

MARYLAND-NATIONAL CAPITAL PARK & PLANNING COMMISSION

**Private Purpose Trust Funds Audit
Report Number: CW-008-2015**

June 29, 2015

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Private Purpose Trust Funds

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I. EXECUTIVE SUMMARY

A. Background

The Maryland-National Capital Parks and Planning Commission (Commission) administers Private Purpose Trust Funds for Prince George's County and Montgomery County. The Private Purpose Trust Funds, which are fiduciary, include Employee Funds and Advanced Land Acquisition Funds.

The purpose of the Employee Fund is to account for and expend revenues to benefit employees and enhance overall employee morale. For example, revenues are expended on retirement parties, staff luncheons, holiday parties and expressions of sympathy. Revenue deposited into the funds is generated from the proceeds of employee used vending machines and employee activities such as raffles and donations.

The purpose of the Advanced Land Acquisition Fund is to purchase and acquire land within the two counties for other government entities. For example, the Commission may acquire land for specific public uses such as schools, libraries, parks and roads. The Commission derives its authority from the Land Use Article, promulgated by the State of Maryland's legislative body, the General Assembly. In 2012, the Maryland General Assembly repealed Article 66B and Article 28, and replaced it with the Land Use Article.

B. Scope, Objectives, and Methodology of the Audit

Objective: The purpose of the audit was to perform a *limited review* of the funds and evaluate the system of internal controls.

Scope: The scope of the audit included, but was not limited to, the following audit procedures:

- Reviewed applicable Commission practices, policies and procedures, and the Land Use Article (Title 18, sections 401-404);
- Interviewed staff responsible for maintaining the funds; and
- Reviewed fund revenue and expense transactions for reasonableness.

The audit was conducted in accordance with the *U.S. Generally Accepted Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The audit covered the period from July 1, 2014 through April 30, 2015.

C. Major Audit Concern

The results of our evaluation and testing procedures indicated no major audit concerns.

D. Overall Conclusions

The results of our evaluation and testing procedures indicate no major weaknesses in the design or operation of internal controls for the Private Purpose Trust Funds. On an overall basis, we consider the controls to be satisfactory.

We believe all weaknesses identified and communicated are correctable and that management's responses to all recommendations satisfactorily address the concerns. It is the responsibility of management to weigh possible additional costs of implementing our recommendations in terms of benefits to be derived and the relative risks involved.

We wish to express our appreciation to the Department of Finance-Accounting Division management and staff for their cooperation and courtesies extended during the course of our review.



Renee M. Kenney, CPA, CIA, CISA
Chief Internal Auditor

June 29, 2015

Conclusion Definitions

Satisfactory	No major weaknesses were identified in the design or operation of internal control procedures.
Deficiency	A deficiency in the design or operation of an internal control procedure(s) that could adversely affect an operating unit's ability to safeguard assets, comply with laws and regulations, and ensure transactions are properly executed and recorded on a timely basis.
Significant Deficiency	A deficiency in the design or operation of an internal control procedure(s) which adversely affects an operating unit's ability to safeguard assets, comply with laws and regulations, and ensure transactions are properly executed and reported. This deficiency is less severe than a material weakness, yet important enough to merit attention by management.
Material Weakness	A deficiency in the design or operation of an internal control procedure(s) which may result in a material misstatement of the Commission's financial statements or material impact to the Commission.

II. DETAILED COMMENTARY AND RECOMMENDATIONS

1. Strengthen Controls Over Revenue Deposited Into Employee Funds

Issue: The Montgomery County Park Police deposited [REDACTED] into its employee fund on August 14, 2014. The proceeds were generated from online auction sales of property executed by the contracted vendor, PropertyRoom.Com.

Only private revenue generated from Commission employees should be deposited into employee funds, because the revenue is expended on employee activities. Proceeds generated from the auction sale of evidence room property represent public revenue.

Criteria/Risk: Policies and procedures changes, effective December 2011, provided operational guidelines for managing employee funds, including appropriate sources of revenue. The expenditure of non-employee generated revenue on employee activities may lead to negative publicity and reputational risk to the Commission.

Recommendation: The Office of Internal Audit recommends the following:

- Management should provide refresher training to all bi-county staff responsible for the administration of employee funds; and
- During the interim, distribute a written notice emphasizing the appropriate source and type of revenue eligible for deposit into the funds.

Issue Risk: Medium

Management Response: Management concurs with the recommendations and will distribute a written notice which explains the appropriate use of the employee funds to all who are responsible for administering these funds. A training curriculum will be developed and offered periodically.

Expected Completion Date: December 2015

Follow-Up Date: January 2016