FISCAL AUDIT

DEPARTMENT OF PARKS AND RECREATION

MELLON PARK TENNIS TRUST FUND (MPTTF)

Report by the

Office of City Controller

MICHAEL E. LAMB

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September, 2015

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MICHAEL E. LAMB CITY CONTROLLER

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

September 3, 2015

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

The Office of the City Controller is pleased to present this review of the **Mellon Park Tennis Trust Fund** conducted pursuant to the Controller's powers under Section 404(b) of the Pittsburgh Home Rule Charter.

EXECUTIVE SUMMARY

The Mellon Park Tennis Trust Fund (MPTTF) was established in 2002 via resolution #633 to account for the deposit of fees received from the rental of tennis courts located at the Mellon Park tennis facility (the "Bubble"). Funds deposited into the trust fund are utilized by the Department of Parks and Recreation to pay for expenses related to the maintenance of the tennis facility and improvements to the Mellon Tennis Program. The program makes available to the general public an indoor tennis facility that is equipped with five tennis courts for an hourly rate depending on the day and time, or on a permanent basis (Permanent Court time) for the whole tennis season.

We performed certain procedures to determine whether fees collected from the tennis program are deposited intact and that internal controls related to the administration of the trust fund are adequate. Based on our procedures, existing internal controls and practices especially at the Bubble are not sufficient to adequately safeguard monies collected on behalf of the City. Although our procedures did not disclose any actual occurrence of misappropriation and/or theft, we identified deficiencies that increase the risk of errors, fraud and/or misappropriation to occur and not be detected in a timely manner. Issues noted include lack of formal procedures for managing the tennis clinics and records utilized to support payments collected are inconsistent, illegible and not always retained. Also, agreements with the Tennis Program Coordinator and Tennis Instructors involved with the Tennis Program are not formalized.

These and other issues including our recommendations are discussed further in the Result section of this report. We appreciate the assistant of the staff involved with the administration of the fund.

Sincerely,

Michael E. Lamb

City Controller

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INTRODUCTION

This review of the **Mellon Park Tennis Trust Fund** was conducted pursuant to the Controller's powers under Section 404(b) of the Pittsburgh Home Rule Charter.

SCOPE AND METHODOLOGY

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

The objectives of our review were to determine whether procedures and internal controls relating to the administration of the fund are adequate, tennis court fees are deposited intact, and payments made from the fund are properly supported. In conducting this review we performed procedures to gain an understanding of the procedures and internal controls relating to the administration of the Mellon Park Tennis Program. This report and its conclusion are based on procedures performed and records examined. Our procedures consisted primarily of inquiries and examination of relevant records. Specifically we:

- Conducted interviews to gain an understanding of the Tennis Program operations, processes and related internal controls.
- Reviewed procedures relating to the collection and deposit of the tennis court fees.
- Applied procedures to verify the fees are deposited intact (sample basis).
- Evaluated adequacy of internal controls relating to the collection, recording and deposit of the fees.
- Summarized fees received and expenses charged to the fund during the period under review.
- Performed variance/trend analysis on the fees collected and expenses charged to the fund for the same period.
- Examined supporting documentation (sample basis) to expenditures charged to the fund.

BACKGROUND

The Mellon Park Tennis Trust Fund (MPTTF) was established in 2002 via resolution #633 to account for the deposit of fees received from the rental of tennis courts located at the Mellon Park tennis facility (the "Bubble"). Funds deposited into the trust fund are utilized by the Department of Parks and Recreation to pay for expenses related to the maintenance of the tennis facility and improvements to the Mellon Tennis Program. The program makes available to the general public an indoor tennis facility that is equipped with five tennis courts for an hourly rate depending on the day and time, or on a permanent basis (Permanent Court time) for the whole tennis season. The tennis courts are available for walk-in customers or scheduled under what is called "occasional court time". The department also offers tennis clinics conducted by tennis professionals for all skill levels and age groups. The tennis instructors or other interested individuals are also allowed to rent court time from the department to conduct private tennis lessons.

The tennis program is currently staffed by 6 Parks employees, whose primary responsibilities include maintaining the daily tennis schedule, receiving & processing payments, balancing daily transactions and maintaining monthly records of activities. An Administrative staff oversees the operation of the program and is also responsible for scheduling, invoicing and processing payments for permanent and occasional court times as well as special events. A Tennis Program Coordinator is sub-contracted to oversee the tennis clinics and lessons at the Bubble. His duties include, scheduling instructors to teach at the clinics and/or conduct lessons, setting their hours and pay rates, and also submitting payroll invoices for their pay.

During the tennis season that runs from October through May, individuals interested in reserving permanent court time are required to submit an application form to the administrative staff prior to the start of the season. Permanent Court time permit fees range from $600 to $900 per season or an hourly rate ranging from $20 to $30 per court. Payments for Permanent Court time in the form of check and/or money order only are mailed to the Park's Department downtown administrative office and tracked using an excel spreadsheet. Full payment for reserved permanent court time is due in full or in three equal instalments; a 10% discount is offered for payments made in full by the due date of August 1st. Scheduled court times are also tracked via a spreadsheet maintained by the Administrative Aide. Invoices are prepared for all reserved permanent court times and mailed to the customer.

Occasional court time may be reserved no more than one week in advance or the same day the person would like to play. Fees range from $20 to $30 per hour depending on the day and time. Most of these payments are made in the form of cash; however checks and/or money orders are also accepted. In addition, certain courts are reserved on the calendar for the tennis clinic sessions taught by the tennis instructors on behalf of the Parks Department on various days and times for all skill levels ranging from "Tiny Tots" (4 to 6 year olds) to 'Advanced Adult". Individuals interested in participating may show up at any of the scheduled sessions and pay the appropriate fee ranging from $10-$15 directly to a Parks employee managing the session. A discount is available for payments made in advance. At the end of each session, payments received (mostly cash) are taken to the office and processed. No individual receipts are issued however; detailed information for each clinic session (date, time, total amount collected) is recorded on the application form.

All payments collected at the Bubble are processed via a cash register and recorded on a daily tally sheet. At the end of each shift an employee balances the collections for that shift and initials the register receipt. The next business day, another employee balances the previous days' collection and prepares the daily cash balance sheet. All collections, the daily tally sheets plus register tapes are stored in a safe pending pick up for deposit. Payments are picked up for deposit three times weekly. On Monday's and Wednesday's another Parks Department employee who works at one of the City Pools prepares and takes the deposits to the bank. Deposit documents are then forwarded to the Parks' Administrative Office. Collections are also picked up by the Administrative Aide on Fridays and returned to the Park's downtown Administrative Office and are subsequently taken to the City's Finance Office for deposit. A copy of the deposit slip and validated deposit memo is returned to the Parks Department for their record. All receipts deposited are tracked using a spreadsheet that is also used to periodically reconcile to the City's accounting system.

A total of $767, 527 in tennis court fees were collected during the period of our review, January 1, 2013 through December 31, 2014 as indicated below:

Table I: Mellon Park Tennis Trust Fund Revenue
For the Period January 1, 2013 through December 31, 2014

Year	Amount
2013	$ 365,513
2014	402,014
Total	**$ 767,527**

The following expenses were charged to the fund during the same period:

Table II: Mellon Park Tennis Trust Fund Expenditures
For the Period January 1, 2013 through December 31, 2014

Expense	2013	2014	Total
Building	$ 199,661	$ -	$ 199,661
Professional Services	48,579	49,979	98,559
Protective/Investigative	18,018	13,912	31,930
Cleaning Services	13,726	-	13,726
Supplies	13,650	11,003	24,653
Repairs and Maintenance	13,077	9,275	22,352
Utilities	11,495	19,706	31,200
Equipment Rental	5,866	-	5,866
Total	**$ 324,072**	**$ 103,875**	**$ 427,947**

RESULT

Finding #1: Internal Controls over the Tennis Clinics Needs Strengthened

Lack of Standard Operating Procedures

There are no formal operating procedures governing the Tennis Clinics Program. Standardized written operating procedures define responsibilities as well as processes involved in managing the program. To ensure adequate monitoring and management of the program, detailed documentation of operating procedures that incorporates appropriate levels of internal controls are important. Best Practices indicates standardized procedures that include process descriptions and related internal controls should exist to codify operations thereby providing a foundation for effective internal controls. Although the department recently created cash management policies specific to daily receipts at the Bubble, formal policies and procedures specific to the tennis clinics program that describe the process and related controls are important in ensuring adequate management and monitoring.

Inadequate Tracking of Clinic Sessions Attendance

The Parks Department does not maintain adequate records to support all payments received. Sign-in sheets used to record attendance at the clinics were not always retained and those retained were incomplete, missing information or illegible in most instances, thereby making it difficult to reconcile payments collected to the sign-in sheets. This lack of proper and complete audit trail limits the ability to ensure proper accountability over payments collected and their subsequent deposit. Records of persons attending should be properly documented on a standardized and properly designed attendance sheet showing all pertinent data to ensure all monies collected are properly recorded and deposited. This is especially important since the attendance records serve as an initial record to support payment received and cash which is susceptible to misappropriation is an acceptable form of payment. These weaknesses may be attributed to the Parks Department not having formal operating procedures in place for managing the clinic sessions.

Instructors Sign in Sheets not Retained

Sign-in sheets for the tennis instructors were not retained, therefore Auditors were unable to agree payments made to the instructors to the hours they worked. Parks employees involved with the clinics track instructor attendance using a monthly sign-in calendar that records their names, date, start and end times for each session. The calendars are not retained but turned over to the Coordinator to use for preparing payroll invoices. Retaining the sign- in sheets is especially important since a significant portion of the expenses charged to the trust fund are for the instructors' payroll expenses; $98,559 (or 23%) over the two year period of our review.

Recommendations

- Establish a formal operating procedure that includes detailed duties and responsibilities on accomplishing tasks involved with operating the tennis clinics specifying records to be utilized for the collection of the tennis court fees.
- Ensure sign-in sheets are standardized and contain sufficient information to identify the names of participants, session dates and times, and form of payments received. Employees should ensure the participant information recorded on the sign-in sheet is legible. For situations involving young kids, employees should make sure the children's names are clearly recorded.
- Establish a record retention policy that is communicated to all employees involved with the program to ensure all sign-in sheets for both the clinic participants and the instructors who teach at the sessions are retained.

Finding #2: Lack of Formal Procedures and Agreements

Instructors Invoice Procedures

Currently there are no formal procedures in place for the Parks Department to review and approve invoices for paying instructors that teach at the Clinics. The Tennis Program Coordinator who is responsible for managing the tennis clinic sessions approve timesheets (*including his own*) that he uses to prepare invoices that are submitted to the Parks' Administration office for payment to the instructors. As already noted, instructors payroll expense constitute a significant portion of the trust funds' total expenses. An effective internal control that minimizes the misappropriation of resources requires the establishment of a proper review and approval process for all expenses charged to the fund.

Lack of Formal Agreements

The Park's Department does not have a formal agreement with the Tennis Program Coordinator or the Tennis Instructors involved with the tennis clinics and lessons. The *Coordinator*, a subcontractor is responsible for managing the tennis program at the Bubble. His responsibilities include scheduling instructors to teach at the clinic sessions, setting their pay rates and also submitting their payroll invoices. Also there is no formal agreement with the instructors utilized to teach at the clinics. A special arrangement appears to be in place for one of the instructors to offset payments for utilizing occasional court time at the Bubble for services rendered at another tennis facility/program. Auditors' inquiries revealed these arrangements were established when the Bubble first opened, however there is no documentation of the conditions and/or full understanding of these arrangements.

Recommendations

- Establish formal policy and procedure requiring the review and approval of all invoices prior to payments. Monthly instructor's sign in sheets should be retained and hours recorded on the sign-in calendar should be reconciled to the invoice submitted by the Tennis Coordinator.

- Formalize the current arrangement/agreement with both the Tennis Coordinator and the Instructors that clearly states expectations, scope, duties and responsibilities of all parties involved. This should also include pay rates and any other important and/or special arrangements that were made.

Finding # 3: Discount on Permanent Court Payments

While reviewing records pertaining to permanent court time, we noted that the policy on offering a discount of 10% for all payments made in full within a specified date is not strictly followed. A discount was applied to several payments (71% of court reservations) that were not eligible based on the discount policy and requirements documented on the *application* form.

Recommendation

Apply discount to payments based on standards established on the application form or amend the application to reflect current practices.

Finding # 4: Use of Pre-Numbered Application Forms

Tennis permit application forms utilized by the Parks Department are not pre-numbered. Pre-numbered application forms will allow for easy tracking of revenue activities and provide adequate audit trail plus aid in establishing accountability over payments collected. In addition sequencing of the application form allow for records to be easily reviewed, accounted for and also allow the department to easily track revenue generated from the program. Although the use of pre-numbered forms for permanent court time may not be practical, internal controls over the tennis clinic program/sessions, the occasional court time and walk-ins will be significantly enhanced if the forms are pre-numbered. This is especially since total payments collected are recorded on the forms thereby serving as initial record of payments received.

Recommendation

Utilize pre-numbered application forms or other form of pre-numbered documentation to allow for a formal accounting of payments and tracking of activities especially for the tennis clinics, occasional court and walk-ins programs.

Finding #5: Cash Payments

About 30% in 2013 and 35% in 2014 of all payments collected at the Bubble were in the form of cash. Although payments in the form of cash are convenient and may be impractical to eliminate, cash by its nature is susceptible to misappropriation. In order to lower the risk of loss and/or misappropriation, payments in the form of cash should be minimized.

Recommendation

Explore the possibility of eliminating the acceptance of payments in the form of cash.

Finding #6: Reconciliations

There are no reconciliations performed to agree fees collected to the City's accounting system to ensure accuracy and allow for early detection of errors and/or irregularities. This is especially important since payments (some of which are in the form of cash) collected on Mondays and Wednesdays from the Bubble are taken to the bank by a Parks employee that is not involved with the Bubble's operations as a convenience.

Recommendation

In order to ensure all payments are received and promptly deposited, the Parks Department should:

- Establish procedures to agree daily and/or monthly receipt records (tally sheets) to validated deposit slips and/or the City's accounting system.

CITY OF PITTSBURGH

Department of Parks & Recreation

William Peduto, Mayor | *Jim Griffin, Director*

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

August 26, 2015,

Controller Lamb:

Attached is the Department of Parks and Recreation preliminary response to your office's fiscal review of the Department of Parks and Recreation's Mellon Park Tennis Trust Fund (MPTTF). This asset is a vital component in allowing Citiparks to program tennis programs year round. The funds management processes and procedures have ensured enjoyment for children and families for more than a dozen years. In addition, this asset has provided an efficient and effective recreational amenity that serves as a model for developing new facilities and amenities across the City of Pittsburgh.

Thank you for your report. We appreciate the care and diligence that was required to create this report and we resolve to respond carefully and critically to all your audit team's recommendations. Most of all, Citiparks is pleased to know that while your audit found areas upon which Citiparks can improve its management, it also found no evidence fiscal malfeasance.

We look forward to working with your office as we move forward. We expect to provide a final report regarding our planned implementation of solutions required to address any deficiencies by October 15, 2015.

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

Sincerely,

Jim Griffin
Director

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

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Department of Parks and Recreation Response to fiscal audit of the Mellon Park Tennis Trust Fund

Finding #1: Internal controls over the clinics and lessons need to be strengthened

Citiparks will formulate a written standard operating procedure for all aspects of the tennis clinic which will strengthen our controls and ensure better record keeping of the tennis clinics. Part of the operating procedure will include sending the instructor's sign in sheets to the downtown administration office, rather than being stored at the tennis office. Citiparks will have such procedures in place by October 15, 2015.

Finding #2: Lack of formal procedures and agreements

Citiparks disputes the finding that the Coordinator, a subcontractor, is responsible for managing the tennis program at the bubble. All activities at the Mellon Park Tennis facility are overseen by Citiparks staff, including onsite Citiparks workers and an Administrative Aide, who manages the program.

With the newly formalized operating procedure, the sign in sheets for Citiparks instructors will be verified and initialed by Citiparks tennis employees. They will then be sent to the downtown administration offices and verified against their invoice.

While the pay rates for all of the tennis instructors are set by the Parks Administration, we will formulate a written agreement for their services. We will eliminate the past practices of invoicing instructors at the end of the month for time they used. In addition, we will provide identification for all Citiparks instructors to avoid the utilization of Citiparks facilities by non-Citiparks employees and instructors. Non-credentialed instructors will not be allowed to conduct fee-based instruction at Citiparks facilities.

Finding #3: Discount on Permanent Court Payments

While the deadline for the discount is occasionally extended, it is only done so when the reason a patron is missing the deadline is due to no fault of their own. This can occur when our staff is on vacation and unable to answer phone calls regarding outstanding balances. Citiparks disputes the report's claim of71% of the court reservations. For future exceptions to this policy will indicate why exceptions are being made.

Finding #4: Use of Pre-Numbered Application Forms

Citiparks currently uses our permanent time application to also track and record the players who book occasional time courts. We will develop a new form for occasional court time that is pre-numbered.

Finding #5: Cash Payment

Since our permanent court time is pre-sold and paid for by check or money order, it is our goal to sell as many permanent court time slots as possible. This year, Citiparks has sold more pre-sold permanent courts than in any prior year.

Finding #6: Reconciliations

When money is deposited at the bank a copy of the deposit slip and the cash register tape is then turned in to the downtown administration office where our accountant verifies what was handed over by the tennis employee matches what was deposited in the bank. This practice assures that no discrepancies occur during the transit from Bubble to bank.