

# REPORT ADDENDUM

## GENERAL COMMENTS:

HSNO identified thirty-nine bank accounts and/or funds that are referenced as “off-book accounts”. A few of the off-book accounts are associated with three incorporated external entities and one apparent incorporated City entity. The majority of the accounts do not have any apparent corporate affiliations and they appear to be the property of the City of Providence. However, ownership may have to be determined with the assistance of legal counsel. Many of these accounts contain the words “Friends of the Roger Williams Park” in their title and are commonly referenced as “Friends of the Park Accounts”.

During interviews, some of the City financial officers represented to HSNO that they were not aware of the existence of the non-corporate external accounts. When asked about this, the former Superintendent acknowledged that she intentionally did not inform the City financial officers of the accounts and related funds, because if she had, they would have taken the money and expended it for non-Park related purposes. In furtherance of the City financial officers’ position, they referred us to a transcript excerpt of the June 20, 2000 City Council Finance Committee meeting at which the financial operations of the Parks Department was discussed. See Exhibit 39 for a copy of the transcript excerpt.

The former Superintendent also stated that the current President of the City Council and the present Finance Director were aware of some of the Friends of the Park accounts and cited examples regarding each. HSNO contacted the President of the City Council and the Director of Finance, and informed them of the former Superintendent’s statements. The City Council President informed us that in general he did not have any direct or indirect knowledge of the off-book accounts. He further stated that he could not be more specific without reviewing a listing of the off-line accounts identified.

The Director of Finance said he was not aware of the number of off-line accounts that the Parks Department had in their control. He went on to say if he were aware of other funds from vendor agreements or other arrangements, he would have tried to include them as general fund revenues. He indicated that in telling the former Superintendent in the past to use other sources of funds other than the general fund, he was referring to accounts such as the Capital 385 and 386, North Burial Ground, Charles H. Smith account and the like. He was aware of a tennis court account which he did not know was off-line.

Alleged monies of an external entity were deposited to what appears to be a City owned off-book account and were subsequently transferred to the external entity. This involved the Greenhouse Maintenance Fund, the Preview Party Flower Show and the Friends of the Roger Williams Park Botanical Center. In addition other than the former Superintendent, HSNO did not identify anyone responsible for the overall daily management and oversight of all of the non-external accounts.

No policy and procedure manuals were maintained for either the Department as a whole or for any of the individual divisions or subsections. In general, a policy and procedure manual provides an on-going guide and reference as to the overall functions of an entity. It also defines

and describes in detail the duties and responsibilities of each component of the organization and the positions contained therein. It is useful in affixing responsibility for favorable and/or unfavorable situations that may occur.

If properly used, a current, accurate, senior management approved policy and procedures manual could have prevented the “off-book” bank account situation from occurring, or at least prevented it from escalating to the magnitude that it did. If it did not prevent it, it would have provided guidelines for reporting possibly inappropriate financial activities to the appropriate City financial officers. It will be of assistance in the execution of any future reviews of the Parks Department.

HSNO noted the appearance of conflicts of interest at the upper echelon of Parks Department management, most noticeably with the former Superintendent. Rhode Island Secretary of State Records indicate that at various times the former Superintendent was on the board of directors and/or was an officer of several incorporated external entities receiving either direct or indirect funding from City/Park activities. The entities identified are the Rhode Island Zoological Society, the Friends of the Park Botanical Center, Friends of the Park Museum and Providence Parkfriends, Inc.

HSNO identified another situation with an individual who is a City employee, the Zoo Director, who comes under the authority of the Superintendent of the Parks Department. This individual is also employed by the Rhode Island Zoological Society as its Executive Director. According to Rhode Island Secretary of State Records, this individual has been on the Board of Directors of the Rhode Zoological Society and the Friends of the Roger Williams Park Botanical Center.

See Exhibit 2 for copies of Rhode Island Secretary of State Annual Reports related to the external corporate entities mentioned.

Representatives of HSNO subsequently interviewed the Parks Department’s Office Manager on two occasions noting she was forthright and cooperative. On both occasions it was in the presence of her legal counsel. During the interview process she admitted to HSNO representatives that she had taken money, to some of which she alleged she was authorized and some of which she was not.

The Office Manager alleges that she was authorized by the former Superintendent to pay herself a professional fee from the off-book bank accounts for services rendered in the management of those accounts. She also claims she was authorized certain bonuses. The former Superintendent stated to HSNO that she may have authorized a one time \$500 bonus for managing the Carousel accounts; however, she did not authorize a periodic allowance for professional fees.

The Office Manager informed HSNO that from time to time she took money in excess of what she alleges was authorized. Some disbursements made by her were for only the alleged authorized amounts and others may have been totally unauthorized, and some may have contained alleged authorized amounts as well as unauthorized professional fees and bonuses.

In addition to the Park’s Department Office Manager it is necessary to mention that the Parks Department’s Fiscal Advisor and the City Museum’s Office Manager also received payments

which they characterized as compensation. The former Superintendent stated emphatically to both HSNO and Deputy City Solicitor Todesco that she had not authorized the Parks Department Officer Manager or the other two Parks Department employees to receive additional periodic compensation from any of the off-book accounts.

The Parks Department's Fiscal Advisor, who also managed several off-book accounts, informed HSNO that the former Superintendent authorized him to receive a professional fee of \$100 per week for services rendered in relation to the off-book accounts. As previously noted this is contrary to the former Superintendent's stated position. The Fiscal Advisor told us he didn't necessarily receive the fee on a weekly basis. He would obtain a payment a couple of times a year for the accrued balance.

During the course of HSNO's examination HSNO did note one cancelled check in the amount of \$4,000 payable to the Fiscal Advisor. Check number 1133 was issued from the Citizens - Friends of the Roger Williams Park - Park Programming Account, 1118-134-6, on March 25, 2003. The check contains two payer signatures. They are the names of the former Superintendent and that of the Fiscal Advisor. No work has been performed to authenticate the signatures. See Exhibit 37 for a copy of check 1133.

The Fiscal Advisor acknowledged that during his employment in the Parks Department he had in his care several of the Friends of the Roger Williams Park bank accounts and that during this time some new accounts had been opened and some existing accounts had been closed. He also informed us that he had maintained automated accounting records for many of the Friends of the Roger Williams Park bank accounts. However, when he was asked to produce the accounting records he was unable to do so for the majority of the review period. He informed us that the automated accounting records up to approximately December 2002 or January 2003 had been maintained on a computer that had crashed and the accounting information was not recoverable. In addition, the electronic accounting records had not been backed-up as customary when dealing with financial information, nor was there any hard copy of the records available.

Many of the banking records and supporting documentation sought in regards to these accounts was also not available. It was explained to us that many of the records had been damaged when the area they were stored in became flooded and the remnants were subsequently destroyed. The Fiscal Advisor stated he did not initiate the destruction of the damaged documents.

The Fiscal Advisor also informed HSNO that some cash generated from various sources within the Park was placed in his custody and disbursements were made as needed. When asked for the accounting records documenting these transactions, he informed us that no records were maintained. As is noted in the summarization of some of the various bank accounts reviewed, cancelled checks payable to the Fiscal Advisor were found in amounts of approximately \$1,500 and \$1,800. The Fiscal Advisor explained they were for reimbursement for various purchases made by him on behalf of the Department. It appears unusual to HSNO that the Fiscal Advisor would use his personal funds for such amounts to make Department purchases when there were funds available to him in off-book bank accounts to make these purchases. Not all the check disbursements were supported by vendor invoices.

## **OFF-BOOK ACCOUNTS and EXTERNAL INCORPORATED ENTITIES:**

During the course of the engagement, HSNO was informed of numerous off-book accounts. The purpose the accounts expressed to us in the early stages of HSNO's review was that they were utilized as a means to supplement the Parks Department budget and to expedite and simplify Department financial operations. It was acknowledged by the former Superintendent that in many circumstances this was intentionally done without the authorization or knowledge of the appropriate City financial officers.

Per the Superintendent, the most significant reason she did not deposit funds raised within the Park and Zoo with the City Treasury was because the Department's City budget wasn't adequate to maintain the Park and Zoo properly and these revenues were needed in this regard. In addition, she believed if she had informed the City of the funds in question they would have been used by the City for non-Park and non-Zoo related purposes. She cited an example of lease revenues generated from the Triggs Golf Course that once went to the Parks Department that were taken away and never replaced. She provided HSNO with a Letter of Intent from former Mayor Cianci that referenced her statement. See Exhibit 38 for a copy of the Letter of Intent.

It was also explained that some accounts were established because contributors did not want their donations being managed by the City Treasury. They wanted the funds to be put into separate non-profit entities. HSNO has been told that all the monies going into the off-book accounts have been utilized for the benefit of the parks and the City except the funds allegedly misappropriated by the Officer Manager. The validity of this assertion is addressed throughout the body of this report.

Four external corporate entities came to HSNO's attention during the process of our review. The Rhode Island Zoological Society, the Friends of the Roger Williams Park Botanical Center, the Friends of the Park Museum, and Providence Parkfriends, Inc. (Carousel Operations). All but Providence Park Friends are non-profit entities.

Information obtained during the period under review indicates that monies HSNO understands to be City funds were either directly or indirectly passed through to these entities or expended on their behalf by those in control of the funds. As with the Department's off-book accounts, individuals interviewed contend that the funds in question passing to the external entities or disbursed on their behalf, was done so solely for the benefit of the City. This may have been the intent of the individual(s) orchestrating the flow of monies; however HSNO has no means to substantiate this.

The City's Finance Director informed HSNO there is a section in the Home Rule Charter, that simply stated, directs all City revenues to be submitted to the City Treasury. See Exhibit 12 for a copy of Section 808 of the Home Rule Charter. HSNO asked the former Superintendent if she was aware of this provision and she stated that she was not. In addition, she informed HSNO that she believed that Section 1003(b) of the City Charter - Board of Park Commissioners, was relevant as to whether she had the authority to withhold funds from deposit in the City Treasury. HSNO brings this to the City's attention for their information and evaluation.

HSNO's general finding is, that regardless of the stated intentions for using the off-book accounts to conduct Parks Department/City business, established City financial procedures were purposely circumvented to prevent the appropriate City financial officers from obtaining care, custody and control of those monies or from having any input into their use and disposition.

Of the thirty-nine off-book accounts HSNO examined, some transaction documentation was available for the activity of twenty-eight of the accounts. In addition HSNO reviewed the available accounting records and supporting documentation for the external corporate entities noted earlier, excluding the Zoological Society.

HSNO reiterates that it was not provided with accounting records for most of the off-book accounts, such as financial statements, ledgers or journals. The Friends of the Park Museum and the Botanical Center did provide accounting records although the Botanical Center's accounting records were not all inclusive. It should also be noted HSNO was not provided all the banking records for all of the accounts included in the summarization to follow. The figures presented are based upon the information provided.

The first schedule appearing on the following page is a summarization of the off-book Non-Private Entity accounts for which HSNO obtained banking records. The schedule presents the account balances at June 30, 2003 and the total of the cash receipts and disbursements for the period June 2001 through June 2003 (Review Period). Where the June 2003 bank balance is blank, it indicates HSNO was not provided with a June 2003 bank statement. Due to the limited scope of the time frame reviewed, total receipts, disbursements and ending balances do not match up. Transfers between the accounts have been eliminated where they could be identified.

The second schedule is a summarization of the accounts of the Botanical Center and the Friends of the Park Museum.

**Off-Book Non-Private Entity Accounts**

Account Type	**	Account Number	Cash Receipts	Cash Disbmts.	June 03 Balance
Checking	PPF	05-85501143	\$ 6,016	\$ 7,622	
Checking	FPM	1003-673-3	\$ 69,033	\$ 87,956	\$ 5,288
Checking	PPF	939-5546147		\$ 2,933	
Money Market/Savings	CVO	05-89526864	\$ 12	\$ 610	
Checking	RWP	502-693-8	\$145,523	\$164,859	Closed
Checking	RWP	1118-155-9	\$118,450	\$169,331	
Checking	RWP	1118-134-6	\$121,599	\$121,648	\$ 0
Checking	PPFS	1109-170-3		\$ 4,625	Closed
Money Market	RWP	1107-043-9	\$173,763	\$128,500	\$45,263
Checking		1101-4709-5443	\$ 8,485	\$151,186	
Savings	PPFS	53-401880		\$ 2	
Checking	ESF	1118-168-0	\$100,495	\$100,266	\$ 224
Checking	RWP	1546-376-1	\$ 27,838		\$27,838
Money Market		1351-874-7	\$225,580	\$225,580	Closed
Checking	FWP	1007-607-7	\$ 30,505	\$ 39,870	\$17,169
Money Market	RWP	1206-821-7	\$116,193	\$116,761	Closed
Checking		1413-797-6	\$ 93,074	\$ 77,340	\$15,986
Checking	NBG	010-810-0281	\$377,529	\$386,409	\$13,770
Savings	RWP	42-506966	\$ 24,544	\$ 97,158	
Savings	RWP	53-901328	\$ 20,749	\$ 6,500	

**Total: Non-Private Entity Accounts Defined Earlier** **\$1,659,388** **\$1,889,156** **\$125,538**

Cash transactions of The Providence Parkfriends, Inc. (Carousel Operations) are included above.

**External Incorporated Non-Profit Entities: Botanical Center & Friends of the Park Museum**

Savings (BC)		53-401899	\$ 10,192	\$15,266	\$ 00
Checking (BC)		1109-167-3	\$961,856	\$959,286	\$ 4,766
Checking (BC)		1543-920-8	\$ 45,275	\$23,530	\$ 21,745
Money Fund (BC)		DTF-954965-72	\$ 9,143	\$470,151	\$ 00
Checking (BC)		1101-4709-5496	\$ 25,000	\$312,942	\$175,896
Investment (BC)		1101-1250-2776	\$500,000		
Checking (Museum)		05-35508049	\$123,255	\$185,726	\$ 15,080
Money Market (Museum)		05-39983073	\$ 24,383		\$ 71,380

**Total: External Entities Defined Earlier** **\$1,699,104** **\$1,966,901** **\$288,867**

**Total Non-Profit & External Entity Accounts** **\$3,358,492** **\$3,856,057** **\$414,405**

\*\*PPF=Providence Park Friends, FPM=Friends of the Park Museum, CVO=Carousel Village Operations, RWP=Friends of Roger Williams Park, PPFS=Preview Party Flower Show, ESF=East Side Floral and Antique Show, NBG=North Burial Ground.

HSNO believes the summarization contains transfers between accounts that HSNO was not able to identify due to the lack of information provided to us.

See Exhibit 1 for a listing of all accounts identified. The account names as well as additional descriptive information are presented there. See Exhibit 5 for a schedule of the monthly summarizations of the cash receipts and disbursements activity by account.

***No accounting and or banking records were provided for the following accounts:***

Checking Account	1351-821-7	Friends of RWP Improvement Fund
Checking	1003-676-8	Friends of RWP Greenhouse Maintenance
Savings	42-507369	Friends of RWP Greenhouse Maintenance
Money Market	PV5920435724	Providence Parkfriends - Carousel
Checking Account	xxxxxxxx976	Business Partners Checking III
Certificate of Deposit		
Cash-On-Hand		

As mentioned earlier, there are revenues generated within the Park and the Zoo that flow to the Rhode Island Zoological Society bypassing the City Treasury and City accounting function. These accounts are managed by the Zoological Society via contracts with the City. The revenues are processed within specific accounts at the Society. The accounts identified by the Zoological Society for this purpose are as follows:

1. Concessions Fund
2. Coca Cola Sponsorship Restricted Checking Account
3. Gate Account

City officials informed HSNO that the Rhode Island Zoological Society was subject to a yearly external audit and therefore there was no need for HSNO to request their accounting records.

There were numerous accounts managed by Parks Department personnel containing “Friends of Roger Williams Park” in the title. The following is a listing of items flowing through the various Friends of Roger William Park and related accounts. The listing was developed from documents provided and information obtained via interviews of City employees. Exhibit 1 lists the various Friends of Roger Williams Park accounts and provides some additional background.

The following summary does not include the external, independent corporate entity accounts.

**Sources of Funds:**

- Carousel Village operations
- Bella Vista restaurant - Rent,
- Three rental properties - Resided in by City employees,
- Benefit Street Condominium Association - Rent received for parking facility,
- Lemonade Sales,
- Donations and Grants,
- Various insurance proceeds,
- Paddle Boat rentals,

Gondola rents - Providence Place Park,  
Greenhouse Plant Loans for Casino operations,  
Tennis Court membership and court use fees,  
Park Passes - Subsequent to the 1999/2000 budget period this revenue went to the  
Concession Fund in the custody of the Zoological Society.  
Water Place Park functions,  
North Burial Ground.

**Expenditures:**

Compensations to City employees and others,  
Cell phones,  
Office supplies,  
Grant projects,  
Tennis Court expenses,  
Computers & related expenses,  
Reimbursement to employees for petty cash type expenses,  
Payments on behalf of the Botanical Center,  
Some payments on behalf of the Casino,  
Office Equipment and furniture,  
Elevator maintenance cost for the Boat House,  
Maintenance expenses at Water Place Park,  
Expenses of Providence Parkfriends, Inc.,  
Trees and grounds enhancement materials,  
Fleet Skating Rink expenses,  
Preview Party Flower Show Transactions.

HSNO noted potential IRS issues, union issues, City regulatory issues and potential civil liability issues resulting from transactions being processed through the off-book Parks Department and non-profit corporation accounts. These issues are all addressed in detail within the body of this report.

**Friends of the Roger Williams Park Botanical Center & the Rhode Island Zoological Society**

HSNO noted conflicting aspects as to what the City's position is in regards to providing financial support to the Botanical Center. Based upon interviews of various City officials it appears that the City is not willing to fund non-essential positions, especially if it would result in an increase in the tax rate. The City's Finance Director did not consider Botanical Center positions as essential. On the other hand, some City Council Persons have in the past provided bond money for the Botanical Center's physical plant and the City Council Finance Committee has budgeted positions through the Parks Department for Botanical Center operations. However, the City's Finance Director informed HSNO that those positions, although approved for the 2003/2004 budget, were not funded.

HSNO asked the former Superintendent if at any time she attempted to get the City to provide financial and/or any other types of support for the Botanical Center, such as for salaries or operating expenses. She informed us that she had. She stated she made requests to the City

Council Finance Committee seeking funding for salaries. She further informed us that her request was made at a Budget Committee meeting and that most of the City Council was in attendance. However, they did not provide her with any budget funds sought.

During the course of our review, HSNO identified a situation that HSNO believes should be brought to the attention of senior City officials. The Zoological Society has a contract with the City to operate the concessions in the Zoo. The Zoological Society accomplishes this via a subcontractor, the Aramark Corporation. The proceeds go to the Zoological Society. They are accounted for in what is generally referred to as the Concession Fund.

Section 3 of the Contract - Financial Matters contains the following clause: "In the event that the amount paid to the Society exceeds the Society's Adjusted Operation Expenses, then the Society shall use such excess solely for projects for the exclusive benefit of the Zoo." However, it doesn't appear to us that the contract is specific as to what kinds of items benefit the Zoo. The significance of bringing attention to the contract is presented further on in this section. See Exhibit 6 for a copy of the contract.

HSNO asked the former Superintendent if she had orchestrated this contract with the Zoological Society in order to keep the revenues generated from Zoo concessions out of the hands of the City financial officers. She said she had.

According to the Executive Director of the Zoological Society, in 1998, he and the former Superintendent negotiated an agreement with the Coca Cola Company granting Coke exclusive rights for the sale of its product at the Zoo and in the Park. In consideration for the agreement Coca Cola paid the Zoological Society \$250,000 and agreed to pay them an additional \$320,000 in installments over a ten year period. The \$250,000 was put in an account the Zoological Society refers to as the "Restricted Coca Cola Fund". See Exhibit 7 for a copy of the Coca Cola Sponsorship Agreement.

HSNO inquiries brought to light that the Zoological Society is funding certain Society salaries from Concession Funds and/or Coca Cola Restricted funds, for services provided for the benefit of the Botanical Center. Included among these certain Society employees is the Director of the Botanical Center. The Director of the Botanical Center is not an employee of the Botanical Center.

It should also be noted for potential liability purposes that the Chief of the City's Park Rangers is an employee of the Zoological Society. His salary is paid from the Concession Fund. It seems desirable that this position should be a City position. However, it was brought to HSNO's attention that the Chief of the Park Rangers is a retired City employee collecting a City pension. It was further brought to HSNO's attention that City regulations prohibit an individual receiving a City pension from holding a paid City position at the same time. HSNO felt this may account for why he is employed by the Zoological Society.

HSNO asked the former Superintendent why the Chief of the Park Rangers was an employee of the Zoological Society and not of the City. She stated the City did not fund the position; the position was needed, so she went elsewhere to obtain it. She further stated that having the Zoological Society engage the current individual holding the Chief's position was not utilized as

a means to circumvent the City mandate. In this regard, the fact that the present Chief is receiving a City pension, and is prohibited from holding a paying City position while collecting a City pension, is just a coincidence. Several individuals had been interviewed for the Chief's position. The present Chief was the most qualified, and therefore he was hired.

Per information provided by the CFO of the Zoological Society, \$421,902 was paid from the Concessions and Coca Cola Restricted funds during the period July 1, 2001 through June 30, 2003 to Society employees for services provided to the Botanical Center. An additional \$118,341 was paid to the Society employee serving as the Chief of the Park Rangers and another \$20,000 was paid to a City employee for services provided on behalf of the Botanical Center.

HSNO was also informed that the Zoological Society leased a Saab for use by the former Superintendent. The lease and insurance on the vehicle were funded from the Concession Fund which per the Society's CFO was not reimbursed. The auto lease payments total \$11,658 (\$485.75 X 24 months) and the total insurance paid was \$4,212. This makes a grand total of noteworthy items funded from Concession and Coca Cola monies of \$576,113 for the period under review.

Both the City's Finance Director and the Chairman of the City's Finance Committee informed HSNO that they were not aware that this was occurring. In addition, they both informed us that they were not aware of the existence of the Coca Cola Agreement and the proceeds from such.

HSNO also identified a \$2,000 payment from the Park Maintenance Fund that appears to be for body repairs to the Zoological Society lease vehicle used by the former Superintendent. See Exhibit 23 for copies of the supporting documentation.

HSNO asked the former Superintendent about the \$2,000 repair bill. She stated she believed that it was for repairs to the Zoological Society's leased Saab. She also stated that the repair bill should have been forwarded to the Zoological Society for submission to their insurance company. She didn't know why it wasn't processed as such.

A summary of those positions and wages for the two year period follows:

Position Title	Total	July 1, 2001 to Dec 31, 2001	Year Ended Dec 31, 2002	Jan. 1, 2003 to June 30, 2003
Director of the Botanical Center	111,173	16,204	60,509	35,000
Director of Public Relations	86,761	18,842	44,544	23,375
Director of Education	32,885		10,385	22,500
Public Relations Event Director	62,367	14,424	31,443	16,500
Landscape Artist	97,019	22,019	50,000	25,000
Director of School of Horticulture	31,697		9,197	22,500

**Sub-Total** **\$421,902** **\$71,489** **\$206,078** **\$144,875**

Plus: Chief of the Park Rangers	118,341	33,227	58,727	26,387
Supervisor Planning & Eng	20,000	5,000	10,000	5,000
Saab Lease & Insurance	15,870	7,827	8,043	

**Grand Total** **\$576,113** **\$117,543** **\$282,848** **\$176,262**

The Zoo Director/Executive Director of the Zoological Society was asked why these monies were being expended for salaries as previously noted. He responded with a memo to HSNO dated July 10, 2003 entitled "Justification for Park Positions". Following is an excerpt from the memo:

"With that in mind and per your request, I have listed the Roger Williams Park positions that are funded from the Concessions Fund and the justification for these positions given by the Superintendent of Parks. Each position was added as requested by the Superintendent. It was and is the Rhode Island Zoological Society's belief that the Superintendent took action within the boundaries of her responsibility for oversight of the park and zoo. It is also the Society's position that the Concession Fund Agreement clearly identifies the Superintendent's role as principal decision-maker for Concession Fund allocations." See Exhibit 9 for a copy of the complete memo.

HSNO asked the former Superintendent if she had initiated utilizing Zoological Society personnel for the benefit of the Botanical Center and directed their salaries be paid from Concession and Coca Cola funds. She responded that she had requested Zoological Society personnel as noted, but didn't recall specifically directing the Zoological Society to fund the salaries from the Concession and Coca Cola Funds.

HSNO also asked the former Superintendent if she believed the expenditure of Concession and Coca Cola funds for Botanical Center related salaries was a valid and appropriate use of these monies. She believed that it was as the operations of the Botanical Center provide benefits to both the Zoo and the Park via the Concessions Contract. The Zoological Society may expend these monies at their discretion.

In addition, HSNO asked the former Superintendent if she had asked permission of City financial officials to expend these funds for Botanical Center related purposes or if she had notified them of such. She said she had not.

The credibility of the appropriateness of how some Concession and Coca Cola revenues were expended is further weakened by the implications surrounding the funding of the Chief of the Park Rangers salary.

It should also be noted that revenues generated within the Park from the sale of Park Passes beginning with the 2000/2001 fiscal year were subsequently directed by the Superintendent to the Zoological Society to be deposited to the Concession Fund. See Exhibit 10 for a copy of a memo by the Superintendent indicating such. The Superintendent stated that she authorized this because the majority of the revenue generated by the Park Passes was related to the Zoo. She did not request authorization or notify City financial officers that this was being done.

As mentioned earlier in the summary, documents obtained indicate funding was also being provided to the Botanical Center from two of the Friends of the Roger Williams Park off-book accounts. The total identified being \$65,143.13. See Exhibit 8 for a copy of the memo noting such and for copies of supporting check copies provided by the Department's Fiscal Advisor.

HSNO has also been informed that the Botanical Center has received indirect financial support via the use of City personnel deployed in support of various events sponsored by the Botanical Center from which the Botanical Center received the financial benefit. According to the sources no financial records were maintained, therefore the cost to the City, which may include overtime wages, cannot be determined. HSNO was further informed that none of the support service costs were reimbursed to the City.

HSNO asked the former Superintendent if it was true she authorized City workers under her control to provide services, on City time, to support functions sponsored by the Botanical Center. She said this was not correct, however, she acknowledged Parks Department staff, especially from the Greenhouse, had worked on Botanical Center projects. She further stated, "These City employees are doing the same thing now that they have always done. If there was no Botanical Center they would still be doing the same thing." She didn't know if any overtime expenses were incurred as a result of such.

HSNO also asked the former Superintendent if anyone had kept track of the time City employees worked on Botanical Center projects and if the Botanical Center had reimbursed the City for any of the costs incurred. She responded negatively to both. In addition, HSNO asked if she had sought authorization for using City employees on Botanical Center projects. She indicated she had wide authority to do as she saw fit.

HSNO became aware of another issue involving off-book account funds and the Botanical Center. It pertains to the purchase of the Rhode Island Spring Flower and Garden Show. The purchase was made from the Down East Enterprise Company. This matter came to HSNO's attention late in HSNO's review and HSNO was instructed by City Officials not to pursue it further at this time other than to discuss it with the former Superintendent.

HSNO received information that \$12,500 was paid out of the Greenhouse Maintenance Fund in May of 2000 in relation to the purchase of a one half interest in the “Rhode Island Spring Flower and Garden Show”, subsequently referred to as the “Flower Show”. HSNO does not have a copy of the purchase and sales agreement. The Greenhouse Maintenance Fund checking account was funded by proceeds from plant rentals and miscellaneous items related to the Roger Williams Park Greenhouse.

Subsequent to the purchase of the Flower Show, a new Rhode Island Corporation was created, the “Flower Show Management Ltd.”, subsequently referred to as “Management Ltd”. Per Rhode Island Secretary of State - Corporation records, the former Superintendent was the Treasurer and a Director. Information provided to us indicates that the Management Ltd. acquired ownership of the Flower Show and the Botanical Center acquired 50% ownership of Management Ltd. common stock.

The former Superintendent acknowledged she authorized the purchase of the Flower Show with what she references as “City money through the Parks Department”. She added that she did not specify that the money come from the Greenhouse Maintenance Fund. She further stated that this account was used because there were monies available there. She also acknowledged that she was aware of Management Ltd. and that she was an officer.

HSNO asked the former Superintendent how Management, Ltd. acquired the one half interest in the Flower Show and how the Botanical Center acquired one half Management, Ltd.’s outstanding common stock. The former Superintendent was unable to provide the specifics of how this occurred. Only assumptions could be made.

In 2002 the Botanical Center relinquished its interests in Management, Ltd. for a total of \$95,000. According to documents obtained \$5,000 was for the purchase of the stock and \$90,000 was for a covenant not to compete. The sales price to be paid on an installment basis. The documents secured also indicate the sale was structured in the manner favorable to the purchaser in regards to income tax considerations.

HSNO asked the Director of the Botanical Center how the Botanical Center acquired the stock in Management Ltd. He informed us he didn’t know, he had assumed it had been paid from Botanical Center funds. He referred us to the former Superintendent if HSNO required more specific information. As previously noted, the former Superintendent couldn’t provide HSNO with the specifics of these transactions.

According to a memo from the Director of the Botanical Center to HSNO dated December 23, 2003, the Botanical Center had received \$34,643.35 from the transaction to date. This leaves a balance due of approximately \$60,000.

From the information acquired to date, it is not clear to HSNO who actually owned the 50% interest in the Flower Show nor who is entitled to the proceeds from the sale described. HSNO believes that the City should look into the specifics of the purchase and sale to determine the rightful owner and to determine if there are any civil and/or criminal ramifications resulting from the manner in which the transactions were executed. See Exhibit 11 for documentation obtained pertaining to the purchase and sale of the Flower Show.

HSNO identified a situation where the paperwork provided suggests the grantor of a \$500,000 award may have believed it had been solicited by the City of Providence for the building of botanical gardens. The \$500,000 received from the Champlin Foundation was deposited to a Botanical Center account. The former Superintendent informed HSNO that the Champlin Foundation knew the money was going to be placed with a private, non-profit entity and not the City.

**Findings: Roger Williams Park Zoo & Rhode Island Zoological Society**

Mr. Jack Mulvena is the City’s Zoo Director and the Executive Director of the Rhode Island Zoological Society. He informed HSNO that he receives compensation from both organizations. Mr. Mulvena also informed us that this arrangement was approved by the appropriate City officials prior to his placement in both positions.

When asked to describe his duties in both his capacities, he explained that the direct care of the animals is the responsibility of the Zoo Director. The duties of the Executive Director of the Rhode Island Zoological Society are to oversee Society operations which consist of admissions, group sales, marketing and public relations, all facility and grounds maintenance, exhibit development, security, finance, the education department, research, the conservation department, all City and Society Zoo employees and to oversee Aramark Corporation. Aramark Corporation is a subcontractor managing the Zoo concessions.

According to the Executive Director, the 2002/2003 Zoological Societies budget was funded as follows:

City of Providence Budget	\$1,876,509	24.92%
Admissions & Concessions proceeds	\$2,837,507	37.69%
RI Zoological Society Unrestricted funds	<u>\$2,814,836</u>	<u>37.39%</u>
Total	<u>\$7,528,852</u>	<u>100.00%</u>

HSNO understands that the Zoological Society has a contract with the City pertaining to admissions and concessions revenues. Based upon HSNO’s work performed in this area, it is HSNO’s understanding that these revenues are generated by the City owned Zoo facility, from the proceeds of the concessions located within the City owned Zoo, via the services of some City employees and a supplement from the City budget. It is further HSNO’s understanding that these revenues are indirectly City funds and that the Zoological Society has been entrusted to manage these funds in accordance with the terms of the contract.

Mr. Mulvena has informed HSNO that certain Zoological Society employees provide services to the Botanical Center and that their salaries, either in whole or in-part, are funded from the Concession Fund and partially from the Coca Cola Restricted Fund. The Zoological Society employees referenced include the Director of the Botanical Center as well as an employee that manages the Quinque Grant that was awarded to the Friends of the Park Museum. See the section of this report on the Botanical Center for a listing provided by Mr. Mulvena of

Zoological Society employees addressed above and monies paid to them during the period under review. The section on the Botanical Center immediately precedes this section.

HSNO noted a conflict of interest that existed prior to the recent retirement of the former Superintendent of the Parks Department. The Director of the Zoo came under the authority of the former Superintendent under his City employment and under her auspices as a Zoological Society Corporate Director.

### **Roger Williams Park Landscape Fund**

The source of monies for The Roger Williams Park Landscape Fund was a \$500,000 grant. The grant agreement is between the Royal Oak Foundation of New York, New York and “Friends of the Park Museum of Providence (“FPM”) Rhode Island, the charitable organization which supports the work and mission of the Roger Williams Park Museum of Natural History”. It is dated January 12, 2000. The agreement was signed by Ms. Nancy Derrig as Superintendent. The Royal Oak Foundation made the grant pursuant to arrangements with Quinque Foundation of Massachusetts.

Within the agreement is a section entitled, “The background of this Agreement is set forth as follows:” Contained in this section is the following:

- (a) FPM is a charity which protects and promotes Roger Williams Park Museum of Natural History’s mission.
- (b) Roger Williams Park Museum of Natural History has set forth on a project to restore its landscape and gardens (the Project) and wishes to raise monies for its support.
- (c) In order to further the Project, Royal Oak Foundation is willing to grant to FPM that amount of Five hundred thousand dollars (\$500,000.00) U.S., which amount shall be added to funds held at the Friends of the Park Museum to benefit Roger Williams Park Museum of Natural History restricted to the Project.

See Exhibit 30 for a copy of the agreement.

The documentation provided suggests that the grant appears to have been solicited by the Superintendent (City of Providence) acting as an agent of the City. See Exhibit 31 for a copy of the document. The grant agreement is between the Royal Oak Foundation and the Friends of the Park Museum, which is an independent, external, incorporated, non-profit entity that does not appear to be a part of the City of Providence.

Which entity was actually managing the Project and had care, custody and control of the grant funds is not clear. HSNO was informed by two individuals that the project was under the control of the former Superintendent of the City’s Parks Department. Rhode Island Secretary of State Corporation records also indicate the former Superintendent was a Director of the Friends of the Roger Williams Park Museum. HSNO was further informed that the former Superintendent decided which projects were to be initiated and oversaw their undertaking.

HSNO raises the question, when directing the project management and authorizing the disbursement of grant funds, which entity bears responsibility and accountability to the Grantor, the City of Providence or the Friends of the Roger Williams Park Museum?

In addition, the day to day management of the Project and its funds are in the care, custody and control of an employee of the Rhode Island Zoological Society. Per a discussion with the Chief Financial Officer of the Society on October 8, 2003, he was not aware of the existence of the Landscape Fund nor was he aware that a Zoological Society employee participated in the management of the fund.

The Director of the City's Museum and Planetarium is also a Corporate Director of the external entity, Friends of the Park Museum. During an interview in July 2003, the Director informed HSNO that she maintained the books and records of the Friends of the Park Museum.

In October 2003, HSNO asked the Director about the Project to restore the landscape and gardens and the Landscape Fund account. She informed HSNO that the City's Museum had not set forth a project to restore its landscape and gardens. She also informed us that she was not aware that a grant agreement had been entered into with the Friends of the Park Museum nor was she aware of the account the \$500,000 grant was deposited to, "The Landscape Fund". She was not aware of the sum of the grant either. The Director also informed HSNO that the Friends of the Park Museum kept no accounting records related to the activities of the grant funds and did not file any reports with the Grantor.

HSNO was also informed that the Friends of the Park Museum have not filed a Federal Form 990 since approximately 1995. The Zoological Society does not include the activity in its federal filings and per the City Controller the City of Providence is not required to report activity to the Internal Revenue Service. Therefore, HSNO does not believe the grants activity was included in any federal filings, such as Form 990 - Return of Non-Profit Organizations.

The Fund's monies were maintained initially in a Tucker Anthony Money Market account and were subsequently transferred to a RBC Dain Rauscher account. The documents examined indicate the RBC Dain Rauscher account is an investment account on which checks can be drawn.

HSNO's examination also indicated that an individual was engaged and paid for providing professional services to the project. The individual was engaged as a non-corporate independent contractor. Internal Revenue Code regulations require that individuals receiving \$600 or more in non-employee compensation be issued a Form 1099 which ultimately reports the earnings to the Internal Revenue Service. The responsibility for issuing the Form 1099 is the responsibility of the payer.

HSNO interviewed the independent contractor and was informed 1099's were never issued. HSNO spoke with the Parks Department Fiscal Advisor regarding the issuance of 1099's. He informed HSNO that he had discussed the 1099 issue with the Superintendent in this regard as well as pertaining to the Tennis Court workers. He stated that "the Superintendent told [him], 'We do not issue 1099's, income tax issues are the responsibility of the individual.'"

In addition to discussing the 1099 issue with the independent contractor, HSNO asked if she was paid from grant funds for services rendered to the Botanical Center. She replied affirmatively. She informed HSNO that she performed the services for the Botanical Center at the direction of

the Superintendent. She further stated that the compensation received from grant funds for services provided anywhere in the park were approved by an agent of the grantor. HSNO were provided a letter from an agent of the grantor authorizing payment for the independent contractor's services.

HSNO examined the monthly statements from Tucker Anthony and RBC Dain Rauscher for the period August 2001 to January 2003 and April 2003 through June 2003. Financial records were not provided for June and July 2001 and February and March 2003. The records indicated \$8,485 was received in interest and \$144,756 was disbursed.

HSNO did not identify any transactions that appeared inappropriate as to the purpose of the grant. However, it should be noted that HSNO could not make a determination if an apparently valid expenditure was in fact made for the project per the grant agreement, for example the purchase of trees. Trees are purchased for a number of projects by the Department as well as the Botanical Center. It would be extremely difficult and time consuming to attempt to substantiate purchases such as these were in fact used for the grant project.

### **Carousel Village Operations and Providence Parkfriends, Inc.**

HSNO was informed that the Carousel was built in 1989 or 1990. Prior to this the City had received a Parkfriends Grant, the proceeds of which went to the Parks Department. The Department opened a Parkfriends bank account and the grant proceeds were deposited to it. The grant expired approximately a year later, however, the bank account remained open. HSNO was further informed that the Parkfriends bank account was then used to process the revenue and expenses of the Carousel Village. The financial activity was not processed through the City treasury.

HSNO does not know if the current Parkfriends bank account is a continuance of the original. However, the title of the current Parkfriends bank account is "Carousel Village Operations Providence Parkfriends, Inc."

HSNO's review of this area found federal corporate income tax returns, Form 1120, for the Providence Parkfriends, Inc. HSNO has been told Carousel Village operations are reported therein. HSNO has observed the contents of an application for non-profit officers and directors insurance that supports this information. See Exhibit 24 for a copy of the insurance application. Please keep in mind that HSNO found no information that indicated the Parkfriends attained non-profit status.

A search of the Rhode Island Secretary of State's corporate data base identified a business entitled, "Providence Parkfriends, Inc.". It was created as a non-profit corporation in the State of Rhode Island on February 3, 1988. The officers and directors of record are Nancy Derrig, Katherine Cullinan and Robert McMahan. The address of the business as recorded on the Original Articles of Incorporation is Darlymple Boathouse, Roger Williams Park, Providence, RI 02905.

Per the Secretary of State records, the purpose or purposes for which the corporation is organized are:

1. Organize a larger constituency for Providence Parks and the Parks Department.
2. Advocate for more support for the Parks Department.
3. Provide input to the Parks Department on public programming, maintenance needs, public concerns.
4. Promote the use and enhance respect for Providence public parks.
5. Raise funds to enhance and improve parks.

See Exhibit 25 for copies of the incorporation papers.

Information provided noted that the Carousel was initially managed by the Parks Department.

Per the former Superintendent, approximately five years ago the Parks Department decided to employ a professional manager to run the Carousel. Aramark Corporation was engaged. The Superintendent told HSNO that when this occurred the Providence Park Friends account was to no longer receive any funding from Carousel operations and should have been closed.

The former Superintendent gave the HSNO interviewer the impression that she was not aware that Providence Parkfriends, Inc. or its bank account(s) still existed. Information and documents have been presented to HSNO that appear to indicate the contrary.

The former Superintendent is listed as the President of Providence Parkfriends, Inc. on the 2001 Non-Profit Corporation Annual Report filed with the Rhode Island Secretary of State. There is a letter in HSNO's file on the former Superintendent's stationary dated December 17, 2001, addressed to the G&L Insurance Associates, Inc. It is in reference to obtaining non-profit officers and directors insurance for Providence Parkfriends, Inc. The letter is signed by the Department's Fiscal Advisor. He informed HSNO that the letter was generated at the direction of the former Superintendent. See Exhibit 24 for a copy of the Insurance Application.

In addition to the above, HSNO was informed that the former Superintendent initially instructed the Fiscal Advisor to prepare a contract for the right to sell lemonade in the Park for the period June 2003 to October 2005, and to name the provider in the contract as Providence Parkfriends, Inc. This occurred around February of 2003. The copy of the document provided HSNO names Lemco, LLC as the Client and the aggregate of the annual fees contracted for is \$80,000. The contract also requires Lemco, LLC to name Providence Parkfriends, Inc. as an "additional insured", not the City. See Exhibit 26 for a copy of the non-executed lemonade contract. It was explained to HSNO that this contract was never executed.

The point of referencing the incident regarding the lemonade contract and whether or not the former Superintendent was aware of the continued existence of Providence Parkfriends, Inc. is to corroborate her affiliation with Providence Parkfriends, Inc. It is also to indicate that its operations in general and the alleged circumstances surrounding the Providence Parkfriends, Inc. lemonade contract appear to HSNO as another example of how established City financial procedures would be circumvented.

It should be noted that some of the misappropriated funds were obtained from the Providence Parkfriends' bank account(s). It has also been noted that in addition to the misappropriated funds, the admitted perpetrator has received additional periodic payments for what she claims are services provided in management of the account. In addition, the Office Manager states that the compensation was authorized by the former Superintendent which the Superintendent has denied.

As previously mentioned, HSNO indicated that HSNO found corporate income tax returns for the Providence Parkfriends. However, it appears that all the returns, including a final return, may not have been filed. HSNO does not know if the City has any liability if this is the case. HSNO mentions this because the Corporation had been filing as a taxable entity and there may possibly be taxes due.

Exhibit 5 contains summaries of the cash receipts and cash disbursements for the bank Parkfriends bank accounts for the period under review.

### **Aramark Corporation**

A representative of HSNO met with Mr. Joseph Tanzi, Jr., General Manager of Aramark Corporation to discuss the Carousel Village. As previously mentioned Aramark manages the property under a contract with the City. The contract is dated July 19, 2000. According to Mr. Tanzi there have been three fiscal periods since the signing of the contract and via the terms of the contract Aramark was required to make a payment to the City.

He stated a check dated January 18, 2001, payable to the Providence Parks Department, was issued in the amount of \$3,746.78. He did not know if the check was deposited to the City's general treasury or to one of the off-book accounts. The cancelled check could not be located to attempt to make a determination. See Exhibit 29 for a copy of Aramark's check voucher which includes the front of the check.

Mr. Tanzi also informed us that Aramark has a separate contract with the Zoological Society to manage the concessions in the Zoo.

### **Casino**

HSNO interviewed Heather Manning the Facilities Coordinator. According to Ms. Manning the Casino has two City accounts. The funds for both of these City accounts are controlled by the City Controller's Office and are not directly accessible by Casino personnel. The City accounts were identified as follows:

674-4-00000-8110 Casino Revolving Account  
672-4-00000-8110 Park Use Escrow Account

Ms. Manning stated that she does not know the disposition of the monies forwarded to the Controller.

## **Grounds and Maintenance Division**

Joseph Salem is the Director of Grounds and Maintenance. According to the Director, the division does not have any bank accounts of its own. It has two sources of funding; budgeted funds and monies obtained from the Department Administration funded from sources not directly associated with the Grounds and Maintenance Division. Due to the lack of bank accounts no further work was performed.

## ***Equipment Inventory***

The Departments equipment inventory is managed and controlled by the Grounds and Maintenance Division. HSNO has received mixed evaluations of the adequacy of the physical and accounting controls in place. The former Superintendent told HSNO that all equipment purchased is inventoried and personal use by employees is discouraged. Others have mentioned that equipment is being appropriated for personal use on a regular basis and that some equipment has been misappropriated. The City may want to consider having its Internal Auditor examine this area. HSNO was informed that the City had plans to perform work in this area therefore HSNO did no further analysis. (exhibit 36)

## **Forestry Division**

The Coordinator of Forest Operations is Louis Bobola. The Division has no bank accounts of its own. Its basic source of funding is the City budget. However, Mr. Bobola informed HSNO that there are grants for the purpose of planting and care of trees. None of the grant monies come under the control of the Forestry Division therefore no further work was done in this area.

## **Off-Book Accounts and External Corporate Entities – Friends of the Park Museum**

HSNO's review of the operations of the external corporate entity "Friends of the Park Museum", subsequently referred to as the "Park Museum" and HSNO's interview of the Director of the City Museum noted that the majority of the funds going into the external corporate Park Museum account were generated by City museum admission fees and programs administered by City employees on City time in the City's Museum and Planetarium.

The former Superintendent informed HSNO that this practice was in place when she became the Superintendent. She further stated that when she subsequently became aware of the situation she allowed it to continue. The Museum and Planetarium revenues were forwarded to the external non-profit entity to keep them from the City Treasury.

As previously noted a City Museum employee (union member) was receiving compensation from the Friends of the Park Museum for bookkeeping services provided. Neither a federal Form W-2 nor Form 1099 was issued for the compensation paid. In addition, HSNO was informed that this employee along with the Director of the Museum and Planetarium received *non-interest bearing* personnel loans from the external Park Museum. The former

Superintendent told HSNO that she did not authorize the compensation or the loans nor was she aware of the situation.

It was also brought to HSNO's attention that a Museum artifact belonging to the City was exchanged for \$125,000 with the proceeds going to the external Park Museum. The former Superintendent explained to HSNO that a group disputed the City's ownership of the artifact based upon a federal statute. The dispute went on for quite a while and the court was involved. Subsequently, Senior City Officials agreed to turn the artifact over to the group seeking it. In return, the group made a \$125,000 contribution to the external Park Museum to be used for the benefit of the museum. As the timing of this transaction fell outside the scope of HSNO's engagement no further analysis was performed.

### **Royal Oak Foundation \$500,000 Grant**

During the course of the work performed, HSNO noted another situation somewhat similar in nature to the Champlin Foundation Grants. This involves a \$500,000 grant that appears to have been solicited by the former Superintendent and awarded to the independent, external entity, the Friends of the Park Museum. Interviews of City Museum personnel indicate they had no such project in the works as is described in the Award Letter. In addition, they are not in possession of the grants proceeds nor do they have any input into the utilization of the grant funds.

The information obtained by HSNO is that the former Superintendent was in charge of the project and that the grant funds were in the care custody and control of a Zoological Society employee whose salary is funded by concessions monies. HSNO brings this matter to your attention, because there may be legal issues as to who is liable for the safeguarding of the grants monies and who is accountable for their proper utilization. If it should be determined it is the City, someone such as the Internal Auditor may want to have some input as to how this operation should be managed and controlled.

HSNO discussed the circumstances of the grant with the former Superintendent. First she informed HSNO that she did not solicit the grant, that the organization initially had contacted her. Allegedly the Foundation represented a wealthy individual that wanted to make a tax deductible contribution via a tax exempt entity. The former Superintendent subsequently submitted an application for landscape funds for Roger Williams Park and used the external entity Park Museum as a vehicle to do so. She stated it was done in this manner because the grantor wanted the funds to go to a private non-profit entity. The grant would not have been made if the money was to be deposited with the City.

When asked, the former Superintendent informed us that she had not sought authorization from, nor had she informed either the City financial officials or the members of the Board of Directors of the Park Museum in regards to obtaining a grant via the Friends of the Park Museum. She further stated that she had not sought the counsel of an accountant or other professional in regard to the accounting, reporting and liability considerations of acquiring the grant through the Park Museum. In addition, she had not considered the liability issues that could arise if something unfortunate should occur as did with the misappropriation of funds from the Carousel Operations.

The former Superintendent went on to say that she had not put the grant money in the custody of the Park Museum because they were not going to administer the grant project. She had only used them as a vehicle to obtain the money. She put the grant money in the care, custody and control of a Zoological Society employee because he was a landscape architect that would be implementing the landscaping project. Financial reports of the grant project were not provided to the external Park Museum nor was any consideration given as to whether the financial activity of the grant project should be reported on the Friends of the Park Museum Form 990 - Return of Organization Exempt from Income Tax.

HSNO asked the former Superintendent, in her opinion, who is responsible and accountable to the grantor for the management of the grant project, and who is responsible, liable and accountable for the safeguarding of the grant funds and the proper disbursement of those funds; is it the Friends of the Park Museum, Inc., the City of Providence, the Rhode Island Zoological Society or some other person or entity? The former Superintendent had no opinion as to who was accountable and liable to the grantor.

HSNO was informed by another source that the Friends of the Park Museum have not filed a federal form 990 for the past few years.

### **Providence Parkfriends, Inc. and Carousel Village Operations**

Providence Parkfriends, Inc., subsequently referred to as “Parkfriends”, was incorporated in 1988 in the State of Rhode Island. The former Superintendent is listed on the incorporation papers as an incorporator and director. Documents shown to HSNO indicate that for income tax purposes Providence Parkfriends, Inc. is a C Corporation, subjecting its revenues to federal and state income taxation.

Initially, the Carousel Village was operated by Parks Department personnel. At some point in time, the resulting revenues and expenditures began to be processed through the external corporate entity, “Providence Parkfriends, Inc.” What effectively occurred when this took place is that previously tax-exempt revenues generated from Carousel Village operations became subject to federal and state income taxation when subsequently processed through Parkfriends.

HSNO’s primary concern, however, is when Carousel Village financial operations flowed through Parkfriends, the corporation purchased capital assets and incurred debt. This is made clear through an application for officers’ and directors’ liability insurance, containing a balance sheet dated August 31, 1999. It identified assets including \$72,679 in equipment, a trolley worth \$88,429, and a mini-golf course valued at \$77,966. See Exhibit 27 for a copy of the Parkfriends’ balance sheet, and Exhibit 24 which contains additional information pertaining to the financial operations of the Providence Parkfriends, Inc.

HSNO discussed its concerns with the former Superintendent. She agreed that she had initiated the incorporation of the Providence Parkfriends, Inc., but didn’t remember who actually prepared and filed the incorporation paperwork. Moreover, she didn’t recall ever seeing the August 31, 1999 balance sheet, and she was not aware that the Parkfriends owned the assets

identified there. Although C corporations have stockholders who retain an interest in the corporate assets, the former Superintendent didn't believe that Parkfriends had any stockholders.

### **Cash Fund**

The Fiscal Advisor informed HSNO that a cash fund was maintained in the Department and that he managed it. He stated it was funded from miscellaneous sources of cash that on occasion were generated in the Park. He wasn't very specific in identifying those sources. He did give one example referencing the sale of scrap materials.

He further stated that no records were maintained accounting for the receipts and disbursements processed through the cash fund. He informed HSNO that the amounts of money going through the fund varied and he couldn't give HSNO an accurate figure as to the total funds flowing through the fund in an average year. There was no money in the fund at the time of the interview.

### **OTHER OFF BOOK BANK ACCOUNTS REVIEWED BY HSNO**

HSNO has reviewed a number of off book accounts for which bank statements or other documentation was provided. At the time of the writing of this report HSNO had still not received statements for a number of the accounts identified below. HSNO found during the performance of the examination that the off-book bank accounts had numerous transfers between them. The Fiscal Advisor informed HSNO that the many bank accounts were considered as one account and, therefore, if a particular account needed funds a transfer was made from an account that had sufficient monies to cover the transfer. He also advised that when a transfer was made to another account, the monies were never returned to the originating account.

Following are the findings for the remaining off-book accounts reviewed by HSNO. The information presented is based on discussions with the individuals managing the accounts, other individuals having information pertinent to the review and per HSNO's examination of the banking and supporting documentation provided.

#### **Citizens Bank: Friends of Roger Williams Park, Park Programming Account 1118-134-6**

Per HSNO's review of the Friends of Roger Williams Park, Park Programming Account number 1118-134-6, documentation indicates the account was opened in July 2002 as there was no prior balance on this statement. An initial deposit appears to have been made on July 2, 2002 in the amount of \$5,000. HSNO noted that this account had ATM withdrawals and Master Money card purchases. The account was closed on May 15, 2003 with a closing withdrawal in the amount of \$1,686.53 and three \$600 ATM withdrawals.

On October 16, 2003, HSNO met with the head of the Park Programming Department in relation to the review of Citizens Bank Park Programming Account #1118-134-6. During the discussion the Programming Director/Cultural Affairs Coordinator advised HSNO that he was unaware of the existence of this account and that it was not an account he managed.

The Programming Director informed HSNO that his department had two accounts; one was the Division of Park Programming account number 10103813 and the other was the Friends of Waterplace Park account number 10076077. He stated that neither of these accounts had ATM or Master Money card access. The Programming Director was unaware of any of the transactions in the Park Programming Account number 1118-134-6.

HSNO then approached the Fiscal Advisor regarding this account. He was aware of the account and advised that he managed it as one of the accounts authorized by the former Superintendent. The Fiscal Advisor stated that the account may have initially been opened for interest bearing purposes but he was unsure of the exact reason for opening the account. Deposits made to the account were based upon the needs of the account. The Fiscal Advisor noted that deposits going into any of the accounts he managed were not restricted to any particular account or for any specific purpose.

HSNO noted during the review that deposits to this account were from New England Lemonade, penny machine sales, rent receipts from Bella Vista Restaurant, rent receipts from Hopkins House, and other receipts including a number of unidentified round dollar deposits. Per the discussion with the Fiscal Advisor, he stated that the round dollar deposits may have been transfers from other accounts. HSNO was unable to trace any of these deposits to their source. This was due to insufficient documentation and due to the fact that there were numerous bank accounts with numerous disbursements that the monies may have been generated from.

On September 4, 2002 there was a \$30,000 deposit to this account. There was no supporting information on the bank statement identifying the source. During subsequent conversations with the Fiscal Advisor and the Deputy Superintendent, they mentioned that this deposit may have been a reimbursement from the City for removal of tree stumps.

On September 5, 2002 a \$30,000 check was issued from this account to a Providence resident as repayment of a loan for a stump grinder. In explanation of the reimbursement, HSNO was provided with a letter dated March 22, 2002 from a Providence resident. The contents indicate he made a \$30,000 payment to the Friends of Roger Williams Park on March 22, 2002. The letter further states that "these funds constitute an interest-free loan to the City of Providence to permit the buying of a stump grinder in time for this year's forestry season, without having to wait for approval of the city's upcoming budget. They are loaned subject to a letter to us and signed today by Ms. Derrig, which envisions repayment next summer, sometime during the month of July".

It is not known which account the March 22, 2002, \$30,000 loan may have been deposited to, as this account did not appear to be open at that time and the payment did not specify a particular Friends account number. Additionally, no documentation supporting the actual purchase of the stump grinder was actually produced.

HSNO identified a number of cell phone bills being paid out of this account on a monthly basis. They were for various individuals and on a corporate Nextel account. From August 2002 through February 2003 there was approximately \$7,000 in cell phone charges paid. The check stubs examined identified approximately seven individuals who apparently had personal cell

phone accounts for which they were being reimbursed. Monthly reimbursements ranged from \$40 to \$175. The corporate Nextel account initially had five phone lines and grew to 14 phone lines by the December 2002 statement and ran between \$500 and \$1,900 per month.

There were also payroll disbursements for tennis court personnel and a number of other various payments made from the account. HSNO reviewed the disbursements and identified a number of checks in excess of \$2,000 for which no supporting documentation was provided. These checks total approximately \$15,000. There was a \$4,000 payment that appears to have been made to the Botanical Center. A memo on the bank statement states "transfer of cash to Botanical Center based on numerous bounced checks and lack of funds".

HSNO asked the Fiscal Advisor regarding the closing withdrawals as outlined above. He said that most likely he made the closing withdrawals. They were probably put into a Reserve and Growth Fund he manages or they were deposited to the Park Maintenance Fund.

HSNO also noted a \$4,000 check that was issued to the Fiscal Advisor on March 25, 2002. The check was signed by both the Fiscal Advisor and the name of the former Superintendent. There is no indication as to what this payment was for. If the City wishes to pursue these items further, HSNO will be happy to do so at a later date.

**Citizens: Friends of Roger Williams Park - Park Maintenance Fund - Account Number 502-693-8**

The Park Maintenance Fund, account number 502-693-8, was opened prior to January 2001. The balance at January 2001 was \$523,392. Not all bank statements requested for the period under review were provided. No bank statements were provided subsequent to March 2002. The Fiscal Advisor informed HSNO that this account may have been closed in early 2002, but he was not sure. Per the May 2002 bank statement, this account had a \$0 balance at May 31, 2002. A closing withdrawal of \$80.72 was made on May 9, 2002. There is no indication as to who made the closing withdrawal.

The Fiscal Advisor informed HSNO that the deposits to this account also came from plant loans at the Casino, various rents, N.E. Lemonade and standard park revenues. He also advised that the Bella Vista Restaurant rents started being deposited into this account at some point when they stopped going to the Waterplace Park account. The Fiscal Advisor also informed HSNO that the Bella Vista Restaurant rent receipts were not designated for deposit in a specific account. They were deposited to whatever account was opened at the time.

As previously noted, the balance in this account at January 2001 was \$523,392. Per the conversation with the Fiscal Advisor, he indicated that in 2001 the Park received a \$500,000 grant award from the Champlin Foundation. Per the Fiscal Advisor the \$500,000 was initially deposited to this account in January 2001. HSNO noted that on January 2, 2001, a \$500,000 disbursement was made from the account. The Fiscal Advisor also mentioned that this payment may have gone to an investment account at Tucker Anthony. Work performed in other areas tends to support this information.

There was a substantial level of activity within this account as is indicated by the review of the bank statements, deposit tickets and deposit summaries provided. Many of the deposits were from various businesses and individuals. HSNO noted recurring \$5,000 monthly rent deposits from the Bella Vista Restaurant, New England Lemonade receipts and tennis rally proceeds going into this account. There were also other rent receipts coming in from properties owned by the City.

On June 19, 2001 a \$4,692 grant was received from the Rhode Island Foundation; a corresponding memo specifies that these funds were to be used for canoeing and kayaking by neighborhood groups at Mashapaug Pond. HSNO also noted two receipts from the U.S. Tennis Association for approximately \$2,900 that were deposited in May and September 2001. There was also a \$5,000 donation from Hasbro Charitable Trust that was issued to Friends of the Park Museum and subsequently paid into this account by the Museum. The payment was for a “Sensory Garden for children located in the Hasbro Boundless Playground at Roger Williams Park”. A memo from the Hasbro Charitable Trust notes that this payment was the second of three installments. HSNO found no documentation regarding the other two payments nor could HSNO identify which account(s) they were deposited to.

There were additional deposits for which no supporting detail was provided. They totaled approximately \$51,000. Of these deposits \$30,000 was recorded in round dollar amounts, such as \$5,000 on June 19, 2001 and \$8,000 on July 1, 2000. The Fiscal Advisor did not recall each specific deposit but noted that the deposits in question could have been transfers from other accounts. As previously noted transfers were made between the accounts if an account needed funding. HSNO was unable to verify the sources of these deposits based on the documentation provided to date.

As with previously noted accounts, there were numerous office supplies, maintenance expenses, and tennis court expenses paid out of this account. HSNO also noted over \$6,000 of monthly cell phone bills that were paid from June 2001 through January 2002. Information contained on the check stubs provided showed there were numerous reimbursements to more than ten individuals for cell phone charges on a monthly basis ranging from \$40 to \$190. There was also an AT&T Wireless account for “Friends of Roger Williams Park” ranging from \$76 to \$98 from June 2001 to November 2001 and there was a corporate Nextel account for “City of Providence Parks Department” ranging from \$180 to \$593 per month for three to six phone lines from November 2001 to January 2002. HSNO also noted additional cell phone reimbursements prior to June 2001. HSNO did not quantify these items as they were prior to the requested review period.

The former Superintendent was asked to explain why cell phone bills had been paid from the off-book accounts. HSNO also asked, “If cell phones had been authorized by the appropriate City individual or Committee, why weren’t the bills processed through the Parks Department Budget?”. The former Superintendent stated the cell phones were needed and the City wouldn’t provide the funding for them in the budget.

There were monthly consulting fees ranging from \$833 to \$1,000 paid to an individual for work performed throughout the Park during the period March 2001 through January 2002. These fees had previously been paid from the Greenhouse Maintenance Fund. There were also weekly

consulting payments of \$250 to another individual from November 2001 through January 2002. Supporting detail indicated they were for “assistance with Greenhouse personnel on projects within the Providence Parks Department”.

There were also payments to the Fiscal Advisor for approximately \$1,300 and \$1,500. HSNO asked the Fiscal Advisor about them. He stated that on occasion he would make purchases for the Park and that these payments were reimbursements for the costs incurred by him. One of these payments had a receipt for computer supplies.

In January 2001 there was a \$12,000 payment to Friends of Waterplace Park, noted as “rent Nov & Dec 2000”. Based upon HSNO’s conversations with the Fiscal Advisor and the Program Director, this appears to be related to the Bella Vista Restaurant building rent. It appears to be a transfer from the Park Maintenance to the Friends of Waterplace Park account.

In addition, HSNO found a \$2,000 payment to an auto body shop in July 2001. Per the conversation with the Fiscal Advisor, he believes this payment was for body repairs to the former Superintendent’s automobile. As previously mentioned, it appears this is an automobile leased for the former Superintendent by the Zoological Society. The lease and the auto insurance were paid from Concession Funds in the custody of the Zoological Society. This \$2,000 disbursement for auto body repairs appears to be an inappropriate expenditure from what HSNO understands to be City funds. See Exhibit 23 for supporting documentation to this transaction. Please see the Summary Section of the Botanical Center/Zoological Society for further information on this matter.

HSNO noted an \$8,000 payment to the East Side Floral and Antique Festival in July 2001. A letter from the Director of the Botanical Center notes that this payment was approved by the Superintendent of Parks for use to start the East Side Floral and Antique Festival and that the monies would be returned at a future date. Per the conversation with the Fiscal Advisor, he advised that any monies paid out to other accounts were never reimbursed to the originating account. However, the supporting documentation did contain a note that \$4,000 had been repaid. No documentation other than the note was found to substantiate \$4,000 was in fact reimbursed. See Exhibit 32 for copies of supporting documentation.

A \$10,000 payment to the Friends of Roger Williams Park was also identified. It was dated July 11, 2001. There was no supporting detail to determine the recipient of the \$10,000. Per the Fiscal Advisor, the disbursement was probably a transfer to another off-book account, but he was unable to identify which.

**Citizens: Friends of Roger Williams Park - Greenhouse Maintenance Fund, Account 1003-676-8**

The Fiscal Advisor informed HSNO this account was closed when there were no funds remaining in it, sometime in 2001. No bank statements were provided to HSNO for the bank account. HSNO requested copies of such from the Fiscal Advisor as well as the bank, however, at the time of the writing of this report nothing had been received. Some copies of invoices and cancelled checks were available for examination. They pertained to the years 1999 and 2000.

The Fiscal Adviser also informed HSNO this account was primarily utilized to pay expenses associated with the Park's Greenhouse.

There were miscellaneous small revenues flowing into the account, mostly from the rental of plants for Casino events, donations, exhibits, education classes, etc. The Fiscal Advisor acknowledged consulting fees were paid from this account to the Director of the Botanical Center and to an external consultant referenced as an Education Program Coordinator. HSNO was not provided with enough information to make a determination if the consulting fees were appropriate expenditures from the account.

During the review of the Greenhouse invoices and check copies, HSNO did not find any payments to the Education Program Coordinator in 1999 and 2000. However, HSNO did come across some information that showed the Education Program Coordinator was paid from this account until February 2001 and subsequently received payments until January 2002 from the Park Maintenance Fund, account number 502-693-8.

In addition, HSNO noted that the Director of the Botanical Center was also paid a \$1,500 consulting fee from this account. See Exhibit 33 for a copy of a Memo dated May 17, 2000 from the Director of the Botanical Center to Nancy Derrig re: "fees for flower show consultation". Also see Exhibit 33 for a copy of the check. During HSNO's discussion of the matter with the Director of the Botanical Center, he advised HSNO that he did receive \$1,500 for services he provided to the Flower Show. The services rendered were for purchasing, research and setting up of the Flower Show. He informed HSNO that he did not receive any other fees for his services to the Flower Show. The Director of the Botanical Center also informed HSNO that he was not aware of the Greenhouse Maintenance Fund account or where he was paid from. The Director of the Botanical Center also acknowledged he did not receive a federal Form 1099 for the fee he was paid.

HSNO's review of the available documentation also indicated that revenue and expenditures related to the Preview Party Flower Show, subsequently referred to as the PPFS, were also processed through this account. HSNO found no indication that the PPFS is/was an incorporated entity in the State of Rhode Island. HSNO does not know whose money the PPFS funds flowing through the account belonged to, whether this was a City activity and City money, or otherwise. HSNO believes a legal interpretation of the PPFS's background and activities is necessary to determine if the PPFS is a City activity and who owns the assets of such, and who is liable for its debts and actions.

HSNO asked the former Superintendent what the relationship was between the PPFS and the City. She responded that the Preview Party Flower Show is a charity fund raiser put on for the benefit of the Botanical Center and the revenue generated is not City money, it is for the Botanical Center.

Due to the fact that PPFS funds which allegedly are not City funds were processed through this account, HSNO cannot make a determination if the consulting fee paid to the Director of the Botanical Center is an appropriate expenditure from the Greenhouse account. If the PPFS revenues are not City monies and if the \$1,500 consulting fee was paid from PPFS money, then the appropriateness of this expenditure may not be a City issue.

HSNO also asked the former Superintendent why PPFS financial transactions were initially processed through the Greenhouse Maintenance Fund Account. She stated that initially PPFS revenues were going to be used for significant repairs to the Block House. However, she didn't know if the repairs were paid from the Greenhouse Maintenance Account or if the money went to the Botanical Center and the repairs paid from there.

In addition to the above, HSNO asked the former Superintendent if City employees had been utilized in putting on the PPFS. She stated they were not.

### **Citizens, PPFS, Business Partners Savings, 53-401880**

PPFS stands for "Preview Party Flower Show." It is HSNO's understanding that the Preview Party Flower Show is an event that is put on the day before the Rhode Island Spring Flower and Garden Show opens. It is a revenue generating event. As has been previously reported, some PPFS financial activity was also processed through the Greenhouse Maintenance Fund.

The Fiscal Advisor told HSNO that this account was established for the Flower Show. The Flower Show lost money every year and the Park Maintenance Fund paid the expenses that the Flower Show could not cover. Per the Fiscal Advisor, this account was closed in June 2001.

It should be noted that the Flower Show referred to by the Fiscal Advisor is an external, independent, corporate entity not owned by the City of Providence. Therefore, it appears to HSNO that any City monies disbursed to, or expended on behalf of the Flower Show from the Park Maintenance Fund, the Greenhouse Maintenance Fund or from PPFS activities, if the PPFS is deemed a City function, may have been inappropriately disbursed.

The only bank statements provided for the PPFS (Preview Party Flower Show) Savings Account were from April 2001 through July 2001. The account had a \$0 balance at June 2001. HSNO requested the bank statements and supporting documentation for the period under review and/or for the last two years the account was active but HSNO was only provided what was noted.

### **Citizens: PPFS, Business Partners Checking II, 1109-170-3**

The Fiscal Advisor informed HSNO that this account, as well as other accounts, was set up for the benefit of the Botanical Center.

The PPFS (Preview Party Flower Show) Checking account number 1009-170-3 appears to have been opened on November 15, 2000 with a \$1,340 transfer from the Park Maintenance Fund. This account was closed on August 3, 2001 with a final withdrawal of \$3,434. Per the Fiscal Advisor, the \$3,434 went to the Botanical Center.

During the review of the bank statements and related documents provided (check copies, invoices, deposit summaries), HSNO noted there were a number of receipts and disbursements to and from various entities, such as:

- A \$12,000 payment on January 22, 2001 to the RI Zoological Society for an individual's salary reimbursement,
- A \$2,500 donation from the RI Zoological Society on February 7, 2001,
- A \$7,545 receipt from Friends of the Park Museum on March 5, 2001 (notation states Flower Show Tickets),
- A \$15,845 payment on March 22, 2001 to the Friends of Roger Williams Park Botanical Center account number 1109-167-3.

HSNO also noted a document that references \$14,000 in loans from the 2000 Flower Show proceeds that were paid out in 2000. One of these included a \$1,500 loan from the Greenhouse Maintenance Fund to pay consulting fees for services rendered by the Director of the Botanical Center in relation to the Flower Show. The Director of the Botanical Center was subsequently issued a check in May 2000 from the Greenhouse Maintenance Fund account 1003-676-8. HSNO has commentary on this transaction under the Greenhouse Maintenance Fund portion of this report. It was reported to HSNO that the \$1,500 may not have been repaid to the Greenhouse Maintenance Fund.

Documents provided HSNO indicate that deposits made to this account were from sales of tickets, raffle tickets, and donations from various individuals and businesses for the Preview Party "2001 Rhode Island Spring Flower & Garden Show" to benefit the Botanical Center. Most donations noted were under \$500. There were also a few donations of \$1,000 and greater. The Convention Center of Providence made a \$7,500 donation in February 2001 that appears to have been deposited directly to the Botanical Center. There was insufficient documentation to determine exactly where this deposit was made. There was also a \$4,500 receipt from the Convention Center that was deposited to this account in February 2001.

Per the conversation with the Fiscal Advisor, disbursements from this account were for Flower Show expenses and consulting services; any remaining monies went to the Botanical Center. Based upon the results of the review of the information provided, this appears to be a fair evaluation of the financial activity processed through the account.

**Citizens: Friends of Roger Williams Park - Park Improvement Account, 1118-155-9**

The Citizens Bank Friends of Roger Williams Park, Park Improvement Account number 1118-155-9 was open prior to January 2002, but no bank statements prior to January 2002 were provided. Bank statements subsequent to December 18, 2002 were also not provided. At January 2002 the account balance was \$1,000 and at December 18, 2002 the balance was \$0. The account may have been closed at this point, but HSNO has no information to indicate its current status. The missing bank statements have been requested but to date have not been provided.

The Fiscal Advisor informed HSNO that no specific receipts were designated for deposit to this account. Receipts came in from lemonade sales, tennis proceeds, Casino rents and rents from properties owned by the Park/City. He also advised HSNO that a \$25,000 donation from RIPTA for the Bagnotti Fountain project went into this account. Per the Fiscal Adviser, expenses paid out of this account were for maintenance expenses, consulting expenses for the Education

Consultant, cell phone expenses, expenses for events at Waterplace Park, and other miscellaneous expenses.

HSNO was provided with bank statements from January 19, 2002 through September 19, 2002 and copies of checks, check stubs and some deposit summaries. Per the review, HSNO noted various types of deposits to this account from various individuals and organizations and confirmed receipts from New England Lemonade, rent receipts and a \$24,900 payment from RIPTA on April 8, 2002. (This appears to be an additional payment from RIPTA for the Bagnotti Fountain project. The Fountain donations provided are outlined under the Park Improvement Fund account number 13518747 of this report.)

Disbursements were paid for tennis court expenses, tennis payroll, office supplies, various cell phone bills and a \$51,300 payment to the Contractor of the Fountain project on March 1, 2002. HSNO did not perform any work in order to make a determination if donated RIPTA monies were in fact expended for the Foundation.

HSNO's examination of the bank statements provided indicated there were a number of checks paid out of this account for which no supporting detail was available for review; that is, no check stubs, cancelled checks or invoices. HSNO spoke with the Fiscal Advisor regarding these payments, but he was not sure what the payments were for, and advised HSNO that they may have been transfers to other accounts. The checks in question range from \$1,300 to \$10,000 and total approximately \$49,463. HSNO requested copies of missing bank statements prior to the review of the documentation provided however they were not received.

From February 2002 through August 2002 there was over \$5,000 in cell phone charges paid from this account for various individuals and for a corporate Nextel account. Per check stubs reviewed, HSNO noted approximately ten individuals that had monthly reimbursements for cell phone charges ranging from \$30 to \$182. There was also a corporate Nextel account for "City of Providence Parks Department" for approximately six phone lines. Monthly bills ranged from \$420 to \$627.

#### **Citizens: Friends of Roger Williams Park - Business Partners Money Market, 1206-821-7**

Citizens Business Partners Money Market account number 1206-821-7 appears to have been opened on March 19, 2001 with an opening deposit of \$96,192.87. The account was closed on August 6, 2001 with a closing debit of \$10,172.92. Supporting detail and documentation for this account was not provided. Per the Fiscal Advisor, if any of the accounts had extra money sitting in them he would periodically transfer those monies into investment or money market accounts in order to take advantage of higher interest rates; as was the case with this account.

The Fiscal Advisor stated this account may have been opened to take advantage of higher interest rates and that the opening deposit may have come from a savings account. He could not remember the exact transaction or account. He also thought that other deposits to this account may have been transfers in from other accounts. HSNO noted that \$10,000 was deposited on June 26, 2001, \$5,000 was deposited on July 24, 2001, and another \$5,000 was deposited on August 3, 2001. There was no documentation provided indicating where these deposits came from.

There was a debit memo/withdrawal in the amount of \$90,000 on May 22, 2001 and there was a closing withdrawal on August 6, 2001 in the amount of \$10,172.92. Per the Fiscal Advisor these withdrawals were both deposited to Citizens Money Market account number 11070439 but per HSNO's review of the bank statements this account appears to have been opened on January 4, 2002 with a \$92,587.53 deposit. The bank statements for 2002 were not provided until after HSNO's field work had ended.

HSNO was able to verify that a \$5,002.65 withdrawal on May 23, 2001 was deposited to the Park Maintenance Fund account number 5026938, as indicated by the Fiscal Advisor. The Fiscal Advisor stated that a July 11, 2001 withdrawal in the amount of \$8,000 may have been a payment to ConservArt. However, no documentation has been provided showing where this disbursement went. No additional work was performed to determine the disposition of these funds.

**Citizens: Friends of Roger Williams Park, Business Partners Money Market, Account Number 1546-376-1**

The Fiscal Advisor told HSNO this account was opened in the summer of 2003. He references the account as the "Reserve and Growth Fund". Per the Fiscal Advisor, monies flowing into the account came from other accounts such as Money Market account 1107-043-9. This account was opened in hopes of accumulating cash with a target of \$100,000 by the end of 2003.

HSNO reviewed the bank statements from its inception in May 2003 through August 2003. The account was opened on May 30, 2003 with an opening "cash" deposit of \$5,414. In June there were three round dollar "cash" deposits: \$9,900, \$8,000 and \$4,500. The deposit tickets provided with the bank statements did not indicate the source of the "cash" deposits. The only activity in July and August 2003 was interest. There were no disbursements noted. At August 31, 2003 the account had an ending balance of \$27,891. HSNO did not attempt to determine the source of the deposits. If the City wishes to do so, HSNO will be pleased to address it at a later date.

**Citizens: Friends of Roger Williams Park - Business Partners Money Market, 1107-043-9**

The specific purpose of this account was not provided. This account appears to have been opened on January 4, 2002 with a \$92,587.33 deposit. The ending balance in August 2003 was \$45,341. Bank statements from January 2002 forward were provided for HSNO's examination.

In October 2003, the Fiscal Advisor was questioned regarding this account. At that time, HSNO only had bank statements from January 2003 forward. HSNO has since been provided with bank statements from January 2002 through December 2002. HSNO noted during the review of the 2002 bank statements there were several large transactions during 2002 that HSNO did not have an opportunity to discuss with the Fiscal Advisor. As noted above, during the October 2003 conversation with the Fiscal Advisor he stated that he believed this account was opened in May 2001 with a \$90,000 deposit that came from Money Market account number 12068217. He also stated that another deposit of \$10,172.92 was deposited to this account in August 2001 from the same money market account. However, per the January 2002 bank statement for this account, it

appears this account was opened on January 4, 2002 with a deposit of \$92,587.53. HSNO did note withdrawals of \$96,582.65 in May 2001 and \$10,172.92 in August 2001 from money market account number 120682317 but it is not clear where those withdrawals were deposited to because this account does not appear to have been open at that time.

The bank provided monthly bank statements and copies of deposit and withdrawal slips for transactions in 2002. HSNO noted numerous round dollar deposits and withdrawals to and from this account in 2002. Many of the debit memos were either signed by the Fiscal Advisor or noted to be per the Fiscal Advisor; others did not clearly specify who made the transaction.

There was nearly \$80,000 in round dollar withdrawals made out of this account in 2002; mostly in the form of debit memos. There were five withdrawals noting transfers to other accounts. A July 2002 debit memo notes "open new acct# 1118-134-6". There were also three other \$5,000 transfers to the 1118-134-6 account (Park Programming account) from August 2002 through December 2002. There was a \$1,000 debit memo noting "transfer into 1118-155-9" and \$7,500 in transfers to unspecified accounts. HSNO also noted a \$30,000 debit memo on September 4, 2002 that only notes per the Fiscal Advisor. There is no further detail as to the specifics of this transaction. A withdrawal in the amount of \$10,000 was made on September 30, 2002. It appears to be signed by the Fiscal Advisor and notes "per cust. request". There is no further detail as to where these funds went.

HSNO noted deposits to this account from Bella Vista Restaurant and checks deposited to this account from Park Improvement Fund 1118-155-9. There were two \$10,000 deposits in May and June 2002 and a \$7,500 deposit in July from the Park Improvement Fund. There was also a \$30,000 deposit from The Northern Trust Company to the Friends of Rogers Williams Park. There is no detail as to why this deposit was received. HSNO suggests further inquiry as to the specifics of this deposit.

HSNO noted a number of round dollar withdrawals from this account in 2003 for which no supporting documentation was provided. They are as follows: \$20,000 on March 4, 2003, \$4,000 on March 25, 2003, \$5,000 on May 8, 2003 and \$20,000 on June 12, 2003. The Fiscal Advisor informed HSNO that the March 4, 2003, \$20,000 disbursement was for the Tennis program to open the courts and the \$20,000 payment on June 12, 2003 may have gone to pay a large unspecified bill. He also mentioned that if there was money in this account that was not needed for a specific purpose, large balances would be forwarded to a Reserve and Growth Fund. Based on the documentation provided, HSNO has been unable to verify these transactions.

The Fiscal Advisor noted that deposits to this account were from what he called "standard deposits" and there was no grant or large donation that came into this account. There were some substantial amounts of money processed through this account, and there is little in the way of supporting documentation or specific recall to aid in developing an accounting as to what occurred in relation to this account. City Officials may want to consider having this account looked into further.

## **OTHER FRIENDS OF ROGER WILLIAMS PARK ACCOUNTS**

HSNO was provided with either minimal or no supporting detail for the Friends of Roger Williams Park accounts that follow. The missing documentation was requested, however, it was not provided. Following are observations pertaining to the examination of the information that was submitted.

### **Citizens: Friends of Roger Williams Park - Business Partners Savings, 53-901328**

Bank statements were received only for the months of August 3, 2001 through December 2001 for the Citizens Bank, Friends of Roger Williams Park, Savings account number 53-901328. The opening balance on the August 2001 bank statement was \$0. The ending balance on the December 2001 statement was \$14,249.18. Per the conversation with the Fiscal Advisor, he stated this account may have been closed to open a money market account.

HSNO observed a few transactions in this account which were discussed with the Fiscal Advisor. There were three deposits totaling \$20,673 from August 3, 2001 through December 2001. The Fiscal Advisor said these deposits may have been from rents or donations, but he was not sure.

HSNO also observed the following round dollar disbursements: a \$2,500 transfer on August 8, 2001 and two withdrawals on December 24, 2001 for \$1,000 and \$3,000. Per the Fiscal Advisor, these withdrawals were year-end tennis expenses or tennis payroll. It appears somewhat odd that tennis payroll and expenses would be paid in December when tennis activities had most likely ceased at the end of the summer.

HSNO requested monthly bank statements and cancelled checks from January 2002 through June 2003, however, they had not been provided at the time of the writing of this report.

### **Citizens: Friends of Roger Williams Park - Park Maintenance Fund - Performance Investment, Account 42-506966**

The only bank statements received by HSNO for the Friends of Roger Williams Park, Park Maintenance Fund, number 42-506966, were from January 2001 through March 2001. Per Citizens Bank, the account was closed on March 19, 2001.

HSNO identified a \$20,000 deposit on February 21, 2001. Per the Fiscal Advisor, the deposit may have been from the various revenues that are generated in the Park. There was an \$84,439.57 withdrawal on March 19, 2001. Per the Fiscal Advisor, this was probably a closing withdrawal that went into another account, but he was not sure where the deposit went to. HSNO requested bank statements and supporting documents for the period under review to further examine the transactions processed through the account, but to date they have not been provided.

No additional work was performed by HSNO. If the City should like to pursue further investigation into the account, HSNO will be happy to do so at a later date.

**OTHER BANK ACCOUNTS REVIEWED (DO NOT CONTAIN “FRIENDS OF ROGER WILLIAMS PARK” IN THEIR TITLE)**

**Citizens: Park Maintenance Account - Business Partners Checking II, 1413-797-6**

Per the Fiscal Advisor, this account replaced a Park Improvement account. He indicated it may have been the Park Improvement Account number 1118-155-9. The Park Improvement Account number 1118-155-9 may have been closed in September 2002 as it had a negative balance at that time. The 1118-155-9 account had similar transactions as the transactions as those processed in this Park Maintenance Account number 1413-797-6.

Information reviewed indicated the Park Maintenance account number 1413-797-6 may have been opened on December 4, 2002 with a \$2,500 deposit. The account was still open as of August 2003 and had a balance of \$10,391.

HSNO was provided with bank statements from December 2002 through August 2003, as well as check stubs, invoices and some deposit information. HSNO noted this account had ATM and Master Money card transactions. The Fiscal Advisor stated that the former Superintendent authorized ATM cards so that employees did not have to pay for Park expenses with their personal funds or credit cards. The establishment of an impress fund (petty cash) could have eliminated the need for ATM cards.

HSNO noted that some of the receipts coming into this account were from monthly rent payments from the Bella Vista Restaurant in the amount of \$5,400, and monthly rent receipts in the amount of \$200 for rent at 97 Admiral Street in Providence. There were also proceeds from New England Lemonade and revenues from Tennis leagues. There were some monies received from the Botanical Center ranging from \$96 to approximately \$500 for a total of \$1,648. Please be advised that not all deposit information for the period under review was provided. There was a \$20,000 deposit on March 4, 2003 for which no supporting information was provided.

From February 2003 forward there were small recurring payments, approximately \$200, to different individuals for Tennis payroll. There were also cell phone bills being paid out of this account, tennis expenses, office supplies, maintenance expenses for the Fleet Center and Hasbro's Children's Playground.

From February 2003 through September 2003 there was over \$8,000 in cell phone charges paid for various individual accounts and for a corporate Nextel account that had fifteen phone lines. The Nextel bill ranged from \$800 to \$1,000. HSNO noted approximately six individuals that were reimbursed on a monthly basis for cell phone charges ranging from \$35 to \$62.

HSNO noted in April 2003 there was a total of \$2,300 in ATM withdrawals. They were made on different dates. A handwritten message on the bank statement states, "\$2,303 not needed being returned". The Fiscal Advisor informed HSNO there were two \$2,300 withdrawals that were made to cover the Botanical Center expenses. He further stated \$4,600 was deposited to a Reserve and Growth Fund account and \$2,300 had to be paid to Home Depot. HSNO observed only \$2,300 in ATM withdrawals during April 2003, not \$4,600.

HSNO was not able to trace the \$4,600 transactions in April to inclusion in the Reserve and Growth Fund (also referenced as Money Market account number 1546-376-1) as this account was not opened until May 30, 2003 as noted above.

The Fiscal Advisor also told HSNO that no one receiving compensation paid from this account was issued a federal form 1099 or W-2. This is the situation with compensation being paid out of any of the other off-book accounts as well.

**Citizens: Park Improvement Fund - Business Partners Money Market 1351-874-7**

HSNO was informed by the Fiscal Advisor that this account was used solely for the restoration of the Fountain. He told us the project was approved by the Board of Contract and Supply and was funded solely by donations. Per the Fiscal Advisor, the Fountain is located in Kennedy Plaza.

Information reviewed indicates this account may have been opened on December 15, 2000 with a deposit of \$188,327. The project had a budget of \$250,000 with estimated donations of \$275,000. Per documentation provided by the Deputy to the Superintendent, the Fountain renovation project received the following donations:

Organization	Date	Amount	Deposited to account
RISD	Unclear	\$ 2,500	Undetermined
RI Foundation	May 11, 2000	\$ 5,000	Undetermined
Ballou Littlefield Foundation	June 8, 2000	\$ 10,000	Undetermined
Champlin Foundation	December 14, 2000	\$132,500	Appears to be 13518747
RIPTA	December 14, 2000	\$ 24,900	Appears to be 13518747
RIPTA	April 13, 2001	\$ 25,000	Undetermined
<b>Total donations</b>		<b><u>\$199,900</u></b>	

It appears possible that the \$157,400 in donations received on December 14, 2000 came into this account as part of the deposit of \$188,327 on December 15, 2000. Where the additional \$30,000 deposit on December 15, 2000 came from was not identified. If the City would like to inquire further regarding the additional monies received, HSNO will be pleased to do so at a future date.

HSNO also noted that a \$24,900 donation from RIPTA was made to Friends of Roger Williams Park, Park Improvement Account number 1118-155-9 on December 14, 2000. The deposit summary had a memo of “Bajnotti Fountain”.

This account was closed on March 1, 2002 with a final withdrawal of \$44,901. Per the Fiscal Advisor, this account may have been closed in March 2002 for many reasons, but by that time the renovation project was over. The \$44,901 appears to have gone to the Park Improvement Account number 1118-155-9 on March 1, 2002. A \$50,300 disbursement was then made from 1118-155-9 to the Project Contractor on March 1, 2002.

HSNO reviewed bank statements, copies of checks and invoices provided for this account. Per the review, it appears that this account was used solely for the Fountain project.

**Citizens: East Side Floral & Antique Show, Business Partners Checking I, 1118-168-0**

The Director of the Botanical Center informed HSNO this account was established by the former Superintendent. It was for fundraising for the Botanical Gardens and for public relations and marketing uses. This account appears to have been opened on June 5, 2001 with an opening deposit of \$500. At June 2003, the balance in this account was \$224.22.

Per the Director, he was responsible for managing this account. The account supports an annual exhibit that is shown on Blackstone Boulevard in Providence. Monies flowing into the account came from Exhibitors fees and Attendee admittance revenues. Disbursements were for rentals, tents, equipment and temporary labor. The account was closed around the spring or summer of 2003. This activity is now being processed through a non-profit Botanical Center account, number 11091673.

Per the review of the bank statements and deposit information provided for this account, HSNO noted that receipts for 2001 and 2002 were primarily from booth deposits, fees and ticket revenues.

HSNO noted a number of disbursements to various individuals and businesses. Expenses paid out of this account appeared to be Exhibit related and were for items such as office supplies, printing services, design and installation of a showcase garden, purchase of antique furniture, temporary fencing, etc. HSNO also noted a number of individuals being paid out of this account. The Director of the Botanical Center informed HSNO there was payroll paid from the account and all individuals received either 1099's or W-2's for the compensation received. HSNO did not confirm this. HSNO also noted a number of payments to the Director of the Botanical Center noted as reimbursements.

In reviewing the documentation provided for the account, HSNO observed a number of payments and transactions to and from various entities and accounts as follows:

- HSNO identified a receivable on June 20, 2001 due from the Rhode Island Zoological Society in the amount of \$2,500 noted as a "sponsorship" per a 2001 register report. A copy of a check provided with the bank statement shows a \$2,500 payment made by the Rhode Island Zoological Society to this account on June 20, 2001.
- There was an \$8,000 payment made to this account from the Park Maintenance Fund account number 502 593 8 on July 11, 2001.
- There was a copy of a check from the Friends of Roger Williams Park, Botanical Center account number 1109 1673 for a payment made to this account in the amount of \$471 dated October 16, 2001.
- There was also a copy of a check from Friends of the Park Museum account number 1003 673 3 for a payment made to this account in the amount of \$3,754.72 dated November 7, 2001 noted as "mastercard sales"

- HSNO also noted that in May 2002 the Rhode Island Zoological Society made a \$5,000 payment to this account, noted as "sponsorship" on "2002 Register Report". \$2,500 was then paid to Roger Williams Park Botanical Center noted as reimbursement.
- HSNO also noted that a \$3,580 payment was received in this account from the Friends of the Park Museum account number 10036733, noted as "reimbursement for East Side Floral" in November 2002. Per the conversation with the Director of the Botanical Center, he was unsure what the reimbursement was for.

HSNO would find it of interest to know if the payments from the Rhode Island Zoological Society to the East Side Floral and Antique Show identified in this section were funded from Concession and/or Restricted Coca Cola Fund monies.