

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

**Hillcrest Heights Community Center
Report Number: PG-014-2016**

June 30, 2016

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Hillcrest Heights Community Center
Table of Contents

I. EXECUTIVE SUMMARY

A. Overall Perspective.....	1
B. Audit Scope, Objectives and Methodology.....	2
C. Major Audit Concerns.....	3
D. Overall Conclusions.....	4

II. Detailed Commentary And Recommendations

1. Strengthen Administrative Oversight and Controls over Fixed Assets.....	5
2. Strengthen Administrative Oversight and Controls over Controlled Assets.....	8
3. Ensure Vehicle Logs are Maintained and Reviewed.....	10
■ [REDACTED].....	■
5. Ensure Cash Deposits are Made Timely.....	12

I. EXECUTIVE SUMMARY

A. Overall Perspective

The Hillcrest Heights Community Center (HTCC or the Center) is located at 2300 Oxon Run Drive, Temple Hills, MD. The HTCC contains a baseball and softball field, computer lab, dance rooms, fitness room, teen lounge, tennis court, gymnasium and kitchen. The Center also offers Xtreme Teens and senior programs.

The HTCC facilitates the Kid's Care Program within Prince George's County Department of Parks and Recreation, with approximately 27 daily attendees. The HTCC is not attached to a local elementary school, necessitating the transportation of 27 school age children from their respective schools to the Center.

The HTCC was fully renovated in 2010 and is managed within Prince George's County Department of Parks and Recreation Southern Area Operations Division.

B. Audit Scope, Objectives, and Methodology

The purpose of this audit was to evaluate the system of internal controls supporting operations at the Center. The scope of our audit included, but was not limited to the following audit procedures:

- Performed an unannounced count of the petty cash and change funds.
- Reviewed petty cash receipts for compliance with Commission policies and procedures.
- Reconciled cash receipts to daily sales reports.
- Reviewed time cards and time keeping procedures. Interviewed supervisory employees to assess the effectiveness of managerial oversight of the employee time card process to ensure the hours worked were correctly reported.
- Verified existence of fixed and controlled assets to source documentation.
- Obtained and reviewed Commission vehicle mileage logs.
- Reviewed payments to contract vendors.
- Reviewed room rental contract data.
- Obtained and reviewed Account Receivable Aging reports. Reviewed internal procedures with HTCC management for reasonableness.

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 audit covered the period from January 1, 2015 through December 31, 2015.

C. Major Audit Concerns

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

- Inadequate administration over Hillcrest Heights Community Center's fixed assets.

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

D. Overall Conclusions

The results of our evaluation and testing procedures indicate deficiencies in the design or operation of internal controls at the Hillcrest Heights Community Center, as noted in the Major Audit Concerns section of this report.

We believe the findings identified and communicated are correctable. It is the responsibility of management to weigh possible additional cost 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 Operation's management and staff for the cooperation and courtesies extended during the course of our review.



Natalie M. Beckwith, MPA
Senior Auditor



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

June 30, 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

1. Strengthen Administrative Oversight and Controls over Fixed Assets

Issue: Coordinated fixed asset inventories have not been completed as required. The date of the Center's last coordinated inventory count could not be determined.

The fixed asset register provided by the Department of Finance's Fixed Asset Accountant does not reflect any of the Center's newly acquired post renovation fixed assets, with the exception of one basketball scoreboard. All other items found on the fixed asset register have acquisition dates that range from 1991 to 1998. As well, the nature and location of the items currently listed could not be determined.

Also, data detailing the transfer or disposal of fixed assets is not being forwarded to the Fixed Asset Accountant for processing. When items are transferred or disposed of, a fixed asset form (Form #164) should be forwarded to the Fixed Asset Accountant for processing. During the course of the audit, we determined that the Form 164's were prepared by the Facility Director and forwarded to the Southern Area (SA) Asset Coordinator. However, upon receipt of those forms, the SA Asset Coordinator entered the data into a local asset tracking database. The SA Asset Coordinator was unaware that the information in the local asset tracking database did not automatically update the Commission's fixed asset system.

As well, when a fixed asset is purchased, it should be assigned an 8000 series capital expense account code. Items assigned an 8000 series code are automatically forwarded to the Fixed Asset Accountant for processing during the acquisition phase of the purchasing process. During the course of the audit it was determined that during the acquisition phase, fixed asset items were being coded as non-capital outlays instead of capital expenses. Thus, the Fixed Asset Accountant was not receiving the necessary information regarding the purchase of the Center's fixed assets.

The handling of fixed assets at the remaining southern area locations mirrors that of the Hillcrest Heights facility. This would indicate a systemic and pervasive deficiency in the administration of fixed assets in the entire southern area. According to the Fixed Asset Accountant, only three southern area locations have completed the required coordinated inventory count in the past two fiscal years.

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 the Commission's ability to meet identified objectives. As well, improperly recorded asset values could have a negative impact on the Commission's financial statements.

Recommendation: We recommend that southern area management strengthen administrative oversight and controls over fixed asset. Recommended actions include:

- The SA Asset Coordinator should ensure that the Center's fixed assets are correctly identified on the Commission's fixed asset register. The SA Asset Coordinator should forward the necessary correcting Form 164's to the Fixed Asset Accountant to ensure items are properly reconciled.
- HTCC management should implement an internal procedure or process to ensure the separation of fixed assets from controlled assets in the in-house local asset tracking system.
- Going forward, fixed assets should be assigned the correct capital expense code by the Facility Director during the acquisition phase of the purchasing process.
- All southern area locations should complete coordinated annual inventory counts as required, without exception.

We further recommend that southern area senior management monitor the SA Asset Coordinator's, HTCC's Facility Director's and any additional southern area staff members' progress on resolving the deficiencies identified above.

Issue Risk: High

Management Response: We will cross reference Form 164 for all sites in Southern Area Operations (SAO) to ensure fixed and controlled asset registers are up-to-date. All updates will be forwarded to the Fixed Asset Accountant for processing.

The SA Asset Coordinator and office supervisor were trained on the Enterprise Asset Management (EAM) fixed asset program which will be used departmentally. This system is able to filter fixed and control assets. The SA Asset Coordinator and office supervisor will begin using this program to ensure separation of fixed and controlled assets.

Annual inventory counts will be completed and confirmed with appropriate signatures by the SA Asset Coordinator and management.

Fixed and controlled asset lists will be added to SAO facility audit reports for quarterly review by the Regional Manager. Quarterly checks will be made on fixed and controlled assets at all southern area sites by senior management and the

Hillcrest Heights Community Center
Audit No. PG-014-2016

Fixed Asset Coordinator. Twice a year, the Fixed Assets Coordinator will double check inventory and all Form 164's with the Fixed Asset Accountant. Reminders to review all assets will be shared with staff at quarterly recreation staff meetings.

Expected Completion Date: Effective July 31 with quarterly follow up.

Follow-Up Date: November 2016

2. Strengthen Administrative Oversight and Controls over Controlled Assets

Issue: The HTCC Facility Director along with the SA Asset Coordinator is responsible for maintaining an accurate listing of the Center's controlled assets. Such assets have an acquired value of \$4,999.99 or less. When assets of this nature are acquired, transferred or disposed of, this information should be communicated to the SA Asset Coordinator by the Facility Director and the controlled asset listing should be updated accordingly. During our review, we identified several areas where the administrative oversight for the Center's controlled assets should be strengthened.

- The HTCC's controlled asset listing is outdated and inaccurate.
 - The Center's controlled asset listing reflects several items that were acquired at a cost greater than \$5,000. Items categorized as controlled assets should have an acquired value of \$4,999.99 or less. It should also be noted that this practice of combining controlled assets and fixed assets on one listing has occurred not just at the Hillcrest Heights location, but is pervasive throughout the entire southern area.
 - One item, spin bike #004962, has been recorded incorrectly. The controlled asset listing notes the acquired value of the spin bike as \$821,025. Several comparable spin bikes were also acquired at the same time at a cost of \$821.25. Thus, this clerical error has falsely inflated the value of spin bike #004962 by \$820,203.75.
 - The listing also contains several items, e.g. refrigerator, microwave, exercise equipment, etc., that were acquired prior to the facility's 2010 renovation. During the course of the controlled asset review, it was determined that these items are no longer at the Hillcrest Heights location and have probably been disposed of. However, there is no record of their disposal.

Criteria/Risk: The *M-NCPPC Department of Parks and Recreation - Inventory Control Guidelines (Controlled Assets)* serve to provide accountability and support with regard to the administration of the Commission's controlled assets. The inherent objective of these guidelines is:

- To provide procedures for safeguarding, accounting for and reporting controlled assets.

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

Recommendation: We recommend that the SA Asset Coordinator thoroughly review the controlled asset listing for the Hillcrest Heights location and all

remaining southern area locations and correct any clerical errors found. We also recommend that the SA Asset Coordinator remove all fixed assets items from the individual controlled asset listings for all southern area locations.

We further recommend that a full and comprehensive controlled asset inventory count be performed at the HTCC and at all additional facilities located within the southern area. Any items on the controlled asset listing that are unable to be located at a facility due to an item transfer or disposal should be properly documented and that documentation should be forwarded to the SA Asset Coordinator for processing.

We also recommend that SAO senior management monitor the SA Asset Coordinator's, HTCC's Facility Director's and any additional southern area facility staff members' progress on resolving the deficiencies identified above.

Issue Risk: Medium

Management Response: We have already started utilizing the EAM asset program, which has the capability of separating controlled and fixed assets.

We will setup training with the Fixed Asset Accountant for the division on the correct coding for equipment/items to ensure coding is correct.

A present asset listing from EAM has been sent to management at HTCC and all other southern area sites for review. The necessary Form 164's will be completed to correspond with actual inventory. We are unable to confirm items acquired before renovations and can only confirm what is still in the facility.

Expected Completion Date: July 31, 2016

Follow-Up Date: November 2016

3. Ensure Vehicle Logs are Maintained and Reviewed

Issue: The Hillcrest Heights Community Center operates one M-NCPPC bus, (#322) on a regular basis. Drivers pick up school aged children at two elementary schools so they can partake in HTCC after-school activities. A total of 13 HTCC employees have been authorized to operate the vehicle.

During the course of the audit we determined that Commission required, vehicle log data has never been maintained for the bus. Thus, no vehicle or driver data was being tracked or retained.

Criteria/Risk: Commission Practice No. 6-10, *M-NCPPC Vehicle Use Program* requires the maintenance of vehicle logs for all pooled vehicles. In addition, the Practice states a designated department Vehicle Administrator must maintain all vehicle assignments, and vehicle usage logs for three (3) years.

The completion of vehicle logs provides important information to M-NCPPC management in case of vehicle accidents and/or infractions. The logs also provide management with a tool to assess vehicle usage, maintenance requirements, and possible replacement.

Recommendation: We recommend that HTCC's facility management strengthen internal procedures for the administration of pooled vehicles. Management should ensure that vehicle logs are being completed, reviewed, and maintained for all pooled vehicles.

Issue Risk: Medium

Management Response: HTCC staff will ensure vehicle logs are available at all times in vehicles. Vehicle logs will be submitted to southern area staff when log is full or quarterly, whichever comes first.

Expected Completion Date: Implementation will begin by July 31, 2016.

Follow-Up Date: November 2016

[REDACTED]

5. Ensure Cash Deposits are Made Timely

Issue: The Hillcrest Heights Community Center collects funds on-site to support its various programs and activities. These program activities may include Kids Care, Explorers Camp, dance classes, personal training services, etc. Facility management is tasked with depositing these funds in a timely manner.

During the course of the audit we identified two instances where cash was deposited in excess of seven days and an additional six instances where cash on hand exceeded [REDACTED]. It should be noted however, that no material discrepancies were discovered during the review of cash deposits.

Criteria/Risk: Commission Administrative Procedure 01-01, *Cash Receipts and Related Cash Transactions* requires that "Bank deposits will be made whenever cash on hand exceeds [REDACTED] or once per week, whichever comes first". Ill-timed cash deposits may leave the Commission susceptible to fraud, waste and abuse of cash funds. As well, related delays in revenue posting may adversely affect the Commission's interest earning potential.

Recommendation: We recommend that Center management take steps to ensure that cash deposits are made timely and in accordance with Commission Administrative Procedure 01-01.

Issue Risk: Low

Management Response: Regional Managers will review deposits to confirm compliance with deposit schedule of once per week or at [REDACTED] whichever comes first. Quarterly deposit reviews will take place by Regional Managers. Additionally, Program Superintendents will provide reminders of the Practice at quarterly recreation staff and Regional Manager meetings.

Expected Completion Date: July 31, 2016

Follow-Up Date: November 2016