

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

Internal Control Review

**Prince George's County Department of Parks and Recreation
Potomac Landing Community Center
Report Number: PG-012-2017-B**

January 3, 2017

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Prince George's County Department of Parks and Recreation
Potomac Landing Community Center

Internal Control Review Report
Audit Report
PG-012-2017-B

Table of Contents

I. EXECUTIVE SUMMARY

A. Background.....	1
B. Scope of the Audit.....	2
C. Major Audit Concerns.....	3
D. Findings and Overall Conclusions.....	4

II. Detailed Commentary And Recommendations

1. Strengthen Managerial Oversight over the Acceptance of Payments for Commission Sanctioned Activities.....	5
2. Strengthen Controls over Disbursements of Petty Cash Funds.....	7

I. EXECUTIVE SUMMARY

A. Background

On September 2, 2016, Ms. Kelli Beavers, Division Chief, Southern Area Operations (SAO), contacted the Office of Internal Audit (OIA) to request a review of possible fraudulent activities related to the 50 Year and Over Basketball League (League) operating out of the Potomac Landing Community Center (PLCC or Center).

According to a complaint from one of the team captains, some of the registration fees for the League had not been processed through SMARTlink [REDACTED].

The OIA subsequently completed a Fraud, Waste and Abuse review concerning the above mentioned allegations [REDACTED].

[REDACTED] The Practice defines Abuse as the:

“improper use of or misapplication of actual or apparent M-NCPPC authority, including, without limitation, authority granted or exercised in conjunction with Commission Merit System Rules and Regulations or other official agency policies, Administrative Practices or Procedures”.

The OIA issued a Fraud, Waste and Abuse Report (PG-012-016-A) dated November 4, 2016 detailing the related misappropriations and conclusions.

During the Fraud, Waste, and Abuse review, the OIA also identified opportunities to strengthen internal controls at the Potomac Landing Community Center.

B. Scope of the Audit

The purpose of the review was to determine if cash handling practices at the Potomac Landing Community Center were adequate and complied with Commission standards.

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

- Reviewed PLCC's petty cash reimbursement requests.
- Reviewed PLCC's cash receipts and cash deposits.
- Interviewed Potomac Landing and Southern Area Operation's personnel to gain additional information regarding:
 - PLCC's cash handling protocols and practices;
 - PLCC's approval process for petty cash disbursements and required documentation; and
 - Managerial approval regarding the acceptance of payments for sanctioned Commission activities.

The period covered in this review was June 12, 2015 – September 30, 2016.

This audit was conducted in accordance with *Generally Accepted Government Auditing Standards (GAGAS)*.

C. Major Audit Concerns

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

- Inadequate administration over the acceptance and approval of payments for Commission sanctioned activities.

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

D. Findings and Overall Conclusions

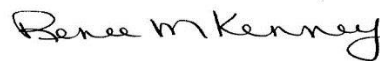
The results of our evaluation and testing procedures indicate deficiencies in the design or operation of internal controls at the Potomac Landing Community Center.

We believe the findings 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 Prince George's County Parks and Recreation Department's, Southern Area Operations and the Potomac Landing Community Center's management and staff for the cooperation and courtesies extended during the course of our review.



Natalie M. Beckwith, MPA
Senior Auditor



Renee Kenney, CPA, CIA, CISA
Chief Internal Auditor

January 3, 2017

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 Managerial Oversight over the Acceptance of Payments for Commission Sanctioned Activities

Issue: As stated in the Background section of this report, the PLCC hosted a 50 Year and Over Basketball League that was comprised of eight individual teams and one assigned League Commissioner. [REDACTED]

The League commenced on June 6, 2016 and was scheduled to end on September 4, 2016. Team registration fees for the League were set at \$500 and were due in full at the time of registration. However, the Facility Director and the Regional Manager could approve partial payments on a case-by-case basis to maintain the continuity of the League.

During the course of the audit, the OIA reviewed the registration payments for the League and noted that partial payments were entered into SMARTlink for three of the eight teams. We determined that these payment arrangements [REDACTED] without approval from the Facility Director and Regional Manager as required.

[REDACTED]

Criteria/Risk: Per Southern Area Operation's management, partial payments may be accepted for Commission sanctioned basketball leagues if their acceptance will preserve the continuity of the league. All partial payment arrangements must be approved by the Facility Director and Regional Manager.

Failure to provide the necessary managerial oversight and controls over the Center's partial payment activities is a violation of Southern Area Operation's internal payment acceptance practice. In addition, lack of managerial oversight does not support a strong tone at the top and fosters an environment where acts of fraud, waste or abuse may go undetected.

Recommendation: We recommend the Southern Area Operation's management develop formal internal procedures for the acceptance of partial payments for Commission sanctioned activities. The procedures should require a reconciliation of fees accepted into SMARTlink with subsidiary event schedules. The procedures should be shared with all SAO personnel responsible for the collection of fees.

Issue Risk: High

Potomac Landing Community Center
Internal Control Report

Management Response: Southern Area Operations management team will not to allow partial payments for any programs. The exception is for programs such as Preschool and Kids Care programs that have already been approved for partial payment programs by the Department of Parks and Recreation.

The results of OIA's evaluation of Potomac Landing Community Center revealed the lack of internal controls. SAO staff will also be trained on internal controls during the recreation staff team meetings. Staff will also receive training in March of 2017 on the Area Operations Manual which provides key sections on internal controls to includes topics on the following:

- Daily cash balance;
- Controlled environment;
- Approvals, authorizations, and verification;
- Reconciliation;
- Security of assets;
- Cash handling; and
- Petty cash transactions.

Expected Completion Date: March 2017. Both recommendations will be addressed during the Southern Area Operations regional managers meetings and the recreation staff team meetings.

Follow-Up Date: April 2017

2. Strengthen Controls over Disbursements of Petty Cash Funds

Issue: The PLCC lacks the necessary internal control components to successfully administer and facilitate disbursements from the petty cash fund. The PLCC maintains an onsite petty cash fund of [REDACTED]. During the course of the audit, the OIA examined 12 petty cash fund transactions with an aggregate total of [REDACTED], for the time period 06/12/2015 through 08/12/2016. Of the 12 items tested, we discovered three instances where petty cash funds were utilized and did not follow Commission policy or protocol. This represents a 25% non-compliance rate with regard to proper petty cash transaction handling. A summary of the discrepancies follows:

- Two combined instances where petty cash spent exceeded the \$200 approval threshold.
- An employee was advanced monies from the petty cash fund to make a Commission purchase, but instead, used a personal gift card combined with a portion of the PLCC petty cash funds to pay for the items needed.

In addition, the OIA reviewed the timeliness of petty cash fund reimbursement requests from the Facility to the Department of Finance for the time period 08/07/2015 through 08/12/2016. We identified one instance where the reimbursement request amount totaled [REDACTED]. This indicates that the petty cash fund was depleted by 81% before a replenishment request was completed.

Criteria/Risk: Per Commission Practice No. 3-11, *Administration of Cash Funds*:

- No single petty cash disbursement may exceed \$200 except under extenuating circumstances and then only with the prior approval of the Division Chief or higher authority.
- Personal funds must not be comingled with Commission funds.
- Petty cash reimbursements must be approved by Department Head or designee; supported by completed Received of Petty Cash forms; and have proof of expenditure.
- Replenish the fund at appropriate intervals for efficient administration.
 - The OIA recommends that petty cash funds be replenished once cash on hand has been depleted by 50%. This helps ensure funds will be available when needed, and helps support efficient operations.

Failure to provide the necessary oversight and controls over the Center's petty cash funds is a violation of Commission Practice No. 3-11. As well, failure to comply with this Practice may increase the risk of misappropriation of petty cash funds.

Recommendation: We recommend the Potomac Landing Community Center Facility Director and Regional Manager take the necessary steps to confirm all petty cash transactions comply with Commission Practice No. 3-11. All petty cash transactions should:

Potomac Landing Community Center
Internal Control Report

- fall within the \$200 individual transaction threshold;
- be properly approved; and
- be absent of comingled funds.

In addition, petty cash fund reimbursement requests should be forwarded to the Department of Finance for processing prior to the depletion of 50% of the fund.

Issue Risk: Medium

Management Response: In compliance with Practice 3-11, both the Regional Manager and the Facility Director will make sure all petty cash transactions:

- fall within \$200 individual transaction threshold;
- be properly approved; and
- be absent of commingled funds.

In addition the career staff will:

- Reconcile their petty cash bi-monthly regardless of the dollar amount available to ensure that expenses are current to the correct fiscal year and issues can be addressed sooner.
- Train intermittent staff quarterly on the proper use of petty cash and the rules against commingling personal funds with petty cash.
- All petty cash fund reimbursement request all be forwarded to the Department of Finance for processing prior to the depletion of 50% of the fund. The Regional Manager will hold the Facility Manager accountable for not complying with Commission Practice 3-11.

Expected Completion Date: March 2017. Both recommendations will be addressed during the Southern Area Operations regional managers meetings and the recreation staff team meetings.

Follow-Up Date: April 2017