



Fiscal Follow-Up Report

2022 FOLLOW-UP: SPECIAL EVENTS TRUST FUND

Report by the
Office of City Controller

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INTRODUCTION

Pursuant to the Controller’s powers under Article IV, Section 404(b) of the Pittsburgh Home Rule Charter, the fiscal audit of the **Special Events Trust Fund (SETF)** was originally published on **August 18, 2020**. The original report can be viewed [here](#).

Since this report, the Controller’s Office has performed follow-up procedures to research the statuses of the previously reported Findings and Recommendations. This is part of the monitoring process administered for fiscal audits to determine what to-date actions have been taken, if any, to remediate any previously reported issues.

When **Findings and Recommendations** are reported, they are given a status: **Open** or **Closed**. During follow-ups, the department(s) will be given an opportunity to provide details on any adjustments or corrections made in policies, procedures, processes, or otherwise. Updates will be reported in our follow-up reports accordingly.

OPEN	An OPEN status indicates that the previously published Finding and Recommendation has not yet been resolved. This may mean one of the following: <ul style="list-style-type: none">• The auditee(s) agreed with our report; however, efforts have not yet been initiated and implemented to reduce the internal control risk.• The auditee(s) agreed with our report and some processes have been initiated to remediate risk; however, these processes are unfinished at this time.• The auditee(s) disagreed with our report and declined the Finding and/or Recommendation provided. Therefore, the risk remains as described in the original report.
CLOSED	A CLOSED status indicates that the previously published Finding and Recommendation is resolved. This may mean one of the following: <ul style="list-style-type: none">• The auditee(s) implemented either our prior Recommendation or a comparable solution to resolve the risk identified. The City Controller’s Office will verify implementation before assigning this status.• The Finding and Recommendation is no longer relevant based on changes in condition.

SCOPE AND METHODOLOGY

The original scope of our audit report published on **August 18, 2020**, covered the period of **January 1, 2016**, to **December 31, 2018**.


In following up on the original report, we administered the following procedures:

- Engaged with administrators of the Department of Public Safety, Office of Special Events, and Department of Parks and Recreation to obtain updates on any remediation performed on the previously reported Findings and Recommendations.
- Reviewed the previously released audit report and supporting documentation.
- Reviewed contracts and resolutions relevant to the trust fund.
- Reviewed, documented, and tested new materials and samples received from the department administrators.
- Summarized revenues and expenditures for the calendar year following the date of the prior audit.

2020 FINDINGS AND RECOMMENDATIONS

The results below are follow-up updates for the Findings and Recommendations previously reported in 2020 via the fiscal audit report located [here](#). Please note that departments are not formally requested to provide responses to status results on follow-ups but are welcome to respond, as desired.

PRIOR FINDING #1: MANAGEMENT OF FARMERS’ MARKETS

STATUS	CLOSED
DEPARTMENT	PUBLIC SAFETY, OFFICE OF SPECIAL EVENTS
PRIOR FINDING	Our prior report indicated that Farmers' Market operations lacked policies and procedures. The result being that internal records were not maintained and transactions did not reconcile properly with the department's JD Edwards (JDE) entries. Subsequently, the department was unable to provide copies of checks for 11% of the samples tested and copies of applications for 89% of the samples tested.
PRIOR RECOMMENDATION	Our prior Recommendation was that the department develop policies and procedures to account for Farmers' Market operations and records retention. We recommended the implementation of a system for tracking income and an annual process for assessing the events.
PRIOR AUDITEE RESPONSE	“Accept. A comprehensive set of policies and procedures for the operation of the Farmers Markets will be developed, and they will address retention of records and review of the profitability of each market. The Special Events Program Manager will oversee this task with help from Public Safety Administration as needed. These policies and procedures will be completed prior to the start of the 2021 Farmers Market season.”
UPDATE	<p>The department provided a copy of its document <i>Farmers Market Policy</i>. The document had a creation date of March 11, 2021, and the most recent edition was dated June 7, 2022. The directives within this document speak to payment-receipt and tracking, record retention, staffing, and annual review. It also describes a process for using the software management system MarketWurks, which provides the department with a means for tracking vendor applications and statuses, invoices, and payments. This satisfies, in part, our recommendation that the department implement a tracking system.</p> <p>market  wurks</p> <p><i>Figure 1: Logo and link to MarkWurks.</i></p>

	<p>We also requested documentation for approximately 40% of the lump-sum deposits made in 2021 and 20% of the transactions itemized therein. The department was able to provide checks and applications for all samples requested. The samples tested were recorded properly in the department’s tracking spreadsheet. As a result of this follow-up, this Finding is now in a Closed status.</p>
<p>AUDITEE RESPONSE TO 2022 FOLLOW-UP STATUS RESULTS (PUBLIC SAFETY)</p>	<p>“Special Events appreciates the auditors’ original recommendations and are pleased we could meet them in this capacity. We anticipate that we will maintain clear and complete recordkeeping of all market-related transactions as a result of these new policies. We invite the auditors to continue to oversee our adherence to these policies and ensure their efficiency and effectiveness.”</p>

PRIOR FINDING #2: GREAT RACE MERCHANDISE SALES PROCESS

STATUS	OPEN
DEPARTMENT	PUBLIC SAFETY, OFFICE OF SPECIAL EVENTS
PRIOR FINDING	<p>Our prior report indicated that the Great Race merchandise sales process lacked policies and procedures. As a result, details were provided for only 25% of sales through RunSignUp. The following were also noted:</p> <ul style="list-style-type: none"> • A lack of segregation of duties due to the fact employees were tasked with multiple job functions. • Insufficient lock box control due to the lock box not being adequately secured and restricted.
PRIOR RECOMMENDATION	<p>Our prior Recommendation was for the development of policies and procedures for Great Race sales. We also indicated that duties should be adequately segregated, the lock box secured in a safe and neutral location, and the inventory reconciled.</p>
PRIOR AUDITEE RESPONSE	<p>“Accept. Due to the small number of Special Events staff and the immense undertaking of managing the Great Race, segregation of duties for merchandise sales is extremely difficult to achieve without neglecting other areas of managing the event. The Office of Special Events will develop comprehensive policies and procedures for the sale of Great Race merchandise. The Special Events Program Manager will oversee this task and consult with the Department of Finance for guidance. These policies and procedures will be completed prior to April 1, 2021.”</p>
UPDATE	<p>The department provided its document <i>Policy Great Race Merchandise</i>. The document had a creation date of March 11, 2021, and the most recent edition was dated June 9, 2022. It provides an overview of the Great Race operation; titles of administrators; and policies for the acquisition, distribution, sale, and storage of merchandise. The document also provides a policy on records retention, which now requires financial records to be housed for no fewer than 7 years. The document indicates that the cash box combination is to be changed daily—prior to the initiation of the sales event—and that two employees of the Office of Special Events will be tasked with cash management. The document also describes an end-of-day</p>

	<p>process for logging sales and transporting the cash box to a designated place.</p> <p>We found these policies adequate, which is a notable step since the department did not have any in place when the original audit was administered. These policies addressed all the issues reported in 2020. However, the orchestration of the Great Race was massively impacted by the coronavirus 2019 (COVID-19) pandemic. The Great Race's website notes on May 15, 2020, that the 2020 event was cancelled and held only virtually for those who wished to participate remotely in safe spaces. The department administrators informed us that there were no merchandise sales since the beginning of the pandemic, only a packet-pickup in 2021. They also indicated that there is no current plan to host a Great Race exhibition (Expo) in 2022. This indicates a significant change in condition of the Great Race and events surrounding it. Because of this, we are unable to administer any testing to reasonably verify financial activity or documentation. Therefore, this Finding will remain in an Open status until Grace Race activities are again held and the Office of the Controller is able to test transactions recorded in the trust fund. This is for the purpose of ensuring that the policies and procedures provided in writing are also carried out accordingly.</p>
<p>AUDITEE RESPONSE TO 2022 FOLLOW-UP STATUS RESULTS (PUBLIC SAFETY)</p>	<p>“Special Events is eager to return to standard Great Race activity levels, including full implementation of our merchandise and cash-management policies. We welcome the auditors to review our work in further detail when the Great Race resumes such activity. Should the auditors have any additional commentary in the meantime, we will do our best to address it.”</p>

PRIOR FINDING #3: GREAT RACE GIFT CARD PURCHASES

STATUS	OPEN
DEPARTMENT	PUBLIC SAFETY, OFFICE OF SPECIAL EVENTS
PRIOR FINDING	Our prior report indicated that 50% of the total gift cards purchased in 2017 and 2018 were not logged. While the department was able to provide a log for 2018 purchases, it was not able to provide such a log for 2017.
PRIOR RECOMMENDATION	We recommended the development of policies and procedures specific to tracking gift cards. We indicated that gift cards should be logged into a registry immediately. The log should include the dates of purchases, amounts of the gift cards, names of whom the cards are issued, and the name of the business at which the card can be used.
PRIOR AUDITEE RESPONSE	“Accept. The Office of Special Events will develop comprehensive policies and procedures for the tracking of Great Race gift cards as recommended. The Special Events Program Manager will oversee this process. These policies and procedures will be completed prior to January 1, 2021.”
UPDATE	The department provided a copy of its document <i>Gift Card Policy</i> . The document had a creation date of March 11, 2021, and the most recent edition was dated July 7, 2022. It provides an overview of gift card guidelines and policies for the acquisition, registration, and dispersal of gift cards. It also contains a section on records retention. Furthermore, the department provided a template for its gift card tracking. The template contains fields for coordinator name, event name, date, gift card store, and recipient name. There are also fields allowing for notes (i.e., reason for purchase), distribution methods, and contact information. We found the department's policy and template adequate. However, the department administrators indicated to us on July 14, 2022, that no gift cards have been purchased since the COVID-19 lockdown. They also noted that they do not plan on using any gift cards in 2022. Although the controls have greatly improved since the prior audit report, we were unable to administer testing to verify financial activity or documentation. Therefore, this Finding will remain in an Open status until gift card activity recommences.
AUDITEE RESPONSE TO 2022 FOLLOW-UP	“As with finding #3, Special Events invites the auditors to fully review this process when the Great Race resumes

STATUS RESULTS (PUBLIC SAFETY)	normal activity levels, and welcomes further feedback in the meantime.”
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PRIOR FINDING #4: IMPROPER USE OF CITY FUNDS

STATUS	OPEN
DEPARTMENT	PUBLIC SAFETY, OFFICE OF SPECIAL EVENTS
PRIOR FINDING	Our prior report indicated that questionable purchases were made during the period audited. Specifically, Great Race funds were used for hotel stays for City employees in 2018.
PRIOR RECOMMENDATION	We recommended that oversight be established to review the expenditures of lodging, food, and beverages to ensure transactions align with §181.06 of the City's Code of Ordinances.
PRIOR AUDITEE RESPONSE	“Accept. Pittsburgh Three Rivers Marathon, Inc. is the contracted operator of The Great Race, and that includes management of race operating funds until final distribution of revenues to the City. They are obligated by contract to make financial decisions on race operations using registration revenues and sponsor contributions with oversight from the Special Events Program Manager. Going forward, the Special Events Program Manager will more closely scrutinize the expenditures to ensure funds are properly spent made in accordance with the City’s Code of Ordinances, §181.06. This task will be ongoing and therefore does not have a target date for completion.”
UPDATE	Management for the Office of Special Events confirmed that while contractors can be reimbursed for hotel stays, City employees are no longer permitted to use City funds for this purpose. Management is now tasked with scrutinizing expenses related to the Great Race. As noted previously, Great Race activities have been significantly impacted since the COVID-19 pandemic. To provide reasonable assurance of the materiality of the department's records, we will need to administer expenditure testing in the future. Therefore, this Finding will remain in an Open status until Great Race activities are resumed.
AUDITEE RESPONSE TO 2022 FOLLOW-UP STATUS RESULTS (PUBLIC SAFETY)	“Special Events will continue to adhere to City policies for such expenditures and welcomes the auditors to review these and all related expenditures in the future.”

PRIOR FINDING #5: INADEQUATE SUPPORTING DOCUMENTATION

STATUS	CLOSED
DEPARTMENT	DEPARTMENT OF PARKS AND RECREATION
PRIOR FINDING	Our prior report indicated that the department was unable to provide supporting documentation for 43% of revenue samples and 60% of expenditure samples requested. In addition, the department was unable to provide a record retention policy.
PRIOR RECOMMENDATION	We recommended the development of a formal record retention policy and procedure of recording and scanning documentation of transactions.
PRIOR AUDITEE RESPONSE	<p>“During this audit period, from January 1, 2016 through December 31, 2018, the Department of Parks and Recreation was reorganized. Beginning January 1, 2018, a number of divisions and programs that had been managed under the department were transferred into other city departments. These changes were done to better align personnel and resources specific to each area of focus, and to allow for improved internal business processes for all respective units. One of the divisions transferred out of the Department of Parks and Recreation was the Special Events unit and the personnel who worked specifically within that departmental area. As a result of this reorganization, and the change in operational structure, the focus of this Special Events Trust Fund audit’s findings fell either outside of the purview of the Department of Parks and Recreation in whole (formally, after Jan. 1 2018), or were overseen and managed by a (former) senior management team within the Department of Parks and Recreation – all of whom having departed their respective positions sometime during this same period. The current department’s senior management team had either very limited or no oversight of the management or record keeping policies and practices that were underway at this time.</p> <p>With respect to Finding #5: Inadequate Supporting Documentation--upon the reorganization of the department, as mentioned above, very few physical files were transferred from the previous management team to the current management team. Though some records were likely to have existed, physical files respective to this inquiry may not have been kept, and any electronic files may have been contained solely within the email accounts</p>

	<p>of other staff/users. Additionally, due to the Covid-19 pandemic and related work activities that have had to take place remotely, the department has not been able to comb through stored and archived records. The department may have been able to locate relevant files from storage if not having to address and adhere to relevant guidance surrounding Covid-19 and/or if there was an allowance for more time (post pandemic) to adequately address this finding.</p> <p>It has been a priority of the current department’s senior management team to address all areas related to adequate record keeping, shared/stored electronic and physical files, as well as the redraft and update to any/all departmental polices that are exclusive to the department’s current business practices. There have been a myriad of updates and improvements to internal business and operational practices that have been made since January 1, 2018, all in an effort to increase accuracy and transparency, reduce effort, overhead and redundancy, and to implement sound and responsible fiscal processes, thus, reducing the overall cost to taxpayers and the city. It is a priority of the department to continue it’s efforts to correct any/all known errors and adhere to all Office of Management and Budget, Finance and Human Resources departmental policies, as well as it’s own, and the department’s management team will lead these efforts.</p> <p>The Department of Parks and Recreation generally accepts the findings specific to Finding #5: Inadequate Supporting Documentation.”</p>
<p>UPDATE</p>	<p>The SETF was established under the control of the Department of Parks and Recreation via Resolution 106 of 1979. In 2017, Resolution 834 amended the establishing resolution to place control of the trust under the Department of Public Safety's Office of Special Events and other such departments designated by the Director of the Office of Management and Budget (OMB). Because usage of this trust fund is no longer relevant to the Department of Parks and Recreation, this Finding is now in a Closed status.</p> <p>As a courtesy, we did follow up with the department to determine if any remediation steps were taken to bolster operations overall. During our follow-up procedures, the department was able to provide a draft of a record retention policy. We have provided feedback to the department on this policy, as was requested.</p>

<p>AUDITEE RESPONSE TO 2022 FOLLOW-UP STATUS RESULTS (PARKS & REC)</p>	<p>No response provided.</p>
<p>AUDITEE RESPONSE TO 2022 FOLLOW-UP STATUS RESULTS (PUBLIC SAFETY)</p>	<p>“Regardless of the overseeing department, Special Events recognizes the important of proper recordkeeping and will strive to achieve this going forward. Should Citywide standardized policies be created to address this, Special Events pledges to adhere to them as closely as possible.”</p>

PRIOR FINDING #6: MANAGEMENT OF RECREATION FACILITY RENTALS

STATUS	CLOSED
DEPARTMENT	DEPARTMENT OF PARKS AND RECREATION
PRIOR FINDING	Of the samples requested during our prior audit, 94% of the samples were missing. Due to poor records systems, the Office of the Controller had limited access to documentation of transactions. It was also unclear whether safeguards were implemented for funds held at the recreation centers. We took the root of this issue to stem from a lack of policies and procedures for the recreation facility rentals. It was also noted that auditors were shown cash management policies for 2014 and 2015; however, these were not specific to the recreation center rental processes.
PRIOR RECOMMENDATION	We recommended the development of policies and procedures specific to recreation facility rentals, the implementation of secure controls for cash management, and a system for retaining records of transactions.
PRIOR AUDITEE RESPONSE	<p>“As was cited in the response to Finding #5, very few physical files were transferred from the previous Parks and Recreation management team to the current management team. Though some records were likely to have existed, physical files respective to this inquiry may not have been kept, and any electronic files may have been contained solely within the email accounts of other staff/users.</p> <p>It is noteworthy to indicate that the Department of Parks and Recreation did/does adhere to an existing policy and/or policies regarding cash management. It appears as though this policy had been issued by the Department of Finance (in conjunction with and specific to the Dept. of Parks and Recreation) in 2014 and again, specific to our department personnel, in 2015. The current Parks & Recreation team most recently shared this same policy with departmental personnel in 2019. It stands to reason that this same policy would have been in place during this audit period. Its purpose was: ‘To ensure that all revenues, fees, and payments of any kind collected at any City location, office, event or through digital or mechanical means is promptly deposited in the correct depository, correctly accounted for, and documented; to promote the use of electronic payments and to avoid the use of cash; to establish the Department of Finance as the repository of all revenues, fees and any other payments made to the City of Pittsburgh and to give</p>

	<p>the Finance Department clear responsibility and accountability for all receipts city-wide.’</p> <p>This policy and/or policies have been shared with the Audit Team upon submission of this department’s responses to this/these Findings.</p> <p>Additionally, in February 2018, under the management of the current Department of Parks and Recreation’s senior managers, a Community Recreation Deposit Form/Memo was drafted. This document specifies the center’s location, date of event, deposit date, method of payment and other pertinent information. This form was to be used by all respective departmental personnel for any recreational facility rental. This too has been shared with the Audit team upon submission of our responses. It is not known if this same form or a similar document had been utilized by the previous department’s management team in whole, or in part, during this audit period. Specific to the oversight of the Robert E. Williams (REW) facility; this facility had not been a location that was managed, programmed or activated via internal Parks & Recreation personnel for years prior to this audit. As was cited in this particular Finding, the facility was closed/taken offline in 2017 due to issues with the physical facility, as well as it falling outside of the ‘standard’ shelter permit/application process, which can be performed online, and was/is managed by the Department of Public Works. Prior to the closure of this facility, it appears as though the task of managing any requests for the utilization of this asset fell upon personnel within the Dept. of Parks & Recreation. It was by default only that this non-programmed facility had to be ‘looked after’ by the Dept. of Parks and Recreation to facilitate requests for utilization. REW was a unique facility with respect to who/which department had primary ‘ownership’ of it and who should be tasked to facilitate permit requests. Given the physical state of the asset and the gray area in which this facility had been managed, it was closed in 2017. It was re-opened sometime later under the Dept. of Public Works’ oversight (adding this facility into it’s online database of rentable shelters) with limited activation. The Department of Parks and Recreation had/have had no oversight over the rental process or activation of this facility upon it's (limited) reopening.</p> <p>Respective to footnote, the Covid-19 pandemic severely impacted not only the Department’s ability to perform a physical search of files kept onsite at individual recreation centers and offices locations, but, as indicated by the Auditor’s own comments, ‘Due to the COVID-19 lockdown, auditors were unable to complete planned</p>
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	<p>fieldwork which would have included site visits to Recreation Centers.’ Had there been no limitations to perform the above mentioned field work by both the auditors and Parks & Recreation personnel, the scope of the findings and subsequent follow-up by the Department of Parks & Recreation would have resulted in the sharing of additional records, further clarifying and addressing the specific samples reviewed.</p> <p>It is a priority of the department to continue it’s efforts to correct any/all known errors and adhere to all Office of Management and Budget, Finance and Human Resources departmental policies, as well as it’s own, and the department’s management team will lead these efforts.</p> <p>The Department of Parks and Recreation generally accepts the findings specific to Finding #6: Management of Recreation Facility Rentals.”</p>
<p>UPDATE</p>	<p>Per Resolution 834 of 2017, the Department of Parks and Recreation no longer oversees the SETF. Therefore, this Finding is now in a Closed status.</p> <p>As a courtesy, we followed up with the department to determine if any remediation steps were taken to bolster operations overall. The department administrators were pleased to inform us that improvements with financial processes are ongoing. Specifically, the department has implemented a change from handling cash to, now, checks and money orders only. The department also expects that future recreation center rentals will be taken electronically. The department provided a copy of an internal document <i>Recreation Center Rental Permit Policy</i>. This policy confirms that cash is no longer an accepted form of payment. It also describes a required process for management to make deposits of checks received every Friday and for the retention of records at each facility.</p> <p>Being that written policies were not in place when the original audit procedures were administered, we congratulate the department on establishing written policies specific to the recreation facility rental processes. Although the conditions of this Finding have changed, untying the trust fund from the department, a written document that unifies specific activities can go a long way in stabilizing the department’s overall management of operations.</p>
<p>AUDITEE RESPONSE TO 2022 FOLLOW-UP STATUS RESULTS (PARKS & REC)</p>	<p>No response provided.</p>

AUDITEE RESPONSE TO 2022 FOLLOW-UP STATUS RESULTS (PUBLIC SAFETY)	“No further response; the Office of Special Events and the Special Events Trust Fund have no direct contact with such transactions.”
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ADDENDUM

A summary of statuses for any Findings and Recommendations relevant to the follow-up procedures administered on the prior audit report is provided below. The Office of the Controller will continue to follow up on any Findings and Recommendations with Open statuses. The auditee(s) will be given at least 12 months from the date of any follow-up procedures and/or until relevant trust fund activities recur to implement any corrective steps to remediate the risks previously reported.

NUMBER OF FINDINGS ORIGINALLY REPORTED	6
NUMBER OF OPEN FINDINGS	3
NUMBER OF OPEN FINDINGS BY DEPARTMENT	3 (PUBLIC SAFETY)
NUMBER OF CLOSED FINDINGS	3
CURRENTLY OPEN FINDINGS	2020 FINDINGS: 2, 3, and 4

Fiscal audit reports and follow-ups can be viewed on the Controller portion of the City of Pittsburgh's website under [Fiscal Audits](#).