

MARYLAND-NATIONAL CAPITAL PARK & PLANNING COMMISSION

**Prince George's County Department of Parks and Recreation
Golf Courses**

Cash Audit

Report Number: PG-003-2016

March 1, 2016

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I. EXECUTIVE SUMMARY

A. Background

Prince George's County Department of Parks and Recreation, Facility Operations oversees four golfing facilities:

- Enterprise Golf Course
- Henson Creek Golf Course
- Paint Branch Golf Course
- Kentland Golf Training Center

Each facility has a manager with responsibility for its' day to day management. The manager's report to the Sports, Health and Wellness Division Chief.

Enterprise Golf Course (Enterprise), is built on the historic Newton White Dairy Farm and is located in Mitchellville, Maryland. The 18-hole, par 72, championship course is open year-round offering amenities such as a driving range, practice green, short game area, pro-shop and full service snack bar. Enterprise maintains an [REDACTED] petty cash checking account and a [REDACTED] change fund.

Henson Creek Golf Course (Henson) is located in Fort Washington, Maryland. It is a 9-hole, par 33 course offering a putting green, driving range, pro-shop and snack bar. Henson maintains a [REDACTED] petty cash checking account and a [REDACTED] change fund.

Paint Branch Golf Course (Paint Branch) is located in College Park, Maryland. It is a 9-hole par 31 course, also offering a putting green, driving range, pro-shop and snack bar. Paint Branch maintains a [REDACTED] petty cash checking account and a [REDACTED] change fund.

Administration of petty cash checking accounts and change funds are governed by Commission Practice #3-11, *Administration of Cash Funds*. None of the golf courses maintain a petty cash "cash" account.

Kentland Golf Training Center is located in Landover Maryland. The facility consists of a 3-hole course, driving range, putting green and a short game area. Portions of the Center are closed due to construction taking place at the Kentland Community Center and as a result was not included in this review.

Scope, Objectives, and Methodology of the Audit

Objective: Confirm that the handling of petty cash checking accounts and change funds, at each facility, complies with Commission Practices and Procedures.

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

- interviewing petty cash custodians;
- conducting an unannounced cash count of petty cash and change funds;
- reconciling petty cash checking accounts;
- reviewing checking account bank statements;
- assessing the security of cash funds;
- examining custodian documents received from Treasury Operations; and
- reviewing facility SMARTlink reports to verify cash receipts.

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 July 24, 2015 – October 9, 2015.

B. Major Audit Concerns

The Audit Report contains four recommendations to strengthen internal controls over the administration of petty cash checking accounts and change funds at [REDACTED]. Although, no single recommendation on its own constitutes a major audit concern, when viewed collectively, the deficiencies identified should be considered major.

Findings and Recommendations for [REDACTED] can be found on pages 10-15.

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 petty cash checking accounts and change funds, 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.

Robert Feeley, CGFM, CFE, CAA, CICA
Senior Auditor



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

March 1, 2016

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 [REDACTED]

1. Increase Security of Cash

Issue: Cash is not adequately secured. The facility utilizes a large safe to secure cash from the change fund and receipts from public golf fees and purchases made at the pro-shop and snack bar. All of the cashiers have the combination/access to the safe.

Risk/Criteria: Commission Practice 3-13, *Cash Receipts and Related Transactions*, states that security measures regarding cash must include limiting access of the secured area to a limited minimum number of employees. Allowing all cashiers access to the safe increases the Commission's risk of fraud, waste and abuse of these funds.

Recommendation: Access to the safe should be limited to one or two individuals. If this is not reasonable, management should implement additional controls over cash that include the verification of all cash and checks at the beginning and end of all shift/personnel changes. Management may also want to consider purchasing a safe with a drop box opening to allow cashiers to drop off the sale proceeds from the day.

Risk: High

Management Response: Concur. Management has researched and purchased a new drop safe with separate drawers that include a designated section that is only accessible by the Manager and Assistant Manager. Until a new safe is installed, management will verify all cash and checks at the beginning and end of all shift/personnel changes.

Expected Completion Date: Complete

Follow-Up Date: April 2016

2. Strengthen Controls over the Petty Cash Checking Account

Issue: Petty cash checks are being written by the custodian without prior approval.

Risk/Criteria: 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. 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.

Recommendation: 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 should be obtained prior to any checks being written by the custodian.

Risk: Medium

Management Response: Concur. The petty cash custodian will obtain required approvals and complete the required petty cash form/voucher with signatures prior to writing a petty cash check. 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.

Expected Completion Date: Completed

Follow-Up Date: April 2016

3. Return Excess Change Fund Amount

Issue: The [REDACTED] is authorized to maintain a [REDACTED] change fund, however the current change fund balance is [REDACTED]. On August 11, 2015, the custodian submitted a Petty Cash Custodian form to the Department of Finance reflecting a balance in the change fund of [REDACTED] without any explanation for the overage.

Change funds are maintained in several cash drawers within the facility. Management cannot identify the source of the additional [REDACTED]

Risk/Criteria: Commission Practice 3-11, *Administration of Cash Funds*, requires designation of custodians for authorized amounts of change funds. Failing to obtain a signed custodian form with the correct authorized amount may prevent management from holding an individual responsible for Commission funds and increases the Commission's risk of fraud, waste and abuse of these funds.

Recommendation: The custodian should return [REDACTED] to the Department of Finance and submit a new Petty Cash Custodian form reflecting the correct authorized amount of the change fund and checking account. In addition, [REDACTED] management should implement procedures that require the verification of change fund drawers between each shift change to help identify any discrepancies.

Risk: Medium

Management Response: Concur. Management has worked with Finance on the proper procedure for returning the [REDACTED] along with an updated Petty Cash Custodian form. Management will ensure the verification of change fund drawers between each shift.

Expected Completion Date: Completed

Follow-Up Date: April 2016

III. DETAILED COMMENTARY AND RECOMMENDATIONS - [REDACTED]

4. Increase Security of Cash

Issue: Cash is not adequately secured. The facility utilizes two safes to secure cash from the change fund and receipts from public golf fees and purchases made at the pro-shop and snack bar. All of the cashiers have the combination/access to the safe.

In addition, during our verification of cash, we were informed by the custodian that an Assistant Manager had \$10.00 of the change fund in a beverage cart cash box secured in his/her office for use the following morning, rather than in one of the safes.

Risk/Criteria: Commission Practice 3-13, *Cash Receipts and Related Transactions*, states cash must be secured at all times. When not being used in a cash register or cash drawer, cash must be secured in a safe. Security measures regarding cash must include limiting access of the secured area to a limited minimum number of employees. Failing to store cash in a safe and allowing all cashiers access to a safe increases the Commission's risk of fraud, waste and abuse.

Recommendation: Access to the safe should be limited to one or two individuals. If this is not reasonable, management should implement additional controls over cash that include the verification of all cash and checks at the beginning and end of all shift/personnel changes. Management may also want to consider purchasing a safe with a drop box opening to allow cashiers to drop off the sale proceeds from the day.

Risk: High

Management Response: Concur. Management has researched and purchased a new drop safe with separate drawers that include a designated section that is only accessible by the Manager and Assistant Manager. Until a new safe is installed, management will verify all cash and checks at the beginning and end of all shift/personnel changes.

Expected Completion Date: Completed

Follow-Up Date: April 2016

5. Perform Monthly Reconciliations of the Checking Account

Issue: Monthly reconciliations of the checking account to the bank statements are not being performed.

Risk/Criteria: Commission Practice 3-11, *Administration of Cash Funds*, states petty cash checking accounts must be reconciled monthly to the bank statements and retained at the facility. Failing to perform these monthly reconciliations could lead to discrepancies being unnoticed.

Recommendation: The custodian should perform reconciliations on a monthly basis. Managerial oversight functions should also be strengthened to provide assurance that the required reconciliations are being completed.

Risk: High

Management Response: Concur. Management oversight has been strengthened by completing periodic monitoring to ensure that the custodian is performing monthly reconciliations of the checking account.

Expected Completion Date: Completed

Follow-Up Date: April 2016

IV. DETAILED COMMENTARY AND RECOMMENDATIONS – [REDACTED]

6. Perform Monthly Reconciliations of the Checking Account

Issue: Monthly reconciliations of the check book to the bank statements are not being completed.

Risk/Criteria: Commission Practice 3-11, *Administration of Cash Funds*, states petty cash checking accounts must be reconciled monthly to the bank statements and retained at the facility. Failing to perform these monthly reconciliations could lead to discrepancies being unnoticed.

Recommendation: The custodian should perform reconciliations on a monthly basis. Managerial oversight functions should also be strengthened to provide assurance that the required reconciliations are being completed.

Risk: High

Management Response: Concur. The custodian was not performing monthly reconciliations, but as needed with the replenishment request. We shall implement monthly reconciliation reports immediately.

Expected Completion Date: February 2016

Follow-Up Date: April 2016

7. Ensure Fiscal Year Bank Reconciliation Forms are Accurate

Issue: The fiscal year 2015 bank reconciliation form submitted by the custodian to the Department of Finance contained inaccurate data. The form did not reflect an actual shortage of [REDACTED]. A summary of the form is presented below:

	6/30/2015 Reconciliation	Reported	Actual/ Completed by OIA
1	Balance per Bank Statement	[REDACTED]	[REDACTED]
2	Add Outstanding Deposits (have not yet appeared on bank statement)	[REDACTED]	[REDACTED]
3	Deduct Outstanding Checks (have not yet appeared on bank statement)	[REDACTED]	[REDACTED]
4	Adjusted bank statement balance	[REDACTED]	[REDACTED]
5	Add-Pending Check Requests to reimburse funds/checking account	[REDACTED]	[REDACTED]
6	Total (lines 4+5)	[REDACTED]	[REDACTED]
7	Original Amount of Fund	[REDACTED]	[REDACTED]
8	Difference (lines 6-7)	[REDACTED]	[REDACTED]

At the time of the reconciliation, the checking account was short [REDACTED]. The custodian could not provide a reasonable explanation for the submission of an incorrect reconciliation.

Risk/Criteria: Submitting an accurate Facility Bank Reconciliation form is a responsibility of the custodian. Failing to do so increases the Commission's risk of fraud waste and abuse of checking account funds.

Recommendation: The custodian should be counseled on how to properly complete a Facility Bank Reconciliation form for submission to the Department of Finance. Managerial oversight functions should also be strengthened to provide assurance that the required reconciliations are being accurately completed.

Risk: High

Management Response: Concur. Supervisor will administer Fiscal Year End reconciliation form to assure accuracy and facilitate education and improvement of custodian's understanding.

Expected Completion Date: July 2016

Follow-Up Date: August 2016

8. Ensure Commission Policies are Followed

Issue: The following chart shows violations of Commission policy in custodial duties for the petty cash checking account and change fund:

Date	Amount	Description	Note
8/8/14	██████	Checking Account Overdrawn	A.
10/15/14	██████	Check #2645 was not submitted in a check request for replenishment	B.
7/30/15	██████	Money taken from the change fund to make purchases for the facility	C.
7/31/15	██████	Check written to cash to make purchases for the facility	D.
8/26/15	██████	This invoice was put in for replenishment but there is no documentation to show how the invoice was paid	E.
9/14/15	██████	Checking Account Overdrawn	F.
9/16/15	██████	Money taken from change fund to cover overdrawn amount and make a purchase for the facility	G.

- A. On 8/8/14 the petty cash checking account was overdrawn by ██████. The custodian's check book showed a balance of ██████ as of 8/6/14 and ██████ as of 8/14/14. The bank statement showed a ledger balance of ██████ on 8/7/14, overdrawn by ██████ on 8/8/14 and \$0 balance on 8/14/14. The checking account was overdrawn because the custodian failed to reconcile the checking account to the bank statement on a monthly basis.
- B. There is no evidence that check # 2645 in the amount of ██████ was ever submitted in a check request to replenish the fund.
- C. The custodian informed us that on 7/30/15, he/she allowed ██████ to be taken from the change fund for the purchase of ice because the ice machine was not working and he/she claimed there was not enough money in the checking account to make the purchase. On 7/31/15 the

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- custodian's checkbook showed a balance of [REDACTED] and on 7/30/15 the bank statement showed a ledger balance of [REDACTED]
- D. The custodian informed us that on 7/31/15 he/she wrote a petty cash check out to "cash" and cashed it using the money to make purchases of additional ice and condiments for the facility. The custodian has a checking account only and not a petty cash account.
- E. On 8/26/15 the custodian submitted a check request to replenish the checking account, which included an invoice in the amount of [REDACTED]. There is no documentation supporting how the invoice was paid with Commission funds.
- F. On 9/9/15 the custodian's check book had a balance of [REDACTED] yet a check was written by the custodian on 9/10/15 in the amount of [REDACTED]. On 9/14/15 the checking account was overdrawn by [REDACTED].
- G. The OIA conducted a cash count of the change fund on 9/28/15 and determined the fund was [REDACTED] short. The custodian informed us that on 9/16/15, he/she removed [REDACTED] out of the change fund and deposited [REDACTED] of it into the petty cash checking account to cover the [REDACTED] overdrawn amount and used [REDACTED] of it to purchase carbon dioxide for the soda machine at the facility. The custodian provided [REDACTED] cents in change that was left over to account to account for the entire [REDACTED]

Risk/Criteria: Commission Practice 3-11, *Administration of Cash Funds*, states:

- The petty cash checking account should be replenished at appropriate intervals for efficient administration.
- A change fund must be used solely for making change. Change funds may not be used for expenditures of any kind.
- The checking account should be reconciled on a monthly basis.
- Check requests to replenish a checking account should contain invoices and the corresponding number of the check that was used to pay it.

Failing to adhere to these Commission policies increases the Commission's risk of fraud, waste and abuse of these funds.

Recommendation: Management should ensure:

- Checking account funds are replenished at regular intervals. The OIA recommends replenishing when funds on hand are approximately 50% of the total.
- Monthly reconciliations of the checking account to the bank statements are completed. Monthly reconciliations should be reviewed by the petty cash custodian's supervisor. The reconciliation should provide evidence of the supervisory review (e.g. initials).
- The change fund is used solely to make change.

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- Check requests to replenish funds contain adequate supporting documentation.

In addition, management should consider approving a second petty cash "cash" fund to be used for small dollar miscellaneous purchases (e.g. ice, carbon dioxide, etc.)

Risk: High

Management Response: Concur. Agreed on all points (A-G). A majority of the infractions occurred due to the low balance of checking account and untimely replenishment. All points have been remedied by supervised timely replenishment requests and necessary training. Management will also request an additional cash fund as an option for intended use.

Expected Completion Date: Completed

Follow-Up Date: April 2016

9. Provide Additional Training to Custodian

Issue: The custodian does not have an adequate understanding of fiscal controls or Commission Practices on the administration of checking account or cash funds.

Risk/Criteria: Failing to adhere to Commission Policy results in discrepancies and inconsistencies and prohibits the timely detection of errors. Current Commission Practices help protect the agency from loss of funds, help ensure proper recording of assets, and reduces possible reputational damage to the Commission that may result from instances of fraud, waste, or abuse.

Recommendation: Facility management should ensure the custodian receives additional training over the administration of checking account and change funds. Topics should include, but do not have to be limited to:

- requirements of Commission Practice 3-11, *Administration of Cash Funds*;
- completion of monthly bank reconciliations;
- completion of annual facility bank reconciliation;
- completion of petty cash reimbursement requests; and
- timely replenishment of petty cash funds.

Risk: Medium

Management Response: Concur. The custodian has attended training sessions on petty cash administration. Management oversees progress, ensuring full understanding of procedures necessary to fulfill recommendations.

Expected Completion Date: Completed

Follow-Up Date: April 2016