

MARYLAND-NATIONAL CAPITAL PARK & PLANNING COMMISSION

**Prince George's County Department of Parks and Recreation
Newton White Mansion/Snow Hill Manor**

Facility Audit

Report Number: PG-004-2015

April 3, 2015

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I. EXECUTIVE SUMMARY

A. Background

Newton White Mansion, located in Mitchellville, MD, is one of the most beautiful rental venues in Prince Georges County. The neo-Georgian style brick mansion sits on 586 lush, green acres and features finely appointed architectural details, wood floors and crystal chandeliers. The spacious interior includes six large rooms and a contemporary glass-enclosed atrium that overlooks a golf course and gardens. The elegant setting is ideal for wedding ceremonies, receptions, cocktail parties, corporate receptions, meetings, workshops and seminars.

Snow Hill Manor, located in Laurel, MD, sits on 15 acres overlooking the Patuxent River. The late-Georgian style brick mansion features a modern caterer's kitchen, bride and groom dressing rooms and period style furnishings. The historic property is available for public meetings, weddings, receptions and other functions.

Both facilities are managed within Prince George's County Department of Parks and Recreation Facility Operations. One Facility Manager is responsible for the day to day management of both Facilities. The Facility Manager reports to the County Wide Arts Program Coordinator who reports to the Arts and Cultural Heritage Division (ACHD) Chief. At the time of the review, the Arts Program Coordinator was the custodian of a [REDACTED] petty cash fund at Newton White Mansion and a [REDACTED] petty cash fund at Snow Hill Manor.

B. Scope, Objectives, and Methodology of the Audit

Objective: Perform a comprehensive review of each facility including; security of the facility, controls over the petty cash fund, fixed and controlled assets, payroll and time cards, contracts and rental agreements, and cash receipts, to ensure compliance with Commission Practices and Procedures.

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

- conducting an unannounced cash count of the petty cash funds;
- reviewing “Received of Petty Cash” forms;
- examining cash transactions and receipts;
- reconciling petty cash fund(s);
- interviewing the Petty Cash Custodian;
- reviewing inventory procedures and records;
- verifying Commission vehicle logs;
- examining time cards;
- reviewing facility event schedules; and
- reviewing applicable SMARTlink reports.

The audit covered the period from March 27, 2014 – January 2, 2015.

C. Major Audit Concerns

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

- Petty Cash Funds are not adequately secured as required by Commission Practice No. 3-11, *Administration of Cash Funds*.
- Received of Petty Cash Forms do not contain the signatures required by Commission Practice No. 3-11, *Administration of Cash Funds*.

Additional information can be found in the Detailed Commentary and Recommendation section of the report.

D. Overall Conclusions

This audit was conducted in accordance with *Generally Accepted Government Auditing Standards*. The results of our evaluation and testing procedures indicate deficiencies in the design or operation of the internal controls over the petty cash fund, 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 Arts and Cultural Heritage 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

April 3, 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 – NEWTON WHITE MANSION

1. Strengthen Controls over the Petty Cash Fund

Issue: Newton White Mansion has a [REDACTED] petty cash fund. Our count of the cash on hand and review of all petty cash transactions/reimbursements processed between 3/27/14 and 8/28/14 (22 transactions) disclosed that the fund was 54 cents short. Exceptions were identified in 100% of the transactions with some transactions having multiple exceptions. Exceptions included:

- Thirteen of the Received of Petty Cash forms had no approval signatures. Five of the forms had the petty cash custodian's signature as the approver and three forms had a signature of an employee that was not authorized to approve petty cash forms.
- One transaction included payment of [REDACTED] in sales tax without an explanation.
- Thirteen transactions in the amount of [REDACTED] were for items at Snow Hill Manor even though a [REDACTED] petty cash fund existed there.
- One transaction, for travel expenses, included reimbursement of [REDACTED] for refueling of a Commission vehicle, without an explanation.
- Three employees other than the petty cash custodian have the combination to the safe at Newton White Mansion that contains the petty cash box.
- The petty cash fund is used to make change for customers.

Risk/Criteria: Commission Practice 3-11, *Administration of Cash Funds*, requires the petty cash custodian to verify that the Received of Petty Cash form is signed by the employee requesting the reimbursement and approved by the Department Head or designee. Obtaining a secondary signature of an approver on a Received of Petty Cash form provides the required segregation of duties and oversight to help ensure petty cash funds are used appropriately.

Commission Practice 3-30, *Delegation of Signature Authority*, provides a Signature Authorization form for proper authority to sign any Commission documents with financial implications, including petty cash slips.

The Commission maintains a *State of Maryland Comptroller of the Treasury Sales and Use Tax Exemption Certificate*. Failing to fully utilize this tax exemption results in loss of Commission Funds.

Commission Practice 6-10, *Vehicle Use Program*, states “Commission vehicles should be refueled at Commission fueling sites. If a commercial site is used to refuel, a receipt must be retained for reimbursement of fueling charges. Mileage of the vehicle at the time of fueling must be noted on the receipt along with the reason for using a commercial site.” Failing to use a Commission refueling station may result in a loss of Commission Funds.

Commission Practice 3-11, *Administration of Cash Funds*, states petty cash funds must be secure. Having three employees, in addition to the custodian, with the combination to the safe where the petty cash fund is kept, increases the Commission’s risk of fraud, waste and abuse of these funds.

Commission Practice 3-11, *Administration of Cash Funds*, states “The Commission’s petty cash funds cannot be comingled with any personal funds. Change funds should be used specifically for making change at Commission Facilities.”

Recommendation: Managerial oversight over petty cash reimbursements should be strengthened. Specific recommendations include:

- The petty cash custodian should obtain fully completed and signed Received of Petty Cash forms prior to reimbursing petty cash funds. If the approver is not on site and cannot sign the Received of Petty Cash form, the petty cash custodian can accept an email approval from the approver and attach it to the form. An approver of a Received of Petty Cash form should have an approved Signature Authorization form on file with the Finance Department, providing the proper authority to approve petty cash transactions.
- The petty cash custodian has a duty to ensure every effort is made by Commission employees to use the tax exempt certificate when making purchases before being reimbursed from the petty cash fund. If a company refuses to honor the certificate a note should be attached by the purchaser/petty cash custodian explaining the circumstances.
- The petty cash custodian should ensure proper gas receipts are provided and retained per Commission Practice requirements, before petty cash funds are disbursed.
- Access to the safe in which the petty cash fund box is stored should be restricted to only the petty cash custodian.
- Management should consider establishing a change fund at Newton White Mansion.

Issue Risk: High

Management Response: Concur. Petty cash custodianship has been transferred to [REDACTED] of Newton White Mansion. This managerial oversight of petty cash will strengthen the administration of cash funds as recommended. Petty cash training is scheduled to ensure management is familiar with cash management procedures and infractions will be eliminated.

The petty cash custodian has been instructed to ensure employees use the tax exempt certificate when making purchases. A note will be attached to receipts of purchases when the vendor does not honor the tax exempt certificate. If the employee forgot to use the certificate, the custodian will not reimburse the tax paid on the purchase.

Staff have been instructed to get receipts when refueling at commercial gas stations.

A separate safe for petty cash will be purchased for Newton White Mansion. Only the petty cash custodian will have access to this safe and it will be bolted to the floor. The current safe has been re-coded.

Management did consider establishing a change fund at Newton White Mansion. The Newton White Mansion and Snow Hill Manor uses SMARTlink for all rentals and accept payment in the form of check, credit card and cash in exact change only. We rarely have a need to make change. On a yearly basis we may need to make change during special events (about 4 times a year). The infrequent need for change does not justify opening a change fund.

Expected Completion Date: Completed

Follow-Up Date: April 2015

2. Ensure Commission Vehicle Log is Maintained

Issue: There are two Commission pool vehicles assigned to Newton White Mansion. A vehicle mileage log is not maintained in one of the vehicles, PA-43.

Risk/Criteria: Commission Practice 6-10, *Name of Practice*, states “Vehicle mileage logs must be maintained in Commission pool vehicles to track their use.” Failure to maintain a vehicle mileage log significantly increases the potential for fraud, waste and abuse of the Commission’s vehicle.

Recommendation: Management should ensure all Commission pool vehicles have mileage logs as required by the Commission Practice.

Issue Risk: Medium

Management Response: Concur. Vehicle PA-43 was recently inherited from a different site and did not have a log. A log has been placed in vehicle PA-43. The other on site Commission vehicle, PA-392, has an existing log.

Expected Completion Date: Completed

Follow-Up Date: April 2015

3. Maintain a Proper Controlled Asset Inventory

Issue: Newton White Mansion does not maintain a proper controlled asset inventory. During our field visit to Newton White Mansion we observed tangible property/assets inside the facility with potential value that is not being inventoried and maintained as controlled assets.

Personnel at the ACHD provided our office with a controlled asset inventory list that contained IT items which are already being maintained and verified by the Information Technology and Communications Division.

Risk/Criteria: Commission Procedure 04-01, *Name of Procedure*, states “Commission personal property items with a purchase price less than \$5000 should be monitored due to their sensitive, portable, or theft prone nature.” Due to the large number of people that pass through the facility, we believe these assets are vulnerable to theft. In addition, we were informed that tables and chairs are lent to other Commission facilities and therefore may be vulnerable to theft as well.

Recommendation: We recommend Management consider monitoring these assets by tracking them on a controlled asset inventory listing.

Issue Risk: Medium

Management Response: Concur. All of the Mansion’s assets will be maintained on the appropriate inventory list for items valued less than \$5,000 and on the fixed asset list for items over \$5,000. In addition, for client and vendor information, there is a list of event equipment inventory for tables, chairs, bars, easels, etc. This list of items is updated annually. When items are loaned to other facilities, they are counted by management, delivered and picked up on the same or next day of business.

Expected Completion Date: Completed

Follow-Up Date: April 2015

4. Determine Proper Value of Certain Assets at Newton White Mansion

Issue: The ACHD provided the Commission's fixed asset administrator with a list of assets they considered to be fixed assets (see list below.) The fixed asset administrator has not added them to the Commission's fixed asset register because he was not provided documentation to verify their purchase cost.

- Vulcan stove and oven
- Garland double oven
- Continental refrigerator
- Victory refrigerator
- two Manitowoc icemakers

Risk/Criteria: Commission Procedure 04-01, *Name of Procedure*, provides guidance on valuing fixed assets/improvements. Failure to properly value these assets may result in misstated financial statements and may also increase opportunities for fraud, waste, and abuse

Recommendation: We recommend ACHD management determine the proper monetary valuation of these assets and monitor each by including it in the appropriate inventory.

Issue Risk: Medium

Management Response: Concur. Although the list of fixed assets has included fixed assets for both Newton White Mansion and Snow Hill Manor for over 10 years, management was not aware that Newton White Mansion's fixed assets were removed from the list or why. Management has provided a good estimate of their value and has included them in the appropriate inventory.

Expected Completion Date: Completed

Follow-Up Date: April 2015

5. Document Work Schedules for Intermittent Employees

Issue: Documented work schedules are not consistently provided to intermittent employees.

Risk/Criteria: Commission Procedure 99-04, *Time and Attendance*, states “Supervisors are responsible for communicating work schedules to employees including expected starting and departure times.” Because work schedules are not being documented in writing for intermittent employees OIA could not perform a comparison of employee time cards to work schedules to ensure employees are only being paid for the hours they are scheduled to work.

Recommendation: We recommend Management provide intermittent employee’s documented work schedules on a biweekly basis in a transparent manner by posting them at the time clock.

Issue Risk: Medium

Management Response: Concur. Documented work schedules are now consistently provided to intermittent employees. Monthly schedules are provided to maintenance staff, event staff, and event supervisors. These schedules also list the events, the event type and time, and who will be working them. Day time office staff was not included on the monthly schedules because their times are set; such as Monday, Wednesday and Friday from 9 a.m. – 5 p.m. Management will include office staff on the monthly schedule and post a copy of all staff work schedules by the time clock.

Expected Completion Date: Completed

Follow-Up Date: April 2015

III. DETAILED COMMENTARY AND RECOMMENDATIONS – SNOW HILL MANOR

6. Strengthen Controls over the Petty Cash Fund

Issue: Snow Hill Manor has a [REDACTED] petty cash fund. Our count of the cash on hand and review of the receipts disclosed that the fund was 42 cents short. The petty cash fund was not used during a three year period, from 6/8/11 through 8/27/14 because the petty cash fund at Newton White Mansion was used instead. We reviewed all petty cash transactions/reimbursements processed since 4/11/11 (8 transactions). Exceptions were identified in 100% of the transactions. Exceptions included:

- None of the received of petty cash forms had an approval signature.
- Two employees other than the petty cash custodian have the combination to the safe at Snow Hill Manor that contains the petty cash box.
- The petty cash fund is used to make change for customers.

Risk/Criteria: Commission Practice 3-11, *Administration of Cash Funds*, requires the petty cash custodian to verify that the Received of Petty Cash form is signed by the employee requesting the reimbursement and approved by the Department Head or designee. Obtaining a secondary signature of an approver on a Received of Petty Cash form provides the required segregation of duties and oversight to help ensure petty cash funds are used appropriately.

Commission Practice 3-11, *Administration of Cash Funds*, states petty cash funds must be secure. Having two employees (other than the custodian) with the combination to the safe where the petty cash fund is kept, increases the Commission's risk of fraud, waste and abuse of these funds.

Commission Practice 3-11 states "The Commission's petty cash funds cannot be comingled with any personal funds. Change funds should be used specifically for making change at Commission Facilities."

Recommendation: Managerial oversight over petty cash reimbursements should be strengthened. Specific recommendations include:

- The petty cash custodian should obtain fully completed and signed Received of Petty Cash forms prior to reimbursing petty cash funds, as required by Commission Practice 3-11. If the approver is not on site and cannot sign the Received of Petty Cash form, the petty cash custodian can accept an email approval from the approver and attach it to the form. An approver of a Received of Petty Cash form should have an approved

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Signature Authorization form on file with the Finance Department, providing the proper authority to approve petty cash transactions.

- Access to the safe in which the petty cash fund box is stored should be restricted to only the petty cash custodian.
- Management should consider closing the Snow Hill Manor petty cash fund and using the Newton White petty cash fund for purchases needed at Snow Hill Manor.
- Management should consider establishing a change fund at Newton White Mansion for use at Snow Hill Manor.

Issue Risk: Medium

Management Response: Concur. The Snow Hill Manor's petty cash fund has been abolished. The infrequent need for change does not justify opening a change fund.

Expected Completion Date: Completed

Follow-Up Date: April 2015

7. Maintain a Controlled Asset Inventory

Issue: We were informed that a controlled asset inventory does not exist at Snow Hill Manor. During our field visit to Snow Hill Manor we observed tangible property inside the facility with potential value that is not being inventoried as controlled assets. These items include various paintings stored in an upper floor room and furniture (e.g. upholstered banquet chairs and tables). In addition, in an upper floor room we observed several pieces of outdated IT equipment that was being stored however did not contain inventory tags.

Risk/Criteria: Commission Procedure 04-01 states “Commission personal property items with a purchase price less than \$5,000 should be monitored due to their sensitive, portable, or theft prone nature.” Due to the large number of people that pass through the facility, we believe these assets are vulnerable to theft. In addition, we were informed that tables and chairs are lent to other Commission facilities and therefore may be vulnerable to theft there as well.

Recommendation: We recommend Management consider monitoring these assets by tracking them on a controlled asset inventory listing and either surplus or recycle the outdated IT equipment and ensure any hard drives have been properly sanitized.

Risk: Medium

Management Response: Concur. All of the Mansion’s assets will be maintained on the appropriate inventory list for items valued less than \$5,000 and on the fixed asset list for items over \$5,000. In addition, for client and vendor information, there is a list of event equipment inventory for tables, chairs, bars, easels, etc. This list of items is updated annually. When items are loaned to other facilities, they are counted by management, delivered and picked up on the same or next day of business.

Although the list of fixed assets has included fixed assets for both Newton White Mansion and Snow Hill Manor for over 10 years, we were not aware that Snow Hill Manor’s fixed assets were removed from the list or why. Management has provided a good estimate of their value and has included them in the appropriate inventory. IT department has been contacted to retain the old computer items in the attic.

Expected Completion Date: Completed

Follow-Up Date: April 2015

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Additional Management Comment: Findings 1 through 7 are related to a high number of management changes within the Historic Rental unit. Formal processes, for time keeping, work schedule transparency and inventory lists were not in full compliance. These findings will be addressed accordingly and monitored to prevent risk of potential fraud, waste and abuse. All staff, including Facility Director(s), will strictly adhere to Commission Practices and Procedures.