1 Mil.	6.00

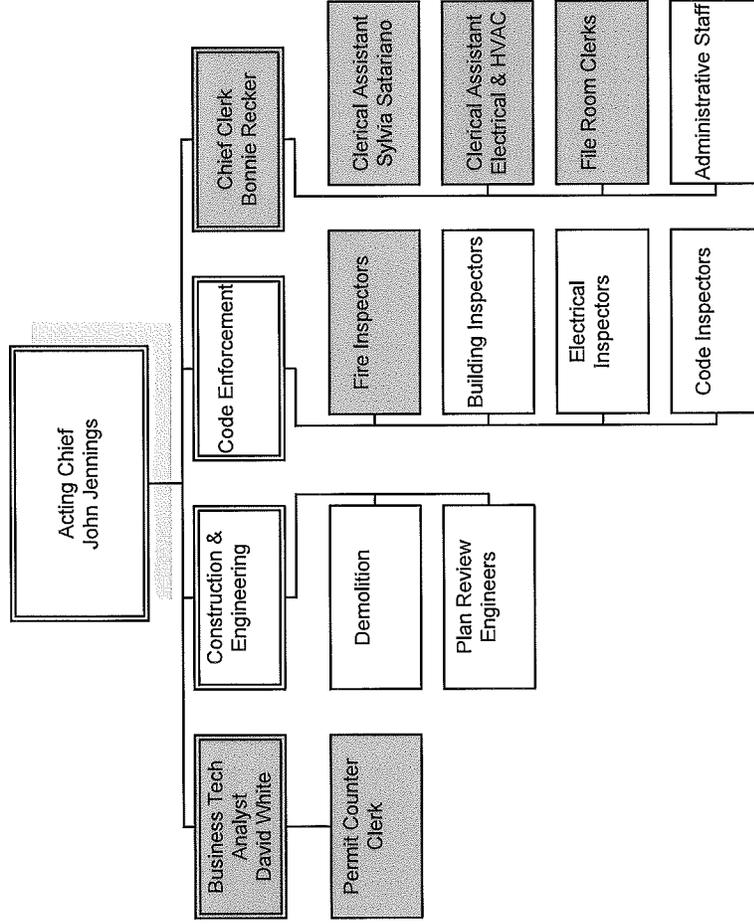
<b>DEMOLITION PERMITS</b>		<b>ALL DEMO</b>
Demolition Permit	up to \$1,000 cost	82.00
	each addit. \$1,000 to \$1 Mil.	14.00
	each \$1,000 over \$1 Mil.	6.00
<b>SIGN PERMITS</b>		<b>ALL SIGN</b>
New Sign	per sq ft	1.72
New Sign-minimum	each permit	50.00
Alteration & Repair of Sign	each permit	60.00
Christmas or seasonal display	annual after 1st year	50.00
Sign Insp.& Maint. Certificate	annual	44.00
Billboard Insp. & Maint. Certificate	annual	64.00
<b>LAND OPERATION PERMITS</b>		<b>ALL LAND</b>
Excavation, fill, up to 1000 cubic yards	each permit	82.00
Each additional 1,000 cu yds or fraction, ADD		14.00
Paving up to 5000 square feet	each permit	82.00
Each additional 1,000 sq ft or fraction, ADD		14.00
Tree Removal (new in 2000)	each permit	82.00
Each additional 2,000 sq ft or fraction, ADD		14.00
Land Reclamation Projects	per year	650.00
Transportation over city streets	each permit	91.00
<b>OTHER PERMIT-RELATED FEES</b>		<b>ALL OTHER</b>
Certificate of Completion	each permit	(no fee)
Plan Fees	per page	3.00
Plan revision after approval	each	20%
Testing, witnessing	each test	400.00
State Education and Training Fee	each permit	4.00
Occupancy Placards		
New	each	40.00
Replacement	each	14.00
Penalty-Working without a permit		
R3 & R4 use groups	each	41.00
All other use groups	each	160.00
<b>OCCUPANCY PERMITS</b>		
Application Fee (DCP)	each permit	25.00
Occupancy Permits (DCP)	each permit	40.00
Temporary Occupancy Permits	each permit	40.00
For major excavating, grading or filling (DCP)	each permit	100.00
<b>APPEALS</b>		
Board of Appeals	per hearing	178.00
Zoning Board of Adjustment		
Residential Variance (DCP)	per hearing	200.00
Commercial Variance (DCP)	per hearing	500.00
Use Variance (DCP)	per hearing	750.00
<b>CERTIFICATES / MISC.</b>		
Zoning Certificate / Historic Status / Violation Report	each	100.00

<b>BUSINESS LICENSES</b>		
<b>Amusement Places</b>		
Less than 500 seats (Annual Schedule)	annual	82.00
More than 500 seats (Annual Schedule)	quarterly	743.00
Daily schedule	per day	42.00
Producers-Monthly	per month	626.00
<b>Bed &amp; Breakfast Establishment</b>		
Small-3 rooms w/ 5 guests or less	annual	170.00
Large-more than 3 rooms or 5 guests	annual	510.00
Carnival-Street Fair	per day	45.00
Junk Dealers	annual	376.00
<b>Late Fees</b>		
Late Fee-Administrative, renewal	each license	90.00
Late Fee-Mechanical Devices (beginning 1996)	per machine	75.00
<b>Mechanical Devices</b>		
Amusement Arcade (6 or more devices, in addt to each	quarterly	800.00
Amusement Devices-gambling type	each	579.00
Amusement Devices-all others	each	314.00
Juke Boxes	each	270.00
Pool Tables	each	315.00
<b>Parking Lots</b>		
	annual, per site	
	minimum	77.00
	addit. per parking space	0.64
Pawnbrokers	annual	722.00
Second Hand Dealers	annual	337.00
Solicitation (Tag Days)	per day-max. 1 per yr.	50.00
Special Events (Parades, assemblies, etc.)	per event	129.00
Towing License (Lot)	annual	141.00
Trade Fairs	per fair	812.00
Transient Merchant	per month	327.00
<b>Vendors &amp; Peddler's License</b>		
Peddler	annual	355.00
Vendor	annual	711.00
Vendor-Sports or Entertainment Facility	annual	711.00
Mobile Vehicle Vendor	annual	711.00
Stationary Vehicle Vendor	annual	1426.00
Additional Employee	annual	93.00
Ticket Reseller		
	quarterly	253.00
	annual	631.00

<b>TRADE LICENSES</b>		<b>ALL TRADE</b>
Electricians		
initial	per year	360.00
renewal	per year	270.00
General Contractors	per year	90.00
HVAC Contractors		
initial	per year	360.00
renewal	per year	270.00
Sign Contractors		
initial	per year	360.00
renewal	per year	270.00
Stationary Engineers		
initial and renewal (after 3/28/01)	per year	90.00
Welders	per year	90.00

# Bureau of Building Inspection

## Abbreviated Organization Chart



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



**Gleason & Associates, PC**  
*Certified Public Accountants & Consultants*

One Gateway Center, Suite 525  
420 Fort Duquesne Boulevard  
Pittsburgh, PA 15222-1402

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 Finance**

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

At your request, we have performed consulting procedures designed to assess the adequacy of the Department of Finance's ("Finance" or the "Department") 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 Finance's Cash Management Practices, Policies and Procedures
- V. Summary of Analysis and Recommendations
- VI. Conclusion

## I. Background<sup>1</sup>

The Department of Finance (“Finance”) is responsible for the collection and investment of all of the City’s operating cash. Specifically, Finance is responsible for:

- Billing and/or collecting all tax revenue (including self-assessed and real estate taxes, including any related fees and charges);
- Managing and maintaining all of the City’s tax records;
- Investigating and auditing tax accounts;
- Managing Citywide real estate;
- Serving as the tax collector for the Pittsburgh Public School District;
- Managing the City’s debt, including both the issuance of new debt and the management and use of debt proceeds;
- Managing the City’s cash balances, bank accounts and investment portfolio;
- Funding, monitoring and managing the investments of the City’s three pension funds; and
- Managing the external financial audit of the City’s financial statements prepared by the Controller’s Office.

The Department comprises six divisions:

- Real Estate – The Real Estate Division is composed of two distinct units:
  - Taxation and Collection – This unit is responsible for all real estate tax billing and collections, including Treasurer’s sales. The City collects real estate taxes for both the City and the Pittsburgh Public School District.
  - Properties for Sale - This unit manages, maintains, and markets properties on behalf of the City, School District and Allegheny County.
- Collections and Compliance – This division is responsible for the billing and processing of self-assessed taxes (“ISAT”) including the Payroll Expense Tax, Local

---

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

Services Tax, Amusement Tax, Parking Tax, and Institution and Service Privilege Tax. This division also monitors tax compliance through audits and investigations.

- Financial Control – This division manages the City’s financial portfolio and provides debt service administration, account balancing, daily funds investment, and offers residents and businesses the opportunity to make payments daily at staffed cashier windows.
- Data Entry – This division inputs, images, and indexes many of the City’s tax payments and fines including Real Estate, ISAT, and archived Traffic Court tickets. Data Entry downloads all payment files from the City’s collection vendors and sorts and prepares the City’s ISAT forms. This division also is responsible for the implementation and maintenance of the False Alarm billing system.
- Administration – This division coordinates and supports the operation of all other divisions within the Department and performs certain citywide government functions such as arranging debt financing/refunding, administering the Pension Trust Fund, providing BID and NID<sup>2</sup> administrative assistance, performing financial and compliance audit oversight for City, State and Federal reporting, performing citywide cost allocation studies, and acting as the liaison between the Mayor’s Office, City Council, the Controller’s Office and various departments of the State of Pennsylvania. This division includes the Office of Management and Budget.
- Procurement, Fleet and Asset Services – This division assures the appropriate procurement of all equipment, goods and services for the entire City government. It establishes procurement-related policies and procedures, monitors contract issuances, maintains contract listings, coordinates statewide contract usage, assists in resolving contract-related disputes, is responsible for the proper disposal of surplus City equipment, and manages the contract that provides fleet maintenance and management services for the City’s fleet of approximately 1,000 vehicles. In addition, this division oversees City property leasing arrangements, security services, custodial services, elevator management and capital asset accounting services. The department also provides printing and graphic services to all City departments.

The Department is currently led by Director of Finance, Scott Kunka. An abbreviated organization chart summarizing the current structure of the Department is attached as **Exhibit A**.

## **II. Objectives of the Engagement**

The objectives of our engagement were to:

---

<sup>2</sup> Business Improvement District (“BID”) and Neighborhood Improvement District (“NID”)

1. Analyze and assess Finance's cash management practices, policies and procedures;
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 in internal controls.

### **III. Tasks Performed and Information Reviewed**

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

1. Discussed the background and objectives of the engagement with the ICA and various representatives in the City Controller's Office and Finance Department, Members of City Council, and the City's external auditors.
2. Reviewed and analyzed the documents received in connection with this engagement and performed independent research of documents available in the public domain.
3. Met with representatives of the City's external auditors (Maher Duessel) to determine whether, and the extent to which, their annual audit of the City's financial statements includes an assessment of the City's internal controls over cash management.
4. Reviewed and analyzed the Treasurer's Office Cashiering and Cash Management procedure manuals;
5. Discussed cash entry points and cash management procedures with Anthony J. Pokora – Assistant Director, Finance and other Finance personnel.
6. Observed relevant sample documents provided during the course of the aforementioned interviews.

### **IV. Analysis of Finance's Cash Management Practices, Policies and Procedures**

To identify the primary entry points of cash into the City in general (and Finance specifically), we met with Anthony Pokora, Assistant Director, Finance and other Finance Department personnel. Based upon our discussions we determined that the principal cash entry points of the Finance Department include the cashier windows, bank lockboxes, a payment drop box located in the lobby of the City-County building, and within various divisions within the Department of Finance.

The primary sources of cash into Finance are as follows:

- Tax Revenues - Real Estate, Library, and ISAT;
- Other Payments, including:
  - Various Payments Received via Other City Departments (“Cashier 7”)
  - Pittsburgh Water and Sewer Authority (“PWSA”) Payments
  - Alarm Permit Payments
  - Dog License Payments
  - Other Payments

### Tax Revenues

In 2013, tax revenues will account for nearly 80 percent of the City’s total projected general fund revenues. A review of the City’s 2013 Operating Budget is as follows:<sup>3</sup>

---

<sup>3</sup> The following taxes may not be inclusive of all taxes collected by Finance. “Payroll Expense Tax” and “Payroll Preparation Tax” are assumed to be one in the same. “Public Service Privilege Tax” has been included with “Institution and Service Privilege Tax” for purposes of the chart above.

	Budget 2013	Estimates 2012	Actual 2011
<i>Real Estate Taxes</i>	\$ 130,578,000	\$ 129,690,937	\$ 129,658,026
<i>Deed Transfer Tax</i>	15,989,953	15,098,192	18,297,657
<i>Self-Assessed Taxes ("ISAT")</i>			
Earned Income Tax	73,228,000	65,833,470	71,868,430
Payroll Expense Tax	54,065,534	51,268,000	50,355,422
Parking Tax	51,377,998	47,979,046	47,365,204
Local Services Tax	13,925,585	13,857,864	13,772,837
Act 77 Tax Relief	12,636,534	12,035,295	12,388,758
Amusement Tax	12,576,640	11,753,869	13,548,673
Facility Usage Fee	3,670,107	3,585,695	3,843,177
Institution and Service Privilege Tax	1,959,000	1,472,838	1,785,311
Penalties and Interest	1,324,875	1,435,081	1,443,159
Other Taxes	3,400	60,062	247,553
<i>Total Taxes</i>	<u>\$ 371,335,626</u>	<u>\$ 354,070,349</u>	<u>\$ 364,574,207</u>
<i>Total Projected General Fund Revenues</i>	<u>\$ 470,210,172</u>	<u>\$ 467,468,120</u>	<u>\$ 479,641,451</u>

City taxes are divided into two categories: assessed and self-assessed. For assessed taxes (City Real Estate, School District and Library taxes), the City computes the amount of tax due based on information provided by Allegheny County and bills the taxpayers accordingly. For self-assessed ("ISAT") taxes, the City provides forms to be completed by the taxpayer or tax preparer; however, it is ultimately the taxpayer's responsibility to file any required returns and remit any amounts due. Both assessed and self-assessed taxes are collected by the City Treasurer who is also responsible for the identification and collection of delinquent taxes.

**Tax Revenues – Real Estate<sup>4</sup>**

Margaret Lanier (Treasurer, City of Pittsburgh; Deputy Director, Department of Finance) and Drew Dauer (Acting Real Estate Manager) are responsible for the billing and collection of Real Estate Taxes. The City receives assessed values from Allegheny County ("County") in

<sup>4</sup> Unless otherwise noted, the information in this section was obtained from the December 31, 2012 Real Estate Tax narrative prepared by the City's external auditors, Maher Duessel.



late December or early January. This data, including any applicable discounts<sup>5</sup> is entered into the City's real estate tax system by Drew Dauer. Assessed values are spot checked by someone in the Real Estate Division and the information is sent to an outside vendor to process and mail the real estate tax bills.<sup>6,7</sup> While City prefers to have this process complete by early January so taxpayers receive their bills by mid-February, the timing is at least partially dependent on when information is received from the County.

Consider the following for 2012:

Real Estate Tax bills sent	Mid-February
Pay at Discount by	March 30 <sup>th</sup>
Gross Due	April 20 <sup>th</sup>
2 <sup>nd</sup> Installment	Billed June, due June 30 <sup>th</sup>
3 <sup>rd</sup> Installment	Billed August, due August 31 <sup>st</sup>
Interest Charged (on lien property only)	Beginning April 1 <sup>st</sup> (10% per year)

The majority of real estate tax payments are received via a PNC lockbox ("Cashier 98").<sup>8,9</sup> Amounts received are deposited and recorded by PNC, which provides a daily report of lockbox collections to the City.<sup>10</sup> Payments are applied in the City's real estate tax system by Drew Dauer. The system separates payments by City and School, current/prior years, and interest. Any payments due the School District are subsequently wired into a separate School District account. Any checks received at the Real Estate Division or cashier windows are collected and forwarded to the PNC lockbox for processing and deposit, they are not processed at the cashier windows or the Real Estate Division. Any cash payments received

<sup>5</sup> Act 50 Homestead Discounts are received from the County (automatic renewal, list is maintained by County) while Act 77 Senior Discounts (senior tax relief) are determined by the City. Act 77 renewal forms are mailed annually around August.

<sup>6</sup> A sample of processed bills is sent to City to review for accuracy before the bills are mailed.

<sup>7</sup> Real estate tax bills include amounts due to both the City (real estate taxes and, beginning in fiscal year 2013, the library tax) and the School District. These amounts are broken out within the City's real estate tax system. The bills are two-part, one for the taxpayer to keep and another to return with payment. Occasionally, the Treasurer will set up payment plans related to real estate taxes. Additional bills are sent to taxpayers who elect to pay on an installment basis by the Real Estate Division.

<sup>8</sup> This statement was confirmed by Anthony Pokora, who indicated "over 95%" of real estate and ISAT payments come through the PNC lockbox. The rest come through the cashier windows, the majority of which are payments by elderly City residents who often pay in cash.

<sup>9</sup> Mortgage companies send payments to the lockbox as well.

<sup>10</sup> These reports are sent to Data Entry. In addition to the daily reports (which display the total amounts received), images of all checks (and bills) received are sent via disk. Disks are sent daily during busy times (January and February) and weekly otherwise.



are processed through the cashier windows located on the first floor of the City-County Building (414 Grant Street, Pittsburgh PA, 15219).

In addition, taxpayers have the ability to pay *current year*<sup>11</sup> real estate taxes via credit card online through processing merchant, Paymentus.<sup>12</sup> Taxpayers may do so from their home or through the cashier windows.

At the end of each month, a distribution report is prepared by Internal Auditor Jen Gula to verify that what has been applied in the City's real estate tax system matches what Cash Management<sup>13</sup> has recorded as received. All bank reconciliations are performed by Finance personnel who are independent of the real estate tax process.

#### Delinquent Amounts – Current Year

Delinquency notices are sent to all taxpayers who have not paid by the gross due date. The City handles only current year delinquencies. If unpaid, the delinquent accounts are sent to Jordan Tax Services (“Jordan”) for collection in January/February of the following year. The City keeps these accounts on their books as accounts receivable even after they have been turned over to the collection agency.

#### Delinquent Amounts – Prior Years

All prior year delinquencies are handled by Jordan. Each week Jordan emails a payment file and a summary detailing the prior week's collections to Drew Dauer and Cash Management. Jordan then wires collections of City real estate taxes to a City account and collections of School District taxes to a separate school account. Drew Dauer applies the payment file in the City's real estate tax system based on the split detailed by Jordan. He then forwards the distribution report to Cash Management, which books City monies<sup>14</sup> as of the date the payments were applied to each taxpayer's account.

#### Library Tax

On November 8, 2011 City voters approved the imposition of a new Library Tax based on real estate assessed values. In 2012, the City issued a separate bill for this tax. Beginning in fiscal year 2013, a single bill will be sent to taxpayers for City real estate taxes, School District taxes and the Library tax. The procedures for collection and processing will remain as detailed above.

---

<sup>11</sup> Jordan Tax Services also accepts credit card payments for delinquent tax amounts that have been turned over to them.

<sup>12</sup> Paymentus charges a 2.75% fee for this service. Taxpayers may also pay via phone through processing merchant, Paymentus.

<sup>13</sup> Cash Management is another name for the Cashier Windows.

<sup>14</sup> Lien satisfaction and Treasurer's Sale costs collected by Jordan are also booked by Cash Management.

### Tax Revenues – ISAT

These taxes are self-assessed, meaning the taxpayer is ultimately responsible for filing any required returns and computing (and remitting) any amounts due. Several of these taxes require the filing of a return by the taxpayer even when there is no tax due (i.e. earned income tax, payroll expense tax, and institution and service privilege tax). As is the case with City-assessed taxes, there are penalties for non-compliance.<sup>15</sup> However, with self-assessed taxes, delinquencies result only for those who file a return or those who are audited and found not to be in compliance.

For all payments of self-assessed taxes (except direct payment of Earned Income tax and Local Services tax by individual taxpayers), a business/institution must first register with the Finance Department.<sup>16</sup>

Some of the ISATs levied by the City include:

- Earned Income tax
- Payroll Expense tax
- Parking tax
- Local Services tax
- Amusement tax
- Facility Usage fee
- Institution and Service Privilege tax

### ISAT Collections<sup>17</sup>

As is the case with Real Estate taxes, the majority of ISAT payments are also received via a PNC lockbox (“Cashier 98”).<sup>18</sup> Amounts received are recorded by PNC and a daily report (along with the supporting documentation) is forwarded to the City. Unlike Real Estate checks, ISAT checks received at the cashier windows are *not* forwarded to the ISAT lockbox or processed at the cashier windows. Instead, ISAT checks are collected and forwarded to Second Floor Finance for processing before they are returned to Cash Management for deposit. Any cash payments subsequently received are processed through the cashier windows.

---

<sup>15</sup> Failure to file and late filing of returns carry penalties and taxes that are not paid when due accrue penalties and interest. Federal extensions are not recognized by the City or School District, and neither grant extensions of their own.

<sup>16</sup> Tax forms are mailed only to those who are properly registered with the City. Failure to receive a form is never an excuse for failing to file or pay any ISATs for which one is liable.

<sup>17</sup> Unless otherwise noted, the information in this section was obtained from the December 31, 2012 Miscellaneous Tax Billings narrative by Maher Duessel

<sup>18</sup> This statement was confirmed by Anthony Pokora, who indicated “over 95%” of real estate and ISAT payments come through the PNC lockbox. The rest come through the cashier windows.

### Cashier Windows/Cash Management Process

While the majority of receipts for City taxes are received through a PNC lockbox (as discussed above), cash, checks and money orders for tax payments (as well as a variety of other assessments and fees) are also handled through the Finance Department's four Cashier Windows located on the first floor of the City-County Building. During regular business hours, three cashiers and one head cashier staff the cashier windows. Each cashier has their own cash drawer<sup>20</sup> for which they are ultimately responsible.<sup>21</sup>

Throughout the day, cashiers process and validate payments related to dog licenses, tax payments (real estate, ISAT, library), tax certifications ("certs")<sup>22</sup>, PWSA bills<sup>23</sup>, DTD<sup>24</sup>/ad fees, etc.<sup>25</sup> All activity is recorded in the Quadrant system with receipts issued to customers for all cash transactions.<sup>26</sup>

Access to the Quadrant system is limited to the three cashiers plus the head cashier. Each cashier has a unique system log on and cashier number. All activity in the Quadrant system is tracked by cashier number, and only the head cashier has the ability to void transactions within the Quadrant system.

### Daily Balancing<sup>27</sup>

All cashier drawers are balanced and reviewed by the head cashier daily.<sup>28</sup> Cashiers separate payments received by transaction code, manually add each stack and report the totals on a

---

<sup>20</sup> All cash drawers lock and each cashier has a key to their drawer only. Cashier drawers contain \$50 base money plus \$1 "bait" money. ("Bait" money is an added security measure commonly employed by banks. The serial numbers of bait bills are recorded and kept on file to assist in tracing the cash (and perpetrator) in the event of a robbery. These bills are physically placed beneath a small lever located within each cash drawer. If the bait money is pulled from beneath the lever, an alarm will sound.) Drawers must be locked when cashiers leave their windows for any reason. All drawers are stored in what they call the "bus" (a rolling cabinet that houses 6 cash drawers and locks independently). Cashier drawers are removed from the bus every morning and returned every night upon balancing. Only the head cashier has a key to the master lock on the bus. The bus is stored in the vault overnight. The vault requires a key and a combination to access it. Four individuals currently know the combination, two of which also have a key.

<sup>21</sup> Per Anthony Pokora, cashiers are *personally responsible for any shortages* in their drawers. A written policy is in place stating such.

<sup>22</sup> Tax certifications are confirmations that property taxes on a given property are paid to date.

<sup>23</sup> Residents can pay their PWSA (water) bills at the Cashier Windows. A spreadsheet detailing payments received is emailed to PWSA daily.

<sup>24</sup> DTD fees are related to delinquent property taxes and ad fees are related to newspaper publication of properties posted for Treasurer Sale.

<sup>25</sup> Real estate/library taxes and PWSA bills paid for with checks are *not* processed at the cashier windows. They are collected and forwarded to the respective bank lockboxes for processing and deposit. ISAT payments received with checks are *not* forwarded to the lockbox *or* processed at the cashier windows. They are collected and forwarded to 2<sup>nd</sup> Floor Finance for processing and then returned to Cash Management for deposit. Dog licenses, certs and DTD/ad fees paid by check *are* processed at the cashier windows. *All* cash payments are processed at the cashier windows.

<sup>26</sup> Receipts are *not* issued for check or money order transactions.

<sup>27</sup> Unless otherwise noted, all information in this section was obtained from the "Cashiering & Balancing" section of Policies and Procedures binder provided by Cash Management

“Daily Report of Collections.”<sup>29</sup> A report (“Quadrant Report”) is generated for each cashier from the Quadrant system that displays the totals by transaction code and payment method. The Daily Report of Collections and the Quadrant Report *must* match. Each cashier then counts his/her cash drawer and runs an adding machine tape accordingly. This physical cash count must match the total cash transactions displayed on the Quadrant Report. A cashier cannot continue until all manual counts and totals are in balance with the Quadrant Report.

Once completely in balance with the Quadrant Report, each cashier fills out a separate deposit slip for each transaction code (PWSA, Real Estate, Library, DTD/Ad fees, certs, Dogs, and ISAT). Deposits are prepared based on the totals displayed on the Quadrant Report (less any due bills or pre-deposits for real estate and library taxes) using a combination of the checks on hand and the cash in the drawer. For example, if a cashier has \$350 total dog receipts and \$210 in dog checks, that cashier must include \$140 cash with that deposit. The deposit slip should include the date (accounting date), cash total, check total, cashier number, and a description of to what deposit is related (in this case, “Dogs”).

After all deposits are prepared, cash drawers are recounted and another adding machine tape is run. This tape is printed and placed in the cashier drawer indicating all required daily balancing has been completed. The head cashier then re-counts each drawer and signs off on the tape noting their review.

Each cashier places all his/her deposits into a wooden box that is kept on top of the bus<sup>30</sup> until they are picked up for delivery to the bank.<sup>31</sup> The following morning, a Finance employee accompanied by a police officer delivers the deposits to the bank.<sup>32</sup> Bank validated duplicate copies of deposit slips and bank receipts are returned to Cash Management and all related paperwork is distributed and/or filed appropriately.

The following day, the head cashier prepares the “Daily Total Cash Balance” report (a two-page report that performs a final zero tape balance) and a daily “Cash Sheet”<sup>33</sup> (a report that lists all collections for that day with supporting documentation attached). After all daily

---

<sup>28</sup> The bus houses the 4 cashier drawers (balanced daily), 1 paper drawer and 1 coin drawer (both of which are balanced weekly by the head cashier). The paper and coin drawers contain roughly \$3,000 in total. Only the head cashier is authorized to access the cash/coin drawers to make change (cashiers cannot do it themselves).

<sup>29</sup> A “Daily Report of Collections” is prepared by each cashier listing the various types of collections received that day. It is signed off on by the cashier and given to the head cashier upon balancing.

<sup>30</sup> If the deposit has greater than \$3,000 in cash, it needs to be sent to the Strip District per bank policy. The cashier bands the cash in \$1,000 increments and makes copies of all banded cash and coin envelopes. The cashier then prepares a bank security deposit bag, places the cash inside and seals it. The deposit bag is then taken by bank messenger and police escort to the bank’s processing center in the Strip District.

<sup>31</sup> Deposits are locked in the vault overnight.

<sup>32</sup> Deposits are sent at least once daily. In times of high volume (i.e. when taxes are due) deposits are sent more frequently.

<sup>33</sup> This report is similar to the “Daily Report of Collections” prepared by the cashiers, but includes all Cash Management activity for the day.

postings are complete and balanced against support; all documentation is forwarded to the Controller's Office for additional review and reconciliation.<sup>34</sup>

"Cashier 7"<sup>35</sup>

In addition to the items discussed above, other City departments bring the payments they collect to the Cashier Windows for processing and deposit.<sup>36</sup> All such deposits must be accompanied by the following:

- A completed bank deposit slip,<sup>37</sup>
- A departmental invoice/memo/cover sheet<sup>38</sup> detailing:
  - the department making the deposit (including a contact person);
  - the deposit total, and;
  - the JD Edwards account number(s) to which the deposit is to be posted.<sup>39</sup>
- All checks must be restrictively endorsed, "For Deposit Only."

The majority of departmental deposits are checks.<sup>40</sup> If the deposit total does not match the total displayed on the cover sheet, the department is contacted and either the cashier corrects the error or returns everything to the department so they can make the necessary corrections.

The following morning, a Finance employee accompanied by a police officer delivers the deposits to the bank. Bank validated duplicate copies of deposit slips and bank receipts are returned to Cash Management. A cashier compares the bank receipts to the deposit slips (to ensure the deposit was entered correctly) and attaches them to the paperwork provided by the departments. At this time, the cashier enters the transactions into the Quadrant system under the "Cashier 7" log in.<sup>41</sup>

The cashier<sup>42</sup> enters the following information into the Quadrant system:

- JD Edwards transaction code (from chart);

---

<sup>34</sup> The Controller's Office currently performs all bank reconciliations aside from that of the Library Fund, which is currently performed by Finance.

<sup>35</sup> Unless otherwise noted, all information in this section was obtained from the "Cashier 7" section of Policies and Procedures binder and the "Procedure for Processing of Cash & Checks" summary, both provided by Cash Management

<sup>36</sup> Departmental deposits are also received via interoffice mail.

<sup>37</sup> If a department does not submit a deposit slip with its deposit, the receiving cashier will have to complete one for them.

<sup>38</sup> There is no uniform form to submit at this time. Each department creates their own based on their specific needs.

<sup>39</sup> Most departments will submit two copies – one to remain with Finance and another to be returned to them.

<sup>40</sup> "Procedure for Processing Cash & Checks" submitted by Cash Management.

<sup>41</sup> The "Cashier 7" log in is used solely for departmental deposits.

<sup>42</sup> Cashier 7 processing and balancing is generally performed by the same cashier, however, all cashiers are cross-trained accordingly.

- CR account number (the JD Edwards account number(s) from the cover sheet provided by the department with the deposit);
- Date of deposit or wire (in “Reference #” field);
- Fund Name (as displayed on the description line of the transaction code chart);
- Amount;
- Payment Method (always “Pre-Deposit” since the deposit has already been made);
- Reason for deposit (on the Payment Screen in the “Payor” field).

After the Quadrant system is successfully populated with all of the above information, the cashier validates each copy of the departmental cover sheet provided with the deposit. Original copies are then forwarded to the Controller’s Office for balancing purposes and any additional copies are returned to the department with the bank validated duplicate copy of the deposit slip attached.<sup>43</sup>

#### Balancing “Cashier 7”<sup>44</sup>

After all deposits have been entered into Quadrant system, Cashier 7 is balanced. Cashier 7 is balanced daily and is the last Cashier to be balanced.

Similar to the process described above related to Daily Balancing, a Quadrant Report is generated for Cashier 7.<sup>45</sup> As previously described, this report details a cashier’s daily activity by transaction code and payment type. For each fund, the totals displayed on this report are compared to the total of the manually added and validated departmental cover sheets. A copy of the Quadrant Report is attached to the validated departmental cover sheets and is forwarded to the Controller’s Office<sup>46</sup> and another copy is kept on file with the other cashiers’ balance sheets.

Once Cashier 7 is balanced, a report detailing the daily summary of Quadrant activity (totals by Tran Code for all registers and all cashiers)<sup>47</sup> is run, printed and filed accordingly.

---

<sup>43</sup> Only if available. At times, Finance will only receive one bank validated duplicate copy of the deposit slip back from the bank, in which case, it is retained by Finance and only the validated cover sheet is returned to the department.

<sup>44</sup> Unless otherwise noted, all information in this section was obtained from the “Cashier 7” section of Policies and Procedures binder and the “Procedure for Processing of Cash & Checks” summary, both provided by Cash Management.

<sup>45</sup> No “Daily Report of Collections” is prepared for Cashier 7.

<sup>46</sup> The following are forwarded to the Controller’s Office after all cashiers and registers have been balanced: original validated departmental cover sheets/memos, bank validated duplicate copy of deposit slip(s), bank receipt(s), and a copy of the “Quadrant Report”

<sup>47</sup> This report is only generated after all cashiers and registers have been successfully balanced.

### Other Items Received by Finance

#### PWSA Payments (Entry Point: Cashier Windows)

PWSA bills paid in cash are processed through the Cashier Windows. Any bills paid by check are collected and forwarded to the PWSA lockbox<sup>48</sup> for processing and deposit.

#### Alarm Permits (Entry Point: Data Entry)

All operational fire and burglar alarm systems within the City are required to obtain a permit from the Department of Finance. The Data Control Supervisor currently handles all City alarm permits. Payments are entered, processed and balanced in the CRYWOLF application. A summary report is printed from CRYWOLF that displays all permits and payments processed that day. This report is compared to a manual tally of the cash<sup>49</sup> and checks collected. Once in balance, the checks (with adding tape attached),<sup>50</sup> a copy of the summary report, a bank deposit slip, and a cover sheet<sup>51</sup> are delivered to the Cashier Windows for further processing.

The Data Control Supervisor monitors registered alarm systems and invoices customers for any permits due to be renewed or any accounts with outstanding balances.

#### Dog Licenses (Entry Points: Various)

All dogs (3 months or older) within the City are required to have a current license. Licenses can be obtained in one of three ways: Animal Care and Control can come to any resident's home to sell licenses, a license form can be mailed, or licenses can be picked up in person at the City County Building Treasurer's office. Licenses must be renewed on an annual basis.<sup>52</sup>

All dog licensing information is maintained in a Microsoft Access database<sup>53</sup> with payments processed through the Quadrant system. All dog licenses are pre-numbered. Annual renewal and renewal delinquency letters are mailed to all license owners on file.

Applications and the related payments are received in several ways. First, they can be mailed to a lockbox at Citizen's Bank. All lockbox activity is downloaded and entered into the Access database by Cash Management personnel. If there are no issues with the application, a cashier will issue and mail the license.

---

<sup>48</sup> The City does not manage the PWSA lockbox.

<sup>49</sup> Payment by cash is rare. Permits paid with cash are processed and posted immediately and customers are given their new permits on the spot.

<sup>50</sup> Restrictively endorsed "For Deposit Only"

<sup>51</sup> They call it a "Deposit Form." It is essentially the equivalent of the cover sheets/memos/invoices described above in the "Cashier 7" section.

<sup>52</sup> 3- and 12-year renewal options are also available

<sup>53</sup> This database is populated and maintained by Cash Management staff.

Second, Animal Control officers will occasionally drop off forms and payments for temporary licenses that they have issued in the field. Payments can be by check or in cash. Cashiers fill out a regular license application, process the payments, and issue and mail a permanent license to the pet owner.

Third, applications and payments can be mailed directly to the Treasurer's Office (Pet License Department). If there are no issues with the application, a cashier will process the license fees, issue and mail the license.

Any applications delivered and paid in person are processed at the Cashier Windows as described above. Additional fees for lost license replacement requests and NSF checks may apply.

If there are any issues with the applications received (i.e. incorrect fee submitted, no proof of spay/neuter provided, County License not City, etc.) the following additional measures are taken by Cash Management personnel:

Any rejected/held applications received via the lockbox are reviewed. Letters are sent to dog owners requesting a copy of the spay/neuter certificate be provided and/or the additional/correct fee submitted. These licenses are kept on file until the certificate or fees are received. At that time, the City's database is updated and the license and receipt are mailed to the owner. Any additional fees received are held by Cash Management personnel for bulk deposit once per month.<sup>55</sup>

Fees submitted with new and renewal applications received via mail are reviewed. If the amount submitted is incorrect, everything is returned to the dog owner along with a letter explaining the error and a return envelope.

County applications received by the City are collected and forwarded to the County Treasurer twice per month. Likewise, the County Treasurer collects and forwards City applications received to Cash Management. Cash Management personnel will fill out a City application with the information contained on the County application and dispose of the County materials. The new City application, the check, a letter explaining the City fees and requirements, and a return envelope are sent to the dog owner.

ISAT Accounts Receivable (Entry Point: Data Entry)

Occasionally, the Treasurer will set up payment plans related to ISAT.<sup>56</sup> The related receivables are maintained and invoiced by Second Floor Finance. Payments are mailed to the Treasurer's Office and delivered to Data Entry for processing several times a day. The

---

<sup>55</sup> These additional fees, NSF check fees and the related reissued payment checks are all processed through "Cashier 7". Regular license fees, lost license replacement fees, and fees delivered by Animal Control Officers are all entered under a cashier's regular cashier number.

<sup>56</sup> Payment plans are strictly related to real estate and ISAT taxes. Payment plans are not arranged for any other types of taxes or fees.

checks are validated by Data Entry and restrictively endorsed. A bank deposit slip (for the ISAT lockbox) is completed and a departmental cover sheet is filled out. The checks, bank deposit slip and cover sheet are delivered to the Cashier Windows for deposit.

*Penn Credit Deposits (Entry Point: Second Floor Finance)*

Two checks are received from a collection agency (Penn Credit Corp) monthly related to delinquent ISAT taxes collected. The deposit is prepared and brought to the Cashier Windows for processing and deposit.

*Treasurer Sales (Entry Point: Real Estate Department)*

A Real Estate department employee handles all Treasurer Sales. She brings all checks, real estate bills and ad fees slips to the Cashier Windows for processing and deposit.

*Bureau of Procurement, Fleet and Asset Services (Entry Point: "BPFAS")*

Checks are received by the BPFAS related to fuel reimbursement from the Parking Authority and parking fees from non-City employees. These checks are forwarded to the Cashier Windows for processing and are deposited along with the required departmental cover sheet.

Additionally, the BPFAS receives rent checks related to leased City properties. These are forwarded to the Real Estate Department for processing. The Real Estate Department then forwards them to Cash Management for deposit.

**Uploading Quadrant Data to JD Edwards**

All Quadrant activity must be converted to Peoplesoft files before it can be uploaded to the JD Edwards accounting system. Finance performs this conversion and then uploads the activity to JD Edwards. Personnel at the City Controller's Office perform additional levels of review and reconciliation *before* posting the uploaded activity to the City's general ledger in JD Edwards.<sup>57</sup>

**V. Summary of Analysis and Recommendations**

Based upon our review and analysis of Finance's cash management procedures, we noted the following recommendations for improvement of the overall control environment:

- Cash Management Policies and Procedures – The Treasurer's Office cash management area maintains detailed written policies and procedures, which are reviewed and updated on a regular basis. We would recommend management implement periodic and random compliance checks to test and verify compliance with all written policies and procedures, especially when new updates are implemented.

---

<sup>57</sup> Finance cannot post to the City's general ledger. *Only* the Controller's Office can do so.

Because of the Treasurer's office experience in preparing comprehensive written procedures over cash management, we recommend that the Treasurer's office assist the other divisions within the Finance Department, as well as other City Departments, in developing and implementing written cash management policies and procedures.

- Independent Deposits – While the majority of City deposits come through Finance,<sup>58</sup> some City departments independently deposit the funds they take in. For example, the Police Records Room and several Parks and Recreation locations (i.e. pools, tennis courts, and the Schenley Park skating rink) still prepare and perform their own deposits.

While centralizing all City deposits through Finance would reduce the risk of cash misappropriation, based upon our work in, and familiarity with, other City departments, we understand this is currently unrealistic. As such, Treasurer's cash management function should assist other City departments in developing standard policies and procedures for depositing City funds.

- General Ledger - Because all City deposits are not centralized through Finance, it is critical that the City's general ledger effectively encompass all City bank accounts. We understand that not all City bank accounts are currently recorded on the general ledger (for example, the cashier holding, real estate, ISAT and dog lockbox) and are only incorporated into the annual financial statements through the Controller's Office year-end closing procedures. We recommend the Controller's Office create and actively monitor general ledger accounts for all City bank accounts<sup>59</sup> and any City departments holding any such accounts (in Finance's case, those accounts listed above) work with the Controller's Office to keep the related ledger balances current.
- Interdepartmental Reconciliations - Each department/division performs its own internal functions and reconciliations, but does little (if anything) to verify what came before and/or happened after it in the business process. Currently, Finance does not reconcile payments received from other City departments beyond verifying that the amounts received correspond to the invoice/memo/cover sheets provided by the departments with their deposits. Finance should perform regular

---

<sup>58</sup> Other than those wired directly into City accounts or sent directly to City lockboxes

<sup>59</sup> A similar recommendation was highlighted by the City's external auditor, Maher Duessel in a letter addressed to the Mayor, Controller, and Director of Finance related to the December 31, 2011 audit: "Bank Account Management – We noted that not all bank accounts (cashier holding, real estate, ISAT, dog lockbox, and Schenley Park skating rink) are recorded on the general ledger because the Controller's Office does not maintain these accounts. These accounts are included in the audited financial statements through the Controller's Office year-end closing procedures. We recommend that the Controller's Office create general ledger accounts for all bank accounts, work with the department holding the account, and update the general ledger on a monthly basis."

reconciliations to ensure amounts received equal what should have been received from those departments. In other words, Finance should not solely rely on the cover sheets provided with the deposits alone. Instead, they should independently determine what amounts they should be receiving from other City departments and ensure the actual deposits agree to these amounts. To accomplish this objective, Finance must have the capability to access any departmental reports necessary to independently verify and reconcile deposits received from other City departments. This could be at least partially alleviated if the systems employed by other City departments (i.e. Accela-used by the Bureau of Building Inspection, City Planning and the Department of Public Works' Permits Counter) were directly interfaced with the JD Edwards accounting system or if a single accounting system<sup>60</sup> was implemented City-wide.

- System Integration and Functionality – Closely related to the above recommendation, the Quadrant system employed by Cash Management is not directly compatible with the JD Edwards accounting system. Currently, all activity processed in the Quadrant system must be converted to PeopleSoft files before it can be uploaded/transferred into the JD Edwards accounting system. This additional “step” results in additional work for Finance personnel and increases the potential for human error, an unnecessary added risk. The Quadrant system should directly interface with the JD Edwards system. If this is not possible, an alternative system that directly interfaces with the JD Edwards system should be evaluated and implemented.
- Secure Methods of Payment – Cash Management currently has the ability to accept and process credit card payments related to *current year* real estate tax payments only. According to Anthony Pokora, Cash Management is currently working with Paymentus to develop the software necessary to also accept credit card payments for other fees (i.e. alarm permits and dog licenses). This change will increase the City’s controls over cash, as payments by credit card are inherently more secure than those made by cash or check.

We recommend the City accept payments by credit/debit card for several reasons. The use of a credit/debit card system reduces the handling of funds by cash management personnel, provides a more traceable source of funding, and improves overall customer service. Further, acceptance of credit/debit cards will improve department efficiency, reduce the risk of cash misappropriation, and reduce the amount of funds that need to be deposited or kept on location.

Additionally, it should be noted, that the majority of tax payments (which represent the majority of City general fund revenues) are currently received and processed through a bank lockbox, an intrinsically secure practice.

---

<sup>60</sup> With defined and controlled user access and capabilities.

- Fraud Hotline - All Finance 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 and the majority of tips reporting fraud come from employees of the victim organization. Providing individuals a means to report suspicious activity and encouraging them to do so, is a critical component of any anti-fraud program.

## VI. Conclusion

During our review of Finance, we noted that the department has internal controls in place. Likewise during the course of our work, we did not observe, nor did Finance management identify, any actual instances of fraud, abuse or asset misappropriation. Finance management should consider all recommendations contained herein in an effort to further minimize the risk of cash misappropriation. Furthermore, I would encourage Cash Management to assist not only the other divisions of Finance, but other City Departments as well in developing and implementing written cash management policies and procedures of their own.

### Management Representation Letter

We have requested that Finance management provide a representation letter indicating that, to the best of their knowledge and belief:

- Finance management has provided us with all information requested during our analysis;
- Management is not aware of any cash receipt transactions that have not been properly deposited into the City's accounts;
- Management is not aware of any fraud, suspected fraud or violations of laws and regulations affecting Finance;
- Finance management is responsible for the design and implementation of programs and internal controls intended to prevent and detect fraud and ensure the safeguarding of City assets.

See **Exhibit B** for a draft of the representation letter that we have requested Finance management to prepare and execute.

As of the date of this report, Finance management has refused to prepare or execute the management representation letter that we have requested, indicating that they have been directed not to do so by City legal counsel.

\* \* \* \* \*

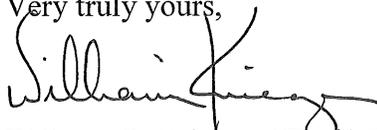
This report summarizes the results of our analyses to date. We reserve the right to amend or supplement this report as necessary should additional information become available to us. The use of this report is limited to the current matter referenced above and this report may not be used for any other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

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.

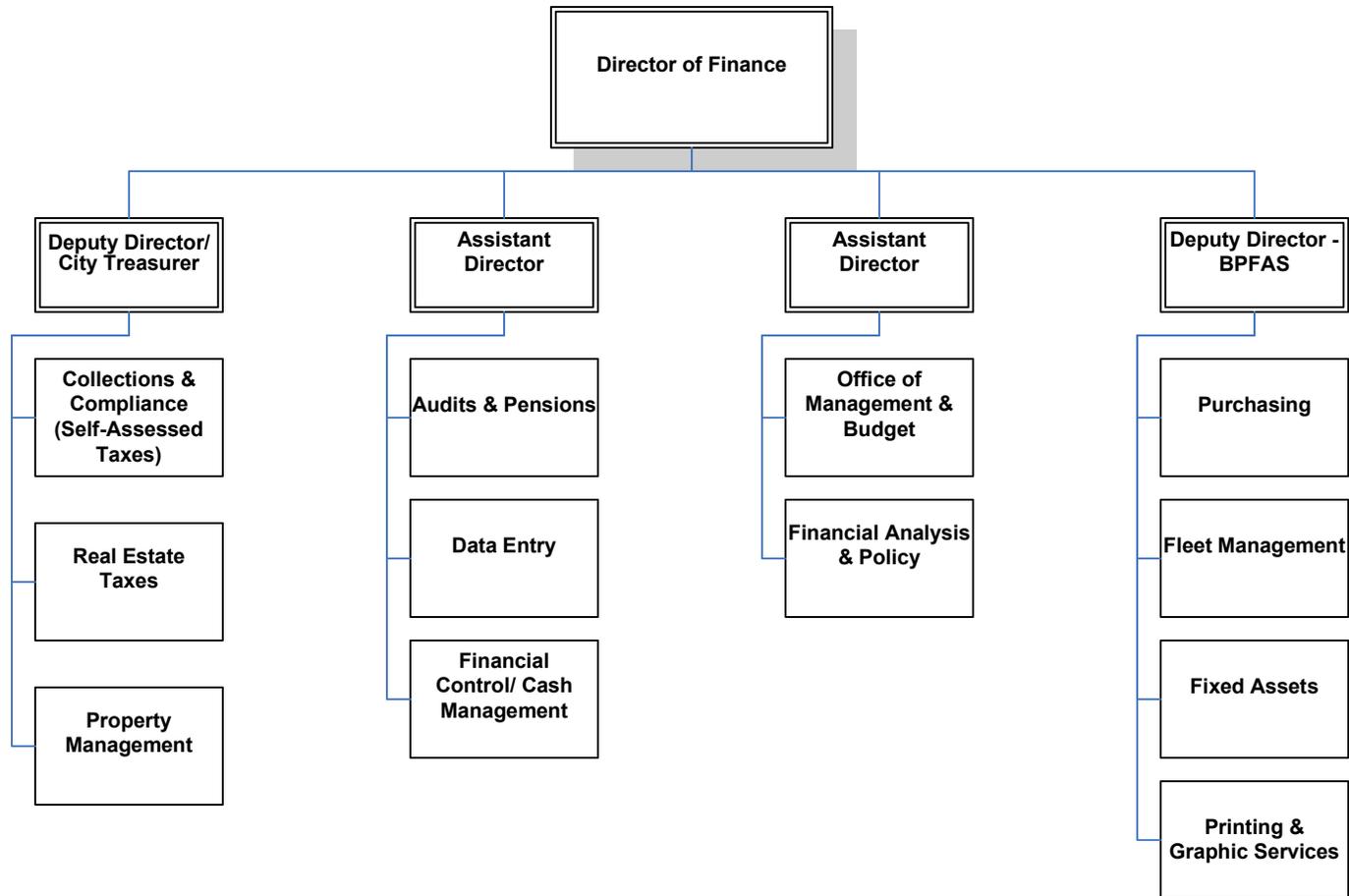
Very truly yours,



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



# Department of Finance



**EXHIBIT B**

{Date}

William G. Krieger  
Managing Director  
Gleason & Associates, P.C.  
One Gateway Center, Suite 525  
Pittsburgh, PA 15222

**Re: Departmental Management Representations Regarding Cash Management Internal Controls – {Department/ Bureau Name}**

Dear Mr. Krieger:

I/we am/are providing this letter to you in connection with your review of the cash management procedures and internal controls of the City of Pittsburgh, Department of {Insert Department / Bureau Name} conducted from May xx, 2013 [date of opening conference letter for department] through the date of this letter.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

I/we confirm, to the best of my/our knowledge and belief, as of {Date of this letter}, the following representations made to you during your cash management controls review.

1. I/we have provided you with:
  - a. Access to all information that you have requested, as well as other information that may be relevant to your project, such as business practices, policies, procedures, cash receipt records, and other documentation of departmental business operations.
  - b. Unrestricted access to persons within the department from whom you obtained information regarding departmental cash management procedures and internal controls.

William G. Krieger

{Date}

Page 2

2. I/we am/are not aware of any material cash receipt transactions that have not been properly deposited into the accounts of the City of Pittsburgh and/or recorded in the accounting records underlying the City of Pittsburgh's financial statements.
3. I/we acknowledge my/our responsibility for the design and implementation of programs and internal controls intended to prevent and detect fraud and ensure the safeguarding of City of Pittsburgh assets.
4. I/we have no knowledge of any fraud or suspected fraud that affects the City of Pittsburgh and which involves:
  - a. {Departmental [or Bureau] Name} Management,
  - b. {Departmental [or Bureau] Name} employees who have significant roles in the cash management functions or internal controls intended to safeguard assets of the City of Pittsburgh, or
  - c. Others where fraud could have a material effect on the cash balances and/or other transactions recorded.
5. I/we have no knowledge of any fraud, allegations of fraud, or suspected fraud affecting the City of Pittsburgh's {Departmental [or Bureau] Name} which may have been communicated to me/us by employees, former employees, analysts, regulators, or others.
6. I/we have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be consider when analyzing the cash receipt transaction records of {Departmental [or Bureau] Name}.
7. To the best of my/our knowledge and belief, no events have occurred subsequent to the completion of your fieldwork and through the date of this letter that would require adjustment to, or disclosure in, your report on {Departmental [or Bureau] Name} cash management controls.

Very truly yours,

{Department / Bureau Director Name}

{Title}

Cc: Michael Lamb, City Controller