



Review of Cash Handling Procedures at Cyr Arena

January 2024

Some parts of this public document have been redacted for security reasons. A copy of the report without redactions have been shared with the Mayor, Audit Committee of the City Council, and City management.

January 2024



Office of Internal Audit

Why We Did This Audit

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

Key Recommendations

- Segregate conflicting duties relating to the handling of cash.
- [REDACTED]
- [REDACTED]
- Place a sign in front of the register indicating that customers must receive a receipt, and if they don't, then they should call the Parks Administrative Office to report.
- Reconcile skate rental ticket activity.
- Monitor all employees' work, including the Rink Manager, for reasonableness and accuracy.

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Review of Cash Handling Procedures at Cyr Arena Executive Summary

Background

Cyr Arena is a public ice skating facility located in Springfield Forest Park and hosts youth, adult, and school-based hockey teams. Cyr Arena also offers open skating to the public. Cash and checks are accepted as payment methods at Cyr Arena. Cyr Arena's collections from public skate are mostly cash. Cash handling procedures are subject to the requirements in the Park Department's and City's Cash Handling Policies. There are four fulltime employees, including a Rink Manager, at Cyr Arena. For the Fiscal Year 2022, revenues generated at Cyr Arena amounted to \$297,295. At the time of the review (January 2023), revenues for Fiscal Year 2023 amounted to \$174,537.

In January 2023, the Director of Parks, Building and Recreation Management (PRBM) alerted the Office of Internal Audit of a suspected mishandling of cash by an employee at Cyr Arena. The OIA researched the Director's concerns and found that cash was mishandled. The OIA issued a separate report. Based on our recommendations from that review, the Parks Department conferred with the Human Resources Department about the alleged cash mishandling. In September 2023, that employee was removed from their position.

What We Found

We commend the Parks Department in contacting our office to look into revenue discrepancies that they identified. Their process to track types of revenue data at Cyr Arena allowed them to identify discrepancies in receipts being reported. Despite this positive process, we found that, in general, the internal controls surrounding cash handling at Cyr Arena to be inadequate. Specifically, we found that the following areas are in need of immediate remediation:

- Cash was mishandled, resulting in revenue shortages to the City.
- An employee involved in the cash handling process had conflicting duties.
- [REDACTED]
- Skate rental tickets are unreconciled.

Update

After the completion of our project, PRBM management made numerous changes that subsequently resulted in an increase in revenues of more than \$55,000. Revenues through March 19, 2024 are approximately \$322,000 as compared to approximately \$267,000 during the same period in Fiscal Year 2023.



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

Cyr Arena is a public ice skating facility located in Springfield's Forest Park and hosts youth, adult, and school-based hockey teams. Cyr Arena also offers open skating to the public. The ice rink rental rates are \$230 (50 minutes) and \$240 (50 minutes) for youths and adults, respectively. Admission fees for public skating are \$3 for youths and \$5 for adults. In addition, ice skates can be rented for \$4 per pair. Cash and checks are accepted as payment methods at Cyr Arena. Cyr Arena's collections from public skate are mostly cash. Cash handling procedures are subject to the requirements in the Park Department's and City's Cash Handling Policies. There are four fulltime employees, including a Rink Manager, at Cyr Arena. For the Fiscal Year 2022, revenues generated at Cyr Arena amounted to \$297,295. At the time of the review (January 2023), revenues for Fiscal Year 2023 amounted to \$174,537.

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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 handling cash.
- Determine if there was proper oversight of cash handling.
- Confirm that cash is adequately safeguarded.
- Verify that revenues were recorded and deposited in a timely and accurate manner.
- Determine if cash handling procedures complied with the department's and City's policies and procedures.

Scope

Our review covered sale transactions that occurred in Fiscal Year 2022 and from July 1, 2022 through January 31, 2023.

Methodology

To accomplish our objectives, we performed the following procedures:

- Attended certain public skate events and observed transactions.
- Interviewed employees to gain an understanding of the operational processes and procedures including collection, recording, safeguarding, and chain of custody involving cash handling.
- Reviewed applicable department and City policies and procedures.
- Tested a sample of sales transactions 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 Parks Department was given the opportunity to respond to the findings. The departmental responses are incorporated verbatim into the report following each finding and recommendation.

Finding/Recommendation Priority Ranking Definitions and Criteria

The OIA's assignment of a ranking to findings and recommendations is intended to provide guidance to management on how to prioritize corrective actions. We consider both the effect and the likelihood of unimplemented recommendations in our categories. The OIA classifies the priority levels to be considered by Management when addressing findings and implementing recommendations as follows:



High	Internal control weaknesses and compliance issues that require immediate corrective action.
Moderate	Internal control weaknesses and compliance issues that require prompt corrective action. Short term action is appropriate, e.g., less than 90 days.
Low	Internal control weaknesses and compliance issues that warrant timely corrective actions. Action with 360 days is deemed appropriate.



Finding No.	Finding	Finding Description	Recommendations	Priority Ranking	Management Response
1.	Cash was mishandled				
a	There were unrecorded transactions	<p>The Park’s Department policy on Cyr Arena Operations states the following: “Take payments from renters, give them a receipt and place all checks and monies in the safe. Collect public skating money on Friday, Saturday and Sunday through a cash register and give each patron a receipt.”</p> <p>We found one instance where transactions from public skate rentals were not entered into the cash register and another instance where skate rental transactions from a private rink rental were not entered into the cash register. We estimate that the resulting cash shortages ranged from \$124 to \$208.</p>	<p>To prevent the mishandling of cash, we recommend the following:</p> <ul style="list-style-type: none"> • Segregate conflicting duties. The person who is responsible for collecting cash should be separate from the person that enters the transaction(s) into the Daily Cash Worksheet. The person performing the data entry function should also be separate from the person that turns the cash/checks over to the Bank. The person performing the billing function should be separate from the person that collects payment from customers. A system should be in place where one employee provides a verification of the work of another employee so that any one individual is not performing a process from beginning to end. • Monitor all employees’ work, including the Rink Manager, for reasonableness and accuracy. <p>Also, see recommendations in Finding 2.</p>	High	This department agrees with Internal Audit. These duties have been separated. The employee responsible for collecting cash is not the same employee performing the data entry. All rink employees work, including the Rink Manager, are being monitored.



b	There were multiple voided/no sale transactions and a cash shortage	<p>Unapproved voided/no sale transactions on the cash register are problematic because they could represent a scheme to divert cash to the individual working the cash register. For the period under review, we noted voided/no sales transactions on eight separate dates for the period under review.</p> <p>Moreover, we noted a cash shortage of \$236 on the 1/21/23 Daily Cash Worksheet. The OIA was told that this was due voided transactions not entered into the cash register.</p>	<p>We recommend the following:</p> <ul style="list-style-type: none"> • All transactions, including no sale and voided transactions be entered in the cash register. • Voided/no sale transactions require manager approval. • Ensure the Rink Manager maintain a log of the reasons for the no sale and voided transactions. • The Park Administrative Office continue to review the no sale and voided transaction log regularly.. <p>Also, see recommendations in Finding 2.</p>	High	The department has developed a void/no-sale form and is reviewing any voids and no-sales.
c	The Daily Cash Worksheet was subsequently changed without justification	We noted that the Daily Cash Receipts for 1/22/2023, which we verified by an on-site count on 1/23/23, was subsequently changed by an employee involved in the cash handling process without justification – it was increased by \$20.	See recommendations in Findings 1a and 2.	High	Separation of duties (see 1a) should prevent this from occurring. In addition, any employees handling cash (usually the Rink Manager) have been told that daily cash worksheets cannot be changed. Any relative discrepancy needs to be reported to the Administrative Office.



d	Receipts were not issued to customers	When dealing with the public, receipts should be issued as documentation in support of all transactions paid with cash or check. Ideally cash registers should be used to record payments and receipts generated to support the transactions. Where cash registers are not available, pre-numbered, multi-ply receipt forms should be used with one copy going to the customer and one copy retained by the operation. We observed sales transactions conducted at a public skate event and noted receipts were not issued to customers. We also noted that customers who rented skates at a private rink rental did not receive receipts.	<p>We recommend the following:</p> <ul style="list-style-type: none"> • Mandate to all employees that customers must receive receipts. • Place a sign in front of the register indicting that customers must receive a receipt, and if they don't, then they should call the Parks Administrative Office to report. <p>Also see recommendations in Finding 2.</p>	High	Every customer is given a receipt. There is a sign at the register indicating customers should receive a receipt.
e	Funds were not deposited	The City Cash Handling policy states that cash/checks should be turned over the City Treasurer/Collector's office daily, or this is not practical, the receipts should be turned over no later than Friday or once there is a total of \$1,000. At no time should receipts be held at the department over the weekend ⁱⁱ . The Parks Department informed the OIA about un-deposited cash that they found in the safe at Cyr Arena in May 2023 after inquiring about an outstanding bill from September 2022 for \$150 with a customer. The Parks Department informed OIA that this customer called the Rink Manager about the outstanding bill, and the Rink Manager afterwards informed the Parks Administration Office that the funds, contained in an envelope labeled with the customer name, were in the safe. The Park Administration Office retrieved the funds from the safe. In addition, they discovered a separate envelope with \$91 in it. The source of the \$91 was unspecified. The OIA counted both the un-deposited funds, noting no exceptions for the	<p>We recommend that the Parks Administrative Office perform the following:</p> <ul style="list-style-type: none"> • Verify deposits by accounting for each sequentially numbered receipt and research any potential issues, e.g., duplicative receipts and out of sequence numbered receipts, and for compliance with the City Treasurer/Collector's policy. • Send customer statements, indicating their activity and amounts due, regularly. 	High	Every deposit is signed and verified by the Financial Analyst. Every customer is sent a statement on a regular basis.



		<p>unspecified funds of \$91 and a \$10 shortage for \$150 transaction from September 2022. Furthermore, for the September \$150 transaction, the OIA noted that the original receipt for \$150 dated 9/15/22 and copy were included in the envelope. However, the OIA noted that there was another receipt issued to this customer for the same transaction which was deposited in September 2022.</p> <p>Both these un-deposited funds violate the City Cash Handling policy. The disorganized book keeping practices regarding duplicate invoices and unspecified receipts create a strong risk for a lapping scheme, a scheme that involves stealing cash from one customer and using a payment from a different customer to cover the theft. This scheme changes the accounts receivable of one customer by applying the wrong payment to the wrong invoice.</p>			
2.	[REDACTED]	[REDACTED]	[REDACTED]	High	[REDACTED]



			<ul style="list-style-type: none"> █ [REDACTED] █ [REDACTED] █ [REDACTED] 		[REDACTED]
3.	Skate rental tickets are unreconciled	<p>When a customer pays for a skate rental, a cashier issues a prenumbered ticket. Customers are required to provide this ticket to the clerk at the rental booth in order to receive a pair of skates. We noted that skate rental tickets were unreconciled to the skate rental revenues for the public skate event.</p> <p>The lack of reconciling skate rental ticket increases the risk that skate rentals revenues could be misappropriated.</p>	<p>We recommend the following:</p> <ul style="list-style-type: none"> • Reconcile rental ticket activity for each public skate event. • Place unused tickets in the safe. • Parks Administrative Office inventory/track the sequence of tickets that are used. 	Moderate	<p>Every customer is given a skate rental ticket. Tickets are then reconciled to the cash register receipt on a daily basis. At this time, the arena does not have internet access (see response to Finding 2 above).</p>



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ⁱ The Department of Parks, Building and Recreation Management Cash Receipts Policies and Procedures Cyr Arena Operations

ⁱⁱ The City of Springfield Treasurer/Collector Cash Receipts Memo