



THE MARYLAND-NATIONAL CAPITAL PARK AND PLANNING COMMISSION

6611 Kenilworth Avenue • Riverdale, Maryland 20737

June 15, 2016

To: Joe Zimmerman, Secretary - Treasurer  
Department of Finance

Barbara Walsh, Accounting Division Chief  
Department of Finance

From: Renee Kenney  
Chief Internal Auditor

Natalie Beckwith  
Senior Auditor

Subject: PG-017-2016 Fixed Asset Management Advisory

## Background

In February of 2016 the Office of Internal Audit (OIA) commenced a full facility audit of the Hillcrest Heights Community Center (HTCC or Center). As a part of the audit process, the OIA performed an examination of the Center's fixed assets. During the course of the audit, we discovered several deficiencies with regard to the Center's administration of its fixed assets. Upon further review, we also discovered that some of the deficiencies noted could be attributed to deficiencies within the administration of fixed assets within the Department of Finance.

The HTCC was fully renovated in 2010. During the course of the Center's audit we discovered that none of the Center's newly acquired post renovation fixed assets, with the exception of one basketball scoreboard, was reflected on the Department of Finance's fixed asset register. The remaining items found on the fixed asset register have acquisition dates that range from 1991 to 1998 and their nature and location could not be determined.

When we inquired about this discrepancy, we determined that during the initial acquisition phase of the purchasing process, the Facility Director was erroneously coding the fixed assets as non-capital outlays and thus pertinent facility asset data was not being transmitted into the Department of Finance's fixed asset system. The Facility Director further informed us that they were unaware of the fixed asset coding structure. In addition, the Southern Area Operations (SAO) Fixed Asset Coordinator was entering asset information into a local fixed asset database and was not aware that the data did not interface with the Department of Finance's fixed asset system.

We also determined that neither the Facility Director nor the SAO Fixed Asset Coordinator have ever received any formal training regarding the administration of the Commission's fixed assets.

The Fixed Asset Accountant, within the Department of Finance, did not have any record of a coordinated fixed asset inventory count with the HTCC for the past two fiscal years. Although supporting documentation shows evidence of a coordinated inventory request being sent to the SAO facilities from the Fixed Asset Accountant, with subsequent reminders for completion, only 3 out of 16 SAO locations actually conducted a coordinated fixed asset inventory count within the last two fiscal years.

Commission wide, the Fixed Asset Accountant disseminated 199 coordinated inventory requests in FY 2015, however responses were only received from 127 locations. The remaining 72 locations did not submit a response. This equates to Commission-wide positive and negative response rates of 64% and 36%, respectively. We did not see any attempts made by the Fixed Asset Accountant to escalate the inventory count request efforts to the Department of Finance's upper management for locations where the inventory count was not performed.

### **Scope**

The scope of the management advisory review for the Department of Finance's fixed asset program included, but was not limited to, the following audit procedures:

- reviewing the fixed asset register for the HTCC;
- interviewing key personnel within Southern Area Operations (SOA) who are responsible for the administration and monitoring of fixed assets;
- interviewing the Department of Finance's Fixed Asset Accountant;
- reviewing M-NCPPC Practice No. 3-14, *Fixed Asset Policy*; and
- reviewing M-NCPPC Administrative Procedure No. 04-01, *Fixed Asset Manual*.

The audit period covered in this review was January 1, 2015 – December 31, 2015.

## Findings and Recommendations

### 1. Strengthen Administrative Oversight and Controls over the Fixed Asset Inventory Process

**Issue:** Coordinated fixed asset inventory counts have not been conducted at 72 Commission locations. As well, attempts to escalate fixed asset inventory requests to upper management due to non-compliance have been neglected.

**Risk/Criteria:** 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 Commissions 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 the Fixed Asset Accountant escalate coordinated inventory requests to the Department of Finance's upper management for additional compliance action in instances where the inventory count has not been performed. We also recommend that the Department of Finance provide and facilitate training opportunities to Commission employees that are responsible for handling both the administration of fixed assets at the Division level and the annual coordinated fixed asset inventory count.

**Risk:** High

**Management Response:** Management concurs with the recommendation to escalate the inventory requests to upper management when the inventory count has not been performed. In addition, the Department of Finance will provide training for those Commission employees that are responsible for the administration of fixed assets at the Division level and the annual coordinated fixed asset inventory count. The Department of Finance is currently in the process of updating the Fixed Asset Manual, and once that has been completed, will set up training sessions for these employees to go over the changes to the manual and to make sure they understand their responsibilities.

**Completion Date:** November 2016

**Follow-Up Date:** December 2016

## **Conclusion**

This audit was conducted in accordance with the *Government Auditing Standards*. The results of our review indicate that there are areas for improvement in the internal controls for fixed asset management.

We believe all weaknesses identified and communicated are correctable and that management's response to all recommendations satisfactorily address the concerns. It is the responsibility of management to weight 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 Department of Finance management and staff for their cooperation and courtesies extended during the course of the review.

cc:

Executive Committee

C. Anderson

E. Hewlett

P. Barney

Audit Committee

N. Dreyfuss

J. Shoaff

K. Tobat

M-NCPPC

A. Gardner