



THE CITY OF SAN DIEGO

DATE: September 11, 2012

TO: Stacey LoMedico, Director, Park and Recreation Department

FROM: Eduardo Luna, City Auditor

SUBJECT: **Hotline Investigation Report of Cash Handling at Recreation Centers**

In March 2011, the City Auditor issued a report titled, "Hotline Investigation of Misappropriation of City Funds." The report was issued after a Fraud Hotline investigation substantiated allegations that an employee may have been responsible for missing funds, making false entries into financial records, and concealing or destroying financial records from a recreation center. The missing funds totaled \$100,998.

Pursuant to conditions uncovered in this investigation, the Park and Recreation Director requested that the City Auditor conduct a fraud risk assessment with respect to cash handling practices in the City's recreation centers. The objective of the fraud risk assessment was to identify conditions at the recreation centers that heighten the risk of fraud so that management can remove much of the opportunity for fraud to occur, increase the chances of detecting fraud, and, at the same time, promote fraud awareness and prevention throughout the department. The fraud risk assessment determined that Park and Recreation can improve its cash handling procedures and internal controls in order to reduce the opportunity for fraud to occur.

Background

City Council Policy 700-42 authorizes the Park and Recreation Department to organize recreation councils in order to achieve participation of citizens in planning park and recreational activities. Recreation councils are advisory groups whose volunteer members plan, publicize, and facilitate the provision of park and recreation programs at individual recreation centers. Several recreation councils have incorporated as 501(c)(3) non-profit corporations.

While recreation councils operate semi-autonomously, City Recreation Center Directors (RCD) supervise and manage recreation center operations. The RCD is the direct operational link between the City and the recreation councils.



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Special Use Permits and Fees

Through the use of Special Use Permits, Recreation councils advise City staff on guidelines for use of facilities and the provision of sports leagues and enrichment classes hosted at the parks and recreation centers in a geographical area. Recreation councils collect and administer the fees associated with these programs and classes.¹ Special Use Permits are used to schedule facilities and establish fees for programs and uses. Field and facility permit fees collected at the recreation center are split between the City and the recreation council.

Recreation Councils

Currently, there are 50 recreation councils (25 in Community Parks 1 Division (CP-1), 24 in Community Parks 2 Division (CP-2), and 1 for Morley Field/Balboa Park). The recreation council board is established according to each recreation council's adopted by-laws. Board members may be representatives of recreation center user groups, citizens at-large, or are elected by community vote. All recreation council members are volunteers. Each board also elects officers from among the board members per their by-laws.

Each recreation council maintains its own bank account(s), and, typically, the RCD is responsible for the monthly bank reconciliation and the preparation of the monthly financial statement for the recreation council. A Park and Recreation policy requires recreation councils with annual gross receipts that exceed \$100,000 to have the assistance of an outside accountant to perform the functions of tracking revenues and reconciling bank statements. Park and Recreation advised that, as of June 2011, 23 recreation councils utilized outside accounting/bookkeeping services.

External Internal Controls Review

In 2007, the City's Chief Financial Officer hired the CPA firm Mayer Hoffman McCann PC (MHM) to assist City management in evaluating certain internal controls at six recreation centers, following the conviction of a RCD for misappropriating City and recreation council funds. MHM identified 15 findings and made recommendations to strengthen controls in 2008. In order to implement the MHM recommendations, the Park and Recreation Department (a) purchased cash registers, (b) implemented pre-numbered permit and registration forms, (c) implemented cash disbursement procedures and an approval process, (d) prohibited pre-signed checks, (e) required the issuance of receipts, (f) required checkbooks to be locked, (g) purchased restrictive endorsement stamps, and (h) prepared a comprehensive cash handling Department Instruction document.

¹ There is an exception: a contractual program surcharge is imposed by the City for certain programs as per the Park and Recreation Department's Council-adopted fee schedule.

Objectives and Scope of Fraud Risk Assessment

We completed the fraud risk assessment in stages. The first stage included a point-in-time sample analysis of financial information for every recreation center and recreation council for the dates 6/30/2009, 12/31/2009, 6/30/2010, and 12/31/2010. The next stage involved onsite visits to 10 recreation centers. Finally, we received a briefing and demonstration on the implementation of the online registration process for City activities at the recreation centers.

The results of our point-in-time analysis are provided in Appendix B. Based on the observations and analyses provided in the point-in-time analysis, five recreation centers from each Community Parks Division, for a total of 10 recreation centers, were selected to do onsite fraud risk assessments. We provide a listing of identified conditions and recommendations in Appendix A.

Preliminary results were shared with Park and Recreation in October 2011. On January 13, 2012, Park and Recreation issued a memo titled, "Clarification of Cash Handling Processes in the Park and Recreation Department." The memo addressed several of the conditions identified in the onsite fraud risk assessments that had been completed through August 2011.

Fraud Risk Assessment Onsite Conditions

We selected 10 recreation centers that were representative of all sizes and structures found in the department and not based on any specific allegation of fraud that had been lodged. The following is a summary of conditions that increase the risk of fraud identified during the onsite fraud risk assessments at the 10 recreation centers.

We identified 10 conditions where we made a total of 11 recommendations to strengthen internal controls to protect from fraud. The ten conditions relate to the following areas:

1. Segregation of Duties,
2. Restrictive Endorsement of Checks,
3. Cash Register Receipts,
4. Bank Statement Reconciliation,
5. Pre-numbered Permits and Registration Forms,
6. Advance Accounting,
7. Revenue Receipt Control,
8. System Errors and Waste,
9. Accounting Software, and
10. Reconciliation of Financial Statements to Bank Account Balance.

We provided detailed information for each condition found during our review and specific recommendations to address internal control weaknesses. We provided this information to Park and Recreation, which communicated the conditions to their cash handlers. We will

follow-up on the 12 recommendations using our semiannual recommendation follow-up process.

Department Response

In response to the Hotline Investigation Report of Cash Handling at Recreation Centers, the Park and Recreation Department (Department) accepts and understands the recommendations set forth within this report. The Department's responses to the specific recommendations are outlined below.

Recommendation #1 (Segregation of Duties)

We recommend that Park and Recreation Department provide additional staff during high volume registration periods to ensure proper segregation of duties with respect to cash handling and cash reporting.

In response, the Department agrees with the recommendation and as staffing is available will ensure there is additional staff available during the high volume registration periods.

Recommendation #2 (Segregation of Duties)

We recommend that Park and Recreation continue to aggressively implement online functionality at recreation centers that cannot adequately segregate the cashiering function. The online registration and permitting will provide tighter controls of registration and permitting forms, participant rosters, attendance sheets, and fee waivers.

In response, the Department agrees with this recommendation and has been working diligently on this effort for more than two years. Unfortunately, due to the lack of staff and financial resources provided to implement, the Department has had to implement with existing staff, including the only one ISA budgeted for the entire Department.

Implementation of online / automated registration and permitting at recreation centers will reduce the number and amount of cash/check transactions at community centers by offering customers the ability to pay for registrations and permits via credit card, on site or from home. Transactions managed in this way reduce staff time involved in completing transactions and enhance the security and accounting/reconciliation functions surrounding the transactions. Online credit card transactions have the added benefit of directly depositing funds into either City or recreation council accounts at the time of the transaction. Further, recreation council board members can be given access to remotely review and monitor transaction history to provide further oversight to the process. These same review/monitoring permissions can be extended to other City offices that may have a need or interest.

In addition, current IT and City Treasurer's Department requirements for system-wide PCI compliance, and evolving PCI compliance standards nationally, have delayed implementation until a viable resolution can be found. The Department is confident that a solution can be found to satisfy all the requirements, as requested by the IT Department.

Recommendations #3 (Restrictive Endorsement of Checks)

We recommend that Park and Recreation enforce their policy that checks are restrictively endorsed upon receipt to ensure that checks can only be deposited in the recreation center's bank.

In response, the Department takes cash handling and internal controls very seriously and as such all Department employees are trained on appropriate cash handling procedures and are not allowed to handle cash without the approved training. In addition, the Department uses other methods to remind staff of the importance of cash handling and internal controls: Quarterly Supervisors Meeting (held each fall and spring); Monthly Employee Newsletter; and topic issued memorandums. The Department will hold the next Quarterly Supervisor Meeting in mid-October 2012 and will include a refresher on this recommendation and other items referenced in this report. It should be noted that disciplinary action is taken if an employee is found not to be following such procedures.

Recommendations #4 (Cash Register Receipts)

We recommend that Park and Recreation enforce their policy that staff should provide a cash register receipt to each patron that pays a permit or registration form fee.

In response, please see the response to Recommendation #3. In addition, in 2008, signs were placed in all recreation centers and locations where cash is taken to remind the customer that a receipt is required after each transaction and they should request one if one is not provided. The Department will be issuing a reminder memorandum to all site managers on this requirement, as per the annual cash handling/internal control training.

Further, the implementation of online registration would reduce the number of receipts necessary to be issued at the community center by allowing the public to register online off site where the online registration system will issue a receipt to the customer at their computer at the time of registration. Registration and permit transactions at the recreation center counter will create a paper receipt or allow the RCD to email a receipt to the customer email address. In addition, all receipts can be reprinted from the online system.

Recommendation #5 (Bank Statement Reconciliation)

We recommend that Park and Recreation revise their procedures to require recreation councils to receive copies of cancelled checks that cleared the bank and require the Parks and Recreation area manager to review copies of cancelled checks in the verification of the monthly bank statement reconciliation process.

The Department believes this is a valid recommendation, but, due to reductions in center staff over the last several years, especially to the reductions of Assistant Center Directors, it is recommended that this classification be funded for each center to provide additional management oversight of the numerous hourly staff as well as to assist/relieve the Area Managers of additional duties that were assigned after their reduction. In the meantime and

at which time these full-time staff can be budgeted / hired, the Department management will discuss other opportunities / methods to increase the oversight in this area.

Recommendation #6 (Pre-numbered Permits and Registration Forms)

We recommend that Park and Recreation

- adopt one format for permit logs that lists all permits in numerical order instead of by location.
- adopt one format for registration form logs that lists all registration forms in numerical order.

In response, the Department disagrees with the first recommendation, as it would be nearly impossible to track and account for permits that are numbered by permit and distributed to more than 55 locations. By having each division (5) having their own set of numbers it is easy for Division administrative staff to account for missing permits. The Department agrees with the second recommendation and will implement the new form for all divisions to use effective next calendar year.

The implementation of the online / automated registration and permitting will incorporate a system-wide, numerical identification of all registrations and permits. This is done system-wide (as opposed to site by site) based upon when a customer receipt is being generated. Further, implementation of the online / automated registration and permitting will provide for a consistent formats for all forms and records within the system.

Recommendations #7 (Advance Accounting)

We recommend that Park and Recreation enforce their policy that the Area Manager or recreation council reconciles cash advances and document this review appropriately.

Please see Department's response to Recommendation #3.

Recommendations #8 (Revenue Receipt Control)

We recommend that Park and Recreation amend their procedures to require the logging by an independent staff of beginning and ending pre-numbered ticket numbers when tickets are utilized for patron receipts and revenue accounting.

In response, the Department agrees that when the staff is using pre-numbered tickets that they should account for the tickets by logging the starting and ending date via a staff member that was not using/selling the tickets and as such will be included in the cash handling / internal control trainings to be held later this fall.

Recommendation #9 (System errors and waste)

We recommend that Park and Recreation implement online registrations for registrations and permits in order to reduce consistency errors in recordkeeping required of the Recreation Center Directors.

Please see Department's response to Recommendation #2.

Recommendation #10 (Accounting Software)

We recommend that Park and Recreation administer basic QuickBooks training to Recreation Center Directors who are transitioning from Quicken or a manual system to QuickBooks. Included in the training should be a standard chart of accounts with the basic accounts appropriate for a recreation center/council.

In response, the Department agrees in part of the recommendation. If a recreation council has procured QuickBooks and issuing the software, the Department would support the recreation council offering the paid training for staff on City time. However, due to required labor negotiations, we would not support this to be a "mandatory" training which would require negotiations with the Municipal Employees Association (MEA).

Recommendation #11 (Reconciliation of Financial Statement to Bank Account Balance)

We recommend that Park and Recreation revise their procedures to require the Area Manager to ensure that the reconciled balance for the monthly bank statement is reconciled with the total asset balance on the monthly financial statement.

Please see Department's response to Recommendation #5

We appreciate the assistance we received from the Park and Recreation Department during our investigation. Thank you for taking action on this issue. Please contact me if you have any questions.

Respectfully submitted,



Eduardo Luna
City Auditor

cc: Honorable Mayor Jerry Sanders
Honorable Members of the City Council
Honorable Members of the Audit Committee
Jay M. Goldstone, Chief Operating Officer
Wally Hill, Assistant Chief Operating Officer
Jan Goldsmith, City Attorney
Andrea Tevlin, Independent Budget Analyst
Hadi Dehghani, Personnel Director
Scott Chadwick, Human Resources Director

Appendix A

We identified the following specific conditions at one or more of the recreation centers and provide a listing of the different issues. While the conditions do not indicate a systemic problem, we provide recommendations to strengthen the overall internal control environment.

Condition: 1. Segregation of Duties

- The Recreation Center Director (RCD) stated that the same staff person accepts registration fees and prepares the deposits for both the City and Recreation Council funds.
- Field permits are issued to fitness-type patrons with fee payments “in arrears.” The reason is that their fees are based on the number of paying customers the fitness-type patrons have at their sessions each month. The RCD maintains a “Fitness Payment Log” for each fitness-type patron that lists the payments received. There is no invoice or billing statement that identifies how the payment is calculated.
- The RCD at times accepts registration fees and prepares the deposits for both the City and Recreation Council funds. There are other recreation leaders who also receive registration fees, but customer service goals require the RCD to also accept registration fees.
- The RCD approves scholarships for activity and accepts the registration form for the scholarship recipient. Fee waiver forms are not always completed by the parents/guardians in a timely manner.
- The City staff manages the youth sports programs and staff along with some volunteers coach the sports teams or conduct classes. The fees for the youth sports programs are nominal. The RCD stated that the low-income nature of the community result in many patrons claiming not to be able to afford registration fees for youth activities. Therefore, there is a significant percent of the patrons who participate with a “fee waiver” but, due to the low registration fee, the fee waiver procedures were not followed and staff or the RCD approved the non-payment of the registration fee.
- The monthly bank statement is received and reconciled by the RCD. The RCD also prepares the payment vouchers and checks.
- The RCD would occasionally accept registration forms and fees, prepare deposit slips, and make bank deposits.

Condition: 2. Restrictive Endorsement of Checks

- The RCD explained that there are two endorsement stamps; one for the City and one for the Recreation Council. Staff uses the endorsement stamp while when approving the deposit in order to make sure that the correct endorsement is used with the right check.

- The RCD explained that checks are endorsed as the deposit is being prepared. The RCD explained that staff does not immediately endorse checks when they are received but rather this step is done as the deposit slip is prepared.
- The Area Manager explained that checks are endorsed when staff is preparing the deposit.

Condition: 3. Cash Register Receipts

- The RCD stated that patrons are not given a cash register receipt but that receipts are created when the RCD is preparing the deposit. The RCD stated that the patron is given the salmon copy of the registration form as their receipt.

Condition: 4. Bank Statement Reconciliation

- The RCD stated that the contract accountant prepares the bank statement reconciliation and the monthly financial statement. The RCD retrieves the monthly statement online and provides the statement along with the QuickBooks accountant's copy to the accountant. The bank statement does not include copies of cancelled checks that cleared the bank.

Condition: 5. Pre-numbered Permits and Registration Forms:

- All voided copies of permits were found in the permit binder with the exception of two permits, which had a note on the permit log that they were given to patrons to complete.
- All processed and voided copies of permits were found in the permit binder with the exception of 15 permits that were not located.
- There is no reconciliation between the session summary and the deposits. The yellow copies of the registration forms had to be compared with the white copies attached to the session summaries to verify that all registration fees were deposited.

Condition: 6. Advance Accounting

- The recreation council will approve expenditures for certain miscellaneous items needed for the recreation center in an amount "not to exceed." A check for the "not to exceed" amount will be written to the RCD. The RCD will make the purchase and "redeposit" any excess funds after the purchase is made. Although the "not to exceed" check is approved via the payment voucher, there is no formal reconciliation verification made of the redeposit.

Condition: 7. Revenue Receipt Control

- For activities that typically had several hundred patrons, a two part pre-numbered ticket was used. One part of the ticket was given to the patron as evidence of payment and the other half of the ticket was kept for revenue accounting.

Condition: 8. System errors and waste

- Consistency errors were identified between permit log, retained permit form, Daily Cash Report, and Daily Reconciliation Report, which included but were not limited to referencing the wrong cash register receipt number or missing cash receipt number or other information.
- Consistency errors were identified between the sum of the Monthly Receipts log and the sum of the deposits from the bank statement in calendar year 2010.

Condition : 9. Accounting Software

- The RCD utilizes Quicken software to track revenue and expenditures. In May 2010 a Recreation Council authorized the purchase of QuickBooks software, but the use of the QuickBooks software has not been implemented. The RCD has not received QuickBooks software training.
- Although QuickBooks software has been purchased by the recreation council, the RCD stated that he has not begun to use the software. The RCD has not received QuickBooks software training, and he is not aware of any plan to receive QuickBooks training.
- The RCD does not utilize accounting software. The RCD records in an Excel workbook. The monthly financial statement is prepared by linking totals from the monthly cash receipts and cash disbursement journals.

Condition : 10. Reconciliation of Financial Statement to Bank Account Balance

- The 6/30/2009 bank statement balance (\$151,467) for a Recreation Council account was compared with the Recreation Council's QuickBooks bank reconciliation balance (\$149,231) for the period ending 6/30/2009 and the Total of Accounts on the Recreation Council's Excel Monthly Financial Statement (\$155,501.01) for the month ending 6/30/2009. The RCD explained that no reconciliation between QuickBooks and the Monthly Summary prepared in Excel was done until it was noticed that the totals did not match.

Overall Recommendations

In 2007, Mayer Hoffman McCann PC (MHM) recommended that, “*Ideally the person who records the receipts in the accounting system and prepares the bank reconciliation should not have physical access to cash receipts. If a cashiering function cannot be segregated at the recreation center due to limited staff, the City should consider requiring customer to pay at a centralized office location. The central office should then provide payment information to the recreation center...*”

Recommendation #1 (Segregation of Duties)

We recommend that Park and Recreation Department provide additional staff during high volume registration periods to ensure proper segregation of duties with respect to cash handling and cash reporting.

Recommendation #2 (Segregation of Duties)

We recommend that Park and Recreation continue to aggressively implement online functionality at recreation centers that cannot adequately segregate the cashiering function. The online registration will provide tighter controls of registration forms, participant rosters, attendance sheets, and fee waivers.

In 2007, MHM recommended that, “*checks are restrictively endorsed upon receipt to ensure that checks can only be deposited in the recreation center's bank.*” D.I #7.25 A-1 (4) and A-2(4) require immediate stamping of checks received for City or recreation council fees.

Recommendations #3 (Restrictive Endorsement of Checks)

We recommend that Park and Recreation enforce their policy that checks are restrictively endorsed upon receipt to ensure that checks can only be deposited in the recreation center’s bank.

The City implemented the MHM 2007 recommendation to install cash registers at the recreation centers. However, the onsite reviews found instances in which cash register receipts were not given to the patron or in which the cash register receipt information was not printed on the patron’s copy permit or registration form. Department Instructions #7.25 A-1(5) and A-2(3) require staff to provide a cash register receipt to each patron that pays a permit or registration form fee.

Recommendations #4 (Cash Register Receipts)

We recommend that Park and Recreation enforce their policy that staff should provide a cash register receipt to each patron that pays a permit or registration form fee.

Recommendation #5 (Bank Statement Reconciliation)

We recommend that Park and Recreation revise their procedures to require recreation councils to receive copies of cancelled checks that cleared the bank and require the Parks and Recreation area manager to review copies of cancelled checks in the verification of the monthly bank statement reconciliation process.

In 2007 MHM recommended *“the use of pre-numbered permits at the recreation center. The Area Manager should be responsible for issuing permits to the Recreation Center Director and verifying that all permit numbers are accounted for and that the amount of the uninterrupted sequence of permit forms issued be agreed to the amount included in the bank deposit. The preparer and reviewer of this reconciliation should both sign off on the reconciliation form.”* The installation of online registration will implement this recommendation and provide an accounting of each registration form and permit.

Recommendation #6 (Pre-numbered Permits and Registration Forms)

We recommend that Park and Recreation

- adopt one format for permit logs that lists all permits in numerical order instead of by location.
- adopt one format for registration form logs that lists all registration forms in numerical order.

In 2007 MHM recommended that *“the Area Manager or Recreation Council reconcile cash advances. The review should include a reconciliation of actual receipts and a bank deposit receipt (for the amount not disbursed) to the total amount of the check that was written. The Recreation Council or Area Manager should document this review by signing the reconciliation form.”*

Recommendations #7 (Advance Accounting)

We recommend that Park and Recreation enforce their policy that the Area Manager or recreation council reconciles cash advances and document this review appropriately.

Recommendations #8 (Revenue Receipt Control)

We recommend that Park and Recreation amend their procedures to require the logging by an independent staff of beginning and ending pre-numbered ticket numbers when tickets are utilized for patron receipts and revenue accounting.

Recommendation #9 (System errors and waste)

We recommend that Park and Recreation implement online registrations for registrations and permits in order to reduce consistency errors in recordkeeping required of the Recreation Center Directors.

Recommendation #10 (Accounting Software)

We recommend that Park and Recreation administer basic QuickBooks training to Recreation Center Directors who are transitioning from Quicken or a manual system to QuickBooks. Included in the training should be a standard chart of accounts with the basic accounts appropriate for a recreation center/council.

Recommendation #11 (Reconciliation of Financial Statement to Bank Account Balance)

We recommend that Park and Recreation revise their procedures to require the Area Manager to ensure that the reconciled balance for the monthly bank statement is reconciled with the total asset balance on the monthly financial statement.

Appendix B

Point-in-Time Analysis

Recreation Council Bank Statements and Deposits

Park and Recreation obtained the monthly bank statements and monthly financial statements from each recreation council for four points in time: 6/30/2009, 12/31/2009, 6/30/2010, and 12/31/2010. The bank statements and financial statements were analyzed.

Exhibit 1 is summary total of all recreation center bank statement balances by division within the Park and Recreation Department. The column date indicates the bank statement date.

Exhibit 1

Division Balances	6/30/2009	12/31/2009	6/30/2010	12/31/2010
CP1-Bank Stmt	\$2,827,611.24	\$2,863,138.26	\$3,010,275.00	\$2,983,339.12
CP2-Bank Stmt	\$917,029.69	\$865,527.75	\$902,094.23	\$902,530.87
Morley /Balboa	\$204,369.33	\$173,814.82	\$144,781.73	\$135,667.09
Total	\$3,949,010.26	\$3,902,480.83	\$4,057,150.96	\$4,021,537.08

The bank balances shown above are the balances off of the bank statement before the bank reconciliation takes into account outstanding checks and deposits in-transit. In Exhibit 2, the bank statement balances can be further broken down by account type:

Exhibit 2

Account Type	6/30/2009	12/31/2009	6/30/2010	12/31/2010
Checking	\$2,355,186.92	\$2,292,406.88	\$2,502,875.75	\$2,301,664.29
Non-Checking (CD, Svgs, Equity)	\$1,593,823.34	\$1,610,073.95	\$1,554,275.21	\$1,719,872.79
Total	\$3,949,010.26	\$3,902,480.83	\$4,057,150.96	\$4,021,537.08
% Funds-Checking	59.6%	58.7%	61.7%	57.2%

Exhibit 3 is a one-month summary of the deposits made to the recreation council's checking accounts during the month whose ending date is the column header.

Exhibit 3

Division Balances	6/30/2009	12/31/2009	6/30/2010	12/31/2010
CP1 Deposits	\$274,593.40	\$134,340.49	\$243,760.32	\$152,814.17
CP2 Deposits	\$101,930.46	\$53,854.87	\$79,668.48	\$56,455.86
Morley /Balboa	\$21,368.96	\$874.23.	\$13,144.47	\$4,267.35
Total Deposits	\$397,892.82	\$189,069.59	\$336,573.27	\$213,537.38

These exhibits show, for example, that deposits made to recreation council checking accounts totaled \$397,892.82 for the month of June 2009. The ending balance of all recreation council checking accounts on 6/30/2009 was \$2,355,186.92, and this \$2,355,186.92 in checking accounts represents 59.6% of the total balance of the funds (\$3,949,010.26) held by recreation councils in all accounts.

Recreation Council Financial Statements

Historically, the Recreation Council Director (RCD) is responsible to provide the recreation council with accurate monthly financial statements. These financial statements typically included a profit/loss statement, balance sheet, and a summary that lists beginning balance, monthly receipts, monthly disbursements, and ending balances for each of the program activities at the recreation center. Included with the list of program activities is an account termed, "General Fund." Unlike the balance committed to a program activity, the balance in the General Fund Activity account was available to the recreation council to use at the recreation council's discretion. Initiatives utilizing General Fund monies would include additional hours of operation, contract employees, facility or landscape maintenance or enhancement, etc. Many of the RCDs used Quicken or QuickBooks software to track income and expense and use Quicken/QuickBooks reports as data source to create the monthly financial report.

Exhibit 4 is a snapshot of the ending balances of the recreation council's balance sheet/program activity recap for the dates listed.

Exhibit 4

Division Balances	6/30/2009	12/31/2009	6/30/2010	12/31/2010
CP1-Financial Stmt	\$2,733,381.90	\$2,772,599.25	\$2,904,798.52	\$2,924,654.63
CP-Financial Stmt	\$872,933.07	\$843,441.74	\$854,062.58	\$865,404.8
Morley /Balboa-FS	\$183,229.69	\$162,599.99	\$127,873.45	\$126,082.45
Total	\$3,789,544.66	\$3,778,640.98	\$3,886,734.55	\$3,916,141.88

Exhibit 5 is a snapshot of the ending balances of the recreation council's unallocated fund balance for the dates listed

Exhibit 5

Division	6/30/2009	12/31/2009	6/30/2010	12/31/2010
CP 1-General Fund	\$741,670.55	\$787,990.63	\$961,496.52	\$1,029,675.78
CP 2-General Fund	\$294,170.48	\$305,829.75	\$329,834.97	\$338,445.69
Morley Field-GF	NA	\$43,702.15	NA	\$39,491.68
Total	\$1,035,841.03	\$1,137,522.53	\$1,291,331.49	\$1,407,613.15
Percent GF-Total	27.3%	30.1%	33.2%	35.9%

These exhibits show, at 6/30/06 for example, that of the \$3,789,545 in cash assets held by the recreation centers, \$1,035,841 or 27% is unbudgeted and available to the recreation council to apply to projects of their choice or simply to sit in reserve until a plan to utilize the funds is formulated.