



Fiscal Audit

**Department of Public Safety-Office of Special Events
Department of Parks and Recreation
Special Events Trust Fund (SETF)**

Report by the
Office of City Controller

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August 18, 2020

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CITY OF PITTSBURGH
OFFICE OF THE CITY CONTROLLER
Controller Michael E. Lamb

August 18, 2020

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

The Office of the City Controller is pleased to present this Fiscal Audit of the **Special Events Trust Fund (SETF)**, conducted pursuant to the Controller's powers under Section 404(b) of the Pittsburgh Home Rule Charter.

EXECUTIVE SUMMARY

The Special Parks' Programs Trust Fund (SPPTF) was established in 1979 via Resolution 106. It was later amended in 2017 via Resolution 834 and renamed to the Special Events Trust Fund (SETF). The amendment transferred oversight and control of the SETF from the Department of Parks and Recreation to the Department of Public Safety's Office of Special Events. The Resolution further stated that the fund is "to be used in support of Community Footraces, Cinema in the Park, Public Community Festivals, and other such events as managed by the Office of Special Events. All revenues related to these events, including sponsorships, donations, and registration fees shall be deposited into this trust fund".

We performed certain procedures to determine whether policies, procedures, and internal controls relating to the administration of the fund are adequate and that expenditures charged to the fund are allowable and properly supported. Additional procedures were performed on the following processes: 2018 Farmers Market, Great Race Merchandise sales, and Recreation Center Rentals. Lastly, we verified the deposit of the City's and issuance of P3R's share of funds per the P3R Contract. Based on these procedures, we uncovered weaknesses in existing internal controls. Furthermore, we noted a lack of policies and procedures; poor recordkeeping and retention of records; as well as irregularities in the management of Great Race gift cards, Great Race merchandise sales, and Farmers Markets.

Improved controls in the form of a complete set of policies and procedures, in conjunction with increased oversight of revenue collected from Farmers Markets, Great Race Merchandise sales, and Recreation Center Rentals, will help to further ensure funds are properly accounted for and safeguarded. These issues and our recommendations along with responses from the Department of Parks & Recreation and Department of Public Safety's Office of Special Events, are further discussed in the Findings & Recommendations section of this report.

We appreciate the cooperation of the staff involved with the management of the fund as well as their patience during the course of our audit.

Sincerely,

Michael E. Lamb
City Controller

INTRODUCTION

This fiscal audit of the **Special Events Trust Fund (SETF)** was conducted pursuant to the Controller's powers under [Article IV, Section 404\(b\)](#) of the Pittsburgh Home Rule Charter.

SCOPE AND METHODOLOGY

Our procedures were conducted pursuant to the Article IV, Section 404(b) of the City of Pittsburgh Home Rule Charter. Our procedures covered the period January 1, 2016, to December 31, 2018.

The objectives of this audit were to determine whether procedures and internal controls relating to the administration of the trust fund were adequate. In order to achieve these objectives, we performed the following procedures:

- Interviewed personnel from the Department of Parks and Recreation as well as the Department of Public Safety's Office of Special Events involved with the fund to gain an understanding of the funds' operations, processes, and internal controls;
- Reviewed the City's Purchasing (P-Card) Policy, the Office of Special Events' Purchasing Procedures, Citiparks' Cash Management Policy, applicable Resolutions, and the City's Code of Ordinances;
- Summarized revenues by source and expenditures by category and performed variance analysis on expenditures for plausible relationships for the period of our audit;
- Reviewed procedures and processes utilized in the administration of the trust fund, to assess internal controls and develop recommendations for management;
- Applied procedures to a sample of revenues and expenditures to determine whether they were properly incurred and administered according to applicable Resolutions;
- Applied procedures to all P-Card expenditures to determine whether they were properly incurred and administered according to applicable Resolutions as well as the City's P-Card Policy;
- Assessed the efficiency and effectiveness of the operation of programs/processes, such as: 2018 Farmers Market, Great Race Merchandise sales, and the Recreation Center Rentals;
- Reviewed the Pittsburgh Three Rivers Marathon (P3R) [Contract #52735](#), in addition to revenues and expenditures to ensure P3R and the City received their share of 'net revenue'¹.

¹ Per Contract #52735, net revenue is defined as "total revenue received for registrations and sponsorships, less any and all expenses incurred".

BACKGROUND

The Special Parks' Programs Trust Fund (SPPTF) was established in 1979 via Resolution 106. The resolution allowed for the SPPTF "to accept funds from various public and private foundations, and individuals, organizations and agencies for Special Parks Programs, in the Department of Parks and Recreation, and to deposit all funds for said programs and providing for the payment of expenses in connection with the Special Parks Programs".

Said resolution was amended in 2017 via [Resolution 834](#) and renamed to the Special Events Trust Fund (SETF). The amendment transferred oversight and control of the SETF from the Department of Parks and Recreation (Citiparks) to the Department of Public Safety-Office of Special Events. The Resolution further stated that the fund is "to be used in support of Community Footraces, Cinema in the Park, Public Community Festivals, and other such events as managed by the Office of Special Events. All revenues related to these events, including sponsorships, donations, and registration fees shall be deposited into this trust fund".

FUNDING SOURCES

The SPPTF received revenue from the following sources during the scope of the audit: Great Race registration fees, partner fees, and merchandise sales; race sponsorships; recreation rental fees; and Citisports league fees. As of December 28, 2017, the SETF no longer accepted revenue from Parks programs such as recreation rental fees and Citisports league fees. Additionally, Public Safety's Office of Special Events resumed operation of certain programs (utilizing the SETF), to include the Farmers Markets and certain City races.

City Source Associates managed the City's Great Race until April of 2017, when the City closed the [Great Race account](#). The closure prompted the City to deposit the remaining funds, totaling \$422,224, into the SPPTF (now SETF). Soon thereafter, the City entered into an agreement with Pittsburgh Three Rivers Marathon, Inc. (P3R) for the purpose of providing services for the management of the Richard S. Caliguiri City of Pittsburgh Great Race, which was formalized via [Resolution 402](#) of 2017 (and later amended by [Resolution 664](#) of 2018).

VERIFICATION OF FUNDS-P3R CONTRACT

Per Contract #52735, P3R agreed to manage the Great Race for 2017 through 2019, in which the total cost to the City was "not to exceed \$204,416.90 for 2017, and for each of the years 2018-2019, the greater of \$60,000.00 or 40% of net revenues generated by the Great Race". Thus, the City received 60% of 'net revenues'² generated by the Great Race held in 2018 and 2019. We confirmed the City's \$204,417 payment to P3R in January of 2017, which consisted of a \$144,417 reimbursement for 2017 Great Race expenses and a \$60,000 management fee. The City received \$145,869 from P3R for 2018's Great Race, which was deposited into the SETF in March of 2019.

² Please refer to [footnote 1](#) for a definition of 'net revenues' per Contract #52735.

GENERAL TESTING

We completed testing on a sample of revenue for years 2016 through 2018. Specifically, we tested whether funds were properly processed, were received from permissible sources, were deposited into the correct account, and whether sufficient documentation was kept on file internally. We noted that both Citiparks and Public Safety deposited funds into the correct trust fund account. However, Citiparks was unable to provide documentation for a significant number of samples related to recreation center rentals³. Additional testing was completed on the Department of Public Safety's Office of Special Events Great Race merchandise sales, which is also detailed in the [Finding and Recommendation](#) section of the report.

EXPENDITURE OF FUNDS

Citiparks and Public Safety utilize JD Edwards (JDE) accounting software for the recording of revenues and expenditures related to the SETF, in addition to their respective internal recordkeeping systems. We noted that Citiparks used funds in support of programs such as the Great Race and Recreation Center activities. The Office of Special Events uses funds from the SETF for the programming of holiday events, community races, and summer events such as Summer Soul Line Dancing and Farmers Markets. Several other events such as Valentine's on Ice, Greenfield Glide 5k, and Cinema in the Park are partially funded by the SETF.

GENERAL TESTING

We completed testing on a sample of expenditures for years 2016 through 2018. Specifically, we tested whether expenditures were properly recorded, approved, and used for allowable expenses. In addition, we tested whether sufficient documentation was kept on file internally. We noted that permissible expenditures changed during the scope of the audit. Resolution 106 of 1979 stated that funds were to be used for "salaries, materials, supplies, and miscellaneous services and expenses in connection with the Special Parks' Programs". Resolution 834 of 2017 requires funds "to be used in support of Community Footraces, Cinema in the Park, Public Community Festivals, and other such events". We noted no significant exceptions to attributes tested for Public Safety, while Citiparks was unable to provide supporting documentation for a significant number of samples tested.

³ The results of testing will be further detailed in the [Finding and Recommendation](#) section of the report.

TESTING-P CARD

Per standard procedure, separate testing was completed on all purchasing card (i.e. P-Card) journal entries during the scope of the audit. We tested whether expenditures were properly recorded into JDE, allowable per applicable Resolutions, made in compliance with the City's P-Card Policy, and whether documentation was kept on file internally. We noted some exceptions to attributes tested regarding guidelines within the P-Card Policy, which will be further detailed.

The Department of Management and Budget (OMB) instituted the City's P-Card Policy, which prohibits the following expenditures: "fixed Assets (i.e. computers or furniture), capital purchases, employee travel expenses (i.e. air, hotel, car, meals), gift cards, alcohol, office supplies, software, building/property leases, leases for copiers and other equipment, and professional services".

We observed that said guidelines for P-Card purchases were not always followed or enforced according to the verbiage found within the P-Card Policy. Furthermore, it is not clear why a P-Card was used to purchase gift cards from Fleet Feet, when the purchase of 'gift cards' are impermissible per the P-Card Policy. We must note that OMB originally agreed that an exception was made for the gift card purchases and that they would be able to provide documentation granting such exception. Upon further inquiry, they stated that the purchase was subsequently considered permissible, as it was considered a 'promotional' purchase and that an exception would not have been needed.

[Resolution 473](#) of 2017 details the 'In-Kind Sponsorship Agreement' between the City and Fleet Feet, which includes the option for the purchase of gift cards. We confirmed the total amount of gift cards purchased from Fleet Feet in 2017 was permissible, while we noted that the purchase was recorded in a different account than is directed by said resolution. Additionally, we could not determine whether 2018's purchase of gift cards was permissible per Section 2 of the resolution.

AUTHORIZATION OF EXPENDITURES

Departments within the City of Pittsburgh utilize JDE to initiate the purchase of goods and services via Purchase Orders (POs). Until July 31, 2017, expenditures made with POs required approval via two separate signatures on paper Departmental Invoices (DIs). On August 1, 2017, the Office of Management and Budget, by way of the Procurement Optimization Project, replaced the physical signatures on DIs with electronic approvals in the JDE system for POs and explanatories⁴ only. Encumbrances still require physical signatures for approval.

While most expenditures require that POs be generated through JDE, other types of expenditures can be executed with a Bank of America issued Purchasing Card (P-Card). P-Cards are Visa credit cards that are individually issued to designated cardholders for business-related purposes. The City's Purchase Card Policy guides cardholders in determining whether to use the P-Card or a PO for departmental expenditures. Once approved, the cardholder can use the P-Card at the Point of Sale like a credit card. All P-Card transactions are subject to City Council review, as Council is provided with a list of transactions on a weekly basis.

⁴ Explanatory purchases over \$3,000, which are not covered by a contract, require City Council approval.

FARMERS MARKETS-2018

Citiparks utilized the Schenley Park Rink Trust Fund (SPRTF) in the management of the City's Farmers Markets, prior to the 2018 season. The Office of Special Events assumed operation of the Farmers Markets in 2018 with the renamed SETF. The City held Farmers Markets for the 2018 season at the following locations: Squirrel Hill, East Liberty, South Side, Carrick, Beechview, Mellon Square, North Side, and Sheraden.

The SETF receives revenue from vendor fees collected in the operation of the Farmers Market program with varying fees depending on the location of the Farmers Market. According to Special Events, vendor fees collected in 2018 included \$75 for Beechview; \$250 for South Side, Mellon Square, and Carrick; \$325 for East Liberty, North Side, and Squirrel Hill. Vendors who wish to participate in multiple locations would pay an additional \$100 to \$175, depending on the specific location desired.

Vendors are required to fill out an application indicating their location(s) of choice. The application is then reviewed by the Office of Special Events, who may or may not issue an invoice. A waiver must be signed, proof of insurance must be submitted, and payment must be issued in order to be considered for the requested spot(s). Auditors were provided a copy of an application but were not provided with the 'City of Pittsburgh Farmers Market Program Rules and Regulations' for 2018.

TESTING

We reviewed all revenues and expenditures for the 2018 Farmers Market season. Additionally, we reconciled Special Events' internal accounting of fund activity to journal entries recorded in JDE. While we noted several errors in the internal records, we were able to confirm that journal entries were properly recorded into JDE. Next, we compiled a profit (loss) statement per market and for the Farmers Market program overall, which is detailed in the table below⁵. Lastly, we tested the receipt of vendor fees collected during the 2018 season. Specifically, we tested whether copies of applications and checks were maintained internally, and whether funds received agreed to Special Events internal records. The results of said testing described are further detailed in the [Finding and Recommendation](#) section of the report.

⁵ Special Events informed us following the completion of the audit that City of Pittsburgh Police officers are routinely utilized as security for the operation of Farmers Markets. We acknowledge that expenses related to securing police presence at the Farmers Markets impacts the overall operations.

PROFIT (LOSS) FOR FARMERS MARKETS IN 2018

The overall operation of the Farmers Markets in 2018 resulted in a net profit of \$2,969. Meanwhile, several Farmers Market locations operated in a net loss, which is further detailed below:

Table I: Farmers Markets Profit (Loss) Statement per Location			
For the Period January 1, 2018-December 31, 2018			
Squirell Hill Farmers Market		South Side Farmers Market	
<i>Revenues</i>		<i>Revenues</i>	
Vendor Fees	\$9,100	Vendor Fees	\$750
<i>Total Revenues</i>	\$9,100	<i>Total Revenues</i>	\$750
<i>Expenditures</i>		<i>Expenditures</i>	
Artists & Performers	250	Artists & Performers	250
Payroll	3,058	Payroll	2,234
<i>Total Expenditures</i>	3,308	<i>Total Expenditures</i>	2,484
<i>Net Profit (Loss)</i>	<i>\$5,792</i>	<i>Net Profit (Loss)</i>	<i>-\$1,734</i>
East Liberty Farmers Market		Beechview Farmers Market	
<i>Revenues</i>		<i>Revenues</i>	
Vendor Fees	\$8,850	Vendor Fees	\$100
<i>Total Revenues</i>	\$8,850	<i>Total Revenues</i>	\$100
<i>Expenditures</i>		<i>Expenditures</i>	
Artists & Performers	250	Artists & Performers	250
Toilet Rentals	520	Payroll	1,156
Payroll	3,019		
<i>Total Expenditures</i>	3,789	<i>Total Expenditures</i>	1,406
<i>Net Profit (Loss)</i>	<i>\$5,061</i>	<i>Net Profit (Loss)</i>	<i>-\$1,306</i>
North Side Farmers Market		Carrick Farmers Market	
<i>Revenues</i>		<i>Revenues</i>	
Vendor Fees	\$5,330	Vendor Fees	\$500
<i>Total Revenues</i>	\$5,330	<i>Total Revenues</i>	\$500
<i>Expenditures</i>		<i>Expenditures</i>	
Artists & Performers	250	Artists & Performers	250
Payroll	2,295	Payroll	1,515
<i>Total Expenditures</i>	2,545	<i>Total Expenditures</i>	1,765
<i>Net Profit (Loss)</i>	<i>\$2,785</i>	<i>Net Profit (Loss)</i>	<i>-\$1,265</i>
Mellon Square Farmers Market		Sheraden Farmers Market	
<i>Revenues</i>		<i>Revenues</i>	
Vendor Fees	\$1,605	Vendor Fees	\$0
<i>Total Revenues</i>	\$1,605	<i>Total Revenues</i>	\$0
<i>Expenditures</i>		<i>Expenditures</i>	
Artists & Performers	2,200	Postage	70
Payroll	2,295		
<i>Total Expenditures</i>	4,495	<i>Total Expenditures</i>	
<i>Net Profit (Loss)</i>	<i>-\$2,890</i>	<i>Net Profit (Loss)</i>	<i>-\$70</i>

**Table II: Farmers Markets Profit (Loss) Statement for Overall Program
For the Period January 1, 2018-December 31, 2018**

<i>Revenues</i>		
Vendor Fees	\$26,235	
<i>Total Revenues</i>		\$26,235
<i>Expenditures</i>		
Access Tags*	292	
Artists & Performers	3,700	
Graphics*	585	
Payroll**	15,705	
Postage	70	
Signage*	2,394	
Toilet Rentals	520	
<i>Total Expenditures</i>		23,266
<i>Net Profit (Loss)</i>		<i>\$2,969</i>

*Included in a total of \$3,271 in expenditures not assigned to specific Farmers Market locations.

**A total of \$134 in payroll expenditures not assigned to specific Farmers Market locations.

SUMMARY OF REVENUES/EXPENDITURES

A total of \$1,315,043 was deposited into the trust fund during the period of our audit, January 1, 2016 through December 31, 2018 as detailed below:

<i>Fund Source</i>	2016	2017	2018	Total
Great Race-Registration/Partner Fees	\$111,324	\$330,944	\$14,520	\$456,788
Great Race-Other*	4,302	423,133	555	427,990
Sponsorship	50,500	124,795	140,000	315,295
Rec Center Rentals	39,516	21,070		60,586
Farmers Markets			26,710	26,710
Great Race-Merchandise		5,976	3,917	9,893
Citisports		6,940		6,940
REW Rentals	3,220	3,070		6,290
Other	939	3,575	330	4,844
Adjustments		-293		-293
Total	\$209,801	\$919,210	\$186,032	\$1,315,043

*Great Race-Other for 2017 includes \$422,224 from Great Race Account closure.

A total of \$838,588 was paid out of the trust fund during the period of our audit, January 1, 2016 through December 31, 2018 as detailed below⁶:

<i>Expenditure Category</i>	2016	2017	2018	Total
Operational Supplies	\$155,282	\$153,678	\$34,204	\$343,164
Payroll	36,975	40,636	19,944	97,555
Professional Services	45,680	14,915	27,813	88,408
Materials	40,365	8,515	38,153	87,033
Recreational Service		3,257	48,326	51,583
Transportation	7,373	18,875	19,190	45,438
Promotional	348	19,476	20,660	40,484
Maintenance/Repairs	26,579	4,268	3,549	34,396
Machinery & Equipment	13,116	2,900	9,668	25,684
Printing & Binding	6,187		3,694	9,881
Building	5,497	802	162	6,461
Furniture and Fixtures	4,104			4,104
Workforce Training	1,820	1,961		3,781
Auditing & Accounting Service		383		383
Administrative Fees		233		233
Total	\$343,326	\$269,899	\$225,363	\$838,588

⁶ JD Edwards reports for expenditures included over 28 different Cost Types (i.e. sub-accounts) over the scope of the audit, which were consolidated for use of the audit report. Further detail can be found [here](#).

FINDINGS AND RECOMMENDATIONS

We performed testing of all revenues and expenditures for Citiparks and Public Safety-Office of Special Events as was outlined in the background section of the report. Additionally, we tested all P-Card expenditures for both departments, as will be mandatory for all future audits. Next, testing was completed on programs and processes such as the 2018 Farmers Market, Great Race Merchandise sales, and the Recreation Center Rentals, all of which will be discussed in detail below. Lastly, we verified the deposit of the City's and issuance of P3R's share of funds per the P3R Contract. The results of our review are grouped between Citiparks and Public Safety-Special Events independent of each other. The results of the testing are further detailed in the remainder of the report, in addition to findings, recommendations, the auditee's response, and status⁷.

DEPARTMENT OF PUBLIC SAFETY-OFFICE OF SPECIAL EVENTS

Finding #1: Management of Farmers Markets

The Department of Public Safety's Office of Special Events lacks a comprehensive set of Policies and Procedures regarding the overall management of the Farmer's Market program. Internal records contained several errors for the tracking of revenues and expenditures in connection with Farmers Markets, which initially did not reconcile with journal entries recorded in JD Edwards accounting software. Additionally, there was a lack of documentation kept on file internally. Special Events did not provide copies of checks for 11% of the samples tested, nor did they provide copies of applications⁸ for approximately 89% of the samples tested. Applications are not consistently maintained, invoices are not always issued, and vendors are not always provided a receipt of payment for vendor fees.

While the operation of Farmers Markets in 2018 was profitable **overall** (i.e. Net Profit of \$2,969), several **markets** were not profitable. Specifically, the operation of South Side, Carrick, Beechview, Mellon Square, and Sheraden's Farmers Market locations resulted in a Net Loss of \$7,264, while the operation of Squirrel Hill, East Liberty, and North Side locations resulted in a Net Profit of \$13,638⁹. Based on 2018 data, the top two least profitable locations were Mellon Square at \$2,890 and South Side at \$1,734.

Special Events indicated that Beechview and South Side would be closing starting in 2020 due to the operations not being profitable¹⁰.

Recommendation:

Development of a comprehensive set of Policies and Procedures for the operation of the Farmers Markets is critical to the future success of the program. The Policy and Procedure should include the retention of all records such as invoices, checks, applications, and receipts. Internal records

⁷ See [Addendum](#) for further definition of status types of current audit recommendations.

⁸ Special Events began accepting online applications in addition to physical applications in 2018.

⁹ Unassigned expenditures for the Farmers Market program totaled \$3,405.

¹⁰ A location was added in Larimer starting in 2019 and is set to close in 2020. Additionally, we did not review Farmers Market fund activity for the 2019 season as it is out of the scope of our audit. As such, we cannot comment on the overall performance of the program which was used to determine the closing of certain markets in 2020.

should be routinely reconciled with journal entries made in JD Edwards. Additionally, a system for tracking income collected from the Farmers Market program should be developed. Include measures that ensure vendors receive an invoice citing the vendor locations, the fee per location, and the total amount due, along with receiving a receipt upon payment.

Assessment of the performance of each Farmers Market location should be conducted annually, while reserving any Net Profit for use in programming for the following year. Using prior year's Net Profit in operation of current year locations helps ensure the viability and continued operation of all Farmers Markets locations.

Public Safety-Special Events Response:

Accept. A comprehensive set of policies and procedures for the operation of the Farmers Markets will be developed, and they will address retention of records and review of the profitability of each market. The Special Events Program Manager will oversee this task with help from Public Safety Administration as needed. These policies and procedures will be completed prior to the start of the 2021 Farmers Market season.

Finding #2: Great Race Merchandise Sales Process

Internal control deficiencies were noted in the Great Race merchandise sales process. A comprehensive set of Policies and Procedures for the Great Race merchandise sales process does not currently exist. Special Events did not provide us with sufficient records detailing their accounting of sales and inventory sold. Detail for only \$1,315 in sales from RunSignUp representing 25% of total sales revenue was provided, while no data for the remaining \$3,957 (or 75% of total sales revenue) was made available.

There is a significant lack of segregation of duties for those involved with the sales process. Several individuals are responsible for more than one job function, such as acting as the cashier, recording the transaction, and preparing funds for deposit. Additionally, access to the lock box and knowledge of the combination to the lock is not properly restricted. Furthermore, the lock box is not properly safeguarded, as it is "kept in either a hotel room and/or employee's home overnight". The potential for theft is evident as \$3,927 (75%) of the sales revenue collected was in cash, thus highlighting the necessity for proper safeguards to be in place to mitigate such risks.

Recommendation:

At a minimum, comprehensive operating policies and procedures for the sale of Great Race merchandise must be created. We advise they be modeled after and thereby contain the core elements of GFOA's Best Practice "[Creating a Revenue Control and Management Policy](#)". Segregation of duties must be established and access to the lock box as well as knowledge of the combination should be limited to as few individuals as possible. The lock box containing daily sales should be held at a neutral and secured site, such as the Special Events administrative offices until ready for deposit.

We suggest that Special Events create a daily sales log and detailed spreadsheet accounting for revenue from the sale of Great Race merchandise. The log should be completed daily at each event and should detail the items sold, total funds received, and be signed off by the cashier(s) assigned. In addition, the log should be reconciled with the revenue collected in the cash box at the end of each night and signed by management. Finally, inventory should be reconciled at the end of each event to ensure merchandise is not missing or stolen.

Public Safety-Special Events' Response:

Accept. Due to the small number of Special Events staff and the immense undertaking of managing the Great Race, segregation of duties for merchandise sales is extremely difficult to achieve without neglecting other areas of managing the event. The Office of Special Events will develop comprehensive policies and procedures for the sale of Great Race merchandise. The Special Events Program Manager will oversee this task and consult with the Department of Finance for guidance. These policies and procedures will be completed prior to April 1, 2021.

Finding #3: Great Race Gift Card Purchases

Insufficient recordkeeping, along with a lack in the reconciliation of gift cards purchased to use as Great Race prizes, was noted. Specifically, \$6,025 worth of gift cards were purchased during 2017-2018. The auditee provided an internal log documenting \$3,030 worth of gift cards issued during 2018 in connection with the Great Race and other City held races, while no such log was provided for 2017. Thus, documentation for \$2,995 or 50% of the total gift cards purchased during 2017-2018 was missing from the records provided.

Additionally, we noted that the issuance of gift cards per value/denomination did not correlate with those purchased per year. Furthermore, it is unclear why gift cards valued at \$25 were not issued in 2018 and why gift cards valued \$55 were not issued until 2018. Please see the chart listed below for further details, while noting rows highlighted in grey.

**Table V: Comparison of Gift Cards Purchased to Issued
For the Period January 1, 2017-December 31, 2018**

<i>Gift Card Value</i>	<i>Quantity Purchased</i>	<i>Year Purchased</i>	<i>Quantity Issued</i>	<i>Year Issued</i>	<i>Remainder</i>	<i>Value</i>
\$100	12	2017	6	2018	6	\$600
\$80	4	2017	0		4	\$320
\$70	4	2017	2	2018	2	\$140
\$60	6	2017	2	2018	4	\$240
\$55	2	2017	2	2018	0	
\$50	6	2017	2	2018	4	\$200
\$40	10	2017	0		10	\$400
\$30	2	2017	0		2	\$60
Total						\$1,960

<i>Gift Card Value</i>	<i>Quantity Purchased</i>	<i>Year Purchased</i>	<i>Quantity Issued</i>	<i>Year Issued</i>	<i>Remainder</i>	<i>Value</i>
\$100	6	2018	6	2018	0	
\$80	4	2018	4	2018	0	
\$70	2	2018	2	2018	0	
\$60	4	2018	4	2018	0	
\$50	4	2018	4	2018	0	
\$40	14	2018	10	2018	4	\$160
\$30	2	2018	2	2018	0	
\$25	35	2018	0		35	\$875
Total						\$1,035

Gift cards are not properly tracked after purchase, issuance, and residual remaining on hand following the Great Race event(s). Internal control deficiencies noted in the recordation and reconciliation of gift cards, present potential risk for fraud and theft to occur and not be detected on a timely basis.

Recommendation:

Comprehensive operating policies and procedures for the tracking of gift cards must be developed. At a minimum the procedures must cite specific controls over the purchase, issuance, and retention of gift cards including:

- a criteria for receiving awards, including limits on reward amounts;
- the assignment of an independent custodian of the cards, who is totally uninvolved in the approval and distribution of awards;
- a process for approval/distribution of awards ensuring that it excludes involvement by the cards custodian;
- description of documentation required for adequate recordkeeping of gift card inventory;
- physical security measures for safeguarding the cards on hand;
- reconciliations of gift cards purchased, distributed, and remaining on hand, that are to be performed by personnel other than the custodian of the cards.

Additionally, upon purchase gift cards should be immediately logged into the registry which should include the date of purchase, amount of gift cards per denomination, and name of business at which the gift card can be used. Upon awarding, each gift card should be logged to whom it was issued. If possible, a signature should be provided by the individual that received the gift card.

Public Safety-Special Events' Response:

Accept. The Office of Special Events will develop comprehensive policies and procedures for the tracking of Great Race gift cards as recommended. The Special Events Program Manager will oversee this process. These policies and procedures will be completed prior to January 1, 2021.

Finding #4: Improper Use of City Funds

City funds were used to make questionable purchases, which appear to be excessive/wasteful. Great Race funds were used for City employee's hotel stays in 2018. According to Pittsburgh Three Rivers (P3R)'s profit and loss statement for 2018 Great Race, \$1,977 was spent for 'staff hotel'. Special Events provided us a list of the individuals that stayed in said hotel rooms, which included out of town race timers, P3R staff, and Special Events staff.

Per the City's Code of Ordinances, [§ 181.06 - Allowance For Travel Expenses](#), "If an employee or elected official is required by duties to be absent from the City overnight, the employee shall be reimbursed...per day for meals, and in addition for the actual travel, lodging and other incidental expenses". Given the Great Race is held in Pittsburgh and the employee(s) are not 'absent from the City overnight', the usage of City funds to pay for overnight lodging appears to be excessive.

Following the completion of the audit, Special Events explained that they do not consider the hotel stays to be a reimbursable expense, precluding it from §181.06 of the City's Code of Ordinances. Additionally, they considered the hotel stays to be an operating expense and not a travel reimbursement. We believe that spending City funds for Special Events staff hotel stays

contradicts the spirit and intent of §181.06 of the City's Code of Ordinances and is thus considered excessive.

Recommendation:

Oversight should be established to ensure that City funds are properly spent and that expenses are not wasteful and/or excessive. Specifically, expenditures for lodging, food, and beverages should be made in accordance with the City's Code of Ordinances, §181.06.

Public Safety-Special Events' Response:

Accept. Pittsburgh Three Rivers Marathon, Inc. is the contracted operator of The Great Race, and that includes management of race operating funds until final distribution of revenues to the City. They are obligated by contract to make financial decisions on race operations using registration revenues and sponsor contributions with oversight from the Special Events Program Manager. Going forward, the Special Events Program Manager will more closely scrutinize the expenditures to ensure funds are properly spent made in accordance with the City's Code of Ordinances, §181.06. This task will be ongoing and therefore does not have a target date for completion.

DEPARTMENT OF PARKS AND RECREATION

Finding #5: Inadequate Supporting Documentation

The Department of Parks and Recreation (Citiparks) was unable to provide sufficient supporting documentation for both revenue and expenditure samples requested for testing. Specifically, they did not provide supporting documentation for 3 out of 7 (43%) revenue samples and 6 out of 10 (60%) of the expenditure samples tested. Such continued lack of adequate documentation precludes the determination of valid revenues and expenditures.

Citiparks did not provide us with a Record Retention Policy, which would outline the number of years records are kept on file as well as detail whether documents are kept in physical or digital form.

Recommendation:

A formal Record Retention Policy indicating number of years documentation is to be kept on file should be developed. Additionally, we suggest that all documentation be scanned into a document management system such as OnBase, which would allow for more reliable document retrieval. Additionally, ensure documentation is readily available and complete for future usage.

Citiparks' Response:

During this audit period, from January 1, 2016 through December 31, 2018, the Department of Parks and Recreation was reorganized. Beginning January 1, 2018, a number of divisions and programs that had been managed under the department were transferred into other city departments. These changes were done to better align personnel and resources specific to each area of focus, and to allow for improved internal business processes for all respective units.

One of the divisions transferred out of the Department of Parks and Recreation was the Special Events unit and the personnel who worked specifically within that departmental area. As a result of this reorganization, and the change in operational structure, the focus of this Special Events Trust Fund audit's findings fell either outside of the purview of the Department of Parks and Recreation in whole (formally, after Jan. 1 2018), or were overseen and managed by a (former) senior management team within the Department of Parks and Recreation – all of whom having departed their respective positions sometime during this same period. The current department's senior management team had either very limited or no oversight of the management or record keeping policies and practices that were underway at this time.

With respect to Finding #5: Inadequate Supporting Documentation--upon the reorganization of the department, as mentioned above, very few physical files were transferred from the previous management team to the current management team. Though some records were likely to have existed, physical files respective to this inquiry may not have been kept, and any electronic files may have been contained solely within the email accounts of other staff/users. Additionally, due to the Covid-19 pandemic and related work activities that have had to take place remotely, the department has not been able to comb through stored and archived records. The department may have been able to locate relevant files from storage if not having to address and adhere to relevant

guidance surrounding Covid-19 and/or if there was an allowance for more time (post pandemic) to adequately address this finding.

It has been a priority of the current department's senior management team to address all areas related to adequate record keeping, shared/stored electronic and physical files, as well as the re-draft and update to any/all departmental policies that are exclusive to the department's current business practices. There have been a myriad of updates and improvements to internal business and operational practices that have been made since January 1, 2018, all in an effort to increase accuracy and transparency, reduce effort, overhead and redundancy, and to implement sound and responsible fiscal processes, thus, reducing the overall cost to taxpayers and the city. It is a priority of the department to continue its efforts to correct any/all known errors and adhere to all Office of Management and Budget, Finance and Human Resources departmental policies, as well as its own, and the department's management team will lead these efforts.

The Department of Parks and Recreation generally accepts the findings specific to Finding #5: Inadequate Supporting Documentation.

Auditor's Comment to Citiparks' Response:

We find it necessary to provide more context to this finding and to address Citiparks' response. Standard practice requires the auditors to issue the auditee (i.e. Citiparks) a Preliminary Items Request List prior to the entrance meeting. Thus, said list was provided to Citiparks on 2/26/2020 in which they were to return the requested supporting documentation for sampled revenue and expenditures by 3/6/2020. Information was provided prior to the deadline, which also happened to be prior to the start of the COVID-19 pandemic lockdown. As mentioned in the finding, the documentation provided did not adequately include the evidential elements required.

Finding #6: Management of Recreation Facility Rentals

Internal control deficiencies were noted in the recreation facility rental process. A comprehensive set of Policies and Procedures for the recreation facility rental process was not made available. Citiparks was unable to provide rental applications for 33 out of 35 (94%) samples. Furthermore, records provided by Citiparks did not detail the number of applications received, approved, and paid in full. Citiparks collected \$8,356 (20% of sales) in cash during said period, of which \$4,855 (58%) was collected for the rental of the Robert E. Williams (REW) location. The REW location closed towards the end of 2017 and a designated City employee was never assigned to manage the facility.

It is unclear whether proper safeguards were in place for funds held at the recreational centers awaiting deposit. Auditors had limited access to certain information stemming from poor records maintained by Citiparks, changes in Citiparks' Administration during the scope of the audit, and limitations in completion of fieldwork due to the COVID-19 pandemic lockdown¹¹.

¹¹ Due to the COVID-19 lockdown, auditors were unable to complete planned fieldwork which would have included site visits to Recreation Centers. Thus, we could not verify whether adequate records were maintained at each center. Citiparks was unsuccessful in their subsequent attempts to locate records at the Recreation Center(s) and plan to continue efforts to retrieve the missing applications.

Recommendation:

A comprehensive set of Policies and Procedures for the recreation facility rental process should be developed. Additionally, confirmation of the existence of proper controls regarding cash management should be made. Finally, measures should be implemented to ensure that applications are kept on file and properly tracked during submission, approval, and receipt of payment.

Citiparks' Response:

As was cited in the response to Finding #5, very few physical files were transferred from the previous Parks and Recreation management team to the current management team. Though some records were likely to have existed, physical files respective to this inquiry may not have been kept, and any electronic files may have been contained solely within the email accounts of other staff/users.

It is noteworthy to indicate that the Department of Parks and Recreation did/does adhere to an existing policy and/or policies regarding cash management. It appears as though this policy had been issued by the Department of Finance (in conjunction with and specific to the Dept. of Parks and Recreation) in 2014 and again, specific to our department personnel, in 2015. The current Parks & Recreation team most recently shared this same policy with departmental personnel in 2019. It stands to reason that this same policy would have been in place during this audit period.

Its purpose was: "To ensure that all revenues, fees, and payments of any kind collected at any City location, office, event or through digital or mechanical means is promptly deposited in the correct depository, correctly accounted for, and documented; to promote the use of electronic payments and to avoid the use of cash; to establish the Department of Finance as the repository of all revenues, fees and any other payments made to the City of Pittsburgh and to give the Finance Department clear responsibility and accountability for all receipts city-wide. "

This policy and/or policies have been shared with the Audit Team upon submission of this department's responses to this/these Findings.

Additionally, in February 2018, under the management of the current Department of Parks and Recreation's senior managers, a Community Recreation Deposit Form/Memo was drafted. This document specifies the center's location, date of event, deposit date, method of payment and other pertinent information. This form was to be used by all respective departmental personnel for any recreational facility rental. This too has been shared with the Audit team upon submission of our responses. It is not known if this same form or a similar document had been utilized by the previous department's management team in whole, or in part, during this audit period.

Specific to the oversight of the Robert E. Williams (REW) facility; this facility had not been a location that was managed, programmed or activated via internal Parks & Recreation personnel for years prior to this audit. As was cited in this particular Finding, the facility was closed/taken offline in 2017 due to issues with the physical facility, as well as it falling outside of the "standard" shelter permit/application process, which can be performed online, and was/is managed by the

Department of Public Works. Prior to the closure of this facility, it appears as though the task of managing any requests for the utilization of this asset fell upon personnel within the Dept. of Parks & Recreation. It was by default only that this non-programmed facility had to be “looked after” by the Dept. of Parks and Recreation to facilitate requests for utilization. REW was a unique facility with respect to who/which department had primary “ownership” of it and who should be tasked to facilitate permit requests. Given the physical state of the asset and the gray area in which this facility had been managed, it was closed in 2017. It was re-opened sometime later under the Dept. of Public Works’ oversight (adding this facility into it’s online database of rentable shelters) with limited activation. The Department of Parks and Recreation had/have had no oversight over the rental process or activation of this facility upon it's (limited) reopening.

Respective to footnote¹¹, the Covid-19 pandemic severely impacted not only the Department’s ability to perform a physical search of files kept onsite at individual recreation centers and offices locations, but, as indicated by the Auditor’s own comments, “Due to the COVID-19 lockdown, auditors were unable to complete planned fieldwork which would have included site visits to Recreation Centers.” Had there been no limitations to perform the above mentioned field work by both the auditors and Parks & Recreation personnel, the scope of the findings and subsequent follow-up by the Department of Parks & Recreation would have resulted in the sharing of additional records, further clarifying and addressing the specific samples reviewed.

It is a priority of the department to continue it’s efforts to correct any/all known errors and adhere to all Office of Management and Budget, Finance and Human Resources departmental policies, as well as it’s own, and the department’s management team will lead these efforts.

The Department of Parks and Recreation generally accepts the findings specific to Finding #6: Management of Recreation Facility Rentals.

Auditor’s Comment to Citiparks’ Response:

The auditors were well aware of both the cited Citiparks Cash Management Policy (2015) and the Department of Finance’s Operating Policies for Cash Management and Payment Processes (2014). Both sets of policies were reviewed and neither pertained to the Recreation Center Rental process. Said Preliminary Items Request List included a spreadsheet specifically requesting applications for the Recreation Center Rental revenue samples, for which Citiparks provided documentation that included 2 out of 35 applications. Thus, our intent for further fieldwork (subsequently precluded by COVID-19) was necessitated by the lack of sufficient documentation by Citiparks.

ADDENDUM

CURRENT AUDIT RECOMMENDATIONS

Auditors obtain and report views of responsible individuals of the audited entity concerning the findings, conclusions, recommendations in the examination report, as well as any planned corrective actions. A specific status type has been assigned to the current audit findings and recommendations, using the following criteria:

- **Accepted**-Auditee agrees with the recommendation and plans to implement within the prescribed time frame. Management is informed of a follow-up review that will be performed by the auditors.
- **Declined**-Auditee does not agree with the recommendation and is not planning to implement. When management elects this option, they are advised of the responsibility for accepting the identified risk that generated the recommendation.

STATUS OF PRIOR RECOMMENDATIONS

Auditors evaluate whether the audited entity has taken appropriate corrective action to address findings and recommendations from previous engagements. A specific status type has been assigned to the prior findings and recommendations in the audit report, using the following criteria:

- **Open**-Auditee has not fully implemented the prior recommendation; rationale may include:
 - Auditee declined prior audit recommendations and risk remains as described in current findings.
 - Efforts to address corrective actions have yet to commence.
- **Work In Progress**-Auditee has initiated efforts to implement recommendations and corrective action steps continue as a work in progress.
- **Closed**-One of the following conditions was noted:
 - Auditee implemented the prior recommendation, which was confirmed by auditors during the current fiscal audit; or
 - The recommendation is no longer relevant based upon changed conditions.