

**MARYLAND-NATIONAL CAPITAL PARK & PLANNING
COMMISSION**

**Montgomery County Department of Parks
Facilities Management Division
Shady Grove Maintenance Facility**

Audit Report Number: MC-007-2015

June 4, 2015

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Renee Kenney
Samuel J. Raines, Sr.

Maryland-National Capital Park and Planning Commission
Office of Internal Audit
6611 Kenilworth Ave., Suite 403
Riverdale, MD 20737

**Montgomery County Department of Parks
Facilities Management Division**

Shady Grove Maintenance Facility

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I. EXECUTIVE SUMMARY

A. Overall Perspective

The Facilities Management Division/Shady Grove Maintenance Facility (Division or Shady Grove) provides for the care and maintenance of the Montgomery County Department of Parks' (Department) facilities, pavement, fleet, playgrounds and major building systems. Facilities Management maintains critical park infrastructure in coordination with other divisions to accomplish the Department's mission. The Division is responsible for facility condition assessments, major and minor maintenance programs, and serves as primary support to the Department's construction in progress (CIP). The Division provides routine and planned services, 24/7 emergency response after hours and weekends, and provides critical support during extreme weather events.

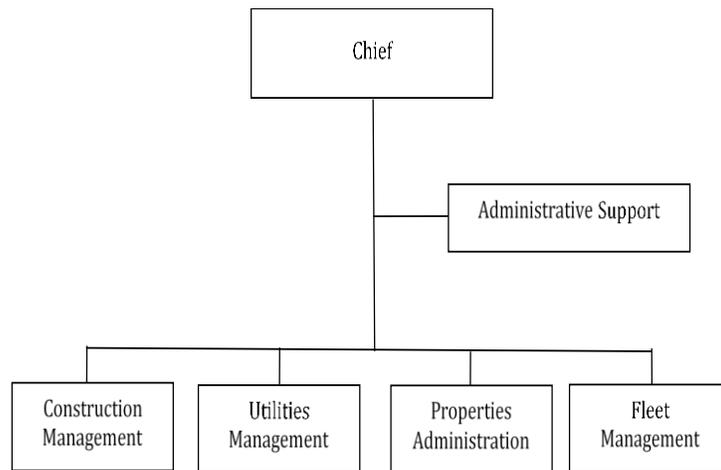
The Facilities Management Division is comprised of five functional sections:

- **Administration** provides leadership, customer service and administrative services for the Division.
- **Construction Management** provides centralized planning, development, maintenance, repair and remodeling services for Department facilities.
- **Utilities Management** provides retrofitting, installation and servicing of the mechanical systems for the Department, including upgrades to increase energy conservation such as remote control thermostats.
- **Properties and Administration** provides oversight of the Department's leased properties and the Property Management revenue budget and; oversight of the Facilities Management budget and purchasing activity. The leased properties are supported by the maintenance efforts of in-house staff which provide 24/7 response.
- **Fleet Management** provides vehicle acquisition, centralized maintenance and repair for all motorized equipment and oversight of fueling stations across the Department.

Montgomery County Department of Parks
Facilities Management Division – Shady Grove Maintenance Facility

The Chief of Facilities Management is responsible for the Facilities Management Division. The Chief reports to Deputy Director of Operations for Montgomery County Department of Parks. The Division has approximately 111 funded career positions.

Departments Current Organizational Chart:



B. Audit Scope, Objectives, and Methodology

The purpose of the audit was to evaluate the system of internal controls at the Facility Management Division. The scope of our audit included, but was not limited to the following audit procedures:

- Performed an unannounced cash count of the petty cash fund.
- Reviewed petty cash receipts for compliance with Commission policies and procedures.
- Reviewed purchase card transactions; confirming existence of assets.
- Reviewed fixed asset and controlled asset reports. Tested a judgmental sample of assets for completeness.
- Reviewed internal processes and procedures for the management and oversight of the fleet.
- Obtained and reviewed a sample of capital leases.
- Reviewed a sample of Building Inspection Reports (test for completeness).

This audit was conducted in accordance with *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 period covered in this review was June 2014 to January 2015.

C. Major Audit Concerns

The results of our evaluation and testing procedures indicated the following major audit concerns:

- Inaccurate fixed asset inventory

Additional information pertaining to this area can be found in the Detailed Commentary and Recommendations section of this report.

Department of Finance - Repeat Audit Finding

Note: A similar high risk audit recommendation was included in the Agency Wide Fixed Asset Audit Report (CW-002-2014) dated November 18, 2013. Management stated, “The Fixed Asset Accountant will process the disposal form on a more current basis and will work with the Departmental asset coordinators to ensure the asset listings are complete and accurate. The Finance Department will require an annual inventory from all locations due by June 30th each year. The Fixed Asset Accountant will ensure that all locations conduct an inventory and will review their documentation for any needed adjustments. The Accounting Division Finance Manager will approve all inventories.”

D. Overall Conclusions

The results of our evaluation and testing procedures indicate deficiencies in the design or operation of internal controls for Shady Grove Maintenance Facility, as noted in the Major Audit Concerns section of this report, see definition below.

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 Montgomery County Department of Parks Facilities Management Division's management and staff for the cooperation and courtesies extended during the course of our review.



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

June 4, 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 Administrative Oversight and Controls over the Commission's Fixed Assets

Issue: The Fixed Asset System Administrator (Administrator) within the Department of Finance is responsible for the centralized control of the Commission's fixed assets. The Administrator is also responsible for coordinating the efforts of the Fixed Asset Coordinators located within the various departments and units in conducting annual inventories.

During our review, we identified several areas where the administrative oversight for the Commission's fixed assets should be strengthened.

- The Department of Finance's fixed asset inventory for the Shady Grove Facility is inaccurate.
 - Several fixed asset listed on the master inventory listing provided by the Department of Finance to the Office of Internal Audit (OIA) were no longer at the Facility. Per the Fixed Asset Coordinator, at the Facility, appropriate disposal documentation (ninety-four Form 164s) had been sent to the Administrator, but the assets were never removed from the master inventory listing. Note: During the course of the review, the OIA obtained copies of ninety-four Form 164s completed by the Fixed Asset Coordinator and re-sent to the Administrator to update the inventory listing.
 - During our limited testing of fixed assets, we identified several assets located at the Facility, with asset tags, that were not on the master fixed asset inventory maintained by the Finance Department.
- The annual inventory is not being performed at the Shady Grove Facility. The Administrator does not have a schedule or timetable detailing when Shady Grove Facility's last completed an inventory or their preferred inventory date.

Criteria/Risk: Per M-NCPPC Practice No. 3-14, *Fixed Asset Policy*, the Commission's fixed asset policy has two major objectives:

- To safeguard its fixed assets from loss or theft.
- 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.

Failure to provide the necessary oversight and controls over the Commission's fixed assets may impact Commissions ability to meet identified objectives.

Recommendation: We recommend Shady Grove Facility management ensure an annual inventory is performed as required. We also recommend that the Department of Finance implement procedures ensure the inventory list of fixed assets is updated and correct.

We also recommend that Finance Department senior management monitor the Administrators progress on resolving the deficiencies identified above.

Issue Risk: High

Management Response: Facilities Management is committed to operate at the highest level of financial transparency with the thoughtful guidance provided by the Central Administrative Services Financial Department. While we are disappointed to find our fixed asset control procedures are deficient, we are dedicated to institute the following corrective measures:

1. Temporary appointment of the Fleet Manager as the Fixed Asset Coordinator for the Division. This appointment will terminate once the Budget Coordinator position has been filled permanently.
2. In cooperation with Central Administrative Services Financial personnel, complete a comprehensive inventory of all divisional fixed assets.
3. Develop divisional procedures to track newly acquired and retired or disposed fixed assets.
4. Conduct a fixed asset inventory completed by January 15th each year.

Expected Completion Date: September 30, 2015

Follow-Up Date: October 2015