

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

**Prince George's County Department of Parks and Recreation
Southern Regional Technology Recreation Complex**

**Facility Audit
Report Number: PGC-002-2021
January 29, 2021**

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Office of the Inspector General

Natalie M. Beckwith
Renee Kenney

Maryland-National Capital Park and Planning Commission
Office of the Inspector General
7833 Walker Drive, Suite 425
Greenbelt, MD 20770

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I. EXECUTIVE SUMMARY

A. Overall Perspective

The Southern Regional Technology Recreation Complex (the Complex or SRTRC), is located in Fort Washington, MD. The Complex is managed under the aegis of Prince George's County Department of Parks and Recreation, Area Operations, Southern Area Office. The Complex allows rental of its multipurpose room, outdoor patio, and seminar rooms. Additional programs offered at the Complex include Health and Wellness classes, Summer day camps and Xtreme Teens.

In FY 2020 the Complex recognized \$220,472.07 in registration revenue for activities such as Zumba, Yoga for Seniors, Ballet, etc. The Complex also recognized an additional \$985.00 and \$29,214.00 in ticketed sales and rental revenue, respectively.

B. Audit Objectives, Scope, and Methodology

Objective

The purpose of this audit was to evaluate the system of internal controls supporting operations at the Complex, 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 processes(es) being audited.

Scope

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

- Reviewed petty cash receipts and replenishments.
- Tested controls over daily receipts and bank deposits.
- Reviewed timecards and time keeping procedures. Interviewed supervisory employees to assess the effectiveness of managerial oversight of the employee timecard process to ensure the hours worked were correctly reported.
- Verified the existence of capital assets;
- Verified the existence of controlled assets;
- Reviewed mileage logs for Commission vehicles and assured that drivers have attained proper operating documentation;
- Assessed Complex receivables;
- Reviewed contracts for the rental of the facility;
- Reviewed employee travel related expenses.

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

Methodology

Inquiry, observation, data analysis, and tests of imposed actions to complete the objectives of this audit will be performed.

The 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 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.

C. Major Audit Concerns

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

- Inadequate managerial oversight of operational activities. Deficiencies were identified in the following business processes:
 - petty cash
 - cash deposits
 - capital assets
 - controlled assets
 - vehicle logs
 - employee travel expenses.

In isolation, these exceptions are considered medium risk, however in aggregate, they are an indication of a lack of managerial oversight of daily operational activities. The OIG reasonably concludes that the lack of oversight by the Southern Area Office and SRTRC management is major and requires immediate attention by management.

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 Southern Regional Technology Recreation Complex as noted in the Major Audit Concerns section of this report.

However, 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's Department of Parks and Recreation and the Southern Area Operations Division's management and staff for the cooperation and courtesies extended during the course of our review.



Natalie M. Beckwith, CFE, CICA
Assistant Inspector General



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

January 29, 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. Ensure Petty Cash Custodians are Authorized

Issue: The Complex maintains a \$ [REDACTED] petty cash fund. The employee currently performing petty cash custodian duties has not been authorized to engage in such activities. The Petty Cash Custodian form on file with the Commission's Office of Finance assigned authority of the fund to an employee who no longer works for the Commission.

A new Petty Cash Custodian authorization form was not filed with the Office of Finance upon the former employee's departure and the duties were informally transferred to another employee.

Criteria/Risk: Per Commission Practice No. 3-11, *Administration of Cash Funds*:

"Under no circumstances will custody of cash funds be informally relinquished to another employee/person. Alternate custodians of funds must be authorized in advance by a Department Head or designee by processing a Signature Authorization. In addition, Department Heads or designees must provide written notification to the Finance Department of temporary transfers of funds to alternate custodians or closing of funds."

Failure to provide the necessary oversight and controls over the Complex's cash funds is a direct violation of Commission Practice No. 3-11. In addition, failure to comply with this Practice may increase the risk of potential fraud waste and abuse of cash funds.

Recommendation: We recommend that the SRTRC's Facility Director take the necessary steps to update the Cash Custodian form to reflect the actual cash handling protocols currently in place at the Complex.

Issue Risk: High

Management Response: Concur. A Petty Cash Custodian form to change the custodian was approved and submitted on January 12, 2021. The Office Manager will follow-up with the Office of Finance to ensure no additional steps are needed to complete the transfer of custodial authority.

Moving forward, the Regional Manager will make sure completion of the Cash Custodian Authorization form takes place with all staff under his/her purview. Completion and submission of the form up the supervisory chain and to the Office of Finance will take place prior to the departure/change of any staff. This will ensure a formal transfer of the petty cash custodian responsibilities to the appropriate management staff.

Additionally, an offboarding checklist will be created for departing staff. This checklist will include the appropriate documents to transfer petty cash and the cash fund – to prevent similar issues in the future.

Expected Completion Date: January 29, 2021

Follow-Up Date: May 2021

2. Ensure Cash Deposits are Made Timely

Issue: The SRTRC Community Center collects funds on-site to support its various programs and activities. These program activities may include room rentals, camps, health and wellness classes, etc. Facility management is tasked with depositing these funds in a timely manner.

We reviewed cash receipts and deposits made between July 1, 2019 and September 15, 2019. We identified three instances where cash on-hand exceeded [REDACTED] and two instances where cash was deposited in excess of seven days. It should be noted however, that no material discrepancies were discovered during the review of cash deposits.

Dates When Cash On-Hand Deposits Exceeded \$1,000 or Were Made in Excess of Seven Days

Dates	Deposit Amount	Exception Type
7/8/2019	[REDACTED]	Excess of [REDACTED]
7/30/2019	[REDACTED]	Excess of [REDACTED]
8/12/2019	[REDACTED]	Excess of [REDACTED]
8/12/2019	[REDACTED]	Excess of 7 days
9/3/2019	[REDACTED]	Excess of 7 days

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 \$1,000 or once per week, whichever comes first".

Delayed 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: Medium

Management Response: Concur. Center management will take steps to ensure that cash deposits are made timely and in accordance with Commission Administration Procedure 01-01 by implementing the following measures:

- Each morning intermittent staff will generate a cash balance report that will inform management how many funds were taken in on the previous day.

- Center management will perform a safe check each morning, to count the funds collected on the previous day. He/she will make a deposit if the funds equal or exceed [REDACTED]
- After each deposit, center management will send a copy of the deposit documentation to the Regional Manager via email. This will demonstrate adherence to or the lack of, bank deposits being made whenever cash on hand exceeds [REDACTED] or once a week, whichever comes first.
- To ensure these measures are completed daily, all center management staff will be trained accordingly of this new process.

Expected Completion Date: February 5, 2021. But, will not be able to fully implement and monitor that procedures are being followed until the facility reopens to the public. And, as of right now the exchange of cash funds will be prohibited and only electronic transactions will take place.

Follow-Up Date: May 2021

3. Strengthen Managerial Oversight of Daily Operational Activities

Issue: Southern Area Office and SRTRC management is responsible for ensuring daily operational activities are performed with accuracy and in accordance with Commission policies and procedures. Our review included an assessment of controls over capital assets (i.e. assets costing >\$10,000), controlled assets (i.e. assets costing <\$10,000), Commission vehicles, and employee expense reimbursements. Audit testing included the following procedures:

- Verifying the existence of required documentation for capital and controlled assets.
- Testing the accuracy of mileage logs for Commission vehicles.
- Confirming employee travel reconciliation forms are completed and forwarded to the Office of Finance for processing within 20 days of the travel event.

During the audit testing, the OIG determined:

- Capital asset tags had been misplaced.
- Several controlled asset items had missing or incorrect asset tags, item's serial number was recorded incorrectly or the item was not located.
- The mileage log for a Commission vehicle did not agree with the vehicle's odometer reading.
- An employee forwarded a completed travel reconciliation form to the Office of Finance for processing 11 months after the travel event occurred.

Criteria/Risk:

- Capital Assets:
 - 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 financial reports issued to the Planning Boards and County Councils, external reporting agencies, granting agencies and the public.
 - In addition, *Administrative Procedure 04-01, Fixed Asset Manual* states:
 - Upon receipt of the fixed asset property identification tag, staff at the asset location should affix the label to the asset. If affixing a property tag is not practical, as in the case of playground equipment or software for example, the tag should be filed with a copy of the purchase order and retained for inventory purposes.
 - Failure to provide the necessary oversight and controls over the Commission's capital 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.

- Controlled Assets:
 - The M-NCPPC Department of Parks and Recreation - Inventory Control Guidelines serve to provide accountability and support with regard to the administration of the Commission's controlled assets. The inherent objective of the guidelines are:
 - 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 Commission's ability to meet identified objectives.

- Commission Vehicles:
 - *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.

- Travel Expenses
 - *Per Commission Practice No. 3-10, Authorized Business Expenses:*
 - Reimbursement of business expenses and/or settlement of travel advances are to be submitted to the Department of Finance using the Expense Report Form within 20 calendar days after return from travel.

Recommendations:

- Capital Assets:
 - We recommend that SRTRC management ensure that asset tags are affixed to capital assets where possible. If affixing a property tag is not practical then the tag should be maintained on site with a copy of the purchase order.

- Controlled Assets:
 - We recommend that a full and comprehensive controlled asset inventory count be performed at the Complex. Any items on the controlled asset listing that are unable to be located at a facility due to an item transfer, disposal or shrinkage should be properly documented and that documentation should be forwarded to the

- Asset Coordinator. In addition, all control asset items should have an affixed asset tag where possible.
- We further recommend that SRTRC management thoroughly review the controlled asset listing and correct any clerical errors found.
- Commission Vehicles:
 - We recommend that SRTRC's 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.
- Travel Expenses:
 - In the future, SRTRC management should ensure that employees submit all travel expense reports within 20 days of the travel.

Issue Risk: Medium

Management Response:

- A. Capital Assets: Concur. Property tags will be affixed to capital assets where possible. If not possible, then the tag will be maintained on site with a copy of the purchase order in a binder/notebook to be easily accessible.

SRTRC Facility Director will contact the Asset Coordinator to obtain the most current list of capital assets. SRTRC management will identify any other missing capital asset tags, if any. At which time, we will request replacement tags of those that are currently missing and any others identified.

Additionally, SRTRC facility staff will conduct monthly random checks of capital assets and the Regional Manager will conduct bimonthly audits of capital assets.

- B. Controlled Assets: Concur. A full and comprehensive controlled asset inventory will be performed at Sports and Learning Complex within the next 30 days and every two months thereafter. Any items on the controlled asset listing that are not located due to an item transfer, disposal or shrinkage will be documented and forwarded to the Asset Coordinator. In addition, SRTRC management will review the controlled asset listing and correct any clerical errors found.
- C. Commission Vehicles: Concur. SRTRC's management will strengthen internal procedures for the administration of pooled vehicles. Management will ensure that vehicle logs are being completed, reviewed, and maintained for all pooled vehicles by using the following measures:

- Staff will reconcile vehicle logs weekly and they will be confirmed/approved by SRTRC Facility Director and Regional Manager.
- Copies of the vehicle logs for each vehicle will be turned into the Regional Manager, which will be forwarded to the Assistant Division Chief monthly.

D. Travel Expenses: Concur. The Regional Manager will ensure that employees submit travel expense reports within 20 days of the travel. Staff have been counseled on reconciling travel expenses and briefed on policy and procedures.

Expected Completion Date: February 1, 2021

Follow-Up Date: May 2021

Exhibit A
Capital and Controlled Asset Exceptions

Capital Asset Exceptions

Asset Type	Tag Number	Acquisition Date	Cost	Exception Description
License Plate Recognition	22757	04/01/2014	\$32,550.64	Asset tag misplaced
Public Artwork in Cafe2	23182	12/19/2013	\$30,000.00	Asset tag misplaced

Controlled Asset Exceptions

Asset Type	Tag Number	Acquisition Date	Cost	Exception Description
Handheld Transmitter	27663	05/13/2019	\$219.00	Asset not located
Elliptical	27284	05/07/2013	\$4,461.20	Asset not located / possibly transferred to Tucker Road Community Center
LG Television	27330	05/15/2019	Not Noted	Asset tag missing
Handy Cam #1	28472	09/18/2019	Not Noted	Asset tag missing / serial number recorded incorrectly