

# **AUDIT COMMITTEE ACTIVITY REPORT**

**FY2018 (July 1, 2017 – June 30, 2018)**

Prepared by the Audit Committee for the Commission Chair and Vice-Chair, and  
Submission to the Full Commission

**Report Date:** September 26, 2018

## **Audit Committee Members (FY18):**

Norman Dreyfuss, Audit Committee Chair, Montgomery County Planning Board  
Dorothy Bailey, Prince George's County Planning Board  
Karen Tobat, Public Member, Montgomery County  
Benjamin Williams, Public Member, Prince George's County

## INTRODUCTION

The Audit Committee (AC or Committee) operates independently from the management of the Maryland-National Capital Park and Planning Commission (M-NCPPC or Commission). The AC serves as a forum, in which auditors and other interested parties may identify and discuss concerns related to financial reporting and internal controls.

The Annotated Code of Maryland, Land Use Article, Subtitle 4 Audit Committee, §15-401-§15-405, governs the establishment and function of the Audit Committee (e.g. membership, terms, qualifications, and powers). The new regulations went into effect October 1, 2017.

The new regulations require four (4) voting AC members and one (1) nonvoting member. At the November 2017 AC meeting, Commissioner Norman Dreyfuss (Montgomery County) was appointed Audit Committee Chair. Other Committee members include Commissioner Dorothy Bailey (Prince George's County), Ms. Karen Tobat, public member representing Montgomery County, and Mr. Benjamin Williams, public member representing Prince George's County. The Commission Chair serves as the nonvoting member.

The new regulations also required the establishment of an Office of the Inspector General (OIG) within the Commission (Subtitle 5 Office of the Inspector General, §15-501-§15-508). The regulations strengthened the OIG's independence by shifting the reporting relationship of the Inspector General from the Commission's Chair and Vice Chair to the Audit Committee.

Maryland-National Capital Park and Planning Commission (M-NCPPC) Practice No. 1-31, *Organization and Functions of the Audit Committee*, provides additional guidance on the Committee's requirements. The Practice requires the AC to submit the following annual reports:

- A written report that addresses how the Committee discharged its duties and met its responsibilities.
- A summary of significant audit findings as prepared by the Inspector General.
- Evaluation of the adequacy of internal controls; the agency's adherence to financial regulations/policies; and any other significant concerns/complaints that were filed with or identified by the Audit Committee.

## **DISCHARGE OF DUTIES**

### Audit Committee Meetings and Communications

The Audit Committee (AC) is required to hold at least four meetings during each year to discuss proposed audits and investigations. For FY18, the AC met five (5) times:

- September 20, 2017 – Montgomery Regional Office, AC general meeting and annual report presentation
- November 28, 2017 – Conference Call, AC general meeting
- December 20, 2017 – Montgomery Regional Office, AC general meeting and meeting with external auditor
- March 6, 2018 – Conference Call, AC general meeting
- June 12, 2018 – Conference Call, AC general meeting

### Inspector General

The Audit Committee must select and appoint the Inspector General. The AC appointed Ms. Renee Kenney, Inspector General on December 20, 2017 for a four (4) year term. Commission, Merit System employees within the Office of Internal Audit transferred to the Office of the Inspector General.

Review and Approval of Internal Audit Plan – On June 21, 2017, the AC formally approved the FY18 Audit Plan submitted by Ms. Kenney<sup>1</sup>. The results of the Commission wide risk assessment/interviews were used to develop the plan.

### External Auditors

The Audit Committee is responsible for appointment, compensation, retention, and oversight of the work of any external auditor engaged for the purpose of performing independent audit services, reviews or attest services.

- Each fiscal year, the Office of the Secretary-Treasurer submits a Comprehensive Annual Financial Report (CAFR), in accordance with the Land Use Article of the Annotated Code of Maryland. In conjunction with the CAFR, State statute requires an annual audit by independent certified public accountants. The Commission selected the accounting firm of SB & Company to complete the FY18 external review (year three (3) of a five (5) year contract). The following meetings were held with the external auditors:
  - June 21, 2017 – Reviewed scope and objective of FY17 Audit
  - December 20, 2017 - Reviewed results of the FY17 Audit
  - July 18, 2018 – Reviewed scope and objective of the FY18 Audit

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<sup>1</sup> On June 12, 2018, the AC formally approved by FY19 Audit Plan.

## SUMMARY OF SIGNIFICANT AUDIT FINDINGS

The Inspector General submitted the Office of the Inspector General's (OIG's) Fiscal Year 2018 Annual Report to the Audit Committee on July 13, 2018. Per the report:

For FY18, seven (7) audit reports included a major audit concern. If the overall control environment for the unit or process being audited requires management's immediate attention, details of the deficiencies are included in the "Major Audit Concerns" section of the report.

The audit reports with major audit concerns included:

- 1) Americans with Disabilities Act Compliance -Title II – Data Storage
- 2) Commission Energy Management/Utilities
- 3) Rock Creek Maintenance Facility
- 4) Montgomery County Park Police – Timekeeping Procedures
- 5) Montgomery County Park Police – Officer Issued Equipment
- 6) ██████ – Timekeeping Procedures
- 7) Office Service Unit – Print Shop

For FY18, the OIG identified 39 high-risk audit findings. The OIG relies on the auditor's professional judgment when assigning risk ratings (high, medium, or low) to individual audit findings. A high-risk rating indicates 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.

The following high-risk audit findings appear to be pervasive throughout the Commission:

- Lack of managerial oversight (timekeeping); and
- Inaccurate time cards.

**Exhibit A** includes a summary of the major audit concerns and high-risk audit findings.

## FRAUD, WASTE, AND ABUSE (FWA) REVIEWS

In cases where fraud, waste, or abuse is suspected, the Office of the Inspector General has responsibility to investigate the matter in accordance with Commission Practice 3-31, *Fraud, Waste, & Abuse*. FY18, the OIG completed 11 FWA investigations. Five (5) of the investigations resulted in a conclusion of fraud, waste, or abuse. A summary of the five investigations is provided below:

- Rock Creek Maintenance Facility – CIP Project - Lack of managerial oversight.
- Montgomery County Park Police - Timekeeping Procedures – We identified pervasive issues with timekeeping procedures within the Montgomery County Park Police Department [REDACTED]  
[REDACTED]
- [REDACTED] Center – Theft of Customer Payments – An intermittent center employee misappropriated \$91.00 of fee income (customer payments).
- [REDACTED] Department – Timekeeping Fraud - A merit system employee falsified his/her time card, failed to record approved leave and realized a personal gain of \$3,114.80 in unearned wages.
- [REDACTED] Community Center – Personal use of Commission Property - A manager was storing personal items in a Commission owned storage unit (shed). In addition, the manager abused his/her authority by asking a subordinate to accommodate his/her request.

## EFFECTIVENESS OF THE INTERNAL CONTROL SYSTEMS AND PROCESSES

Per the OIG's Fiscal Year 2018 Annual Report to the Audit Committee:

It is the opinion of the Inspector General that the internal control systems and processes for the Commission's fiscal, operational, and information technology (IT) activities and applications/systems are adequate, but there are areas for improvement in processing HR personnel action forms, departmental competitive bids, IT governance, and construction project management/change orders.

The OIG will be completing the following audits and advisory reviews in FY19 to address the areas identified for improvement.

- 1) Assessment of purchasing governance. The OIG to compare current reporting structures against documented best practices to ensure purchasing professionals involved in competitive proposals (RFPs) are independent and adequately trained.
- 2) Assessment of total IT spend.
- 3) Lawson ERP:
  - Lawson v10 Upgrade Go-Live Readiness Assessment; and
  - Lawson v10 Deliverables – to include an assessment of department business needs.
- 4) Commission Change Order procedures.
- 5) Follow up on the Department of Parks and Recreation, CIP audit report issued by the Office of Legislative Audits.

## **OTHER CONCERNS AND COMPLAINTS**

As part of our reporting requirements, the AC is required to advise the Commission Chair and Vice-Chair of any Committee concerns arising from any audit/investigation reports. No additional concerns were raised in FY18.

## **CONCLUSION**

The Audit Committee once again recognizes continued compliance with existing policies and timely corrective action by management in response to the audit findings. The AC would like to thank the Commission's Chair, Vice-Chair, Commissioners, management, staff, and the Office of the Inspector General for their continued efforts to strengthen public accountability and to improve the effectiveness, productivity, and efficiency of Commission operations.

Finally, the AC would also like to thank Ms. Karen Tobat for her three (3) years of volunteer service on the Audit Committee, as she completes her term as public member representing Montgomery County at the end of this month.

**Exhibit A**  
**Major Audit Concerns and High-Risk Audit Findings**

**Audit Reports with Major Audit Concerns**

ADA Compliance (PGC-013-2018)

Major Audit Concern - The Prince George's County Department of Parks and Recreation's ADA compliance data storage (i.e., ADA barrier identification, evaluation and removal) is decentralized across multiple databases and maintained by various owners. Compliance [REDACTED] is compromised due to potential risks of inaccurate, incomplete and insecure data. Decentralized data storage has contributed to difficulties and inefficiencies by impeding direct access to data required for preparing the Transition Plan (the Plan) mandated by the Department of Justice (DOJ).

4 High-risk audit recommendations:

- i. Transfer ADA Compliance Data to a Central Database
- ii. Formally Designate a Central ADA Coordinator
- iii. Enhance Website Accessibility Compliance
- iv. Develop Capability for Amenities Accessibility Search

Commission Energy Management/Utilities (CW-006-2018)

Major audit concern - Utility invoice data is not reviewed, monitored and analyzed consistently to identify performance trends, patterns or anomalies, which may indicate problems with utility usage and invoice billing errors for facilities and functional areas. Currently, the review of utility invoice data is performed on an ad hoc basis, mainly to address distinctive problems identified in a particular facility. In addition, no central employee or team is formally assigned the role of leading and coordinating utility invoice data review, monitoring and analysis.

2 High-risk audit recommendations:

- i. Develop Formal Assessment Plan for Utility Invoice Data
- ii. Appoint Coordinators to Administer the Assessment Plan

Rock Creek Maintenance Facility (MC-002-2018)

The Construction Contractor [REDACTED] Limited information available [REDACTED].



**Exhibit A**  
**Major Audit Concerns and High-Risk Audit Findings**

MC Park Police Timekeeping Procedures (MC-003-2018)

Major audit concern(s) - Park Police [REDACTED] a culture that fostered fraud, waste, and abuse. The OIG reasonably concluded, [REDACTED]:

- instructed [REDACTED] to record straight 8's on their time cards, regardless of hours worked;
- failed to provide reasonable oversight to ensure personnel completed required job duties; and
- approved falsified time cards.

In addition, the OIG identified inaccurate reporting of time worked including:

- falsified time cards;
- inconsistent in-service requirements;
- extended meal breaks; and
- extended workouts.

5 High-risk audit recommendations:

- i. Mandate Ethics and Timekeeping Training
- ii. Ensure Proper Use of motor data terminals (MDT)
- iii. Standardize In-Service Requirements
- iv. Strengthen Procedures for the Assignment and Approval of Overtime
- v. Ensure Proper Completion of Time Cards

MC Park Police – Officer Issued Equipment (MC-007-2018)

Major audit concern(s) – Current procedures and controls do not provide adequate assurance that [REDACTED]  
[REDACTED] Current procedures and controls do not provide adequate assurance that all issued equipment is returned upon Sworn Officer's separation from the Commission.

3 High Risk Audit Recommendations:

- i. Strengthen Controls over the [REDACTED] Processes
- ii. Improve Administrative Processes for the Tracking of Police-Issued Equipment
- iii. Include Final Release with Separation Documents

**Exhibit A**  
**Major Audit Concerns and High-Risk Audit Findings**

**████████ Timekeeping (PGC-006-2018)**

Major audit concern – Inadequate oversight over Commission timekeeping and recording functions.

1 High-risk audit recommendation:

- i. Strength Managerial Oversight for Timekeeping and Recording Functions

**Office Services Unit – Print Shop (PGC-009-2018)**

Major audit concern - Current operating procedures preclude management and/or the Office of the Inspector General (OIG) from identifying possible instances of fraud, waste, or abuse. There are no internal procedures in place defining who can submit print shop requests; current customers include DPR personnel, other Commission departments, and external organizations. In addition, Print Shop personnel are unable to reconcile the number of actual copies to specific job requests.

2 High-risk audit recommendations:

- i. Obtain Management Approval for Job Requests
- ii. Develop Guidelines for Non-Commission Print Jobs

**Audit Reports with High Risk Audit Recommendations**

**M-NCPPC Vehicle Use Program (CW-002-2018)**

4 High-risk audit recommendations:

- i. Oversee the Creation of a Commission-wide Task Force to Review Practice 6-10 (CAS)
- ii. Ensure Overnight Parking Corresponds to Employee Place of Work (PGC Parks)
- iii. Review Vehicle Assignment Forms for Accuracy and Reasonableness (PGC Parks)
- iv. Maintain Vehicle Assignment Forms/Ensure Overnight Parking Corresponds to Employees Place of Work (MC Planning)

**████████ Community Center Time Card Fraud (PGC-003-2018)**

1 High-risk audit recommendation:

- i. Maintain Current Employee Work Schedules

**Exhibit A**  
**Major Audit Concerns and High-Risk Audit Findings**

**██████████ Center – Customer Payments (PGC-005-2018)**

2 High-risk audit recommendations:

- i. Secure Manual Cash Receipt Book
- ii. Strengthen Administrative Oversight and Controls over Class Rosters and Enrollment

**██████████ Community Center (PGC-008-2018)**

1 High-risk audit recommendation:

- i. Enhance Security Camera Coverage

**Parks Direct – Post Implementation Review (PGC-010-2018)**

1 High-risk audit recommendation:

- i. Establish detailed test plans and complete testing of all system components prior to go-live for future projects

**██████████ Area Operations - Timekeeping (PGC-12-2018)**

1 High-risk audit recommendations:

- i. Strengthen Managerial Oversight – Time Card Approvals

**Enterprise IT Change Management (CW-011-2018)**

1 High-risk audit recommendation:

- i. Establish and implement a Commission-wide IT change management policy

**South Bowie Petty Cash Audit (PGC-013-2018)**

2 High-risk audit recommendations:

- i. Strengthen Administrative Oversight of Petty Cash Replenishments
- ii. Strengthen Managerial Oversight for Programs and Activities

**Assessment and Implementation of Disciplinary Actions (CW-005-2018)**

4 High-risk audit recommendations

- i. Implement Labor Soft
- ii. Ensure Completeness of Official Personnel Files
- iii. Strengthen Managerial Review of Official Disciplinary Action Documentation

**Exhibit A**  
**Major Audit Concerns and High-Risk Audit Findings**

- iv. Assess Time Between the Issuance of the Intent to Terminate Letter and the Subsequent Disciplinary Action

Show Place Arena/Equestrian Center Audit (PGC-013-2018)

1 High-risk audit recommendations:

- i. Improve Monthly Cash Reconciliation Procedures