

Town of Webb

Ski Collections

NOVEMBER 2018



OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

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Report Highlights

Town of Webb

Audit Objective

Determine whether Town officials adequately monitored ski collections and the issuance of season passes and lift tickets.

Key Findings

- The Board and ski area officials have not developed policies or procedures for how ski collections should be recorded, deposited and reconciled.
- Of 14,700 lift ticket and season pass transactions recorded during the audit period, 2,400 ski lift transactions that did not require payment were not reconciled by ski area officials due to the lack of supporting documentation.

Key Recommendations

- Develop policies and procedures over ski collections to provide guidance on how collections should be recorded, deposited and reconciled.
- Obtain supporting documentation for each type of ski lift transaction to be able to reconcile transactions to ensure their legitimacy.

Town officials agreed with our recommendations and indicated they planned to initiate corrective action.

Background

The Town of Webb (Town) is located in Herkimer County (County). The Town is governed by an elected five-member Board composed of four council members and a Town Supervisor (Supervisor). The Board is responsible for oversight and general management of financial operations. The Supervisor is the chief financial officer and budget officer and is responsible for day-to-day management under the Board's direction.

The Town operates the McCauley Mountain Ski Area (ski area) which is open seasonally. The ski area manager (Manager) is responsible for supervising ski operations, including the collection of season passes and lift ticket revenues.

Quick Facts

2018 General Fund Appropriations	\$6.7 million
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2017 Ski Area Revenues	\$357,000
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Audit Period

January 1, 2017 – March 31, 2018

Ski Collections

Ski area staff sell various types of daily lift tickets, seasonal ski passes and five-day passes. Customers can purchase these tickets and passes over-the-counter¹ or online through a third-party vendor. The ticket booth manager and other part-time employees collect money received and record the sales using a point of sale (POS) system. The POS system electronically records transactions and prints daily lift tickets that are attached to the skier or snowboarder's outerwear to indicate they have paid and can ride the ski lift. Season passes, which are photo ID cards typically clipped to the zipper of skier's and snowboarder's outerwear, are printed from a computer and printer system that is separate from the POS system. Officials also issue complimentary ski lift cards (comp cards) to individuals to redeem a free lift ticket.

How Should Officials Account for Ski Collections?

The Board, in consultation with ski area staff, should adopt policies and procedures to safeguard and monitor all season pass and lift ticket collections. These policies and procedures should ensure that all collections are properly recorded in the POS system and that daily sales are reconciled to cash receipts on hand or other supporting documentation. Policies should also state under which circumstances complimentary lift tickets and season passes will be issued, who is authorized to issue them and how issuance should be documented.

Officials Did Not Adopt Policies and Procedures for Ski Collections

The Board and ski area officials have not developed policies or procedures for how ski collections should be recorded, deposited and reconciled. Furthermore, the Board did not develop, adopt or implement policies and procedures to provide guidance for ski area staff for issuing complimentary lift tickets and season passes.

At the end of each business day, the ticket booth manager prints a summary closing booth report and an end-of-day detailed report from the POS system. She compares the total of sales from each report to ensure they agree and compares the amount of cash, checks and credit card slips on hand to the closing booth report. After she determines that all the information agrees, she makes a bank deposit.

Although the booth manager provides a copy of the deposit slip and closing booth report to the bookkeeper to record the revenue in the financial software, the Manager does not review a report showing all transactions for each day. Additionally, no one independent of the cash collection process reconciles the daily transactions to amounts received or compares each specific type of ski lift transaction to supporting documents.

¹ Customers may pay with cash, checks and credit cards

To determine whether recorded ski collections were being deposited, we reviewed deposits for 10 days during the audit period with collections totaling \$22,992. We found that all the cash, checks and credit card payments entered in the POS system for these days were deposited intact in a timely manner.

However, without an adequate and detailed policy over ski collections, and an independent reconciliation of daily transactions to amounts received or supporting documentation, officials cannot be certain that all cash receipts are recorded in the POS at the time of collection. As a result, we reviewed sales of season passes to determine whether they were properly recorded and accounted for and the various types of lift ticket transactions, not requiring payment, recorded in the POS system to determine whether they were adequately supported and legitimate.

Season Passes Were Not Adequately Controlled

Staff use two different computer systems to produce and record the sale of season passes, the season pass computer system, connected to a camera and ID card printer, and the POS system. In total, the ski area issued 382 season passes during our audit period. When a customer purchases a season pass their personal information is entered into the season pass system, their photograph is taken, a season pass is printed and a corresponding entry must be made in the POS system to record the sale.

However, ski area officials have not developed a process to compare the number of printed season passes with the number sold as recorded in the POS system. As a result, there is a risk that season passes could be printed and issued without the associated cash receipts being recorded and deposited.

We reviewed 40 season passes printed from the season pass system during our audit period to determine whether these transactions were recorded as sales for the proper amounts. We found that three season passes were not recorded as sales. Instead, these passes were provided on a complimentary basis, to a ski area employee and relatives of volunteer ski patrol members.² Furthermore, one Town employee purchased a pass during the regular season for the discounted pre-season price of \$259, which should have been purchased for \$305.

Officials told us that it had been an established past practice to provide volunteer ski patrol members and their immediate family with complimentary season passes to reward them for their service. Officials also told us that it had been an established past practice to provide ski area employees with complimentary season passes to encourage their use of, and familiarity with, the ski facilities. The discounted season pass sold to the Town employee was provided at the ticket booth manager's discretion.

² We compared the last name of individuals who received these complimentary passes to the last name of volunteer ski patrol members listed on the ski patrol roster.

Lift Ticket Transactions Not Requiring Payment Were Unsupported

Ski area officials offer four types of lift ticket transactions that do not require a payment be collected from customers at the ticket booth. Although payment is not required, these customers must still get a ticket to board the lift. However, because the lift ticket printer is connected to the POS system, a ticket cannot be printed unless a transaction is entered into the POS system. To print a lift ticket without causing a chargeable sale, these transactions are recorded as \$0 in the POS system.

The ski area issued 14,729 lift tickets and season passes during our audit period and the four types of \$0 transactions recorded in the POS system by staff are summarized as follows (Figure 1):

Figure 1: Lift Ticket Transactions Not Requiring Payment at Ticket Booth

Type	Number	Description
Complimentary	354	A free complimentary lift ticket may be issued for a variety of reasons (See Complimentary Tickets).
Five-day	829	The purchaser pays for a five-day punch card upfront and can ski on five different occasions.
70-or-over	310	Those who are age 70, or older, are given a free day lift ticket. Individuals must present proof of their age to receive the free ticket.
Online	934	Adult and child lift tickets can be purchased online through a third-party vendor or the website of an industry group that the ski area has partnered with.
Total	2,427	

Ski area staff were not required to retain supporting documentation for any of these transactions recorded in the POS system and officials had no procedures in place to reconcile the daily transactions and verify whether these transactions were legitimate. As a result, if a customer paid cash for a lift ticket, staff could keep the cash and record the transaction as a sale for \$0 in the POS system.

Due to the lack of supporting documentation and details in the POS system, we were unable to determine the legitimacy of 1,493 complimentary, five-day and 70-or-over transactions recorded in the POS system. We found that the online sales recorded in the POS system were consistent with the sales recorded by the third-party vendor and industry group.

Complimentary Tickets – Complimentary lift tickets may be issued at the ticket booth for a variety of reasons including when customers submit lift ticket buy-one-get-one coupons from promotional materials, when employees and season pass holders of other local ski mountains use the ski area’s reciprocal program³ or when season pass holders accidentally forget their pass and need a ticket to board the chair lift and ski.

It has also been a past practice to annually provide one complimentary ticket for each year of employment to all ski area employees. Furthermore, a complimentary ticket may be issued when a customer redeems a comp card received either from the Town’s publicity office as part of a promotion or from ski area staff.

All complimentary tickets, regardless of the reason for issuance, are recorded as a \$0 sale (denoted as COMP) in the POS system. However, because no additional details are maintained in the POS system for these tickets, we were unable to determine whether they were legitimate. In addition, available supporting documentation (e.g., retained comp cards, a notebook listing who received complimentary tickets, reciprocal program documentation) did not include POS transaction numbers. As a result, ski area officials are unable to associate the available documentation with a specific POS entry.

The Board has not adopted a policy for the issuance of complimentary tickets to ski area staff or the issuance of complimentary cards to the public. Furthermore, ski area staff did not document the date, time and circumstances when comp cards were issued and did not periodically inventory the number of comp cards on hand.⁴

Five-Day – Purchased five-day punch cards sold to customers are retained at the ticket booth. When customers choose to use one of their allotted five days, staff will punch their card and record a \$0 sale (denoted as FIVE DAY) in the POS system. However, no additional details are entered into the POS system to allow officials to review these transactions and verify whether the transactions are legitimate.

³ The ski area participates in a reciprocal ski program with other ski mountains. This program, with certain restrictions, allows employees and season pass holders from other ski mountains to ski free of charge after submitting proof of employment or a season pass from another participating ski area.

⁴ The Town publicity office documents the date and circumstances when comp cards are issued and periodically reconciles the cards on hand against cards issued.

70-or-over – All lift tickets issued to those age 70 or over were recorded as a \$0 sale (denoted as OVER 70) in the POS system without any additional details. Furthermore, no supporting documentation was maintained to substantiate the legitimacy of these transactions.

Online – When a customer purchases a lift ticket online, the transaction is recorded on lists maintained by the third-party vendor and the industry trade group. After an online customer arrives at the ticket booth, staff verify that the customer is shown on the appropriate list and issue a lift ticket, which is recorded as a \$0 sale in the POS system. However, no details accompany the POS transaction (e.g., customer's name), which would allow officials to review the POS transaction compared to a list of online sales.

Although we were unable to determine whether all the individual online-related POS transactions during our audit period were legitimate, when we compared the total number of such transactions in the POS system to the expected number of sales that should have been entered in the POS system, as shown on the online sales lists, they generally agreed.

What Do We Recommend?

The Board should:

1. Develop policies and procedures over ski collections to provide guidance on how collections should be recorded, deposited and reconciled.
2. Develop policies and procedures over the issuance of complimentary lift tickets and season passes.

The Manager should:

3. Establish adequate records of comp cards and routinely monitor the inventory.
4. Obtain supporting documentation for each type of lift ticket transaction not requiring payment at the ticket booth, to be able to reconcile transactions to ensure their legitimacy.
5. Perform periodic reconciliation of individual transactions in the POS system to supporting documentation to ensure the ticket sales are properly collected.

Appendix A: Response From Town Officials

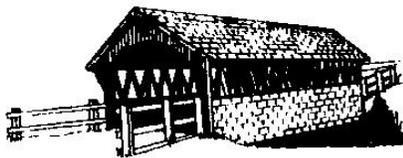
MICHAEL A. ROSS
Councilman

BARBARA GREEN
Councilwoman

DAVID W. BERKSTRESSER
Councilman

DONALD HAEHL
Councilman

TOWN OF WEBB



ROBERT A. MOORE, Supervisor

NANCI T. RUSSELL
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ATTN: Rebecca Wilcox, Chief Examiner
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Re: Webb / OSC 2018M - 188

Ms. Wilcox,

This letter is to serve as our response to the draft audit of the Town of Webb's financial policies and procedures entitled "Ski Collections".

The Town of Webb Supervisor, Town Board and Ski Area Manager has reviewed the draft report and the following summarizes our response;

After a review of the "Ski Collections" report and recommendations, we are in agreement that an improved system of checks and balances is needed in the collection of fees and documentation and control of pass issuance. We have asked the ski area manager to immediately begin implementation of an improved documentation system while the board develops policies and procedures that speak to the recommended actions.

We plan to be more detailed in a forthcoming Corrective Action Plan specific to the Webb / OSC 2018M - 188 Report of Examination.

Respectfully,

Robert A. Moore
Town Supervisor

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Appendix B: Audit Methodology and Standards

We conducted this audit pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law. To achieve the audit objective⁵ and obtain valid audit evidence, our audit procedures included the following:

- We interviewed Town officials to determine whether policies and procedures have been developed to provide guidance for how season pass and lift ticket sales should be collected, recorded and deposited. We interviewed ski area officials to determine how they collect, record and deposit ski collections and monitored and accounted for comp cards.
- We randomly selected 10 days from the 181 days the ski area operated to determine whether the transactions entered into the POS system were deposited intact in a timely manner.
- We randomly selected 40 season passes from the 382 that were printed from the season pass system during our audit period and traced them to entries in the POS system or other supporting documentation to determine whether these transactions were recorded as a sale and for the proper amount.
- We identified and examined all POS system \$0 transactions during our audit period and interviewed ski area officials to gain an understanding of the procedures for recording these transactions and the oversight provided. We compared all the online sales transactions entered in the POS system, to the total number of expected transactions per the sales lists from online vendors, to determine whether all these sales were recorded in the POS system.

We conducted this performance audit in accordance with GAGAS (generally accepted government auditing standards). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or relevant population size and the sample selected for examination.

A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and provided to our office within 90 days, pursuant to Section 35 of General Municipal Law. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Board to make the CAP available for public review in the Town Clerk's office.

⁵ We also issued a separate audit report, *Town of Webb – Financial Oversight and Ambulance Services* (2018M-161).

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/localgov/regional_directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.state.ny.us/localgov/costsavings/index.htm

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.state.ny.us/localgov/planbudget/index.htm

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.state.ny.us/localgov/lgli/pdf/cybersecurityguide.pdf

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller

www.osc.state.ny.us/localgov/finreporting/index.htm

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.state.ny.us/localgov/researchpubs/index.htm

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.state.ny.us/localgov/academy/index.htm

Contact

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www.osc.state.ny.us/localgov/index.htm

Local Government and School Accountability Help Line: (866) 321-8503

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