

MARYLAND-NATIONAL CAPITAL PARK & PLANNING COMMISSION

**Montgomery County Department of Parks
Enterprise Division
Cabin John Ice Rink and Wheaton Ice Arena**

Facility Audit

Report Number: MC-006-2015

June 23, 2015

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Cabin John Ice Rink and Wheaton Ice Arena

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I. EXECUTIVE SUMMARY

A. Background

The Enterprise Division within Montgomery County Department of Parks manages the operation of 20 distinct facilities that are entirely or primarily funded through user fees and other non-tax revenue sources. These facilities include the ice rinks, tennis centers, event centers and a number of park facilities such as the trains, boat rentals, campgrounds, splash-parks, mini golf courses and a carousel.

Cabin John Ice Rink, located in Cabin John Regional Park in Rockville, Maryland, is one of two indoor skating facilities in Montgomery Parks. The facility offers a wide range of ice skating and ice hockey classes, camps, special events and skating exhibitions. Also, public skating sessions are offered daily. The facility is open year-round and features three ice rinks, a dance studio and three party rooms. Additional features include a Pro Shop offering skating and hockey equipment, apparel, skate sharpening and repair services. The Snack Bar offers refreshments and snacks, and the facility also provides free Wi-Fi access to customers.

Wheaton Ice Arena, located in Wheaton Regional Park in Wheaton, Maryland, is also an indoor skating facility in Montgomery Parks. The facility is open year-round, offering numerous activities to the public similar to Cabin John Ice Rink. Features include an NHL size ice skating rink, the Wheaton Workout Center and two party rooms. Additional features include a Pro Shop offering skating and hockey equipment, apparel, skate sharpening and repair services. The Snack Bar offers refreshments and snacks, and the facility also provides free Wi-Fi access to customers.

B. Scope, Objectives, and Methodology of the Audit

Objective: The purpose of the audit was to perform a comprehensive review of both facilities 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;
- Performed cash counts and reconciled petty cash and change funds;
- Generated ParkPASS reports and verified bank deposits reconcile with cash receipts transactions;
- Selected a sample of purchase card transactions and verified proper authorization and appropriate purchases;
- Interviewed managers to obtain understanding of procedures used for scheduling, tracking and reporting employees' time;
- Interviewed staff responsible for completing annual fixed and controlled assets inventory;
- Reviewed resale inventory and fiscal year-end reports pertaining to Pro Shops and Snack Bars;
- Reviewed a sample of facility rental agreements; and
- Verified facility managers' current certifications for supervising Snack Bar food service (i.e., Food Protection Manager Certification).

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 01/02/14 through 12/31/14.

C. Major Audit Concerns

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 Montgomery County Ice Rinks, namely the Cabin John Ice Rink and Wheaton Ice Arena. 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 Cabin John Ice Rink and Wheaton Ice Arena 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 23, 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 – CABIN JOHN ICE RINK

1. Strengthen Controls over the Petty Cash and Change Funds

Issue: Review of the petty cash and change funds resulted in two exceptions:

- The custodian does not replenish the petty cash fund timely. The Office of Internal Audit (OIA) reviewed documentation for four check requests submitted to the Department of Finance during 2014 for reimbursement. The facility's authorized petty cash fund is \$500. Each of the four requests showed that the remaining petty cash fund balance was well below the recommended threshold of 50%. See the following table:

Check Request Date	Check Request Amount	Percentage of Fund Depleted
03/25/14	\$ [REDACTED]	93.2%
05/28/14	\$ [REDACTED]	91.5%
08/21/14	\$ [REDACTED]	98.9%
01/01/15	\$ [REDACTED]	99.9%

- The Petty Cash Custodian Form should be updated to reflect the correct amount of the facility's change fund as indicated in the Department of Finance's records. The records show that the facility's change fund is [REDACTED] but the form, completed and dated as of 09/29/14, indicates an erroneous change fund amount of [REDACTED]. During the surprise cash count, the OIA counted and verified the change fund amount of [REDACTED].

Criteria/Risk: Commission Practice 3-11, *Administration of Cash Funds*, indicates that one of the duties of custodians is to "Replenish the fund at appropriate intervals for efficient administration." In addition, the Petty Cash Custodian Form requires the correct dollar amounts of all funds.

Recommendation: Management should ensure that petty cash funds are replenished at regular intervals. The OIA recommends replenishment when funds on hand equal approximately 50% of the total authorized fund. Management should correct the change fund amount on the Petty Cash Custodian Form and submit it to the Department of Finance.

Issue Risk: High

Management Response: Concur.

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Petty Cash - Corrective actions were immediately taken. Staff has been reminded of the policy and will comply.

Change Fund – Updated forms have been completed and sent to the Department of Finance to be put on file.

Expected Completion Date: Completed

Follow-Up Date: July 2015

III. DETAILED COMMENTARY AND RECOMMENDATIONS – WHEATON ICE ARENA

1. Strengthen Controls over the Petty Cash Fund

Issue: Review of the petty cash fund resulted in three exceptions:

- [REDACTED]
- The custodian does not replenish the petty cash fund timely. The OIA reviewed documentation for two check requests submitted to the Department of Finance during 2014 for reimbursement. The facility's authorized petty cash fund is [REDACTED]. Each of the requests showed that the remaining petty cash fund balance was well below the recommended threshold of 50%. See the following table:

Check Request Date	Check Request Amount	Percentage of Fund Depleted
02/28/14	[REDACTED]	88.7%
06/23/14	[REDACTED]	99.6%

- Check request documentation for petty cash reimbursement sent to the Department of Finance on 06/23/14 showed that two employees were reimbursed for sales tax paid to Maryland vendors. Although the sales tax amounts were small, employees are required to present the Sales and Use Tax Exemption Certificate when making purchases on behalf of the Commission. See the following table:

Vendor	Receipt Date	Amount of Tax Paid
[REDACTED]	02/11/14	\$.70
[REDACTED]	04/18/14	\$.33

Risk/Criteria: Commission Practice 3-11, *Administration of Cash Funds*, addresses "required security provisions for safekeeping the fund." Failure to adequately secure petty cash increases the risk of theft.

Commission Practice 3-11, *Administration of Cash Funds*, indicates that one of the duties of custodians is to "Replenish the fund at appropriate intervals for efficient administration." In addition, the state of Maryland has provided the Commission with the Sales and Use Tax Exemption Certificate. Failure to present the certificate to obtain the exemption is a waste of Commission resources.

Recommendations: The OIA recommends the following practices:

- The custodian should [REDACTED]
- Management should ensure that petty cash funds are replenished at regular intervals. The OIA recommends replenishment when funds on hand equal approximately 50% of the total authorized fund.
- Management should ensure that all employees are aware of the Commission's tax exempt status provided by the state of Maryland. Employees should always present the Sales and Use Tax Exemption Certificate to vendors when making purchases on behalf of the Commission. If a vendor refuses to accept the certificate, employees should write the details on the Received of Petty Cash form or sales receipt. The custodian should not reimburse employees for unnecessary taxes paid to vendors.

Risk: High

Management Response: We will comply with all recommendations.

- [REDACTED]
- Petty cash funds will be replenished at 50% or every 3 months, whichever comes first.
- Employees have been reminded that all purchases must be tax exempt. The custodian has been advised to pay closer attention to receipts. The approver will also be reminded to closely review receipts before signing off on them. In regards to the two receipts noted: one had a 10% discount applied in lieu of removing the tax. The employee was informed that this is not an acceptable alternative. The other was turned in by an employee of another Enterprise facility. Going forward only receipts for Wheaton facilities will be accepted.

Expected Completion Date: Completed

Follow-Up Date: July 2015

2. Maintain a Current Fixed Asset Register

Issue: The facility did not submit the required annual inventory of fixed assets to the Department of Finance for fiscal year 2014. According to the Department of Finance, completion of the facility's annual inventory was due on August 15, 2014.

On February 12, 2015, the OIA requested the current Fixed Asset Register for the Wheaton Ice Arena from the Department of Finance's Fixed Asset Administrator. The Fixed Asset Administrator informed OIA that the facility's Fixed Asset Coordinator did not complete the annual inventory, which was due on August 15, 2014. Consequently, the Fixed Asset Administrator was not authorized to make updates, if needed, to the facility's Fixed Asset Register.

Criteria/Risk: According to Practice No. 3-14, *Fixed Asset Policy: Accounting for Commission Real and Personal Property*, the fixed asset policy has two major objectives:

- To safeguard fixed assets from loss or theft, and
- To accurately account for and report fixed assets in its financial reports issued to the Planning Boards and County Councils, external reporting agencies, granting agencies and the public.

All departments are required to forward updated inventories to the Department of Finance, annually by the inventory's completion due date. Failure to adhere to Commission practices for maintaining, updating and reporting changes to the Fixed Asset Register could lead to loss, theft, personal use and unauthorized disposal of Commission assets.

Recommendation: The OIA recommends that the facility adopt internal written procedures for monitoring and reporting the annual fixed assets inventory results to the Department of Finance timely, and for ensuring the maintenance of a current Fixed Asset Register. Internal procedures should assist the facility with adherence to Commission practices.

Risk: Medium

Management Response: We follow M-NCPPC practices and procedures. We will comply with all recommendations. The Fixed Asset Register has been updated and submitted to the Enterprise administrative office for them to forward to the Office of Finance, Accounting Division.

Expected Completion Date: Completed

Follow-Up Date: July 2015

3. Maintain a Current Controlled Assets List

Issue: The facility provided the OIA with a copy of the controlled assets inventory list, which indicated an annual inventory completion date of 08/21/14. The OIA noted that five assets with costs of [REDACTED] or more were included on the controlled assets inventory list. The OIA compared the five assets to the most current Fixed Asset Register. Only three of the five assets were listed on the Fixed Asset Register. See the below table:

Asset Description	Asset Cost	Listed On Fixed Asset Register?
Skate Sharpener	[REDACTED]	Yes
Ice Resurfacer	[REDACTED]	Yes
Scoreboard	[REDACTED]	Yes
Electric Ice Edger	[REDACTED]	No
Ice Resurfacer	[REDACTED]	No

The oversight of including assets with costs of [REDACTED] or more on the controlled assets inventory list, and not including all five assets on the Fixed Asset Register, appears to be directly related to the facility's failure to perform the 2014 annual fixed assets inventory review as required by Commission practices (refer to finding 2 above for the Wheaton Ice Arena).

Criteria/Risk: The Commission's *Administrative Procedures No. 04-01, Fixed Assets Procedure Manual*, defines controlled assets as "personal property items whose purchase price is less than the capitalization level of [REDACTED], but due to their sensitive, portable, or theft prone nature, they are important to control." The Commission's capitalization policy defines fixed assets as "real and personal property items, or improvements to real and personal property items, with a unit cost of [REDACTED] or more and a useful life of one year or longer."

Recommendation: The OIA recommends that the facility adopt internal written procedures to track and monitor the controlled assets inventory and to ensure accurate listings for both asset types.

Risk: Medium

Management Response: We follow M-NCPPC practices and procedures. We will comply with all recommendations. The controlled assets list has been updated and submitted to the Enterprise administrative office for them to forward to the Department of Finance, Accounting Division.

Expected Completion Date: Completed

Follow-Up Date: July 2015