

May 2022



Office of Internal Audit

Why We Did This Audit

We performed this review as part of our annual Audit Plan.

Key Recommendations

- Independently monitor the accuracy and reasonableness of the work prepared by employee who has conflicting duties.
- [REDACTED]
- [REDACTED]
- Implement the City Collector's turnover policy.
- Reconcile gate ticket activity monthly. At any point in time, the reconciliation should indicate how many tickets are on hand which could then be verified with a physical inventory count.
- Work with the City Comptroller in establishing categories for the types of revenues from athletic events in MUNIS.

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Review of Athletic Gate Receipts at Springfield Public Schools Executive Summary

Background

Springfield Public Schools (the "District") recognizes that sports can be an important part of many students' lives¹ and offers various athletic teams that students can join. The District created the Athletic department to be in charge of all of the District's athletic programs year-round and to supervise its many coaches. The Athletic Department is overseen by the Athletic Director and has two employees. Three of the District's five high schools host soccer, football, and basketball events during the school year at which the Athletic department charges admissions. In order to watch certain athletic events, spectators purchase tickets from athletic gate personnel positioned at each event's entrance at varying rates ranging from \$3 for students to \$5 for adults. Tickets to certain sporting events can be purchased online. Cash and checks are accepted as payment methods but collections are mostly cash. Cash handling procedures for athletic events are subject to the requirements in the District's Athletic Event Cash Procedures. For the School Year 2021/2022, the district resumed athletic events after a suspension for School Year 2020/2021 due to the Covid-19 pandemic. Athletic gate receipts for School Year 2021/2022 amounted to \$40,380.

What We Found

- An employee has conflicting duties that should be segregated.
- Opportunities exist to improve chain of custody for gate receipts.
- [REDACTED]
- The deposits of gate receipts do not comply with the City Collector's Batch Turnover policy.
- Gate tickets are neither tracked nor reconciled.
- Revenue from athletic events are uncategorized in MUNIS.

Some parts of the public document have been redacted for security reasons.

¹ Springfield Public Schools, Athletics Department website: www.springfieldpublicschools.com/departments/athletics/about



INTRODUCTION

Chapter 468 of the Acts of 2008 authorizes the Director of Internal Audit to examine the records of the City and its departments to prevent and detect waste, fraud and abuse and to improve the efficiency, effectiveness and quality of public services provided in and by the City. In accordance with this legislation, all offices and employees of officers, boards, commissions, agencies and other units of City government are required to comply with requests for information or access to systems and records by the Office of Internal Audit (OIA). The following review aligns the authority and goals of the OIA with those of the City. Specifically, this audit addresses the City's values related to accountability such as integrity, fiscal responsibility and transparent practices. The audit also supports the City's strategic priorities ensuring operational excellence, fiscal health and sustainability in all divisions, departments, programs and activities.

This report is not intended to be an adverse reflection of the City or of its vendors. The intent is for City management to utilize these findings and recommendations to help in making future well-informed strategic decisions while ultimately meeting City objectives.

BACKGROUND

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OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives

The primary objectives of this audit were to:

- Ascertain whether adequate segregation of duties exists for processing gate receipts.
- Determine if there was proper oversight of gate receipts handling.
- Confirm that gate receipts are adequately safeguarded.
- Verify that all gate receipts were recorded and deposited in a timely and accurate manner.
- Determine if athletic gate receipts complied with the District's policies and procedures.



Scope

Our review covered certain football, soccer, and basketball events for the period School Year 2022/2021. Online ticket sales were excluded from our scope.

Methodology

To accomplish our objectives, we performed the following audit procedures:

- Attended certain athletics events in which there were gate receipts and observed transactions.
- Interviewed employees to gain an understanding of the operational processes and procedures including collection, recording, safeguarding, and chain of custody involving gate receipts.
- Reviewed applicable District policies, procedures, relevant state and federal laws, and regulations.
- Tested a sample of deposits made to ensure that receipts were accurately processed and recorded.
- Performed other tests deemed as necessary.

Our findings and related recommendations are in the following sections of the report. The Athletic Department was given the opportunity to respond to the findings. The departmental responses are incorporated verbatim into the report following each finding and recommendation.




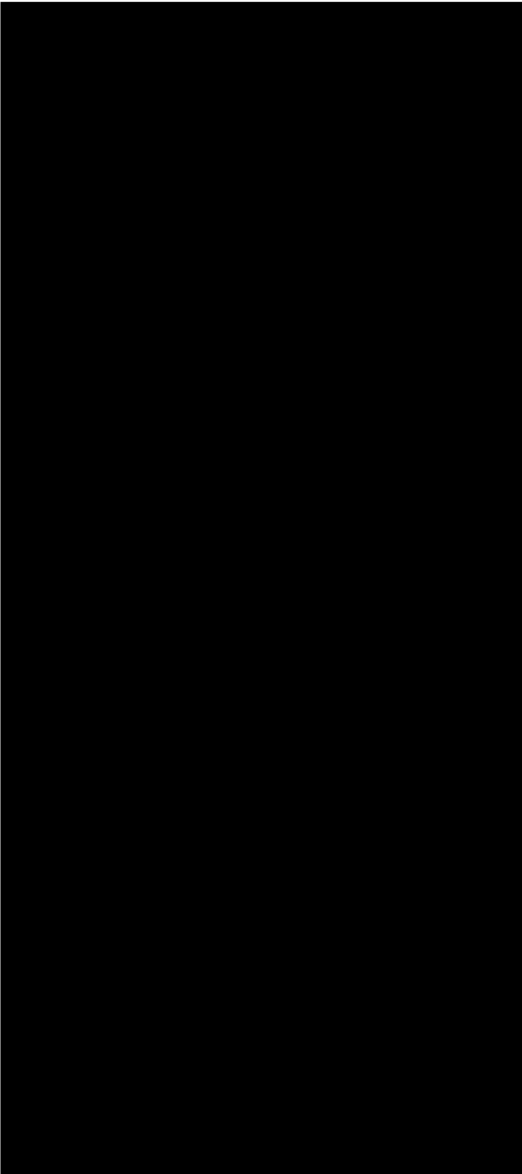
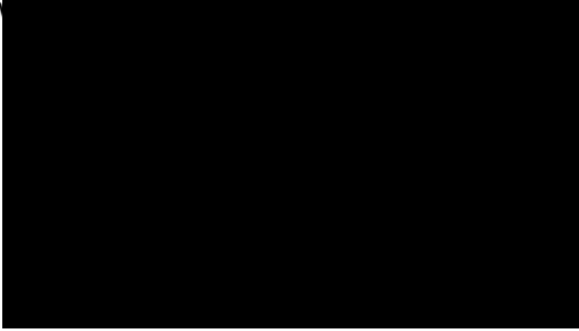
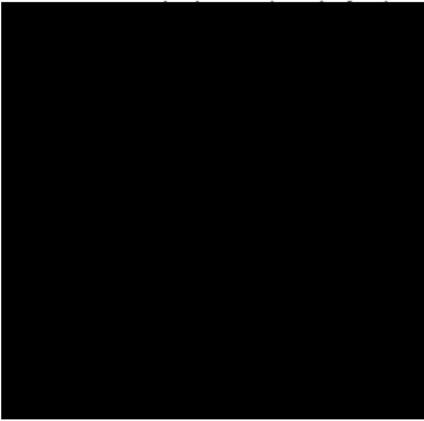
FINDINGS AND RECOMMENDATIONS

| Finding Number | Finding | Finding Description | Recommendations | District's Response |
|----------------|---|--|---|---|
| 1. | An employee has conflicting duties which should be segregated | <p>Segregation of duties is an important preventative control to prevent opportunities for misappropriation and human error. The concept of segregation of duties means that certain roles and responsibilities should be assigned to different employees to ensure that one single employee cannot process a transaction from beginning to end.</p> <p>We found instances where multiple, conflicting duties are performed by the same employee, the Financial Analyst at the District's Business Office, such as preparing the cash reconciliation, entering payments in the District's accounting system, having access to gate tickets, and depositing funds at the bank.</p> <p>One employee having multiple responsibilities can potentially execute and conceal errors and/or irregularities in the course of performing day to day activities.</p> | <p>We recommend that the conflicting duties be segregated. If this not possible due to resource constraints of the department, then the District should implement procedures to independently monitor the accuracy and reasonableness of the Financial Analyst's work. In particular, the Athletic Director should confirm the cash reconciliations prepared by the financial analyst to the gate receipt logs for each athletic event and investigate discrepancies. Lastly, we recommend that the gate tickets be maintained by the District Business Manager in a locked safe. Issuance of tickets should be recorded on a log. See Finding 5 for a discussion on the need for reconciling ticket numbers.</p> | <p>We agree with the auditor's finding and will assign responsibilities to an additional employee(s) to segregate duties.</p> |




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| <p>2.</p> | <p>Opportunities exist to improve the chain of custody for gate cash receipts.</p> | <p>We noted that when employees transfer gate receipt funds amongst themselves during and after an athletic event or when transporting funds between locations, they do so without confirming the amount of funds being transferred on a cash log form. Individual accountability is maintained by having the cash log and transfer of funds witnessed and acknowledged by more than one employee. This process is referred to as protecting the “chain of custody.” A clear chain of custody over gate receipts must be maintained at all times as a best practice and is required in the City Treasurer’s Cash Turnover Policy.</p> <p>Not having proper, timely sign-offs when an employee turns over gate receipts to another employee creates an opportunity for fraud as the person responsible for the misappropriation of cash receipts may not always be identifiable.</p> | <p>We recommend that the District develop a chain of custody process that includes the following best practices:</p> <ul style="list-style-type: none"> • One employee be responsible for selling tickets/ receiving cash, and another employee be responsible for collecting tickets. • Employees count gate receipts in the presence of a supervisor/manager on the same day of collection. • Employees involved in the cash turnover process should sign the cash log to document their agreement as to the amount turned over; and then that employee who received the gate receipts turnover should properly secure the batches in a safe, etc. with limited access. • If turnover and counting the gate receipts on the same day is impractical due to staffing or allocated time issues, the District invest in individual locking bank bags. The locking bags should be opened and counted the next morning by two employees, the Athletic Director and Financial Analyst. | <p>We agree with the auditor’s finding and will ensure the Site Supervisor is involved in the cash turnover process with appropriate sign-off. Athletic forms will be modified to include dual signatures for each step of the turnover process. The District will purchase individual locking bank bags to use going forward.</p> |
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| 3. |  |  |  |  |
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² Massachusetts Department of Elementary and Secondary Education, Agreed Upon Procedures and Audit Guidelines: Student Activity Funds, Section IV, A



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| 4. | Gate tickets are neither tracked nor reconciled | <p>The District denotes the beginning admission ticket number and ending ticket number on the cash log sheet at every athletic event to arrive at the number of tickets sold. Unused tickets are remitted to the Business Office along with the gate receipts. However, we noted that there is no tracking of the gate ticket numbers to ensure all tickets have been properly accounted for, including tickets that have been turned in. Since the District is not monitoring the issuance of ticket numbers, the beginning inventory of tickets is unknown and the tracking of the ticket activity is incomplete.</p> <p>The lack of monitoring and reconciling ticket activity increases the risk of gate tickets to be misused, lost, or stolen without detection.</p> | We recommend that the District reconcile its gate ticket activity monthly. At any point in time, the reconciliation should indicate how many tickets are on hand, which can be verified with a physical inventory count. | We agree with the auditor's recommendation and will be implementing a monthly gate ticket reconciliation process. |
| 5. | Revenues from athletic events are uncategorized | In MUNIS, the City's accounting system, revenues from athletic events are not categorized by the types of sporting event, e.g., football, soccer, and basketball. Instead, revenues from athletic events are | We recommend that the District work with the City Comptroller in establishing categories for the types of revenues from athletic events in MUNIS. | We agree with the auditor's recommendation and will classify revenue by sport and location in MUNIS. |



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| | | <p>just grouped into one category in MUNIS: “athletics”.</p> <p>By not classifying the differing types of revenues from sporting events, District management lacks the detail in MUNIS to effectively monitor the performance of athletic events.</p> | | |
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