

MARYLAND-NATIONAL CAPITAL PARK & PLANNING COMMISSION

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

**Largo/Kettering/Perrywood
Report Number: PGC-007-2021**

January 26, 2021

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Largo/Kettering/Perrywood

Table of Contents

I. EXECUTIVE SUMMARY

| | | |
|----|---|---|
| A. | Background | 1 |
| B. | Objective, Scope and Methodology of the Audit | 2 |
| C. | Major Audit Concerns | 4 |
| D. | Overall Conclusions | 5 |

II. DETAILED COMMENTARY AND RECOMMENDATIONS

| | | |
|----|---|----|
| 1. | Maintain Documentation Supporting Rental Contracts | 6 |
| 2. | Strengthen Disposal/Tracking Procedures for Controlled Assets | 8 |
| 3. | Obtain Required Approval for Non-Commission Employment | 11 |

Exhibit A

| | | |
|--|---------------------------------|----|
| | Repeat Controlled Asset Finding | 12 |
|--|---------------------------------|----|

I. EXECUTIVE SUMMARY

A. Background

The Maryland-National Capital Park and Planning Commission (Commission) is a bi-county agency serving Montgomery County and Prince George's County in Maryland. The Commission provides quality parks, recreation facilities, programs and services for residents and visitors.

The audit focused on the Largo/Kettering/Perrywood Community Center (the Center) located at 431 Watkins Park Drive, Upper Marlboro, MD. The Center offers key amenities including a gym, dance, fitness, game, preschool and multipurpose rooms. Many of these venues are available to the public for rental opportunities. The Center also offers services such as After Care, Licensed Pre-School, Seniors and Xtreme Teens Programs.

The Center is managed under the aegis of the Prince George's County Department of Parks and Recreation (DPR). A Facility Director has overall responsibility for the facility and reports to the Regional Manager and Acting Division Chief of Central Area Operations, under the direction of the Acting Deputy Director and the Director of DPR.

The Centers special revenue funds provide supplemental funding to enhance and expand community service programs. The special revenue fund is a self-sustaining account where the budgeted revenue is always equal to the budgeted expenses. The Center's fiscal year 2020 budgeted revenue was \$351,582, with actual revenue of \$308,328. Fiscal year 2020 budgeted expenses were \$351,582, with actual expenses of \$270,154. No additional funding was used due to the pandemic.

B. Objective, Scope and Methodology of the Audit

Objective

The purpose of the audit was to identify opportunities to strengthen internal controls, improve operational efficiencies and help ensure compliance with Commission policies and procedures.

In addition, the audit scope was designed to identify possible fraud, waste or abuse within the process(es) being audited.

Scope

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

- Reviewed applicable Commission practices and procedures;
- Interviewed staff to obtain an understanding of facility procedures;
- Reviewed petty cash reimbursements for approval and documentation;
- Reviewed cash receipts for timely and accurate bank deposits;
- Verified the existence of controlled assets and inventory completion;
- Verified the completion of capital/ assets and inventory completion;
- Verified Commission vehicle drivers met Risk Management requirements;
- Reviewed payroll timekeeping procedures;
- Reviewed accounts receivable for payment of outstanding balances; and
- Reconciled rental documentation with Rec Trac system data.

The audit covered the period from July 1, 2019 through September 30, 2020.

Methodology of the Audit

Inquiry, observation, data analysis, and tests of transactions were performed to complete the audit objectives.

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 the findings and conclusions based on the established audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

C. Major Audit Concerns

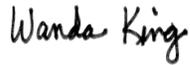
The results of our evaluation and testing procedures indicated no major audit concerns.

Overall Conclusions

The results of our evaluation and testing procedures indicate deficiencies, as defined below in the design or operation of internal controls for the administration of the Largo/Kettering/Perrywood Community Center.

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 Largo/Kettering/Perrywood management and staff for their cooperation and courtesies extended during the course of our review.



Wanda King
Assistant Inspector General



Renee M. Kenney, CPA, CIG, CIA, CISA
Inspector General

January 26, 2021

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. Maintain Documentation Supporting Rental Contracts

Issue: Center management did not maintain all required supporting documentation for rental contracts. The Office of Inspector General (OIG) tested ten (10) rental samples, resulting in the following exceptions¹:

1. Center management could not provide customer rental applications for five of the 10 samples (50%). As a result, OIG was unable to determine if these rentals were signed and authorized by management.
2. Of the five (5) customer rental applications that were provided to OIG, three (3) of them were not signed by management to support authorization of the rental contracts.
3. Management could not provide documentation to support the authorization of rental fee discounts given to three (3) of the customers (two customers received \$60.00 fee discounts, and one customer received a \$180.00 fee discount). Note the customers are non-profit organizations, which were allowed to rent space at non-profit rates.
4. The customer who received the \$180.00 fee discount against its original \$360.00 rental fee, was left with a final balance of \$180.00 to pay, according to the rental contract. However, there is a discrepancy between the \$180.00 fee paid as shown on the rental contract versus a \$120.00 fee paid, as shown on the Facility Reservation List.

Criteria/Risk: Operational best practices support maintaining documentation for rental contracts, including client applications and management approvals. Failure to require the maintenance of documentation may lead to monetary losses to the Commission due to unauthorized rentals, discounts and fee waivers, and may lead to potential fraud, waste and abuse.

Recommendation: Management should ensure complete supporting documentation for each rental contract is maintained.

Risk: High

Management Response: The Department of Parks and Recreation's Area Operations is reviewing its internal policies and procedures as a whole, including

¹ Five (5) of the 10 rental samples were processed during the tenure of the current Facility Director, resulting in the three (3) exceptions for item no. 2. The remaining five (5) rental samples were processed by the prior Facility Director, resulting in exceptions for items no. 1,3, and 4.

those for facility rentals. A work group consisting of various Division representatives in Parks and Recreation was formed to develop and strengthen internal controls over operational processes. Policies and procedures have been drafted for rentals, along with the same for other key facility operations. The updated internal policies and procedures will supplement the existing Commission practices. The work group is finalizing the documents and will present the recommendations to Executive Management for approval.

Expected Completion Date: The group anticipates making the presentation in February 2021. Procedures to be implemented upon approval.

Follow-Up Date: May 2021

2. Strengthen Disposal and Tracking Procedures for Controlled Assets

Issue: Center management has experienced challenges with tracking and determining the status (e.g., disposed, lost/misplaced, installed) of controlled assets².

During the course of the audit, the status of several³ assets changed from disposed to withdrawn. Per the Asset Coordinator, some of the assets previously designated as disposed never existed, due to erroneous duplications on the inventory list. He/she further explained that the duplication errors were made by Enterprise Asset Management (EAM), when EAM updated the controlled asset data in the application. These duplications had not been noticed previously.

The OIG reviewed a sample of assets, as reported on the original controlled asset inventory list, for verification of existence, with no exceptions. The OIG also reviewed documentation for assets reflected as stolen, lost/misplaced, and disposed.

- Stolen - six (6) assets: All required paperwork documenting the theft was reported to Prince George's County Park Police.
- Lost/Misplaced – three (3) assets: As a result of the September 2020 controlled asset inventory, the status of two assets (DVD player and mini stereo) was changed from acquired to lost/misplaced as the assets could not be located. There was no paperwork on file documenting a transfer or disposal. Both assets were acquired in January 2000 and both show a cost of \$1.00 on the inventory list.

The third asset (sewing machine) was listed on the inventory list without an assigned tag number. Per the inventory list, the sewing machine was acquired in September 2016, and cost \$147.81. Per the Asset Coordinator, the asset's status was erroneously designated as lost/misplaced on the inventory list, although the asset never existed. The inventory list was updated at the end of the audit, to reflect a status of withdrawn.

- Disposed - 17 assets: No exceptions identified for 12 of the 17 assets.
 - Required documentation (e.g. 164 form) was not submitted for three (3) of the assets identified as disposed (life cycle bike, Ninja food blender,

² Controlled assets have a value of < \$10,000. Departments are responsible for developing internal procedures for the identification, protection, and disposal of controlled assets.

³ Most of the assets that had a change in status were acquired before the current Facility Director assumed responsibility for operations in September 2019.

hot dog-bun broiler)⁴. During the course of the audit, additional investigation was completed by the Facility Director. All three assets have been accounted for.

- One (1) asset (Samsung television) was reflected as disposed. Initially, management did not provide documentation supporting the disposal, but did so at the end of the audit. The serial number listed on the inventory will be corrected by EAM.
- One (1) of the assets (Toshiba television) was identified as disposed in error on the inventory listing. OIG confirmed its existence at the Center.

Criteria/Risk: The Commission's Administrative Procedures No. 04-01, *Fixed Assets Procedure Manual*, refer to controlled assets as personal property items whose purchase price is less than the capitalization price of \$10,000 but due to their sensitive, portable, theft prone nature, they are important to control. The Administrative Procedures require the development and maintenance of an inventory system for controlled assets at the local departmental level.

Failure to appropriately monitor and track controlled assets could lead to fraud, waste and abuse (i.e., theft, personal use, loss and unauthorized disposal of Commission assets).

Recommendation: Management should document and distribute standard operating procedures to Area Operations facility staff, to strengthen disposal and tracking activities for controlled assets. At minimum, written procedures should include, but not necessarily be limited to, the following specific directives:

1. Prior to asset disposal, the Facility Director should prepare the 164 Forms and obtain the appropriate senior level management review, signature authorization and date.
2. When reviewing the 164 Forms, senior management should determine if disposal is the most appropriate alternative for the asset.
3. Senior management should require that assets still in usable condition be offered to Commission employees first, before the Facility Director disposes the assets. Administration staff should be directed to send an email to the appropriate departments.
4. Facility Directors should be required to request assistance from department maintenance for removal and disposal of facility assets. The facilities should request a copy of a maintenance work order and file it along with the other asset disposal documentation, including pictures of the disposed assets.

⁴ The three assets were acquired before the appointment of the new Facility Director.

Risk: High

Note: Recommendation is considered high risk due to repeat status. Please see **Exhibit A** for a list of previous audit recommendation within the Department of Parks and Recreation.

Management Response: The Department of Parks and Recreation's Area Operations is reviewing its internal policies and procedures as a whole, including those for controlled assets inventory. A work group consisting of various Division representatives in Parks and Recreation was formed to develop and strengthen internal controls over operational processes. Policies and procedures have been drafted for controlled assets inventory, along with the same for other key facility operations. The updated internal policies and procedures will supplement the existing Commission practices. The work group is finalizing the documents and will present the recommendations to Executive Management for approval.

Expected Completion Date: The group anticipates making the presentation in February 2021. Procedures to be implemented upon approval.

Follow-Up Date: May 2021

3. Obtain Required Approval for Non-Commission Employment

Issue: Required documentation (e.g. Form A-1) was not completed at the beginning of audit fieldwork for staff (eleven in total) with additional, non-Commission employment. However, during the course of the audit, the forms for ten employees have been completed, but have not yet been approved by senior management. One has been completed and approved.

Criteria/Risk: Commission Practice No. 2-14, *Non-Commission Employment and Non-Commission Business*, discusses the potential for developing conflicts of interest as a result of outside activities. While the Practice does not prohibit such activities, employees are required to complete Form A-1 and disclose outside employment and business relationships to management.

Failure to disclose and obtain authorization for non-Commission employment and business activities may lead to potential fraud, waste, and abuse due to conflicts of interest and may also lead to violation of fiduciary duty to the Commission.

Recommendation: Management should review submitted A-1 Documentation and provide approvals as required.

In addition, management should consider implementing procedures that require periodic discussions with staff during their annual performance reviews regarding non-Commission employment.

Management Response: Staff have been trained to include seasonal staff when inquiring about non-Commission employment. Managers will ask upon hire and include form in hiring packet as well as remind staff on the annual review.

Risk: Medium

Expected Completion Date: Completed January 6, 2021

Follow-Up Date: May 2021

Exhibit A

PRINCE GEORGE'S COUNTY AUDIT REPORTS AUDIT RECOMMENDATIONS FOR CONTROLLED ASSETS

2017-2021

| Audit Number | Audit Report Date | Audit Title | Recommendation Title | Issue |
|---------------------|--------------------------|------------------------------------|--|---|
| PGC-013-2017 | 6/30/2017 | Suitland Community Center | Ensure Controlled Asset Inventory Report Remains Current | Inadequate tracking procedures |
| PGC-002-2019 | 1/9/2019 | Stephen Decatur Community Center | Strengthen Controls over Controlled Assets | Inadequate procedures over controlled assets |
| PGC-005-2019 | 9/24/2018 | Ft. Washington – Controlled Assets | Strengthen Controls over Controlled Assets – Fort Washington Forest Community Center | Inadequate controls over the controlled assets |
| PGC-005-2019 | 9/24/2018 | Ft. Washington – Controlled Assets | Strengthen Controls over Controlled Assets – Southern Area Operations | Inadequate controls over the controlled assets Develop and promulgate controlled assets guidelines |
| PGC-013-2019 | 8/26/2019 | Palmer Park Community Center | Strengthen Procedures for Controlled Assets Inventory | Inadequate procedures over controlled assets |
| PGC-001-2020 | 11/26/2019 | Berwyn Heights Community Center | Strengthen Controls over Controlled Assets | Inadequate procedures over controlled assets |
| PGC-015-2020 | 6/22/2020 | Upper Marlboro Community Center | Maintain Accurate Controlled Inventory Reports | Deficient internal control systems and lack of managerial oversight |