

# **INTERNAL AUDIT REPORT**

**CITY OF MANCHESTER**

**NEW HAMPSHIRE**



**SENIOR SERVICES DEPARTMENT CHECKING ACCOUNTS  
FOR THE 12 MONTHS ENDED DECEMBER 31, 2017**

**Prepared by  
City of Manchester, NH  
Office of the Independent City Auditor**

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CITY OF MANCHESTER, NEW HAMPSHIRE  
SENIOR SERVICES DEPARTMENT CHECKING ACCOUNT  
FOR THE 12 MONTHS ENDED DECEMBER 31, 2017**

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March 29, 2018

Committee on Accounts, Enrollment and Revenue Administration  
City of Manchester, New Hampshire  
Honorable Aldermen: O'Neil, Herbert, Barry, Gamache, Hirschmann

Dear Honorable Committee Members:

In December of 2017 the Office of the Independent City Auditor (OICA) was informed that the Senior Services Department had opened a new checking and savings account with the prior knowledge of the Finance Department. A second savings account was opened and used to deposit revenue derived from room rentals at the Senior Center.

IA's procedures were to conduct a financial and compliance audit of the West Side Senior Center checking account for the 12 months ended December 31, 2017. The audit procedures began with an evaluation of the internal control structure in place at the Senior Services Department, a review of laws and regulations governing activities of the account and tests of transactions occurring during the 12 months ended December 31, 2017.

### **Conclusion**

Based on the test work performed, the Cashin Senior Center does maintain an approved checking account that is recorded in the financial statements of the City of Manchester. The account collects fees and donations from the clients of the center for games and activities and uses these funds mostly for expenditures directly involved with the activity. OICA noted no instances where any funds were used for expenditures not related to programs of the Department or legitimate departmental expenses. The Department also was depositing revenue derived from room rentals into another savings account that the Finance Department was not aware of at the time. These funds were all accounted for and turned over to the Finance Department and the account closed in November of 2017.

Draft observation worksheets and a draft audit report were sent to the Director of the Division of Senior Services for her review and comment. The observations generated and the auditee written responses are included on pages four through six. The auditee's responses indicate general agreement with the three findings. The Department has taken steps to address all findings. IA appreciates the courtesy and cooperation of the staff and administration of the Department of Senior Services on this assignment.

Respectfully Submitted,

Kevin Buckley, CPA

City Auditor

## INTRODUCTION

### AUDIT BACKGROUND

In FY 2004 as a result of a citizen inquiry of a checking account held at the West Side Senior Center an audit was conducted to determine the status of the account and if expenditures from the account were being used in accordance with management's intended purpose. The audit concluded that the Senior Center did maintain an account in violation of City Ordinance, lacked any meaningful internal controls and was not depositing cash on a timely basis. It was determined that the account was needed and should be used for limited purposes and reported to the Finance Department on a regular basis.

In December of 2017 my office was informed that the Senior Services Department was currently maintaining two different accounts. The first account was the prior approved checking account that was closed and re-opened in a new banking institution with a savings account attached that they use to hold excess funds and a second savings account was being used to hold room rental revenue from the senior center.

Due to the high risk associated with unrecorded cash accounts an audit was determined to be necessary. The Office of the Independent City Auditor of the City of Manchester, NH has been designated by state law, city charter and local ordinance with the authority to conduct such examinations and audits.

My audit was conducted between January 2018 and March 2018 and covered the time period of January 1, 2017 through December 31, 2017.

### AUDIT SCOPE AND OBJECTIVES

The audit was limited to financial activity of a checking account used for the benefit of the William B. Cashin Senior Center and its clients for the 12 months ended December 31, 2017.

Testing started with a review of internal controls over the checking account. Internal controls were determined to be adequate based on the size and type of account. Random samples of revenues and expenditures were selected for testing and my testing revealed that the controls were working as designed and all transactions were adequately documented.

The results of our testing, observations generated, auditee responses and the schedules of financial activity are included in the report starting on page four.

### BACKGROUND OF AUDITEE

In 1986 the City of Manchester passed an ordinance to establish the Senior Services Department. The Department's mission statement is:

The Senior Services Department shall be guided by the principal of maintaining the dignity and independence of each member of the elderly population by mobilizing the human, physical and

financial resources in the community. The Senior Services Department shall plan, develop and implement those programs and resources that will best serve the seniors of our community.

The Senior Services Department currently resides at the Willian B Cashin Senior Center located at 151 Douglas Street on Manchester's west side. The center is a newly constructed 15,000 square foot activity center.

The Senior Services Department consists of a Director, a Senior Services Specialist II and two Senior Services Specialist I.

#### CHECKING ACCOUNT

The Senior Center maintains a checking account that has three of the four employees as authorized signers. The account is a checking account with an attached savings account. The 2004 audit showed that the account had a balance as of January 1, 2003 of \$22,628. As of December 31, 2017 the account balance has grown to \$64,833. An analysis of bank statements for the 12 months ended December 31, 2017 show that the average daily balance in the account was \$63,773. During the 12 months the accounts had revenues of \$29,006 and expenditures of \$24,627.

Revenues into the account were generated by coffee and snack donations, fees for card and bingo games, activity fees and donations.

Expenditures were used to provide coffee and snacks, prizes for card and bingo games, supplies used in activities, computer software maintenance agreement payments and some general office supplies.

During the audit period the Senior Center ran almost daily games and activities that are attended by anywhere from a handful of seniors to a full house on many days. All functions appear to be very well attended.

The Department also had maintained an additional savings account for the deposit of room rental fees. This account was closed in November of 2017.

## OBSERVATIONS AND RECOMMENDATIONS

### OBSERVATION 1: ROOM RENTAL CHARGES

#### *Observation:*

The Elderly Services Department had been charging for the rental of building space in the William B. Cashin Activity Center to outside organizations. Rates were established by ordinance at \$3 per posted room capacity and \$5 per posted room capacity utilizing kitchen facilities. The Finance Department has set up a revenue source in the City's financial system for its recording. The Senior Services Department had been depositing the rents into a savings account instead of the City Treasury and was not reporting them under the proper revenue source. The Department collected \$2,650 in room rentals during the audit period. The department has transferred all room rental revenue collected to the City Treasury and closed the account.

#### *Recommendation:*

All room rentals should be recorded in the proper revenue source of the City's financial system and deposited with the City Treasury.

#### *Auditee Response:*

1. The only discussion I ever had regarding rental income as a revenue source for the city was with Mayor Gatsas and Sharon Wickens during budgetary reviews for FY18. The plan was to rent the industrial kitchen to St. Josephs Community Services Meals on Wheels Program, as they were already utilizing the kitchen and not paying rent, I believe for many years prior, since 2004. They refused to pay rent to the city and moved their location to the Carpenter Center.
2. There was never mention, discussion or definition regarding renting any other rooms at the Senior center for revenue source for the City, it was kitchen rental only, therefore continued was the practice that had been from previous administration for many years under City finance and several Mayors.
3. The Department did collect \$2,650.00 in room rentals. We deposited it into a savings account that obviously City finance had access to as they saw the deposit, therefore, not hiding anything. Once it was questioned, and finally defined by finance that "ANY and ALL OTHER ROOM RENTALS" room rentals were city revenue, we gladly wrote a check for the \$2,650.00 to City finance.
4. Finally, the Senior Center will no longer be renting any room at the Senior Center for any reason. Due to increase in programming and activities, there is lack of available space as well as availability of staff. Therefore no need for "rent to be recorded in proper revenue source of the City financial system and deposited with City Treasury" as there will be no rental income.

## **OBSERVATION 2: UNTIMELY CASH DEPOSITS**

### *Observation:*

The collection and possession of cash is one of the most inherently risky areas in any organization. Every effort should be made to limit the amount of cash on hand at any time. Per the City of Manchester NH, Code of Ordinances section 35.021 (B) "All city departments receiving money for the city from sources outside the City Treasury shall pay the full amount of all said moneys intact into the City Treasury daily, weekly, or as often as the Finance Officer shall direct". The Finance Officer has determined that deposits will be made daily if collections exceed \$100 or at least weekly if deposits are under \$100.

Analysis of the checking account maintained by the Department shows that the Department made deposits 19 times in CY 2017 for an average of 19 days between deposits. The average deposit was \$1,510. Twenty-five of the 31 day's collections tested were held longer than the Finance Department revenue policy. These deposits were held for between 3 and 29 days prior to deposit. On a daily basis the department generally collects less than \$100.

### *Recommendation:*

Due to the distance and inconvenience to deposit funds in the chosen banking institution it may not be practical to deposit daily, however the department should deposit funds as frequently as practical.

### *Auditee Response:*

1. Never made aware of an ordinance regarding depositing money. Finance should have made us aware as they review all activities regarding the account and must have been aware of the deposit history.
2. That being said smaller deposits had been being made than past administration. Was this an issue in past?
3. Each quarter finance is sent income/expense summary along with activity deposit summary sheets which show all deposits and amounts. No one has ever brought it to our attention that it should be done more timely.
4. Corrected matter. Deposits are made weekly.

### **OBSERVATION 3: UNSPENT ACCOUNT BALANCE**

*Observation:*

An audit conducted in 2004 by the Office of the Independent City Auditor showed that the checking account held by the Department of Elderly Services had an account balance as of January 1, 2003 of \$22,628. Since that time the balance has grown to \$64,833 as of December 31, 2017. The accounts stated purpose is for the collection of funds from the clients of the Senior Center to be used to support activities directly related to these revenues. In 2004 the idea expressed during the audit was that the revenues collected would generally be equal to the expenses every year. Since then the balance has grown steadily every year.

*Recommendation:*

In keeping with the stated purpose of the account the Department should have a plan on the use of the excess funds or adjust the revenue collected to more accurately match the expenditures of the fund.

*Auditee Response:*

Will take observation and recommendation under consideration.

**CITY OF MANCHESTER NH  
SENIOR SERVICES DEPARTMENT  
CHECKING ACCOUNT  
SCHEDULE OF ACCOUNT ACTIVITY  
(CASH BASIS)**

	<b>Calendar Year 2017</b>
BEGINNING BALANCE	\$ 60,454
REVENUES	\$ 29,006
EXPENDITURES	\$ 24,627
ENDING BALANCE	\$ 64,833

**CITY OF MANCHESTER NH  
 SENIOR SERVICES DEPARTMENT  
 CHECKING ACCOUNT  
 SCHEDULE OF REVENUES AND EXPENDITURES  
 (CASH BASIS)**

	<b>Calendar Year 2017</b>
<b>REVENUES</b>	
GAMES AND ACTIVITIES	\$ 13,016
FUND RAISING	\$ 6,675
PARTIES AND FUNCTIONS	\$ 5,933
ROOM RENTAL	\$ 2,650
MISC	\$ 732
	\$ 29,006
<b>TOTAL REVENUES</b>	
<b>EXPENDITURES</b>	
SUPPLIES	\$ 12,061
MISC	\$ 5,110
GIFTS AND PRIZES	\$ 4,516
SOFTWARE	\$ 2,940
	\$ 24,627
<b>TOTAL EXPENDITURES</b>	<b>\$ 24,627</b>
<b>NET REVENUES/(EXPENDITURES)</b>	<b>\$ 4,379</b>