



Dave Yost • Auditor of State



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Angel Mumma, Finance Director
City of Dublin
5200 Emerald Parkway
Dublin, Ohio 43017

To Ms. Mumma,

We completed certain procedures related to the receipt collections process for the 2015 City of Dublin (City) Irish Festival, under the authority of Ohio Revised Code Section 117.11.

Our tests were made in reference to certain applicable sections of legislative criteria, as reflected in Ohio Revised Code, City regulations, City policies, City procedures and guidelines of the Auditor of State. The City is responsible for compliance with these laws and regulations.

This report is issued under the authority of the Auditor of State's office to conduct audits in the public interest and includes an explanation of our analysis and work performed as part of this engagement.

This engagement is not a financial or performance audit, the objectives of which would be vastly different. Therefore, it is not within the scope of this work to conduct a comprehensive and detailed examination of the City's collection process for the Irish Festival receipt process.

On March 18, 2016, we held an exit conference with representatives of the City's Finance Department. On March 30, 2016, the City's Finance Department submitted an official response to this report and changes were made to this report as deemed appropriate. The City's response is included within this report and begins on page 7.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

March 18, 2016

Background

The City of Dublin's Finance Director met with representatives of the Auditor of State's Office on October 8, 2015 and indicated that after the 2015 Irish Festival the City was notified by the bank that there was an apparent shortage of \$29,000 between a deposit ticket and the cash included with the deposit. The Finance Director indicated that the City believed the shortage was due to an accounting error at the time the deposit ticket was prepared. The Finance Director asked the bank to review security footage of the bank's activities when that particular deposit was opened by the bank representative to ensure the teller did not take any money. Upon review of the security footage, the bank and the City both concluded the amount that was deposited with the bank was the amount they received and the deposit had not been tampered with. Additionally, the Director of Finance and representatives from the bank discussed the bank's processes once deliveries are made by armored car companies to the bank vault, including verification that the deposit bags have not been tampered with.

After this review and discussions, the Finance Department took another in-depth look at the deposit in question. While the process of running a calculator tape on the deposit and maintaining it as documentation was not always performed at the time the deposit is originally counted and prepared, in this instance, the calculator tape detailing the deposit included \$34,000 for collection of the wee-folks bands sold on Sunday. The City has never collected that much money for the wee-folks bands sold on any given day; the average daily collection for wee-folks over a three year period is approximately \$10,321. Furthermore, when the Finance Department performed the reconciliation between the number of items sold, General Admission, Tokens, and Bands, and the cash collected the City came to the conclusion that the actual deposits at the bank compared to the items sold were within an acceptable variance and in no way indicated the shortage was due to fraud.

The Finance Director presented to the Auditor of State the issue that had arisen along with the review that the City had conducted to arrive at the conclusion that the 'shortage' was due to a calculation error in running the tape, and not fraud. She requested the Auditor of State to conduct their own review to ensure that the same conclusion was determined by an independent third party. The Auditor of State responded that their office would perform the following procedures:

- Perform a walkthrough over the cash collection process to gain an understanding of the City's process of collecting monies over ticket sales for general admission; tokens for beverages; and bracelets/bands related to kid's play area,
- Based on the knowledge gained through the above walkthrough, present recommendations, if any, to the City to improve procedures over the cash collection points,
- Perform an analytic over the 2015 collection types; i.e. tickets, tokens, bracelets/bands, to determine if the number of items sold as shown in the Vendini system and other support is reasonable compared to the amount collected; and,
- Perform a three year trend analysis by collection type.

Results

We noted no exceptions during our analytic of the 2015 Collection and three year trend analysis, which supports that the shortage appears to be an accounting error and not due to fraud.

However, we did note areas we believe the City could improve their internal controls over the cash collection process, which are included below.

Segregation of Duties

When designing the public office's system of internal control and the specific control activities, management should plan for adequate segregation of duties or compensating controls.

During the Festival, monies are collected at various locations throughout the day and brought to the final processing location to be counted and deposited. There appears to be a lack of a control in place that would prevent the same person from receiving cash and, counting the cash and creating the deposit ticket.

Failure to have proper segregation of duties could result in errors, irregularities, and/or possible misuse of public funds occurring and remaining undetected for an extended period of time.

We recommend the City adopt a policy requiring adequate segregation of duties in its accounting process related to the cash collections at the Festival. This should be, but not be limited to, ensuring a different employee from the employee receiving the cash, and creating the deposit ticket, determine the completeness and accuracy the deposit ticket by recounting the cash and checks. We would also recommend that the City require each employee sign off indicating the step that was performed.

Beverage Tokens

The City sells tokens which can be redeemed for beverages at various locations throughout the Festival. After the Festival is over, the City compares the total number of tokens sold to total sales. Additionally, the City compares the amount of tokens sold to tokens redeemed. The beverage funding raising groups are given a share of the token sale profits based on the amount of tokens redeemed at their booth.

The City uses the same tokens from year to year and allows tokens bought in previous years to be redeemed in the current year. The City can never fully reconcile the number of tokens bought to the number of tokens redeemed due to this practice.

Failure to change tokens from year to year results in the inability to accurately reconcile the number of tokens sold to the number of tokens redeemed. It could also result in counterfeit tokens being redeemed as individuals know what the tokens are going to look like. Since the City distributes the sales based on tokens redeemed, this could result in vendors receiving an incorrect share of the profits.

We recommend the City use different beverage tokens each year (such as a different color or different pattern). This will allow the City to more accurately reconcile the number of tokens sold to the amount of sales. If the City still wants to continue their current policy of allowing tokens from earlier years to be redeemed, they can track redemption of tokens by color/pattern, allowing them to reconcile tokens sold in the current and previous years.

Cash Collections

A sound internal control policy would require that each time cash is handled by (handed off to) a different person that the person should count the cash and document the cash amount they have handled. Furthermore, if the person is receiving the cash from another individual they should not only count the cash but should also verify that amount against the documentation that was provided supporting the cash that should have been collected.

Cash Collections (Continued)

The City collects cash at different locations at throughout the day during the Festival. Cash is collected from the individual booths and turned in at the final processing location for counting and safe-keeping until a deposit can be made. Once there, the cash is placed on separate tables to track sales of tickets versus tokens and the cash collect for wristbands are set on either the sale of ticket or token table. At various times, City employees from the financial department will count the cash and place the monies in a deposit bag, along with the deposit ticket, to be picked up by an armored car at throughout the day or deposited in an overnight deposit box. (NOTE: see recommendation over segregation of duties)

During our interview with various employees of the City's financial department and income tax department, to gain an understanding of the City's policies and procedures over collection and deposits of cash collection, it was brought to our attention that the City does not require the individuals working the cash collection points to count or provide support to verify the cash received at the final processing location is complete and accurate. In addition, when the cash is brought to the final processing location it is laid on separate tables, by the type of sale and not separated by the booth/gate for which the monies were collected, to be counted by a City employee prior to deposit. The City has no record of the amount of cash collected at the individual cash collection points nor is any support received from the cash collection points at the time of collection showing the amount collected was compared to any data from the Vendini system or manual records tracking the sales. The City waits until the information is available from the Vendini System, which could be several days after the event, before they reconcile the cash collected to the necessary support to determine the completeness and accuracy of the cash collected.

Failure to have the proper controls in place to verify the completeness and accuracy of the cash collected could lead to the loss/misuse of funds. In addition, the City doesn't separate the cash or verify the data provided for each individual cash collection points which puts the City in a position of not being able to follow up with, or hold accountable, the individual collecting the monies to get an understanding of any significant variances related to the reconciliation of the cash to the support provided.

We recommend the City strengthen their existing policies and procedures as they relate to the collection of cash. We recommend the following changes to the City's policies and procedures:

- At the time cash is collected from the cash collection points, an individual should count the cash and reconcile it back to the support documentation to make sure the monies collected are complete and accurate.
 - If the City feels it is unsafe for the cash collection points to be counting the cash in public, then at a minimum the individual at the cash collection point should verify the support document at the time of collection is complete and accurate.
- Once the monies are received at the final processing location it should immediately be counted and verified against the support documentation that was provided for that booth/gate. The City employee performing this task should then document any variance between the support and the cash they have counted.
 - The City should assign one or two individuals that are required to follow up on any significant variance, as defined by their policy, immediately. This could mean recounting the monies to verify the employee had accurately counted the monies or following up with the cash collection points to determine why the variance occurred. At this time this employee should make a determination that the variance is acceptable or if the matter should be followed up on at a later date to determine if it was an accounting error or misuse of public monies.
- Once the reconciliation is performed by the employee at the final processing location a separate employee should verify the reconciliation was performed and fill out a deposit ticket, then place the cash in a locked deposit bag. This could still be done by type of sale as they are doing now; i.e. put all monies from the tickets sales into one deposit bag.

Change/Safe Cash

The City maintains change/safe cash during the Festival to use as change as needed. Some of the controls over this change/safe cash include the following:

- Entering information into a log any time change is made from this change fund,
- Counting the amount of change cash at various times throughout the Festival to ensure the proper amount is maintained in the safe.

Per our discussion with the City Finance Department, sometimes the individual making change from change/safe cash does not log the information in the log book as required.

Failure to maintain an accurate log of transactions from the change/safe cash fund could result in the loss/misuse of funds. Additionally it could result in errors not being timely identified and investigated.

We recommend the City ensure policies and procedures are followed each time change is made from the change/safe cash fund. The individual making change should record the date as well as the amount and denomination of the change made and sign the log book.

Vendini System

The first year the City utilized the Vendini System (the System) to account for all sales, cash and credit was in 2015 and the City encountered some problems with the system; ranging from losing wi-fi connection to the system taking more time than anticipated to enter sales activity. The City continued to utilize a manual method of tracking ticket sales for the Festival in anticipation of potential problems. When performing our analytics over the Admission, Tasting Event and Wee Folks we tried to utilize the information from the Vendini reports to determine the amount deposited by the City for the Festival was reasonable. Based on this method we were unable to determine the completeness and accuracy of the sales. As such, we had to utilize the City's manual tracking of the ticket sales to determine the completeness and accuracy of the sales for the Festival.

Based on these issues we recommend the City perform the following: We recommend the City perform a cost/benefit analysis to determine if the cost of maintaining the System outweighs the benefit of having the system. The City should also analyze if the manual system is adequate for tracking the event activity.

The City should also consider how they could analyze the data captured by the System. Does it allow them to determine the proper ticket prices for these events; analyze the need to staff the booth/gates properly; i.e. what time of the day is more staff needed or what times are slower than others so you can utilize volunteers in other areas; are the venues attracting the targeted population; etc.

- We also recommend the City discuss with the Vendor of the System the need to reconfigure the System to fit the City's needs. Such as, reduce the steps needed to enter sales activity into the system so the lines are steadily moving and to make sure the System is able to capture all data needed for them to properly analyze the Festival to make sure the City is meeting its intended goals.
- Most importantly in order to utilize any system that requires online access, we recommend the City review their network to determine what is needed in order to keep the System on line. The City should consider if there is an ability to establish a network that is password protected and only available to the ipad/System users that collect the receipts at the booth/gates.

Conclusion

The results of our procedures support that the shortage discovered by the bank was due to an accounting error. Overall it appears the City does a great job addressing any risk associated with collecting cash for this event. In 2015, the City went to an online system to allow them to track cash and credit card sales on one system. They anticipated there would be a need to track the sales manually until the online system was running accurately. As noted in this report we identified some areas that we have made recommendations for improvement in the City's process; we believe these identified weaknesses result in areas in which we believe there is a higher risk of fraud and/or accounting errors. The City should review the results of our report and determine which recommendations should be implemented. While the City may not implement all recommendations, due to the cost benefit of these recommendations, we do suggest they consider what can be done to mitigate this risk of fraud and/or accounting errors in the areas we have discussed above.



March 30, 2016

Dave Yost, Auditor of State of Ohio
88 East Broad Street, 10th Floor
Columbus, OH 43215

Re: Review of 2015 Dublin Irish Festival

Dear Mr. Yost,

This letter is in response to the report issued by the Auditor of State's (AOS) office regarding the City of Dublin's 2015 Dublin Irish Festival (DIF).

In advance of receiving this letter, management within the Finance Department met to review our procedures as they pertain to the financial operations of the annual DIF. Our goal was to identify areas in which control deficiencies existed and discuss ways to address those deficiencies. As a result of those discussions and taking into consideration the recommendations within the AOS report dated March 18, 2016, we will have documented policies and procedures in place for the financial operations of the festival prior to the 2016 event (held August 5-7, 2016).

I'd like to take the opportunity to respond to a number of questions/comments within the AOS report. The following bullet points address each of those issues:

- **Segregation of Duties** – The City understands that segregation of duties or compensating controls must be in place. Moving forward, we will ensure that there is one Finance Department staff member charged with preparing the deposits (at each shift) with the Finance Manager-In-Charge verifying each deposit. Both individuals will 'sign-off' on the deposit slip indicating that both have counted the deposit to ensure that it is correct. Furthermore, the staff member preparing the deposits will be required to run a calculator tape (with each denomination added as a separate line) for each deposit prepared. This tape will be kept as documentation along with the City's copy of the bank deposit slip.

As part of preparing the deposit, the Finance staff member will be utilizing a newly created spreadsheet that removes the human element of calculating the total amount of a certain denomination. Additionally, the spreadsheet will be color-coded in which the colors will correspond to the straps used in preparing cash for deposit.

■ **Finance**

5200 Emerald Parkway
Dublin, Ohio 43017

phone 614.410.4400

www.dublinohiousa.gov

- **Beverage Tokens** – The City does use the same tokens from year to year. This does present a challenge in our annual reconciliation as we do not know how many tokens went unspent/unredeemed at the end of each year and similarly, how many tokens were redeemed in that particular year which were purchased in another year. Additionally, we recognize the potential for counterfeit tokens.

However, the cost to replace the over 75,000 tokens that are needed for circulation throughout the weekend each year is in excess of \$25,000. Therefore, we have concluded that it is not financially in the best interest of the City to incur this expense annually by replacing the tokens. The benefit does not outweigh the costs.

- **Cash Collections** – Generally speaking, the City is in agreement that sound internal control policies would require that each time cash is handled by a different person that the person should count the cash and document the cash amount they have handled. Additionally, we agree that if a person is receiving cash from another individual, the receiving person should count the cash as well as verify that amount against documentation that was provided supporting the cash that should have been collected.

However, the amount of cash and the number of patrons on festival grounds during the event pose challenges to general internal control policies. Specifically, we do not feel it is in the best interest of our staff members, volunteers, or patrons for the individuals collecting cash at the ticket/token sale locations to count any money in public view.

As a matter of background, periodically during each shift (more frequently during busier times), a finance staff person, accompanied by a uniformed City of Dublin police officer, goes to each ticket and token sales location to collect excess cash. The funds collected at each location are kept separate not by specific location but by type of sales – tickets or tokens. The finance staff person and police officer return to a secure location on festival grounds where the money is prepared for deposit.

The suggestion raised by the AOS that funds should be counted by the individual at the ticket/token sales location prior to handing the money over to the Finance staff person and police officer, only to have them recount it to confirm the amount is not appropriate. Furthermore, it is not feasible to prepare documentation at each one of the ticket/token sales locations indicating the amount being sent to Finance. Over the course of a three day period, a significant amount of cash is collected at these ticket/token sales locations. While we make every attempt to have these locations secure, they are tents with open visibility from most, if not all sides (depending on the specific location). Given that over 100,000 patrons visit the festival in a three day period, at any given time there are significant numbers of people surrounding these sales locations. As such, we make every attempt to limit the attention drawn to these locations when cash is changing hands (from the individual at the ticket/token sales location to the Finance staff member and police officer).

However, upon review of our procedures, we have determined that we can make this process more secure by providing lockable bank bags at each ticket/token sales location. Once the staff member has prepared the bag for pickup by the Finance staff member/police officer, they will lock the bag. The Finance staff member/police officer will not have access to a key which would unlock the bag. Once the bag is returned to the secure location on festival

grounds, the Finance Manager-In-Charge will unlock the bag and remove the money to prepare it for deposit. This solution provides protection to the individual working the booth as well as the Finance staff member and police officer.

Given that we do not support documenting the amount of money being 'turned in' to the Finance staff person, there is no way to identify variances once the cash is received by the Finance Manager-In-Charge.

The AOS has further noted that the cash brought to the secure location from the individual ticket/token sales locations is segregated only by tickets and tokens – not by the specific location. Given the explanation for not counting funds in public, we can find no reason to track money by individual location.

Finally, as it pertains to comparing revenue collected to information available in Vendini, there is information that is readily available. However, it is impractical to pull information from Vendini and compare that to the revenue collected as there will always be significant timing differences as we cannot stop the collection of revenue in the field in order to reconcile to a report generated at one particular point in time. Finance staff will reconcile the cash collected with the amounts received by the bank as well as the Vendini reports on the first business day following the conclusion of the festival.

- **Petty Cash** – Based on cash needs during the festival, the Finance Department has determined that it is appropriate to keep a specified amount as a Change Fund (or "petty cash" as it has been referred to by the AOS) in a safe during the event. These funds are used to make change throughout the course of the weekend.

Access to the safe is limited to the Finance Managers-In-Charge. We are in agreement that there needs to be policies and procedures in place that clearly state that each time change is made from the Change Fund, the date, the amount and the denomination of the change being made is noted and signed off by the Finance Manager-In-Charge. The City has developed an operating procedure & policy regarding this as well as a log sheet. Additionally, this operating procedure & policy will address the various times throughout the festival in which the Change Fund will be counted to ensure the proper amount is in place. These verification occasions will be documented on the log sheet as well.

- **Vendini System** – In 2015, the City contracted with Vendini, a company that provides software that enables entities such as the City to sell tickets for events. This system provides sales information for each type of ticket sold (including beverage tasting tickets), tokens, and wristbands. Since the Vendini system utilizes iPad (or similar) devices at the point of sale (POS), it is dependent on wireless infrastructure to operate. While our wireless capability is relatively stable, we recognized the potential for disruptions to the wireless connectivity. Given that we wanted to ensure that we were tracking all sales of tickets and tokens, each staff member at the POS was provided with instructions to log any manual sales that could not be done through the Vendini system. Unfortunately, with the vast number of volunteers working at the sales locations, along with the volume of patrons wanting to purchase tickets/tokens at any point in time and the City's goal to complete the transaction as quickly as possible, the manual recording of sales did not occur consistently at each of the sales locations throughout the duration of the festival.

Programs like Vendini provide an accurate manner to track sales – so long as the wireless infrastructure is functioning properly. That function is not Vendini's responsibility. However, I can say with certainty that given the number of patrons (over the course of the three-day festival), manual documentation of each sale is not feasible. I believe that Vendini or a similar software/hardware system is the appropriate manner in which to track sales.

Furthermore, the Vendini system does provide 'options' for the ticket/token booth worker to select from. For example, for those working at ticket locations, they are able to select from the various ticket types (adult versus discounted [senior/student/military]) with the appropriate pricing calculated based on the quantity sold. Similarly, data provided by Vendini does allow the City to analyze sales throughout the course of the event. While there is no time to analyze those sales during the event itself, staff does analyze the sales data for planning purposes for the future festivals.

Given that 2015 was the City's first year with Vendini, we did identify areas where improvement is needed with the system programming. We are committed to working with Vendini staff in advance of the 2016 DIF in order to streamline the steps necessary to complete a transaction.

Finally, the City is analyzing long-term solutions for the wireless infrastructure. We certainly want to ensure that for business reasons, our infrastructure is dependable and efficient. Our patrons should expect the same. We believe improvements in the near future will enhance the experience for everyone involved.

I appreciate the review the AOS team conducted of our financial operations of the 2015 DIF and the recommendations presented. I trust this response and the information contained within reinforces that the City, and more specifically Finance Department Management, take our responsibility in addressing risk associated with handling cash very seriously.

If you have any questions, please feel free to contact me at (614) 410-4401 or via e-mail at amumma@dublin.oh.us.

Sincerely,



Angel L. Mumma
Director of Finance

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CITY OF DUBLIN

FRANKLIN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 24, 2016**