

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

**Prince George's County Department of Parks and Recreation  
Tucker Road/Herbert Wells Ice Rinks**

**Facility Audit**

**Report Number: PG-014-2015**

**June 30, 2015**

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## **I. EXECUTIVE SUMMARY**

### **A. Background**

Tucker Road Ice Rink located in Fort Washington, Maryland, is an indoor facility open year round and Herbert Wells Ice Rink, located in College Park, Maryland, is a seasonal semi-enclosed facility. Both facilities contain regulation size standard National Hockey League ice rinks and offer public ice skating sessions with skate rentals, learn to skate and hockey classes, broom ball, summer day camps and birthday party packages.

Both facilities are managed within Prince George's County Department of Parks and Recreation Facility Operations. Each facility has a manager with responsibility for the day to day management of the facility. The managers' report to the Sports, Health and Wellness Division Chief.

**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:

- conducted an unannounced cash count of the petty cash and change fund;
- reviewed “Received of Petty Cash” forms;
- examined cash transactions and receipts;
- reconciled petty cash fund and checking account;
- interviewed petty cash custodian(s);
- reviewed inventory procedures and records;
- examined time cards;
- reviewed facility event schedules, rental agreements, class rosters; and
- generated SMARTlink reports and verified bank deposits reconcile with cash receipt transactions.

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 a 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 March 27, 2014 – May 12, 2015.

**B. Major Audit Concerns**

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

**C. 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 Sports, Health and Wellness 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 30, 2015

**Conclusion Definitions**

<b>Satisfactory</b>	No major weaknesses were identified in the design or operation of internal control procedures.
<b>Deficiency</b>	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.
<b>Significant Deficiency</b>	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.
<b>Material Weakness</b>	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 – TUCKER ROAD ICE RINK**

**1. Strengthen Controls over the Petty Cash Fund and Checking Account**

**Issue:** The Treasury Operations Division within the Department of Finance provided the Office of Internal Audit (OIA) with documentation supporting a [REDACTED] change fund, [REDACTED] petty cash fund and [REDACTED] petty cash checking account for the Tucker Road facility. The authorized petty cash and checking account amounts total [REDACTED].

On February 9, 2015, the OIA conducted a field visit to the facility and performed a count of the change fund, a reconciliation of the checking account and a reconciliation of all petty cash transactions/reimbursements processed between November 23, 2014 and February 6, 2015 (12 transactions). Our review of the change funds verified [REDACTED] in cash.

However, the OIA identified discrepancies/co-mingling of the petty cash and checking account:

	Petty Cash	Checking Account	Total
Authorized Amount	[REDACTED]	[REDACTED]	[REDACTED]
Cash Amount upon Audit	[REDACTED]	[REDACTED]	
Outstanding Receipts	[REDACTED]		
Outstanding Checks		[REDACTED]	
Total	[REDACTED]	[REDACTED]	[REDACTED]
(Shortage)/Overage	[REDACTED]	[REDACTED]	\$0.00

In addition to the co-mingling of the funds, the OIA identified the following exceptions:

- None of the eleven Received of Petty Cash forms reviewed had an approval signature (this included petty cash and checking account disbursements).
- One transaction included payment of \$3.60 in sales tax without an explanation.
- Bank reconciliations of the checking account are not being reconciled to a fixed authorized checking account amount. Upon replenishment of the funds, arbitrary amounts of cash are being deposited into the checking account and various amounts are being retained in the petty cash box.

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- Bank Reconciliation forms being used by custodians are outdated and in need of revision.
- The petty cash approver does not have the proper signature authority to be the approver of the petty cash fund/checking account at the Tucker Road Ice Rink.

**Risk/Criteria:** Commission Practice 3-11, *Administration of Cash Funds*, states petty cash reimbursements must be 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. In addition, failing to obtain approval documentation prior to writing a petty cash fund check increases the Commission's risk of fraud, waste and abuse of these funds.

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 3-11, *Administration of Cash Funds*, states no deposits other than reimbursements or increases to the checking account fund should be made. Reimbursements or increases must be deposited intact (in full) to the account.

Commission Practice 3-30, *Delegation of Authority to Sign Documents*, provides the required forms for proper approval signature authority of Commission documents.

Bank Reconciliation forms are to be used exclusively for reconciling the checking account to the bank statement.

**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 disbursing petty cash funds or writing a petty cash check. 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 however, this must be attached to the form prior to any cash disbursements or checks written by the petty cash custodian.
- 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

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company refuses to honor the certificate a note should be attached by the purchaser/petty cash custodian explaining the circumstances.

- Petty cash funds and petty cash checking account amounts should be maintained at constant levels independent of each other, consistent with each of their individual authorized amounts and not be comingled.
- Petty cash custodians should request replenishment of checking account funds and petty cash funds separately and deposit/retain the money in those respective accounts (petty cash box versus bank checking account).
- Treasury Operations should revise the Bank Reconciliation form to allow only for reconciliation of the petty cash checking accounts to the bank statements.
- The petty cash approver should submit an updated Signature Authority form designating him as the approver of the petty cash fund.

**Risk:** High

**Management Response:** Concur. The petty cash custodian will obtain the required approvals and complete the required petty cash form/voucher with signatures prior to distributing cash funds or writing a petty cash check for purchases. Additionally, if the approver is not on site and cannot sign the Received of Petty Cash form, the approver will send an email that will be attached to the form until the signature form has been signed for the petty cash custodian. Increased management oversight of the petty cash/check fund and required forms will be completed by the approver.

The petty cash custodian will try to ensure that every effort is made by Commission employees to use the tax exempt certificate when making purchases before getting reimbursed from the petty cash fund. If a company refuses to honor the certificate a note will be attached by the purchaser/petty cash custodian explaining the circumstances.

An updated Signature Authorization Form was submitted on June 10, 2015.

Office of the Secretary Treasurer – The FY15 Bank Reconciliation form has been modified. The cash and change line has been removed so that the form only includes the reconciliation for the petty cash checking account. Also, an email was sent to all petty cash custodians, providing direction on the proper handling of old outstanding checks.

**Expected Completion Date:** Completed

**Follow-Up Date:** August 2015

## **2. Strengthen Controls over Time Cards**

**Issue:** Our review of 32 time cards for the pay period ending January 14, 2015 disclosed that none had a signature of the immediate supervisor (only initials). Five time cards had times written in without any explanation and one time card had a mathematical error of 3.5 hours which resulted in the employee being overpaid \$42.59.

**Risk/Criteria:** Commission Practice 3-40, *Preparing Time Cards*, states supervisors must provide their signatures on time cards. It also states, at facilities with time clocks, when time is written on the time card, an explanation is required on the card.

Commission Administrative Procedure 99-04, *Time and Attendance*, states supervisors are responsible for ensuring time worked and leave use is recorded accurately.

Supervisors who fail to accurately calculate total hours worked on an employee's time card and fail to provide a full supervisory signature as attestation of their review and approval of an employee's time card increase the Commission's risk of inaccurate payroll, fraudulent time charges and loss of funds.

**Recommendation:** Management should ensure facility managers provide a full signature on each employee's time card, accurately calculate employee hours worked and provide an explanation on the time card when time is written in rather than punched by the clock.

**Risk:** Medium

**Management Response:** Concur. Management will ensure facility managers provide a full signature on each employee's time card, accurately calculate employee hours and provide an explanation on the time card when time is written in rather than punched by the time clock. Time cards have been stamped with three signature and total hours worked lines on them.

**Expected Completion Date:** Completed

**Follow-Up Date:** August 2015

**III. DETAILED COMMENTARY AND RECOMMENDATIONS – HERBERT WELLS ICE RINK**

**3. Strengthen Controls over the Petty Cash Checking Account**

**Issue:** The Treasury Operations Division within the Department of Finance provided the OIA with documentation supporting a [REDACTED] change fund and [REDACTED] petty cash checking account for the Herbert Wells Ice Rink. There is no documentation authorizing the facility to have a petty cash fund.

On February 19, 2015, the OIA conducted a field visit to the facility and performed a count of the change fund and a reconciliation of the checking account for all transactions/reimbursements processed between June 29, 2014 and December 22, 2014 (8 transactions). Our review of the change fund verified [REDACTED] in cash.

However, the OIA identified discrepancies/co-mingling of the petty cash checking accounting with an unauthorized petty cash fund.

	Petty Cash	Checking Account	Total
Authorized Amount	\$0	[REDACTED]	[REDACTED]
Cash Amount upon Audit	[REDACTED]		
Balance in Checking Account		[REDACTED]	
Outstanding Receipts		[REDACTED]	
Outstanding Checks		[REDACTED]	
Total	[REDACTED]	[REDACTED]	[REDACTED]
(Shortage)/Overage	[REDACTED]	[REDACTED]	\$0.00

In addition to the co-mingling of the funds, the OIA identified the following exceptions:

- None of the eight Received of Petty Cash forms reviewed had an approval signature.
- Although the Facility Manager has signed a custodian form to maintain possession of a petty cash checking account and a change fund, the Facility Manager has not signed a custodian form documenting authorization and possession of a petty cash fund.

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- The custodian is comingling funds by maintaining an unapproved petty cash fund from replenishment of checks written from the checking account.
- Bank Reconciliation forms are not being used exclusively for reconciling checking accounts to banks statements.
- One transaction included payment of \$1.20 in sales tax without an explanation.
- Bank reconciliations of the checking account are not being reconciled solely to a fixed authorized checking account amount. Upon replenishment of the checking account disbursements, arbitrary amounts of cash are being retained in an unauthorized petty cash (box) fund.
- The petty cash approver does not have the proper signature authority to be the approver of the petty cash checking account at the Herbert Wells Ice Rink

**Risk/Criteria:** Commission Practice 3-11, *Administration of Cash Funds*, provides procedures for proper authorization of a change fund, petty cash fund and a petty cash checking account. These are 3 distinct funds which at the time of authorization are designated with an established amount for each. These designated amounts are fixed and cannot be intermingled.

Commission Practice 3-11, *Administration of Cash Funds*, states petty cash disbursements must be 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. In addition, failing to obtain approval documentation prior to writing a petty cash check increases the Commission's risk of fraud, waste and abuse of these funds.

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 3-11, *Administration of Cash Funds*, states Received of Petty Cash forms must be substantiated by original receipts or other acceptable documentation. In addition, failing to obtain an adequate receipt from an individual/vendor after disbursing a petty cash check increases the Commission's risk of fraud, waste and abuse of these funds.

Bank Reconciliation forms are to use exclusively for reconciling the petty cash checking account to the bank statement.

**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 writing a petty cash check. 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 however, this must be obtained prior to any checks being written by the custodian.
- 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 checking account amount should be maintained at a constant level, consistent with its authorized amount.
- Checks to replenish the checking account should be deposited entirely into the checking account and no cash should be held back for keeping in a cash box at the facility.
- Treasury Operations should revise the Bank Reconciliation Form to allow only for reconciliation of the petty cash checking accounts to the bank statements.
- The Facility Manager should request authorization for an approved petty cash fund to be maintained at the facility.
- The petty cash approver should submit a completed signature authorization form for approving petty cash/checking transactions.

In addition, Treasury Operations and Herbert Well management should determine the proper handling of the \$488.29 in old outstanding checks (see below).

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Date of Check	Check Number	Amount of Check
1/4/2000	1566	\$25.00
3/27/2002	1942	156.00
8/20/2002	1994	45.00
6/17/2005	2091	16.66
2/9/2007	2110	8.48
10/29/2008	2148	75.00
7/7/2009	2163	90.00
6/24/2010	2191	19.65
8/6/2010	2200	52.50
Total		\$488.29

**Risk:** High

**Management Response:** Concur. Petty cash funds and petty cash checking account amounts should be maintained at constant levels independent of each other. A request has been made to close our petty cash checking account and a request has been made to set up a single petty cash fund. This will prohibit any comingling of petty cash funds.

Management will ensure the petty cash fund is regularly replenished or at the time the fund is approximately 50% spent.

Office of the Secretary Treasurer – The FY15 Bank Reconciliation form has been modified. The cash and change line has been removed so that the form only includes the reconciliation for the petty cash checking account. Also, an email was sent to all petty cash custodians, providing direction on the proper handling of old outstanding checks.

**Expected Completion Date:** Completed

**Follow-Up Date:** August 2015

**4. Ensure Bank Deposits are made in a Timely Manner**

**Issue:** During the period of January 1, 2015 through March 31, 2015, Herbert Wells personnel failed to make a bank deposit on 5 occasions when required. Our review took into account days when there was inclement weather or the Commission was closed. The following table shows the dates when cash on hand had exceeded [REDACTED] and a bank deposit was not made:

Date	Total Cash on Hand that Day
1/26/2015	[REDACTED]
2/3/2015	[REDACTED]
2/11/2015	[REDACTED]
2/12/2015	[REDACTED]
3/23/2015	[REDACTED]

**Risk/Criteria:** Commission Administrative Procedure 01-01, *Cash Receipts and Related Cash Transactions*, requires that a Commission facility make a bank deposit whenever cash on hand exceeds [REDACTED] or once a week, whichever comes first.

**Recommendation:** Managerial oversight over facility revenue received should be strengthened to ensure bank deposits are made in a timely manner as required by the Commission Administrative Procedures.

**Risk:** Medium

**Management Response:** Concur. Management oversight will be strengthened. Bank deposits will be made in a timely manner as required by Commission Administrative Procedures.

Petty cash custodians will request replenishment of funds at least monthly or when petty cash fund is below 50% of the approved amount.

**Expected Completion Date:** Completed

**Follow-Up Date:** August