



MEMORANDUM

City Manager's Office

Internal Audit Division

DATE: 11/8/2011

TO: SCOTT BARBER, INTERIM CITY MANGER
PAUL SUNDEEN, ASSISTANT CITY MANGER/CFO
RALPH NUNEZ, DIRECTOR OF PARKS, RECREATION, AND COMMUNITY SERVICES

FROM: CHERYL JOHANNES, INTERNAL AUDIT MANAGER
ADAM RAYMOND, SENIOR INTERNAL AUDITOR

CC: GREGORY PRIAMOS, CITY ATTORNEY
BELINDA GRAHAM, ASSISTANT CITY MANAGER
DEANNA LORSON, ASSISTANT CITY MANAGER
MARIO LARA, ACTING DEPUTY DIRECTOR OF PARKS, RECREATION, AND COMMUNITY SERVICES

RE: PARKS, RECREATION, AND COMMUNITY SERVICES – DONATION AND REVOLVING ACCOUNTS

INTRODUCTION

To date, during the 2011/2012 fiscal year, Internal Audit has issued three (3) reports relating to PRCSD activities:

- *AU12-01: Non-Contractual Activity Fees*
- *AU12-02: Recreation Contracts, Contract Fees, and RecWare*
- *AU12-03: Cash and Cash Equivalent Handling*

This review was conducted as an extension to findings associated with donation, revolving, and deposit account activity documented in *AU12-03*.

The objectives of the review were to:

- Determine if current donations policies and procedures are effective and efficient;
- Determine if appropriate controls are in place to adequately monitor and report the activity of the donation and revolving accounts; and
- Determine if the provisions of the *PRCSD Donation Policy*¹ are being followed.

This review was conducted during the period from August 2011 through October 2011, and addressed controls in place to monitor and report donation and revolving account activity in accordance with the *PRCSD Donation Policy*. To address review objectives and as part of our assessment of risk, we:

¹ Refer to Attachment A, which includes the *PRCSD Donation Policy* and *Donation Form*, approved by the City Council in October 1998.

- Reviewed PRCSD policies and procedures and other written documentation/forms available;
- Assessed internal control practices related to monitoring and reporting donation and revolving account activity;
- Reviewed the 720 Fund (Non-Interest Bearing) and 721 Fund (Interest Bearing) GL detail to determine what accounts may be subject to this review;
- Reviewed RecWare² activity to determine what deposits and expenditures/transfers were being recorded to applicable liability accounts (Fund 720 and Fund 721);
- Extracted IFAS GL account detail for FY 2010/11 and FY 2011/12 (to date);
- Judgmentally selected transactions for each applicable account for testing of both credits (deposits) and debits (withdrawals);
- Reviewed the back-up for each transaction (e.g. cash receipt, invoices, P.O., journal entry), noting if it is an allowable cost/revenue pursuant to the *PRCSD Donation Policy*;
- Inquired with PRCSD and the Finance Division of the City Manager's Office about any potential deviations from the *PRCSD Donation Policy*;
- Reviewed prior audit reports; and
- Performed an analytical review of donation, revolving, and deposit accounts used by PRCSD.

Key documents used during our review:

- *AU12-01: Non-Contractual Activity Fees*
- *AU12-03: Cash and Cash Equivalent Handling*
- *PRCSD Donation Policy*

Our review was conducted in accordance with *Generally Accepted Government Auditing Standards* and according to the *Standards for the Professional Practice of Internal Auditing* of the Institute of Internal Auditors. Those standards require that the audit is planned and performed to afford a reasonable basis for judgments and conclusions regarding the department, division, program, activity or function under audit. An audit also includes assessments of applicable internal controls and compliance with requirements of laws and regulations when necessary to satisfy the audit objectives. We believe our audit provides a reasonable basis for our conclusions.

BACKGROUND

The Internal Audit Division of the City Manager's Office has recently completed audit *AU12-03, Cash and Cash Equivalent Handling*, for PRCSD (October 2011).

While testing cash receipts, Internal Audit noted unusual transactions involving fund/account # 0000720-225071, *Community Services Revolving Donations*. Specifically, we noted payment for two (2) fees of \$8 were applied to this liability account; the activity fees are associated with two (2) \$30 *Mini Day Camp Bryant* classes. PRCSD staff indicated that the day camp activity fees are recorded in the revolving account because they are used to subsidize the cost of weekly excursions included in the different day and mini camps, and are not included as part of the revenue budget for the Community Services Division of PRCSD. Admission (tickets) and transportation costs (busses) are then expensed from the revolving account funds.

During FY 2010/2011, approximately \$23,000 in various deposits was recorded in the *Community Services Revolving Donations* account; approximately \$22,500 was expensed from the account. Based on GL transaction detail from IFAS, the majority of the account (\$21,183) was used to pay Michael Camou (\$8,054), Tom Dominguez (\$8,816), and Travel Time Tours (\$4,313). Based on supporting documentation, it appears payments to the two individuals are related to Project BRIDGE.

Donation and revolving accounts are characterized as liability accounts. These accounts should be used to track amounts that are payable to other people for a specific item/category (e.g. senior trip payments/deposits) or are to be used for a specific purpose (e.g. new baseball field). Based on our review of various deposits in these accounts, it appears that a significant amount of activity fee revenue associated with numerous PRCSD classes were recorded in the revolving account, which may allow PRCSD the ability to circumvent the authority to increase expenditures without going to the City Council

² RecWare is the recreation management software used by PRCSD to process payments, schedule events, rent facilities, etc.

for approval. In summary, credits to the liability accounts are increases (e.g. deposits) and debits to the accounts are decreases (e.g. expenditures / transfers to other funds).

Based on our initial review test work, we expanded our review of PRCSD's use of donation and revolving deposit funds recorded in the General Ledger as stated in the Scope and Methodology Section of this report.

Internal Audit identified seven (7) accounts applicable to our review; activity for each account is described in detail in Exhibits A through G. During Internal Audit's search for applicable accounts, we found two (2) deposit accounts, which were added to the listing of revolving and donation accounts. Since deposit accounts should operate similar to the revolving and donation accounts, Internal Audit included these in the scope of this review. The list of accounts tested can be found below.

Fund: 720 Special Deposits

Fund: 721 Interest Bearing Special Deposits

GL Key	GL Obj	Account Name
0000720	225070	Recreation Revolving Donations *
0000720	225071	Community Services Revolving Donations*
0000720	225714	Recreation Services/Cleaning Deposits
0000720	225716	Parks Key Deposits
0000721	225715	Administration Donations
0000721	225721	P&R Donations – Recreation*
0000721	225722	P&R Donations - Community Services*

* Per conversation with the Finance Division of the City Manager's Office, we noted these accounts were established in FY 2010/11.

Parks and Recreation Department Donation Policy

The authority of PRCSD to use donation/revolving accounts stems from a City Council approved *PRCSD Donation Policy*. In October 1998, the PRCSD requested the City Council adopt a policy that will, "...provide a standardized method of accepting donations and will ensure that the donor is properly recognized."

Per the minutes from the October 13, 1998 City Council meeting, the Council:

- (1) Approved the *PRCSD Donation Policy* as attached to the written staff report;
- (2) Authorized the Finance Department to establish Special Deposit Fund Accounts on an as needed basis;
- (3) Approved the acceptance of donations into the Special Deposit Fund Accounts and expenditures directly from the Special Deposit Fund Accounts on an as needed basis; and
- (4) Instructed the Park and Recreation Director to report to the City Council on all donations and expenditures affecting this fund on a quarterly basis.

The policy states, "PRCSD encourages and solicits contributions of cash, program supplies and equipment, and professional services to improve the quality of service while reducing the impact of the operating budget." These contributions are to be classified as "donations."

Per the policy, each donor is to read, complete, and sign the *Donation Form*. Staff reviews the completed form to ensure it complies with the City's *Conflict of Interest Policy*. Each donation is to be approved by Division/Department Head. Staff then notifies the donor of acceptance/rejection of donation and sends a "thank you" letter.

Cash donations are intended by donors to be used for an appropriate expenditure within a reasonably short period of time. Per the *Donation Policy*, "If a cash donation is for a specified purpose, the cash donation will be placed in a special account that will be separate from any other City funds."

Per the policy, the Finance Division is to establish an IFAS GL account number for PRCSD donations and create separate accounts for donations as warranted. The Finance Division is instructed to provide monthly financial reports to PRCSD indicating beginning balance, deposits, expenditures, and ending

balance of each donation account. On a monthly basis, the interest earned on the special account is to be placed in a separate account to be used for staff “training and development” purposes.

Using copies of the *Donation Forms*, PRCS D is to maintain a list of all donations received including donor, type of donation and purpose. Purchases from the account(s) are to be in accordance with the donation(s), and follow citywide approved purchasing procedures.

According to the policy, on a quarterly basis, PRCS D is to prepare and submit a report to the Park & Recreation Commission and the City Council of donations received during the previous quarter for acceptance or rejection. Cash and non-cash donations of \$1,000 or greater require an immediate Council report to request the City Council acceptance of the proposed donation.

As noted in Finding 1, the PRCS D has not adhered to the *Donation Policy* in any substantive fashion since December 2003. Below is a summary of the activity of the donation and revolving accounts subject to the policy since FY 2003/04. Based on our review, approximately \$1.1 million has been deposited into these accounts, and approximately \$1 million has been expended or allocated to other funds. A comprehensive look at the donation, revolving, and deposit account activity, beginning with FY 1998/99, can be found at Exhibit I and Exhibit J.

Account Information		FY 2003/04 to Current (Donation and Revolving Only)		Fund Balance DR/(CR)
GL Key/GL Obj	Account Name	Debit	Credit	
0000720/225070	Recreation Revolving Donations	\$49,540	\$97,550	\$48,010
0000720/225071	Community Services Revolving Donations	\$31,655	\$60,265	\$(28,610)
0000721/225715	Administration Donations	\$857,614	\$863,831	\$(6,217)
0000721/225721	P&R Donations - Recreation	\$22,594	\$13,368	\$9,227
0000721/225722	P&R Donations - Community Services	\$36,560	\$49,809	\$(13,249)
Totals		\$997,964[^]	\$1,084,823[*]	\$(86,859)

[^] Amount includes \$304,799 in various journal entry (JE) allocations to General Fund Misc. Revenue account (0000101-374200).

^{*} Amount includes \$31,139 in various JEs, allocating funds back to various accounts from General Fund Misc. Revenue account (year-end reversing entries).

SUMMARY

During our review, Internal Audit found evidence PRCS D has not followed the City Council mandated PRCS D *Donation Policy* since December 2003. The most notable exception to the policy is the lack of quarterly reports presented to the City Council and PRCS Commission that state the donations received and the expenditures that are related to those donations. In effect, PRCS D is depositing and expending funds on the balance sheet of the City, without having to request approval/appropriation of additional funds for various activities.

Combined with the fact that significant deficiencies³ exist over the controls associated with monitoring account activities, evidence that certain fees are being charged without proper City Council approval and/or documentation, incorrect revenues are being deposited into the donation/revolving accounts, and activities that can be budgeted but are not, gives the appearance PRCS D is attempting to circumvent the City’s annual budget process.

Although Internal Audit does not suspect fraud, the lack of transparency and appropriateness of resource allocation, are areas of concern.

The following list of examples highlights our assertions within this summary:

³ Pursuant to the AICPA Auditing Standards Board’s Statement on Auditing Standards (SAS) No. 115, Communicating Internal Control Related Matters Identified in and Audit, a **significant deficiency** can be defined as, “...a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.”

Example #1 – Activity Fees

As documented in *AU12-01, Non-Contractual Fees, and AU12-03, Cash and Cash Equivalents*, Internal Audit noted findings related to the creation and collection of activity fees. Based on review of donation and revolving accounts, the use of activity fees are evident in Exhibits A, B, E, and F. To re-cap the findings, activity fees were established by PRCSD (without appropriate documentation) to recover additional costs borne by PRCSD due to budget reductions (e.g. theme park entrance, excursions, etc.) Per conversation with PRCSD staff, these fees need to be formally adopted and revenues and corresponding expenditures need to be accounted for in the City's General Fund during the annual budget process.

Example #2 – Fishing Derby

Internal Audit noted Fishing Derby participation payments were deposited into the Community Services Donation Account (Exhibit G). PRCSD indicated that all the fishing derby payments were placed into this account in error; however, we noted PRCSD purchased 500 t-shirts for the Fishing Derby from this same account.

Example #3 – Senior Resource Guides

Several payments for advertising relating to the Senior Resource Guides were placed into the Community Services Donation Account (Exhibit G). Per conversation with PRCSD, staff indicated the ad revenue was placed in this account because there was no funding in the operating budget for the publication of the Guide; the sponsorship ads are used to generate the funds that cover the cost of the publication.

Example #4 – Riverside Sings

Internal Audit noted Riverside Sings Contest entry fees were deposited in the Revolving Donations Account (Exhibit A); expenditures relating to the contest were made from Administrative Donation (Exhibit E) and Recreation Donations (Exhibit F). Per conversation with PRCSD staff, these entry fees are used to purchase prizes for the competition.

Example #5 – Smart Riverside – Digital Inclusion Program

As documented at *AU12-03, Cash and Cash Equivalents*, the City pays individuals for their participation in the Digital Inclusion Training Program, which offers skills training and jobs for at-risk youth in computer technologies and provides basic computer skills training classes along with a free refurbished PCs for home use to low-income households in Riverside. The costs of this program are offset through payments from Smart Riverside, which is a non-profit made up of City officials/employees and the technology community. The payments should not be classified as "donations", rather reimbursement for actual costs incurred by PRCSD. These activities should be tracked through the annual budget process, and not tracked through Community Service Revolving (Exhibit B), Administrative Donation (Exhibit E), and Community Services Donation Accounts (Exhibit G).

During the course of this review and test work, Internal Audit noted PRCSD and the Finance Division have been addressing certain issues relating to the findings in this report. For example, JE000048320/RV001617 was recorded on August 15, 2011, to allocate fund balances of several donation and revolving accounts to the General Fund Misc. Revenue account for the 2010/2011 fiscal year. In addition, JE000048693 was recorded on September 21, 2011, allocating certain costs related to Key Deposits to the appropriate expense account.

Based on the results of our review, Internal Audit has identified opportunities for PRCSD to improve internal controls while ensuring compliance to policy and procedures. Internal Audit will include follow-up of this review in our FY 2012/13 audit work plan.

We would like to thank the PRCSD employees for their help and insight during this review. During the busiest time of their year, they responded to Internal Audit's requests in a timely fashion.

Respectfully,

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Finding #1: In addition to being outdated, PRCS D is not following certain provisions within the PRCS D Donation Policy

The City Council adopted a policy in October 1998 that outlined the actions PRCS D and the Finance Division must follow for donations⁴. The following is a list of procedures outlined in the PRCS D *Donation Policy* that are not being implemented:

- Donor must complete, read, and sign the *Donation Form*
- PRCS D staff reviews/approves *Donation Form* and type of donation, to determine compliance with the City's Conflict of Interest Policy.
- First copy of *Donation Form* is given to donor, second copy is kept at PRCS D for record keeping, third copy (if applicable) is sent to the Treasury with the payment.
- If the cash donation, or value (as determined by the donor) of the non-cash donation is \$1,000.00 or greater, a council report will be prepared to request City Council acceptance of the proposed donation.
- Finance Division will provide monthly financial reports to PRCS D indicating beginning balance, deposits, expenditures, and ending balance of each account.
- On a monthly basis, the interest earned on the special accounts will be placed in a separate account to be used for staff training and development purposes
- PRCS D maintains a listing of all donation received including donor, type of donation and purpose
- Send a "thank-you" letter to donor for acceptance or non-acceptance of donation
- On a quarterly basis, prepares and submits a report to the PRCS Commission and the City Council, which states donation received and expended during the previous quarter.

Based on our review of the PRCS D *Donation Policy* and conversation with PRCS D and Finance Division, a number of items may need to be addressed within the policy:

- The policy was adopted prior to the implementation of the City's financial system, IFAS (1999). Before IFAS, departments did not have access to their detailed GL on an as-needed basis like all departments have now. Since PRCS D has access to IFAS and is capable of extracting information, Finance no longer needs to provide reports and data monthly.
- The use of the *Donation Form* could be revised to eliminate triplicate pages. Since most PRCS D locations have copiers/scanners, the forms could be copied or scanned and organized on shared drives as needed. The *Donation Form* should also be updated to denote what account (when applicable) monetary donations are deposited into.
- The *PRCS D Donation Policy* may be revised to specify the use of non-interest bearing and interest bearing accounts; currently, the policy only discusses interest bearing account. Furthermore, the policy should address the use of project codes or work orders to easily identify what deposits and related expenditures are for.
- Finally, the use of interest income for staff training and development from unused donation amounts should be revisited. Generally speaking, there is no accounting standard/pronouncement that would limit this or disallow it. However, there needs to be a determination if donations are general donations or are they specific (purpose/function)

⁴ Pursuant to the PRCS D *Donation Policy*, PRCS D encourages and solicits contributions of cash, program supplies, equipment, and profession services to improve the quality of service while reducing the impact of the operating budget. These contributions are classified as donations.

donations. If they are general, there is no limitation or restriction on the interest earnings. However, if the donor specifies that the donation is for a certain function then staff would need to look at the documentation received from the donor (or the solicitation to the donor) as to what they have stipulated the interest earnings to be used for. If it is silent as to use or earnings, it typically means the City can use it as they deem necessary. Internal Audit's concern relates to the lack of information available to make an assertion. However, it should be noted that the *Donation Form* from the *PRCSD Donation Policy* is silent on any interest earnings that may result from a donation.

Recommendation

Internal Audit recommends PRCSD comply with the existing *PRCSD Donation Policy*. Most importantly, we encourage PRCSD to use the *Donation Form* attached to the *PRCSD Donation Policy* and provide a report stating quarterly donations and related expenditures from the donation/revolving accounts by mid-January 2012 or sooner. Further, we recommend PRCSD and the Finance Division review the current *Donation Policy* and recommend changes that can be brought before the City Council for approval.

Management's Response

The Department concurs with this finding and acknowledges that internal policies and procedures need to be updated and followed. However, the Parks Department management team has sought guidance from Finance Division to establish proper accounting procedures for donation and revolving accounts. The Department will continue to do so and will review and update the PRCSD Donation policy to address the issues noted in this finding.

Finding #2: Donation, Revolving, and Donation Accounts have not been reconciled or monitored for appropriate use

Internal Audit reviewed over 60 transactions within the various donation, revolving, and deposit accounts and noted there does not appear to be any reconciliation of these accounts on an annual/regular basis.

As noted in *Exhibit C, Cleaning Deposits*, and *Exhibit D, Key Deposits*, amounts deposited by PRCSD have not been reconciled to determine if people have forfeited their deposit or if certain funds need to be used to offset costs from damage and clean-up (cleaning deposits), or if amounts need to be allocated to the General Fund as Miscellaneous Revenue.

PRCSD uses the *Cleaning Deposits* account for deposits on facility and field rentals. Generally, fees for deposits are set in the *Master Fees and Charges Schedule*⁵. Upon completion of an event, City staff determines what damages or clean-up costs, if any, needs to be charged to a patron (deducted from the deposit). PRCSD then remits the appropriate amount, net of applicable costs, to the patron. Based on historical data, it does not appear that the estimated costs incurred by the City are being credited to PRCSD facility and field maintenance/expense accounts or allocated to the General Fund as Miscellaneous Revenue:

	FY07/08	FY 08/09	FY09/10	FY 10/11	FY 11/12 (To Date)
End Bal.	\$8,496.50	\$51,998.65	\$97,557.15	\$122,111.16	\$121,620.91

Based on our review of Key Deposit accounts (details in Exhibit D), patrons are being charged for keys to lockers at various PRCSD locations; however, only two (2) key deposits have been returned/refunded since the Department began charging for keys in 2005. PRCSD is able to reconcile Key Deposits as of the beginning of FY 2010/11, but does not have the detail for carryover balances of approximately \$5K. Policies and procedures do not exist for deposits (key, cleaning, etc.) collected by PRCSD staff.

Throughout our review of Donation and Revolving accounts, we noted inconsistencies in the use of the various accounts. For example, the Donation and Revolving accounts are split into two funds, 720 and 721; Fund 720 is non-interest bearing and Fund 720 is interest bearing. However, we noted similar types of transactions are deposited into both types of accounts. The PRCSD *Donation Policy* does not specify the use of a non-bearing interest account, or which type of activities/donations should be accounted for in each of the funds.

Specific examples of activity being recorded in multiple GL accounts include:

- Activity Fees – Accounted for in Exhibit A, B, E, and F. See Exhibit A for specific details.
- Vendor Fees – Accounted for in Exhibit A and E. See Exhibit A for specific details
- Smart Riverside: Digital Inclusion Program – Accounted for Exhibit B, E and G. See Exhibit B for specific details.
- Mariachi Festival – Accounted for in Exhibit E and G. See Exhibit E for specific details
- Riverside Sings – Accounted for in Exhibit A, E, and F. See Exhibit E for details.

Internal Audit acknowledges accounting for activities in the Donation and Revolving liability accounts became more complicated in FY 2010/11 with the addition of four (4) accounts for recreation and community service related activities; two (2) donations and two (2) revolving. Without appropriate monitoring in the previous donation/revolving accounts, the creation of new accounts aimed to delineate administrative, community services, and recreation activities added another layer of potential issues. For example, when the new accounts were created, fund balance from the existing accounts, related to the new accounts was not transferred because PRCSD was unable to reconcile what donations were for what activities.

To highlight the issues above, while reviewing activities in the Exhibit F (Recreation Donations), Internal Audit noted a charge to Recreation Donation account was for reimbursement of an employee attending the National Aquatics Conference. Per review of the Parks and Recreation *Donation Policy*, Internal Audit noted, “The unexpended proceeds from cash donations will be invested by the Finance

⁵ Master Fees and Charges Schedule is a document that outlines fees the City charges for various services/activities. The fees are reviewed/updated on a yearly basis are required by the City's Municipal Code Chapter 3.30, Fee and Service Charge Revenue/Cost Comparison System. Internal Audit noted deviations from this policy and Municipal Code Chapter in Finding 3.

Department in accordance with the investment policy approved by the City Council. On a monthly basis, the interest earned on the special accounts will be placed in a separate account to be used for staff training and development purposes.” As previously noted, this liability account was created for this fiscal year and has a debit (negative) balance. As such, zero interest would be allocated to this account; the allocation of this expense to this account should not have been allowed. Per conversation with the Finance Division, interest is allocated to the Fund 721 accounts and not the Fund 720 accounts, as a credit to each donation account; the interest is not allocated into a separate account as stated by the Parks and Recreation *Donation Policy*.

Pursuant to Internal Audit’s review of account activity, we also noted several deposits made into the Donation/Revolving accounts that were recorded in error, and should be been accounted for in various revenue accounts, including, but not limited to:

- Senior Fashion Show Entries – Exhibit B
- Food Vender Permits – Exhibit A and E
- Operation Splash Entry Fees – Exhibit E
- Judicial Council of California⁶ – Exhibit E
- Overpayment Charges⁷ – Exhibit E
- Empire Soccer Field Rentals – Exhibit F
- Scholarships for Basketball and Soccer⁸ – Exhibit F
- Korr Systems, Inc.⁹ – Exhibit F
- Fishing Derby Entries – Exhibit G
- Riverside Sings Entry Fees – Exhibit A and E

Because the department has not followed the *Donation Policy* since 2003¹⁰, the lack of documentation for what deposits went into the various accounts would make reconciling the accounts a very lengthy, time consuming process; especially considering many documents would be in storage. For example, since FY 2007/2008, 29 different City P-Cards, representing over 180 transactions, have been expensed to the donation/revolving accounts (totaling approximately \$44K). The process to determine what P-Card purchases were used to offset specific donations would be time consuming to reconcile.

Recommendation

Internal Audit recommends PRCSO create and implement policies and procedures to monitor and review activities in the donation, revolving, and deposit accounts. Assistance with writing policies and procedures can be located on the City’s external website, under the City Manager’s Office – Internal Audit webpage. In addition, Internal Audit recommends PRCSO attempt to reconcile all accounts in question as of FY 2010/11; any fund balance that cannot be accounted for should be allocated to the General Fund Misc. Revenue account prior to June 30, 2012. To assist with the reconciliation, we recommend PRCSO and the Finance Division work together to develop a better method to track donations, expenditures, transfers, and interest income.

Management’s Response

The Department concurs with this finding. However, as previously stated, the Parks Department management team has, on numerous occasions, sought guidance from Finance regarding proper accounting procedures for donation and revolving accounts. Unfortunately, some of the recommendations (such as creating multiple accounts) have led to further complication. Thus efforts to reconcile and monitor these accounts have not been one hundred percent satisfactory. The Department

⁶ According to PRCSO staff, the “donation” from the Judicial County of California is actually related to restitution and should have been allocated to miscellaneous revenues.

⁷ According to PRCSO, when a facility rental is made in RecWare without correctly selecting a designated revenue/deposit account, the system defaults to the Recreation Donation Account as an “overpayment.”

⁸ Payment for “scholarships” should have been classified as revenue for the specific activities. Per PRCSO, “scholarship” transactions represent the net amount owed/paid for a class/activity after a subsidy from CDBG has been applied from the City.

⁹ The payment from Korr Systems, Inc. represents a refund from a training that one of the department’s superintendents was unable to attend and should have been credited back to the expense account it was charged to.

¹⁰ Based on our review of the City Clerk’s online document storage, the last PRCSO donation report was received by the City Council in December 2003.

recently returned the bulk of the fund balance in donation accounts to the General Fund. A clean-up effort to halt funds flowing to donation and revolving accounts via RecWare without complete and proper documentation has been undertaken. The Department will reset the donation account balance at a level that can be fully justified; stop all in-flows of funds from RecWare to Donation and Revolving accounts without complete documentation; consolidate multiple donation and revolving accounts; review and update donation policy; seek supplemental appropriation to transfer funds from Donation and Revolving accounts prior to spending from these accounts; establish a procedure for regular monitoring and reconciliation of these accounts.

Finding #3: Certain fees are being charged without approval or proper documentation

As documented in *AU12-01, Non-Contractual Fees*, and *AU12-03, Cash and Cash Equivalents*, Internal Audit noted findings related to the creation and collection of activity fees. The activity fees were established (without appropriate documentation) to recover additional costs borne by PRCSD due to budget reductions (e.g. theme park entrance, excursions, etc.).

During our current review, Internal Audit noted irregularities with food vendor payments being deposited in the Revolving Donations account (Exhibit A) and Administrative Donations account (Exhibit E). According to PRCSD staff, food vendor payments are subject to booth rentals approved under Reference Number 5225, Citywide Special Events, of the *City's Master Fees and Charges Schedule*; the establishment of these fees are subject to a 20% cost recovery. However, PRCSD staff indicated that the fees being charged are not in compliance with the *City's Master Fee and Charges Schedule*. Instead, the fees are negotiated between the vendor and PRCSD staff and recovered in the Donation and Revolving accounts instead of the appropriate revenue accounts.

Per PRCSD, authorization to charge for Key Deposits (use of lockers) are not included in the *Master Fees and Charges Schedule*. Staff indicated that Cesar Chavez Community Center fees were set via agreement with tenants at \$18; while the \$35 fee was established by staff for all other keys based on cost of a key and staff time associated with making a new key. Further Details can be found at Exhibit D.

Recommendation

Internal Audit recommends PRCSD properly establish fees and charge for vendors, booth, and key deposits.

Management's Response

The Department concurs with this finding. However, as indicated in response to finding #4 of Audit AU12-01, certain fees, such as vendor fees and activity fees help to maintain program levels despite budget cuts; formalizing these fees may require City Manager's and City Council approval. The Department will need to have this included in its budget allocation so that sufficient spending authority will exist to cover the cost of activities included in Programs. If certain fees are not approved by City Council and are not included in the budget, the level of programs offered by the PRCSD will be affected. After a comprehensive review has been conducted, PRCSD will draft a mid-year City Council report requesting to update the Fees and Charges schedule to revise it to allow for certain fees (which are already in practice) to be included in the Master Fees and Charges Schedule for the PRCSD. Also, the Department will coordinate with City Attorney's Office to explore other alternatives.

Exhibit A
Recreation Revolving Donations
Account # 0000720-225070

Account Overview

FY 2010/11 Activity¹¹

FY 2011/12 Activity

Debit Credit
 \$1,569 (\$39,544)

Debit Credit
 \$9,528.09 (\$54,881.11)

Net: (\$37,975)

Net: (\$45,353.02)¹²

Account Activity

To gain an understanding of the activity of this account, Internal Audit reviewed the account detail for FY 2010/11 and for FY 2011/12. Using that listing, we judgmentally selected the following “deposits” and “withdrawals” from the account:

#	Work Order	SS ID	Post Date	IFAS Job #	Transaction Desc	Debit	Credit	Notes
1		CR	3/30/2011		Park & Rec. / PK & Rec Other	\$ -	\$ (60.00)	Five (5) “Revolving Account” Products sold. One (1) for \$20 to Hector Villa and four (4) \$10 to Julie Boeterm, Kimberly Woolfolk, Skyla Carter, and Ranya Zidan.
2		OH	3/17/2011	1766485	BREWER, ANNE Recreation Revolv	\$125.00	\$ -	Refund for Fairmount Food Vendor License Payment
3	1114360	OH	4/7/2011	1788436	KING, MICHELLE Recreation Revolv	\$1,250.00	\$ -	50% deposit for Booking Agent for face painting and balloon artists.
4		CR	4/25/2011	1817651	Park & Rec. / PK & Rec Other	\$ -	\$(10,025.00)	\$10,000 Donation from San Manuel for Summer Concert Series and a \$25 “Revolving Account” Product sold to Big Saver Foods
5		CR	5/20/2011		Park & Rec. / PK & Rec Other	\$ -	\$(100)	Five (5) \$20 entry fees into Riverside Sings
6		CR	5/24/2011	1844109	Park & Rec. / PK & Rec Other	\$ -	\$ (8.00)	One (1) \$8 activity fee for Mini Day Camp Bobby Bonds
7	1114360	OH	7/7/2011	1887553	LIGHTS Recreation Revolving Don	\$1,200.00	\$-	Lighting for Concert Series Performance
8	1114360	OH	7/12/2011	1893223	STONE SOUL BAND Recreation Rev	\$ 750.00	\$-	Band for Summer Concert Series
9		CR	7/29/2011	1923911	Park & Rec. / PK & Rec Other	\$ -	\$ (12.00)	One (1) \$12 activity fee for Day Camp Reid

¹¹ Based on Account Detail Report by Account it appears this account was created in February 2011.

¹² Per review of IFAS Account Detail Report by Account, amount includes carryover of \$37,975 from FY 10/11. Report run on 8/17/2011.

10		CR	8/1/2011	1924059	Park & Rec. / PK & Rec Other	\$ -	\$ (10,535.00)	Four (4) \$125 Food Vendor Payments, One (1) \$35 non-profit vendor payment. \$10,000 concert sponsorship from Riverside Downtown Partnership.
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Internal Audit Summary

Based on our review of the transactions selected for testing, it appears the majority of the transactions are related to the Summer Concert Series. Specifically, \$10,000 donations from San Manuel Band of Mission Indians and the Riverside Downtown Partnership were used to pay for bands, lighting, and face painting. Other activity within the account included donations for coach's trophies, entries into the Riverside Sings Contest, activity fees for day camps, and food vendor permit fees.

Per review of other activity, Internal Audit noted Riverside Sings Contest entry fees were deposited in this account and expenditures relating to the summer concert series were also made from account # 0000721-225721 (Exhibit F). Per conversation with PRCSD staff, these entry fees are used to purchase prizes for the competition. The donation/revolving accounts, authorized in the Parks and Recreation Donation Policy, were intended to account for funds that supplement activities of PRCSD. The expenditures and revenues that can be budgeted should be accounted for in the City's General Fund.

As documented in *AU12-01, Non-Contractual Fees, and AU12-03, Cash and Cash Equivalents*, Internal Audit noted findings related to the creation and collection of activity fees. Based on review of other accounts, activity fees are also being collected and expended in account # 0000720-225071 (Exhibit B), account 0000721-225715 (Exhibit E) and account #0000721-225721 (Exhibit F). To re-cap the findings, the activity fees were established (without appropriate documentation) to recover additional costs borne by PRCSD due to budget reductions (e.g. theme park entrance, excursions, etc.) Per conversation with PRCSD staff, these fees need to be formally adopted and revenues and corresponding expenditures need to be accounted for in the City's General Fund during the annual budget process.

PRCSD staff indicated that the food vendor payments were subject to booth rentals approved under Reference Number 5225, Citywide Special Events, of the *City's Master Fees and Charges Schedule*. The establishment of these fees are subject to a 20% cost recovery, which is not being followed; the fees are negotiated between the vendor and PRCSD staff. Internal Audit noted other vendor fees are being deposited into account # 0000721-225715 (Exhibit E).

Per conversation with PRCSD staff donations of \$1,000 and over were not taken to the City Council in conjunction with the Parks and Recreation Donation Policy. In addition, the quarterly activity reports, required by the same policy were not taken to the City Council for approval.

Exhibit B
Community Services Revolving Donations
Account # 0000720-225071

Account Overview

FY 2010/11 Activity¹³

FY 2011/12 Activity

Debit Credit
 \$22,195 (\$22,678)

Debit Credit
 \$3,917 (\$19561)

Net: (\$483)

Net: (\$15,644)¹⁴

Account Activity

To gain an understanding of the activity of this account, Internal Audit reviewed the account detail for FY 2010/11 and for FY 2011/12. Using that listing, we judgmentally selected the following “deposits” and “withdrawals” from the account:

#	Work Order	SS ID	Post Date	IFAS Job #	Transaction Desc	Debit	Credit	Notes
1		CR	3/15/2011	1768157	Park & Rec / Pk & Rc Other	\$-	\$ (16.00)	Purchase for Annual Senior Fashion Show
2	1112077	OH	3/34/2011	1773506	DOMINGUEZ, TOMM Comm Svcs	\$720.00	\$-	SmartRiverside – Digital Inclusion Training Program
3	1112077	OH	4/7/2011	1788463	CAMU, MICHAEL Comm Svcs	\$660.00	\$-	SmartRiverside – Digital Inclusion Training Program
4	1112069	CR	4/29/2011	1819417	Park & Rec / Pk & Rc Other	\$-	\$(3,470.00)	Payment from Riverside Downtown Partnership for \$3,470 for movies in the park
5	1106970	OH	5/12/2011	1827360	TRAVEL TIME TOUR Comm Svcs	\$3,248.72	\$ -	Payment for Senior Trips booked
6		CR	5/20/2011	1841682	Park & Rec / Pk & Rc Other	\$-	\$(1,239.00)	Payment for two (2) Senior Trips
7		CR	7/7/2011	1893700	Park & Rec / Pk & Rc Other	\$-	\$(12.00)	Activity Fee for Sport and Cheer Camp
8	1112077	OH	7/12/2011	1892636	CAMOU, MICHAEL Comm Svcs	\$648.00	\$-	SmartRiverside – Digital Inclusion Training Program
9	1112077	CR	7/22/2011	1916694	Park & Rec / Pk & Rc Other	\$-	\$(9,672.00)	Payment for Project Bridge from Smart Riverside.
10	1112077	OH	7/26/2011	1912212	DOMINGUEZ, TOMM Comm Svcs	\$800.00	\$-	SmartRiverside – Digital Inclusion Training Program

¹³ Based on Account Detail Report by Account it appears this account was created in January 2011.

¹⁴ Per review of IFAS Account Detail Report by Account, amount includes carryover of \$483 from FY 10/11. Report run on 8/17/2011.

Internal Audit Summary

Based on our review of the transactions selected for testing, it appears the majority of the activity in the account is related to the Digital Inclusion Training Program through Project Bridge, trips booked through the Senior Center, and Movies in the Park. Other activity includes payments for the Senior Center Fashion Show and activity fees for recreation activities.

As documented at *AU12-03, Cash and Cash Equivalents*, the City pays individuals through for their participation in the Digital Inclusion Training Program, which offers skills training and jobs for at-risk youth in computer technologies and provides basic computer skills training classes along with a free refurbished PCs for home use to low-income households in Riverside. The costs of this program are offset through payments from Smart Riverside, which is a non-profit made up of City officials/employees and the technology community. The payments into these this accounts should not be classified as “donations”, rather reimbursement for actual costs incurred by PRCSD. These activities should be tracked through the annual budget process, and not tracked in a revolving account. Internal Audit also noted activity related to Digital Inclusion is also tracked in account # #0000721-225715 (Exhibit E) and account # 0000721-225722 (Exhibit G).

The Department received a donation from the Riverside Downtown Partnership for \$3,470 for Movies in the Park. Per conversation with PRCSD staff donations of \$1,000 and over were not taken to the City Council in conjunction with the Parks and Recreation Donation Policy.

The activity related to trips booked from the senior center is being accounted for properly. The City takes payments for the trips, places the money in a non-interest bearing account, and passes it through to a third party, Travel Time Tours.

Per conversation with PRCSD, Internal Audit noted Senior Center Fashion Show revenue was deposited into the account in error. As noted at Exhibit A, E, and F, findings exist with the creating and accounting related to activity fees (e.g. day care, sport and cheer camp). See Exhibit A for a detailed overview on the issues relating to activity fees.

Quarterly activity, required by Parks and Recreation Donation Policy were not taken to the City Council for approval.

Exhibit C
Recreation Services/Cleaning Deposit
Account # 0000720-225714

Account Overview

FY 2010/11 Activity		FY 2011/12 Activity	
Debit	Credit	Debit	Credit
\$175,696	(\$297,807.16) ¹⁵	\$45,034.50	(\$166,655.41)
Net: (\$122,111.16)		Net: (\$121,620.91) ¹⁶	

Account Activity

To gain an understanding of the activity of this account, Internal Audit reviewed the account detail for FY 2010/11 and for FY 2011/12. Using that listing, we judgmentally selected the following “deposits” and “withdrawals” from the account:

#	Work Order	SS ID	Post Date	IFAS Job #	Transaction Desc	Debit	Credit	Notes
1		CR	7/9/2010	1536813	Park & Rec / Sec & Clean Dep	\$2,240.00	\$-	Deposit refunds for various rentals.
2		CR	7/13/2010	1537172	Park & Rec / Sec & Clean Dep	\$-	\$(1,255.00)	Deposit charges for various rentals
3		OH	7/27/2010	1541910	JUST FOR KIX Recreation Sec/Cl	\$250.00	\$-	Deposit refund for various rentals
4		OH	8/11/2010	1548509	BENOIT, RON Recreation Sec/CL	\$ 250.00	\$-	Deposit refund for various rentals
5		CR	9/28/2010	1605453	Park & Rec / Sec & Clean Dep	\$-	\$(562.50)	Deposit charges for various rentals
6		OH	10/14/2010	1614520	ESPINOSA, ERIKA Recreation Sec	\$159.00	\$-	Deposit refund for various rentals
7		CR	12/8/2010	1670716	Park & Rec / Sec & Clean Dep	\$-	\$(2,625.00)	Deposit charges for various rentals
8		OH	7/19/2011	1901886	WAKA KICKBALL Recreation Sec/C	\$1,042.00	\$-	Deposit refund for various rentals
9		OH	7/28/2011	1914506	TORREZ, JANNETH Recreation Sec	\$875.00	\$-	Deposit refund for various rentals
10		CR	8/2/2011	1931603	Park & Rec / Sec & Clean Dep	\$-	\$(75.00)	Deposit charges for various rentals

Internal Audit Summary

Based on our review on the Cleaning Deposit accounts, Internal Audited noted, the Cleaning Deposit Account appears to be operating as intended with one exception; over the past four fiscal years, the ending balance in the account as increased substantially:

	FY07/08	FY 08/09	FY09/10	FY 10/11	FY 11/12 (To Date)
Ending Balance	\$8,496.50	\$51,998.65	\$97,557.15	\$122,111.16	\$121,620.91

¹⁵ Per review of IFAS Account Detail Report by Account, activity for the year includes a balance carried forward of \$97,577.15.

¹⁶ Per review of IFAS Account Detail Report by Account, activity for the year includes a balance carried forward of \$121,620.91. Report run as of 9/20/11.

Per conversation with PRCSD, and review of the *Master Fees and Charges Schedule*, deposits are charged under Reference No. 5220 Community Center Rentals. According to PRCSD in 2008, the Finance Division made an effort to “clean-up” the deposit account; which is evidenced by the low ending balance at year ending for FY 07/08.

Internal Audit inquired about the process for reconciling “Cleaning Deposits.” According to PRCSD, upon completion of an event, a Recreation Supervisor authorizes a return of deposit after confirming that no excessive clean-up or repair is needed. If it is determined that clean-up is needed, the patron is charged the cost of staff-time, materials, and supplies needed by the maintenance staff. The documentation of these “costs” to the patron is not a formally documented process, and neither is the reconciliation of charges. Based on our review, it does not appear that the costs to repair or clean-up after an event are used to offset maintenance costs for the department. If this is the reason for the build-up of fund balance in the deposit account, the funds that cannot be reconciled, need to be transferred to the General Fund as miscellaneous revenue or used as an off-set for current year maintenance costs.

Exhibit D
Parks Key Deposit
Account # 0000720-225716

Account Overview

FY 2010/11 Activity		FY 2011/12 Activity	
Debit	Credit	Debit	Credit
\$0	(\$5,409) ¹⁷	\$0	(5,638)
Net: (\$5,409)		Net: (\$5,638) ¹⁸	

Account Activity

To gain an understanding of the activity of this account, Internal Audit reviewed the account detail for FY 2010/11 and for FY 2011/12. Using that listing, we judgmentally selected the following “deposits” and “withdrawals” from the account:

#	Work Order	SS ID	Post Date	IFAS Job #	Transaction Desc	Debit	Credit	Notes
1		CR	10/7/2010	00100559	Park & Rec / Pk & Rec Other	\$-	\$(175.00)	Charge for five (5) Key Deposits
2		CR	11/4/2010	00100559	Park & Rec / Pk & Rec Other	\$-	\$(35.00)	Charge for two (2) Key Deposits
3		CR	3/30/2011		Park & Rec / Pk & Rec Other	\$-	\$(54.00)	Charge for one (1) Key Deposit

Internal Audit Summary

Based on our review of the transactions selected for testing, it appears fees Key Deposit are being charged, but the account is not being reconciled. Per a review of GL Detail, since the Department began charging for Key Deposits in 2005, only two deposits have been returned. Per conversation with PRCSD, authorization to charge for Key Deposits (use of lockers), are not included in the *Master Fees and Charges Schedule*. Staff indicated that Cesar Chavez Community Center fees were set via agreement with tenants at \$18; while the \$35 fee was established by staff for all other keys based on cost of a key and staff time associated with making a new key. PRCSD can reconcile Key Deposits for since the start of FY 10/11, but does not have the detail for carryover amounts after that. As noted at Exhibit C, formal policies and procedures do not exist for deposits. The amounts that cannot be reconciled should be transferred to the General Fund as miscellaneous revenue.

¹⁷ Per review of IFAS Account Detail Report by Account, activity for the year includes a balance carried forward of \$4,235

¹⁸ Per review of IFAS Account Detail Report by Account, activity for the year includes a balance carried forward of \$5,409. Report as of 9/20/11.

Exhibit E
Administrative Donations
Account # 0000721-225715

Account Overview

FY 2010/11 Activity

FY 2011/12 Activity

Debit Credit
 \$377,415 (\$377,415)¹⁹

Debit Credit
 \$480 (\$26,423)²⁰

Net: \$0²¹

Net: (\$26,305)

Account Activity

To gain an understanding of the activity of this account, Internal Audit reviewed the account detail for FY 2010/11 and for FY 2011/12. Using that listing, we judgmentally selected the following “deposits” and “withdrawals” from the account:

#	Work Order	SS ID	Post Date	IFAS Job #	Transaction Desc	Debit	Credit	Notes
1		CR	7/6/2010	1534419	Park & Rec. / Pk & Rec Other	\$-	\$(460.00)	Six (6) \$10 Material Fees for Sport & Cheer Camp. \$400 Kaiser Foundations Health Plan Inc. donation
2		CR	7/13/2010	1537172	Park & Rec. / Pk & Rec Other	-	\$(219.73)	Nine (9) \$7 Operation Splash Fees & \$170.73 Judicial Council of California, AOC donation.
3		OH	7/15/2010	1537030	GUZMAN, JESSEE Recreation Dont	\$440.00	\$-	Digital Inclusion Employment – 44 hours at \$10/hr. Project Bridge Time Card. No evidence of approvals.
4		3	7/22/2010	1541949	EXPENSE REIMBURSEMENT REG – Purchase of American Express Gift Cards for Riverside Sings	\$1,162.95	\$-	Expense Reimbursement for Robin Metz
5		CR	7/29/2010	1544797	Park & Rec. / Pk & Rec Other	\$ -	\$(3,862.00)	50+ Operation Splash Fees (\$7 to \$10.50), \$3,000 donation from the Western Municipal Water District, \$150 Craft Vendor Fees for Mariachi Festival,
6		OH	9/1/2010	1567831	Blooming Creations	\$200.00	\$-	50 Senior Lunches
7	800178	OH	9/21/2010	1589689	HERNANDEZ PRODU Recreation	\$5,325.00	\$-	50% deposit for Mariachi Reyna de Los Angeles performance. Total bill was \$10,670. Final Payment billed to account # 5225005225-4210400. WO

¹⁹ Per review of IFAS Account Detail Report by Account, activity for the year includes a balance carried forward of \$261,711

²⁰ Activity for the year includes a reversal of the year-end journal entry: Debit of \$24,909 (JE00278 – Move to Revenue).

²¹ Activity for the year includes year-end journal entries: Debit of \$24,909 (JE00278 – Move to Revenue) and Debit of \$211,938 (JE00047506 – Re-class to Revenue). Report as of 8/17/11.

								#0800178.
8		CR	12/30/2010	1690853	Park & Rec. / Pk & Rec Other	\$-	\$(16.00)	Over Payment from St. Francis de Sales School
9	1106981	CR	1/28/2011	1726841	Park & Rec. / Pk & Rec Other	\$-	\$(12,970.00)	Smart Riverside – Reimbursement Project Bridge
10		CR	7/25/2011	1917605	Park & Rec. / Pk & Rec Other	\$-	\$(855.00)	“Overpayment” from Blanca Diaz
11		CR	7/25/2011	1917605	Park & Rec. / Pk & Rec Other	\$-	\$(4.00)	“Overpayment” from Kyra Corbin

Internal Audit Summary

Based on our review of the transactions selected for testing, it appears the majority of the activity is related to the Operation Splash, Smart Riverside - Digital Inclusion Program, and the Mariachi Festival. Specifically, account activity included a \$3,000 donation from Western Municipal Water District for Operation Splash, \$12,970 reimbursement for Digital Inclusion costs from Smart Riverside, and \$5,235 paid for a mariachi band. Other activity within the account includes a \$400 donation from Kaiser (Senior Center), material fees, a series of overpayments, and payment from the Judicial County of California.

As noted at Exhibit A, B, and F, findings exist with the creating and accounting related to activity fees (e.g. day care, sport and cheer camp). See Exhibit A for a detailed overview on the issues relating to activity fees.

As documented Exhibit B, the Digital Inclusion Training Program offers skills training and jobs for at-risk youth in computer technologies and provides basic computer skills training classes along with free refurbished PCs for home use to low-income households in Riverside. The costs of this program are offset through payments from Smart Riverside. Internal Audit also noted activity related to Digital Inclusion is also tracked in account # 0000720-225071 (Exhibit B) and account # 0000721-225722 (Exhibit G).

PRCSD staff indicated that the food vendor payments were subject to booth rentals approved under Reference Number 5225, Citywide Special Events, of the *City's Master Fees and Charges Schedule*. The establishment of these fees are subject to a 20% cost recovery, which is not being followed; the fees are negotiated between the vendor and PRCSD staff. Internal Audit noted other vendor fees are being deposited into account # 0000720-225070 (Exhibit A).

According to PRCSD staff, the “donation” from the Judicial County of California is actually related to restitution and should have been allocated to miscellaneous revenues.

PRCSD staff indicated the 60+ payments deposited into this account for Operation Splash Fees were done in error and should have been allocated to the appropriate revenue account. The error is a result of coding by staff for activities in the RecWare recreation management software. A similar issue of incorrect coding is related to the “overpayment” charges. According to PRCSD, when a facility rental is made in RecWare without correcting checking a designated revenue/deposit account, the system defaults to this donation account.

Activity related to the Mariachi Festival, appears to be in compliance with the Parks and Recreation Donation Policy; however, per conversation with PRCSD staff donations of \$1,000 and over was not taken to the City Council in conjunction with the Parks and Recreation Donation Policy. In addition, the quarterly activity report required by the same policy was not taken to the City Council for approval. Activity for the Mariachi Festival was also found in account #0000721-225722 (Exhibit G).

Internal Audit pulled an expense reimbursement, noting it was for the Riverside Sings competition. Revenues and expenses for this event were also recorded in account # 0000720-225070 (Exhibit A) and 0000721-225721 (Exhibit F). Upon review of the Blooming Creations invoice, Internal Audit noted the payment was for 200 senior lunches.

Exhibit F
P&R Donations – Recreation
Account # 0000721-225721

Account Overview

FY 2010/11 Activity²²

Debit Credit
 \$13,368 (\$4,147)

Net: \$9,221²³

FY 2011/12 Activity

Debit Credit
 \$9,221 \$0

Net: \$9,221²⁴

Account Activity

To gain an understanding of the activity of this account, Internal Audit reviewed the account detail for FY 2010/11 and for FY 2011/12. Using that listing, we judgmentally selected the following “deposits” and “withdrawals” from the account:

#	Work Order	SS ID	Post Date	IFAS Job #	Transaction Desc	Debit	Credit	Notes
1		CR	11/12/2010	00100755	Park & Rec. / Pk & Rec Other	\$-	\$(1,550.00)	Payment for \$1,500 Donation (handwritten – Bobby Bonds Park Activities) from Adrian Felix. \$50 donations for a Bordwell xmas and placemat for Summer Concert Series from Adrian Felix
2	1107432	CR	12/10/2010	00101288	Park & Rec. / Pk & Rec Other	\$-	\$(18.00)	Scholarship for Basketball Bordwell – Regina Smith
3		OH	12/21/2010	1678143	AAA FLAG & BANNER MFG CO	\$947.59	\$-	Payment for Grommets and Light Pole Banner Finish
4		AP	2/3/2011	11-4042	ARTS ATTACK P&R Donations	\$3,939.46	\$-	2 arts Attack Programs – Grades K-8. Total amount of check is for \$7,878.93. Check was split between this account and account #5225000000-42650000
5		AP	3/30/2011	U11213	SIX FLAGS MAGIC MOUNTAIN	\$408.00	\$-	Payment for 16 Six Flags Magic Mountain Tickets
6		AP	3/30/2011	RIVENTS2011	BRAZIL, STEVE P&R Donations	\$ 920.00	\$-	Emcee services for Park and Recreation Events
7		CR	3/30/2011		Park & Rec. / Pk & Rec Other	\$-	\$(4.00)	Two (\$2) Scholarships sold with Soccer-AHSP-Junior and Soccer AHSP – Pee Wee
8		CR	12/10/10		Park & Rec. / Pk & Rec Other	\$-	\$(401.00)	Donations for Korr Systems, Inc.

²² Based on Account Detail Report by Account it appears this account was created in October 2010.

²³ Per Finance Division amounts withdrawn were allowed to exceed the balance because available donation balance in account #0000721-225721 can cover amount.

²⁴ Per review of IFAS Account Detail Report by Account, amount includes carryover of \$9,221 from FY 10/11. Report run on 8/17/2011.

9		JE	3/25/2011	JE000046723	GROUP TICKETING - D 4740	\$2,490.00	\$-	P-Card Purchase – Disneyland Tickets. Payment was made using Purchasing Division P-Card, because limit on PRCSD P-Card was not high enough for purchase.
10		PY	5/12/2011	0101DP	EXPENSE REIMBURSEMENT REG. – National Aquatics Conference in San Diego	\$393.32	\$-	Expense Reimbursement for Noemi Lopez. Amount for the total conference was \$786.65 and was split between two accounts 5205000000-42104000 and #0000721-225721.

Internal Audit Summary

Based on our review of the transactions selected for testing, it appears the majority of account activity relates to the summer concert series and after school programs. Specifically, payments were made from the account for banners, emcee services and prizes (Disneyland and Magic Mountain tickets) for the summer concert series; the majority of the concert series activity was found in account # 0000720-225070 (Exhibit A). Though coordination with the City’s Purchasing Division, PRCSD purchased art supplies for various classes, activities, and programs. Internal Audit noted the offsetting revenue is raised from activity fees that are discussed in detail at Exhibit A (account # 0000720-225070) and Exhibit B (account # 0000720-225071).

As noted in the summary above, this account has a debit balance, when, as a liability account, the account should have credit or zero balance. Both the Finance Division and PRCSD continued to use this account, acknowledging the debit balance, as evidenced by a stamp on the expense reimbursement that stated “Override May 11, 2011 Funds Available.”

Per review of the activity, Internal Audit noted, one of the charges to Recreation Donation account was for reimbursement of an employee attending the National Aquatics Conference. Per review of the *Parks and Recreation Donation Policy*, Internal Audit noted, “The unexpended proceeds from cash donations will be invested by the Finance Department in accordance with the investment policy approved by the City Council. On a monthly basis, the interest earned on the special accounts will be placed in a separate account to be used for staff training and development purposes.” As previously noted in the memorandum this account was created for this fiscal year, and has a debit balance. As such zero interest would be allocated to this account, and the allocation of this expense to this account should not have been allowed. Per conversation with the Finance Division, interest is allocated to the Fund 721 accounts and not the Fund 720 accounts, and show as a credit to each donation account; the interested is not allocated into a separate account as stated by the Parks and Recreation Donation Policy.

Per review of other activity, Internal Audit noted Riverside Sings Contest entry fees were also deposited into account # 0000720-225070 (Exhibit A), while certain expenses for the competition were accounted for in account # 721-225715 (Exhibit E) and this account (Disneyland tickets).

Upon inquiry of the \$1,500 donation fee for Bobby Bonds Parks, PRCSD indicated the deposit was actually a payment from Empire Soccer to use the fields and should have been classified as revenue. Also, payments for “scholarships” for basketball and soccer should have been classified as revenue for the specific activities. Apparently, these two transactions (\$18 and \$4) represent the net amount owed for a class/activity after a subsidy from CDBG has been applied from the City. Another error relates to the classification of a Korr Systems payment as a donation; this amount represents a refund from a training that one of the department’s superintendents was unable to attend and should have been credited back to the expense account it was charged to.

Per conversation with PRCSD staff, quarterly activity reports, as required by the *PRCSD Donation Policy* were not taken to the City Council for approval.

Exhibit G
P&R Donations – Community Services
Account # 0000721-225722

Account Overview

FY 2010/11 Activity²⁵

FY 2011/12 Activity

Debit Credit
 \$17,183 (\$32,641)

Debit Credit
 \$3,919 (\$16,958)

Net: (\$15,458)

Net: (\$13,039)²⁶

Account Activity

To gain an understanding of the activity of this account, Internal Audit reviewed the account detail for FY 2010/11 and for FY 2011/12. Using that listing, we judgmentally selected the following “deposits” and “withdrawals” from the account:

#	Work Order	SS ID	Post Date	IFAS Job #	Transaction Desc	Debit	Credit	Notes
1		CR	11/10/2010	1646724	Park & Rec. / Pk & Rec Other	\$-	\$ (14,278.00)	\$350 payment for Senior Resource Guide Ads. \$13,928 payment from SMART Riverside for Project Bridge.
2	1106973	JE	11/26/2010	1672530	Restaurant Depot 9168	\$335.74	\$-	P-Card purchase – Restaurant Depot for a November Luncheon
3		OH	12/21/2010	1678143	AAA FLAG & BANNER MFG CO	\$947.59	\$-	Payment for Grommets and Light Pole Banner Finish. Payment on same check for same amount also charged to account # 0000721-225721
4	1106973	JE	12/28/2010	1701022	TARGET 000021210001	\$251.46	\$-	P-Card purchase – Target for a Special Event
5		CR	3/30/2011		Park & Rec. / Pk & Rec Other	\$-	\$(150.00)	Senior Resource Guide Ads.
6		OH	3/16/2011	1764863	RIVERSIDE POLICE P&R Donations	\$6,845.00	\$-	Riverside Police Officers Association – Donation to the Fallen Officers Fund from the Raincross 5k Run/Walk
7		CR	4/15/2011	1802224	Park & Rec. / Pk & Rec Other	\$-	\$(500.00)	Senior Resource Guides
8		OH	5/6/2011	1836132	SPORTIQUE P&R Donations	\$2,049.94	\$-	Screen Printing for 500 shirts
9		CR	6/20/2011	1870353	Park & Rec. / Pk & Rec Other	\$-	\$(5.00)	Fishing Derby payment
10		CR	8/2/2011	1931603	Park & Rec. / Pk & Rec Other	\$-	\$(1,500.00)	Mariachi Sponsorship from Harris & Associates

²⁵ Based on Account Detail Report by Account it appears this account was created in November 2010.

²⁶ Per review of IFAS Account Detail Report by Account, amount includes carryover of \$15,458 from FY 10/11. Report run on 8/17/2011.

Internal Audit Summary

Based on our review of the transactions selected for testing, it appears activity in this account relates to various activities related to both Recreation and Community Service activities, including those relating to the SMART Riverside Project Bridge Program, Senior Center, Mariachi Festival, and Fishing Derby.

Internal Audit noted Fishing Derby participation payments were made into this account. PRCSD indicated that all the fishing derby payments were placed into this account by accident. However, we noted PRCSD purchased 500 shirts for the Fishing Derby from the same account.

Several payments for advertising relating to the Senior Resource Guides were placed into the account. Per conversation with PRCSD, staff indicated the ad revenue was placed in this account because there was no funding in the operating budget for the publication of the Sr. Resource Guide; the sponsorship ads are used to generate the funds that cover the cost of the publication. Internal Audit notes that activities that can be budgeted for, both expenditures and offsetting funding, should be included in the City's Annual Budget. In addition, with respect to the Senior Center, two P-Card purchases were made for senior center holiday luncheons. PRCSD indicated that donations for these events were used to offset costs, but could not clarify which specific donations.

Per conversation with PRCSD the \$1,500 donation from Harris & Associates for the Mariachi Sponsorship was not taken to the City Council in conjunction with the Parks and Recreation Donation Policy. In addition, the quarterly activity reports, required by the same policy were not taken to the City Council for approval (Finding). Activity for the Mariachi Festival was also found in account #0000721-255715 (Exhibit E).

Similar to account # 0000720-225071 (Exhibit B) and account# 0000721-225715 (Exhibit E), this account also contains activity related to the Digital Inclusion Program from Smart Riverside. See Exhibit B for an overview of the program.

Activity in this account includes a \$6,845 to the Riverside Police Officers Association. As advertised, a portion of the proceeds from the 5k race were to be dedicated to the Fallen Officers Funds. Internal Audit noted the activities were captured in a Fund 721 account and not a Fund 720 account. Fund 721 accounts earn interest, while Fund 720 accounts do not. This activity should have been recovered in a revolving account, which record in and out transactions (e.g. payments for trips that will be remitted to a third party). Based on activity documented in all the exhibits, this appears to be an overarching issue PRCSD needs to correct.

Per conversation with PRCSD staff, quarterly activity reports, as required by the Parks and Recreation Donation Policy were not taken to the City Council for approval.

**Exhibit H
Schedule of RecWare GL Accounts
IFAS Account Reconciliation**

RecWare Account Name	IFAS Account Number/Description
1) Revolving Account – Rec	Recreation Revolving Donations (Account # 0000720-250070)
2) Revolving Account – CS	Community Services Revolving Donations (Account # 0000720-255071)
3) Cleaning Deposit	Recreation Services/Cleaning Deposits (Account # 0000720-225714)
4) Key Deposits	Parks Key Deposits (Account # 0000720-225716)
5) Customer Account	Administration Donations (Account # 0000721-225715)
6) Donation Account – Admin	
7) Overpayment Account	
8) Donation Account – Rec	P&R Donations – Recreation (Account # 0000721-225721)
9) Donation Account – CS	P&R Donations – Community Services (Account # 0000721-225722)

Exhibit I
Donation, Revolving, and Deposit Detailed Account Activity
FY 1998/99 to Current

Account Information		FY 98/99		FY 99/00		FY 00/01		FY 01/02	
GL Key/GL Obj	Account Name	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit
0000720/225070	Recreation Revolving Donations	-	-	-	-	-	-	-	-
0000720/225071	Community Services Revolving Donations	-	-	-	-	-	-	-	-
0000720/225714	Recreation Services/Cleaning Deposits	31,002	38,393	8,556	13,006	5,543	6,156	9,132	10,508
0000720/225716	Parks Key Deposits	-	-	-	-	-	-	-	-
0000721/225715	Administration Donations	-	-	396	2,308	2,826	4,543	1,057	10,329
0000721/225721	P&R Donations - Recreation	-	-	-	-	-	-	-	-
0000721/225722	P&R Donations - Community Services	-	-	-	-	-	-	-	-
	Totals	\$31,002	\$38,393	\$8,951	\$15,314	\$8,369	\$10,699	\$10,189	\$20,837
	DR / (CR) Balance		\$(7,391)		\$(6,362)		\$(2,330)		\$(10,648)

Account Information		FY 02/03		FY 03/04		FY 04/05		FY 05/06	
GL Key/GL Obj	Account Name	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit
0000720/225070	Recreation Revolving Donations	-	-	-	-	-	-	-	-
0000720/225071	Community Services Revolving Donations	-	-	-	-	-	-	-	-
0000720/225714	Recreation Services/Cleaning Deposits	44,535	48,033	50,025	54,465	36,845	41,049	41,841	39,068
0000720/225716	Parks Key Deposits	-	-	-	-	-	-	-	690
0000721/225715	Administration Donations	15,446	21,910	5,194	42,272	9,112	39,373	16,873	27,187
0000721/225721	P&R Donations - Recreation	-	-	-	-	-	-	-	-
0000721/225722	P&R Donations - Community Services	-	-	-	-	-	-	-	-
	Totals	\$59,981	\$69,943	\$55,219	\$96,737	\$45,956	\$80,421	\$58,714	\$66,945
	DR / (CR) Balance		\$(9,962)		(41,518)		\$(34,465)		\$(8,231)

Exhibit I Cont.

Account Information		FY 06/07		FY 07/08		FY 08/09		FY 09/10	
GL Key/GL Obj	Account Name	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit
0000720/225070	Recreation Revolving Donations	-	-	-	-	-	-	-	-
0000720/225071	Community Services Revolving Donations	-	-	-	-	-	-	-	-
0000720/225714	Recreation Services/Cleaning Deposits	59,152	63,639	97,524	78,335	136,758	180,260	146,120	191,699
0000720/225716	Parks Key Deposits	-	270	30	630	35	645	-	2,065
0000721/225715	Administration Donations	91,674	78,611	92,387	162,891	96,764	186,309	166,391	184,097
0000721/225721	P&R Donations - Recreation	-	-	-	-	-	-	-	-
0000721/225722	P&R Donations - Community Services	-	-	-	-	-	-	-	-
	Totals	\$150,826	\$142,520	\$189,941	\$241,856	\$233,557	\$367,214	\$312,511	\$377,861
DR / (CR) Balance		\$8,305		\$(51,915)		\$(133,657)		\$(65,350)	

Account Information		FY 10/11		FY 11/12		Totals	
GL Key/GL Obj	Account Name	Debit	Credit	Debit	Credit	Debit	Credit
0000720/225070	Recreation Revolving Donations	39,544	39,544	9,996	58,006	49,540	97,550
0000720/225071	Community Services Revolving Donations	22,678	22,678	8,977	37,587	31,655	60,265
0000720/225714	Recreation Services/Cleaning Deposits	175,696	200,230	52,992	46,494	895,720	1,011,333
0000720/225716	Parks Key Deposits	-	1,174	212	229	277	5,703
0000721/225715	Administration Donations	377,415	115,703	1,806	27,388	877,339	902,921
0000721/225721	P&R Donations - Recreation	13,368	13,368	9,227	-	22,594	13,368
0000721/225722	P&R Donations - Community Services	32,641	32,641	3,919	17,168	36,560	49,809
	Totals	\$661,342	\$425,339	\$87,128	\$186,872	\$1,913,685	\$2,140,949
DR / (CR) Balance		\$236,003		\$(99,744)		\$(227,265)	

Exhibit J
Donation, Revolving, and Deposit Account Activity
Summary of Journal Entries to General Fund Misc. Revenues

Note: With the exception of JE00035788 (6/30/08) for Recreation Services/Cleaning Deposits in the amount of \$23,218.75, all remaining JE's were approved in late FY 2010/11 and FY 2011/12.

Account Information		Account Activity - Misc. Revenue Journal Entries			
GL Key/GL Obj	Account Name	Debit	Credit	Net Change DR/(CR)	Notes
0000720/225070	Recreation Revolving Donations	37,975	-	37,975	JE00048320 - \$37,974.76
0000720/225071	Community Services Revolving Donations	483	-	483	JE00048320 - \$483.31
0000720/225714	Recreation Services/Cleaning Deposits	23,219	-	23,219	JE00035788 - \$23,218.75
0000720/225716	Parks Key Deposits	-	-	-	
0000721/225715	Administration Donations	236,893	24,910	211,983	JE000047506 - \$211,983 RV001509 - \$24,909.95
0000721/225721	P&R Donations - Recreation^	(9,229)	(9,229)	-	JE00048320 - \$9,228.85 RS001617 -\$9,228.85
0000721/225722	P&R Donations - Community Services	15,458	15,458	-	JE00048320 - \$15,458.17 RS001617 -\$15,458.17
	Totals	\$304,799	\$31,139	\$273,660	

^ Per review of appropriate JE and account detail, Internal Audit noted, the account had a negative (debit) balance at FY 2010/11 year-end.

Exhibit K
Summary of Donation, Revolving, and Deposit Account
Information Arranged By Fiscal Year

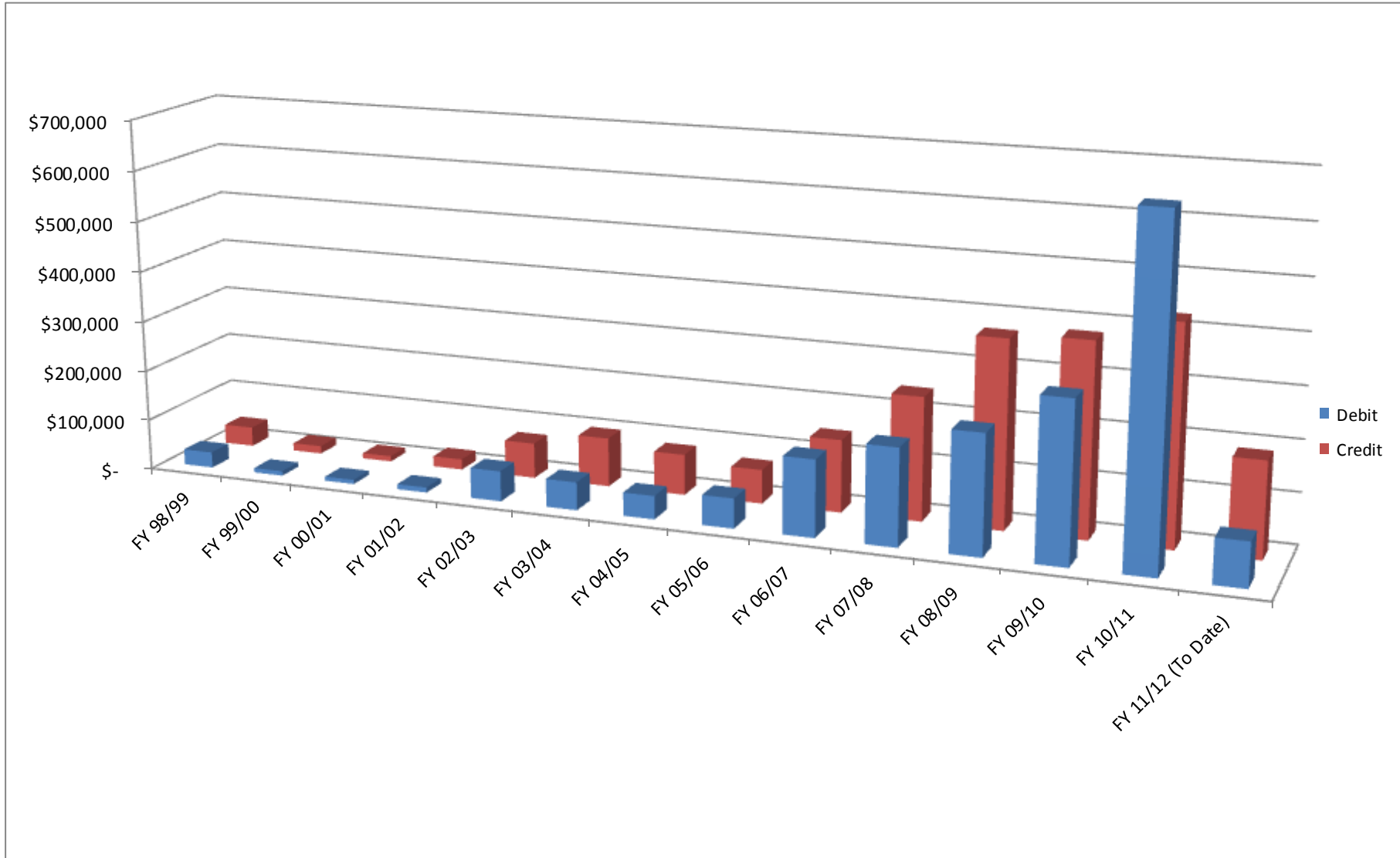


Exhibit L
Summary of Donation, Revolving, and Deposit Account
Information Arranged By Account

