

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

**Internal Control Report  
Prince George's County Department of Parks and Recreation  
Mt. Rainier Nature/Recreation Center  
Report Number: PG-019-2017-B**

**June 8, 2017**

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Prince George's County Department of Parks and Recreation  
Mt. Rainier Nature/Recreation Center

Internal Control Review  
Audit Report

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## **I. EXECUTIVE SUMMARY**

### **A. Overall Perspective**

On January 10, 2017, [REDACTED], Maryland-National Capital Park Police, Prince George's County Division (Park Police), contacted the Office of Internal Audit (OIA) to request a review of activities related to the possible theft of [REDACTED] in room rental fees at the Mt. Rainier Nature/Recreation Center (MRNRC or Center). The discrepancy was identified during the cash receipts weekly reconciliation.

The OIA subsequently completed a Fraud, Waste and Abuse review to determine if the funds in question had been misappropriated by a Center staff member. As part of that review, a confidential Fraud, Waste, and Abuse Audit Report (PG-019-2017-A) was issued on May 4, 2017. The report included details of the audit investigation as well as OIA's overall conclusion on the occurrence of fraud, waste, or abuse at the Center.

During the Fraud, Waste, and Abuse review, the OIA identified opportunities to strengthen internal controls at the Mt. Rainier Nature/Recreation Center.

## **B. Scope of the Audit**

The purpose of this review was to determine if Center practices were in compliance with the Maryland-National Capital Park and Planning Commission's (M-NCPPC or Commission) Practices and Administrative Procedures for cash handling activities.

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

- Reviewed applicable Commission Practices and Administrative Procedures;
- Interviewed staff from Mt. Rainier Nature/Recreation Center and the Prince George's County Department of Parks and Recreation HelpDesk regarding cash handling procedures and operations, including security over cash;
- Reviewed SMARTlink Journal Listings Report;
- Obtained and reviewed Prince George's County Department of Park Police incident report; and
- Obtained additional information regarding the possible misappropriation from the assigned Park Police Detective.

The audit was conducted in accordance with 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 August 24, 2015 through January 10, 2017.

### **C. Major Audit Concerns**

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

- Inadequate oversight over Commission cash handling activities.

Additional information pertaining to this area can be found in the Detailed Commentary and Recommendations section of this report.

## D. Findings and Overall Conclusions

The results of our evaluation and testing procedures indicate significant deficiencies in the internal controls at the Mt. Rainier Nature/Recreation Center, as noted in the Major Audit Concerns section of this report, see definition below.

We believe all weaknesses identified and communicated are correctable and that management's responses to the 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 Prince George's County Parks and Recreation Department's, Natural and Historical Resources Division and the Mt. Rainier Nature/Recreation Center's management and staff for the cooperation and courtesies extended during the course of our review.



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June 8, 2017

### Conclusion Definitions

<b>Satisfactory</b>	No major weaknesses were identified in the design or operation of internal control procedures.
<b>Deficiency</b>	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.
<b>Significant Deficiency</b>	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.
<b>Material Weakness</b>	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. Verify Cash Receipts

**Issue:** Cash and cash equivalents are collected on a daily basis by Center cashiers for various Center related activities such as room rentals, special events, etc. Per the Center’s unwritten cash handling procedures, cashiers are required to count and reconcile cash receipts to the SMARTlink Daily Cash Balance report after each shift. Staff are further required to place the cash and report inside an envelope and place it in the safe. However, the procedures do not require someone without cash receipt responsibilities (e.g. Facility Director or Assistant Facility Director) to retrieve the envelopes the following day to verify the staff’s cash count.

Although the Facility Director does generate a SMARTlink report to monitor the amount of daily cash received, he/she does not verify the cash placed inside the safe until the weekly bank deposit reconciliation is performed.

**Criteria/Risk:** Commission Practice 3-13, *Cash Receipts and Related Cash Transactions*, describes management’s responsibilities for developing cash handling procedures. Per the Practice, Facility Managers are responsible for, “implementing and maintaining the approved procedures for internal control and cash handling to collect, count, safeguard, deposit and report all cash collected by Commission employees.”

Failure to develop and implement cash handling operational protocols and procedures increases the risk of cash mishandling or misappropriation.

**Recommendation:** The Office of Internal Audit recommends the following:

- MRNRC management should ensure that someone without cash receipt responsibilities count and verify the day’s cash receipts at the end of the shift or on the following day. If someone without cash receipt responsibilities is not available, the receipts should be verified by a second cashier/employee, with a post review completed by the Facility Manager/Director as soon as possible.
- MRNRC management should maintain documentation to support compliance with implemented cash reconciliation procedures, including but not limited to, daily SMARTlink reports. In addition, these reports should be kept for each shift per day.

**Issue Risk:** High

**Management Response:** Concur. The Facility Manager at MRNRC will verify daily cash receipts, with daily SMARTlink reports. The Facility Manager will sign and date envelopes with cash before they are deposited in the safe. If the Facility Manager is absent, two employees will verify, sign and date the envelopes with daily deposit. Weekly SMARTlink

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Bank Deposit Reports, Cash Balance Detailed Reports and Bank Deposit Receipts will be documented and stored on site.

**Expected Completion Date:** Completed

**Follow-Up Date:** August 2017

## **2. Limit Access to Cash**

**Issue:** Cash register drawers at the Mt. Rainier Nature/Recreation Center can be accessed by using an unique SMARTlink user ID or by using the manual register key. All register activity is tracked and recorded electronically when the user is properly logged into the SMARTlink system. However, in instances where the register must be accessed using the key, due to register drawer jams, system failures, etc., no digital footprint of the access is recorded. Un-allowed use of the register key cannot be detected.

The location and functionality of the cash register key(s) is well known to Center staff. During the initial visit to the Center, the OIA determined that the register key was [REDACTED]. At a subsequent visit, a second cash register key was located [REDACTED]. [REDACTED] Center management was not aware of the second key.

**Criteria/Risk:** Commission Practice 3-11, *Administration of Cash Funds*, addresses required security provisions for safekeeping cash. Failure to adequately secure cash increases the risk of theft.

**Recommendation:** We recommend that Center management ensure that the register key(s) be maintained in a secured area that cannot be easily accessed by Center staff or patrons. We also recommend that the register key only be used by Center staff members on a case-by-case approved basis.

**Issue Risk:** High

**Management Response:** Concur. Register keys are currently secured [REDACTED]. [REDACTED] Facility Director and Assistant Division Chief are the only individuals with combination code access to the safe.

**Expected Completion Date:** Completed

**Follow-Up Date:** August 2017

### **3. Strengthen Controls over Petty Cash and Facility Change Fund**

**Issue:** Upon the establishment of a petty cash fund, facilities must identify a Petty Cash Custodian (Custodian). Authority is granted to the Custodian upon the completion of a “Petty Cash Custodian Form”. The MRNRC has an [REDACTED] petty cash fund. The fund is maintained in a safe located in the Facility Director’s office.

Access to petty cash should be limited to the Custodian. The Custodian is responsible for processing petty cash disbursements, reconciling the petty cash fund, and submitting reimbursement requests. To ensure proper segregation of duties, the Custodian does not have authority to approve petty cash disbursements or approve reimbursement requests.

In addition, the MRNRC has a [REDACTED] change fund, however, these funds were not identified, as required, on the existing Petty Cash Custodian form.

The OIA has identified the following issues with the administration of petty cash and change fund at MRNRC:

- An employee previously performing the duties of Custodian had not been authorized to engage in such activities. The Petty Cash Custodian form on file with the Commission’s Department of Finance, dated February 2012, had assigned authority of the petty cash fund to a seasonal employee, not the individual acting as Custodian.
- A subsequent Custodian had a very limited work schedule. The OIA identified 23 petty cash reimbursement transactions totaling [REDACTED] that were approved and disbursed by [REDACTED] during the Custodian’s absence. Note: the Center has updated its Petty Cash Custodian form and a new Custodian was designated in December 2016.
- Natural and Historical Resources Division (NHRD) management did not promote adequate controls over petty cash:
  - NHRD senior management did not ensure additional mitigating controls were implemented at MRNRC to compensate for the absent Custodian.
  - [REDACTED]

- Note: Upon learning that all cash funds (daily receipts and petty cash) were being stored in one safe, the Acting Division Chief did take appropriate action to ensure a second safe was procured for petty cash.

**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 form. 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 MRNRC’s cash funds is a violation of Commission Practice No. 3-11. Failure to comply with this Practice may increase the risk of potential fraud waste and abuse of cash funds.

**Recommendation:** We recommend that the Natural and Historical Resources Division’s management team take steps to segregate petty cash responsibilities. Only the Custodian should have access to the petty cash. Due to the limited number of resources at MRNRC, approval of petty cash requests can be provided via email.

In addition, an updated Petty Cash Custodian form should be completed to reflect both the petty cash fund [REDACTED] and the change fund [REDACTED]

**Issue Risk:** High

**Management Response:** Concur. The Office Manager is the Petty Cash Custodian effective February 2017. The Facility Manager is approving petty cash requests. In their absence, the Assistant Division Chief will approve petty cash requests.

**Expected Completion Date:** Completed

**Follow-Up Date:** August 2017

#### **4. Define Appropriate Cash Handling Roles and Responsibilities**

**Issue:** The employee responsible for preparing the Center's weekly cash receipt reconciliation and cash deposit, is also performing the duties of cashier.

**Criteria/Risk:** Commission Practice 3-13, *Cash Receipts and Related Cash Transactions* states the following with regard to separation of duties:

- The person handling cash must not be the same person who is responsible for maintaining related records of transactions.
- No one person should handle a transaction in its entirety.
- Each employee serves to prove the accuracy of the other.
- It is recognized that in situations where there is limited staff the above may not be feasible. In such cases, additional monitoring/auditing should be exercised.

Lack of segregated cash handling duties increases the risk of the of cash receipts being inappropriately altered and / or misappropriated without detection.

**Recommendation:** We recommend that MRNRC's management take the necessary steps to ensure that Center's cash handling roles and responsibilities are adequately defined and segregated. Due to the limited personal resources at MRNRC, management may want to consider assigning responsibilities to neighboring facilities, and/or members of NHRD's management team.

**Issue Risk:** High

**Management Response:** Concur. Cash handling roles are now clearly defined and segregated within attached protocol. The Office Manager is petty cash custodian; the Manager is the only employee on site with access to the petty cash safe. The Assistant Division Chief, has the combination to this safe in the event of extended leave or other need, but will not access safe unless warranted and documented. Office Manager or Facility Manager will conduct weekly bank deposits. Daily cash safe drops and weekly bank deposits will be verified by Facility Manager and another MRNRC employee. Two employees will verify weekly bank deposits. The Facility Manager and Assistant Division Chief are the only employees with combination code access to cash safe at MRNRC.

**Expected Completion Date:** Completed

**Follow-Up Date:** August 2017

## **5. Lack of Written Cash Handling Procedures**

**Issue:** Currently the MRNRC lacks written procedures for the administration of cash funds for the facility. According to the Facility Director, Center staff follow general Commission Practices and Administrative Procedures with regard to cash handling, however, there is no written documentation that outlines facility specific requirements.

**Criteria/Risk:** Commission Practice 3-13, Cash Receipts and Related Cash Transactions, defines management’s responsibilities for developing cash handling procedures that are consistent with the Commission’s Practices and Administrative Procedures. In addition, Practice 3-13 addresses the responsibility for “implementing and maintaining the approved procedures for internal control and cash handling to collect, count, safeguard, deposit and report all cash collected by Commission employees.”

Failure to develop and implement cash handling procedures increases risk of theft of Commission cash funds received from the public.

**Recommendation:** We recommend that NHRD management take the necessary steps to develop and implement written cash handling procedures specific to MRNRC. This is especially important given the limited resources at the Center. Written procedures will promote cash handling standardization and reduce the risk of cash mishandling or misappropriation.

The procedures should include guidelines for the daily verification of cash drops and weekly reconciliation of deposits. The procedures should also be provided to staff to assist them in complying with Commission practices.

**Issue Risk:** Medium

**Management Response:** Concur. MRNRC’s Cash Handling Procedure Manual is developed and procedures currently implemented.

**Expected Completion Date:** Completed

**Follow-Up Date:** August 2017