

MARYLAND-NATIONAL CAPITAL PARK & PLANNING COMMISSION

Prince George's County Department of Parks and Recreation

Suitland Community Center

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June 30, 2017

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Suitland Community Center

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I. EXECUTIVE SUMMARY

A. Background

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

The Suitland Community Center (the Center), located in Forestville, MD, offers amenities such as fitness and game rooms, a gymnasium, and basketball and tennis courts. The Center also provides Kids Care and Xtreme Teens programs, as well as various classes and activities. A Facility Director has overall responsibility for the Center and reports to a Regional Manager and Program Superintendent within Southern Area Operations, under the direction of the Deputy and Director of the Prince George's County Department of Parks and Recreation.

The M-NCPPC executed a Memorandum of Understanding with the Prince George's County Board of Education, effective March 17, 2004, which governs the partnership between the Center and the Samuel P. Massie School. The Center and the school share the use of, and have maintenance responsibilities for, the gymnasium, cafeteria and art room.

B. Scope, Objective, and Methodology of the Audit

Objective: The purpose of the audit was to perform a comprehensive review and evaluation of the Suitland Community Center's system of internal controls.

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

- Reviewed applicable Commission practices and procedures;
- Interviewed managers, supervisors and staff to obtain an understanding of the operational procedures;
- Performed an unannounced cash count of the petty cash fund;
- Reviewed petty cash receipts and reimbursements;
- Reviewed the fixed and controlled asset reports, and verified completion of the annual inventory;
- Reviewed time keeping and payroll procedures, including paper time cards;
- Reviewed and reconciled rental contracts data with corresponding SMARTlink report data;
- Reviewed quarterly account receivables for outstanding payment balances; and
- Verified that drivers of Commission vehicles met risk management requirements.

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 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 11/01/15 through 10/31/16.

C. Major Audit Concerns

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

D. Overall Conclusions

The results of our evaluation and testing procedures indicate no major weaknesses in the design or operation of internal controls for the Suitland Community Center. On an overall basis, we consider the controls to be satisfactory.

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 the Suitland Community Center's management and staff for their cooperation and courtesies extended during the course of our review.

Wanda King

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June 30, 2017

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 Controls over Petty Cash Reimbursement

Issue: The Office of Internal Audit (OIA) reviewed documentation for past check requests submitted to the Department of Finance (Finance) for petty cash reimbursement. Suitland Community Center’s authorized petty cash fund is [REDACTED]. The OIA identified two instances where the depletion of the petty cash fund exceeded the recommended threshold of 50%. See the following table:

Check Request Date	Check Request Amount	Depletion %
10/30/15	[REDACTED]	90.2%
11/04/16	[REDACTED]	92.2%

The OIA reviewed petty cash documentation for 21 transactions submitted to the Department of Finance on 10/30/15 for reimbursement, and reviewed 23 transactions submitted on 11/04/16. Three samples tested disclosed that the Maryland sales tax exemption was not obtained, with no attached explanation. Furthermore, the petty cash custodian reimbursed requestors for the paid sales taxes. See the following table:

Vendor	Received of Petty Cash Form Date	Sales Tax Paid
America’s Best Bistro	06/12/15	\$8.52
Dollar Tree Stores	11/20/15	\$.54
Save A Lot	11/20/15	\$.13

In addition, the petty cash reimbursement review disclosed the following two miscellaneous exceptions:

- For the check request submitted to Finance on 10/30/15, reimbursement was paid for a \$75.00 U.S. postal money order used to make a purchase for the annual Beltway BBQ festival. However, no documentation was provided to support the actual purchase made (i.e., no sales receipt, invoice, ordering form or copy of the money order showing the payee’s name), but only a copy of the receipt for the money order. Therefore, OIA was unable to identify the merchant/payee and the purchased items, whether the purchase was allowable and if staff paid sales tax. The petty cash form was dated 05/26/15.
- For the check request submitted to Finance on 10/30/15, reimbursement was paid for \$10.00 for a gasoline purchase made at the commercial site, Suitland Exxon, for use in a Commission vehicle. The petty cash form, dated 03/31/16, did not include the required documentation to support the

reason for making a commercial gasoline purchase instead of fueling at a designated agency site. Also, there was no documentation to support the vehicle mileage at the time of fueling the vehicle.

Criteria/Risk: Commission Practice 3-11, *Administration of Cash Funds*, indicates that one of the duties of custodians is to “Replenish the fund at appropriate intervals for efficient administration.” Failure to replenish funds at timely intervals may hamper the facility’s operational efficiency.

Practice 3-11 states that petty cash reimbursements “must have proof of expenditure (original receipt) except as noted below” in the practice. In the following discussion on exceptions, the practice discusses that in certain types of transactions, a receipt may not be available. In the case of money orders, the practice states: “A photocopy of the original money order is acceptable. The name of the payee must be shown. (The receipt for the money order is not acceptable documentation).” The practice further states that “Supporting documents such as order forms, correspondence, etc. should be attached.” Failure to provide appropriate supporting documentation may lead to misappropriation of public funds.

The Commission has the State of Maryland Sales and Use Tax Exemption Certificate. Failure to use the certificate may result in monetary losses to the Commission.

Commission Practice 6-10, *M-NCPPC Vehicle Use Program*, provides guidance related to the fueling of an M-NCPPC vehicle at a commercial site. Failure to fuel vehicles at designated Commission sites may lead to monetary losses and fraud, waste and abuse situations.

Recommendation:

- Management should ensure that petty cash funds are replenished at regular intervals. The OIA recommends replenishment when the cash balance on hand equals approximately 50% of the total authorized fund.
- Management should ensure that staff comply with the Commission practice by providing appropriate documentation to support petty cash expenditures for reimbursement.
- Management should ensure that employees make reasonable efforts to obtain the sales tax exemption and document their attempts if the vendor refuses. Furthermore, the petty cash custodian should not reimburse employees for taxes paid if they do not document their efforts to obtain the exemption.

- Management should ensure that employees provide documentation to support the reason for fueling Commission vehicles at commercial sites and the vehicle's mileage at the time of fueling.

Issue Risk: High

Management Response: Management agrees that petty cash will be reimbursed when funds are 50% depleted. We will reinforce this procedure with staff. Regional Managers will check petty cash funds monthly to ensure compliance.

Management will ensure supporting documentation accompanies petty cash expenditures by reviewing the Practice with staff quarterly and during the Regional Manager monthly review.

Staff are aware of the tax exemption for purchases. Management will provide quarterly training to review the petty cash guidelines. Staff will be reminded before they make purchases to use the tax exemption card. In the event a vendor does not accept the tax exemption, we will document it on the petty cash slip and use another vendor or store for future purchases. No reimbursement for taxes paid will be issued without appropriate supporting documentation.

Expected Completion Date: Completed - ongoing

Follow-Up Date: December 2017

2. Strengthen Controls over Payroll Time Cards

Issue: OIA reviewed all employee paper time cards (35) for the pay period of July 10, 2016 through July 23, 2016. The review disclosed the following exceptions:

- The facility did not prepare schedules for all employees who worked during the pay period. OIA was provided with a two-week work schedule for the front desk staff only. For 25 of 35 employee time cards (71.4%), OIA was unable to determine if time card hours reconciled with scheduled hours, due to no available schedules.
- For the 10 employees listed on the front desk schedule for whom time cards were provided, none of the time card hours (0%) fully reconcile with the scheduled hours. Note that all employees listed on the front desk schedule did not work during the pay period.
- Four employees, whose time cards indicate they worked the front desk during the pay period (i.e., division code 13820), were not listed on the front desk schedule provided to OIA. Furthermore, the facility was unable to provide documentation supporting schedule changes or substitutions.
- Seven of 35 (20.0%) employee time cards show pay rates that differ from the pay rates on the Payroll B2 Expense Report. However, note that employee pay is generated based on current pay rates processed by Human Resources (i.e., PA2 Forms).

Criteria/Risk: Industry best practices support the use and maintenance of employee schedules to facilitate verification of hours worked during the payroll period. Best practices also include post reviews to verify complete and accurate payroll data. Inherent risks associated with using paper time cards increase the potential for fraud, waste and abuse such as payment to “phantom” employees and overpayments due to fraudulent hours recorded on paper time cards.

Recommendation: Management should ensure the preparation of employee schedules and bi-weekly payroll reviews of paper time cards by comparing pay rates and hours worked as indicated on approved time cards with the same data on payroll expense reports.

Issue Risk: High

Management Response: A process for documenting substitutes will be developed in the next four weeks. Components may include staff emailing their supervisors to indicate they need a substitute, who is substituting for them and the email will be maintained in a substitute tracking notebook. In lieu of an email

an actual substitute request form may be developed indicating the name of staff requesting a sub and their shift, along with who the sub will be and the time period being covered. Approval of the request will come from the career Program Specialist/Facility Manager prior to substitute coverage when applicable; in case of emergency the same process will be implemented (email day of emergency and forms submitted upon return to work. Once the substitution process is developed, staff will be trained by regional managers on the new process. SMARTlink (Rec Trac) class rosters will be used to document instructor schedules and will be compared to time cards submitted by instructors by the Course Coordination Unit.

Front desk staff schedules (time analysis) will be updated at the time of changes or no later than the next business day of the change/update to reflect any substitutions, additions to the schedule, removals, etc.

Employee pay rates will be compared to the B2 Expense Report. Any discrepancies will be reported to the administrative staff for review and correction.

Expected Completion Date: August 2017

Follow-Up Date: December 2017

3. Ensure Controlled Asset Inventory Report Remains Current

Issue: The controlled asset inventory report was not current. OIA was unable to locate and verify the existence of 40 sampled controlled assets.

The inventory report included 80 controlled assets. OIA selected 50%, or 40, to verify for existence. During the field visit to the facility, OIA was unable to locate 17 of 40 assets (42.5%). See the below table:

Asset Description	Asset Tag #	Date/Value
Camera Digital Black Cyber-Shot	005030	06/11/2010 - \$199.99
Camera Digital Black	014384	06/11/2010 - \$300.00
Silver Handy Cam	014404	06/11/2010 - \$259.99
Camera Digital Black Cyber-Shot	014410	06/11/2010 - \$199.99
Home Theatre System Remote	004929	08/28/2008 - \$400.00
Color Printer	002630	08/03/2015 - \$1150.00
Color Printer	002634	08/03/2015 - \$1150.00
Printer – Directors Office	004853	07/31/2010 - \$199.99
Laser Jet Printer	002431	08/03/2015 - \$199.99
Talk About 2-Way Radio	004858	09/30/2010 - \$79.99
Microphone Receiver	004845	08/15/2008 - \$1.00
Microphone Receiver	004846	08/15/2008 - \$1.00
TV Remote – 42 Inch	004924	02/03/2009 - \$1.00
TV Remote – 42 Inch	004928	02/03/2009 - \$1.00
Compact Portable Sound System	007515	08/03/2015 - \$685.00
15 Inch Speaker	004847	08/15/2008 - \$1.00
Nintendo Wii	007632	06/24/2008 - \$352.00

In addition, three assets located at the facility did not have the tag number stickers attached to them. See the below table:

Asset Description	Asset Tag #	Date/Value
Camera Digital Black Cyber-Shot	014409	06/11/2010 - \$199.99
Cordless Microphone	004842	08/15/2008 - \$0.00
Cordless Microphone	004939	08/15/2008 - \$0.00

Criteria/Risk: The Commission’s updated *Capital Assets Manual* defines controlled assets as personal property items with a purchase price less than \$10,000 that should be monitored due to their sensitive, portable, or theft prone nature. Note that the manual is awaiting final department head approval, but OIA

confirmed with the Commission's Fixed Asset Administrator that the reference is appropriate. Failure to adhere to Commission practices to monitor and track controlled assets could lead to loss, theft, personal use and unauthorized disposal of Commission assets.

Recommendation: Management should ensure the facility monitors and tracks controlled assets and perform, at minimum, periodic sampled inventory counts. During each year's annual inventory, the Facility Director should locate and verify the existence of each asset. In addition, the Facility Director should ensure that each asset has the required tag number.

Issue Risk: High

Management Response: The Facility Manager will submit 164 Asset forms for any items (capital and controlled) that are not in the facility, as well as for items in the facility that are missing tags.

The Facility Manager and Regional Manager will conduct quarterly inventory counts and take corrective action within one week of discrepancies as applicable.

Expected Completion Date: Completed - on-going

Follow-Up Date: December 2017

4. Maintain Documentation Supporting Rental Contracts

Issue: The facility did not maintain all supporting documentation for two rental contracts, each of which received a rental fee waiver or discount.

OIA tested a sample of 12 rental contracts. The facility was unable to provide documentation supporting supervisory approval for two of the rentals. In addition, for these two rentals, the facility was unable to provide evidence of the application process (i.e., neither a manual application nor evidence of an online Community Connect portal application). See the below table:

Contract Rental #	Account Name	Date	Contract Total
149056	Suitland Civic Association	01/09/16	\$1.00
150703	Tracie G. Nelson/DST American Red Cross Blood Drive	02/27/16	\$0.00

Criteria/Risk: Operational best practices support maintaining documentation for rental contracts, including client applications and supervisory approvals. Failure to require the maintenance of documentation may lead to monetary losses to the Commission, resulting from unauthorized fee waivers and discounts.

Recommendation: Management should ensure that complete supporting documentation for each rental contract is kept onsite for a minimum of three years, or for a longer time frame, at management's discretion.

Risk: Medium

Management Response: A notebook to track rentals contracts and supporting documentation will be required and housed on site. Rentals will include paid, discounted and fee waiver rentals. The rental notebook will be maintained for a period of no less than three years.

Expected Completion Date: Completed

Follow-Up Date: December 2017