

MARYLAND-NATIONAL CAPITAL PARK & PLANNING COMMISSION

**Internal Control Audit Report
PG-020-2017-B**

**Prince George's County Department of Parks and Recreation
Paint Branch Golf Course
Golf Professional Payments**

June 13, 2017

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Audit Report

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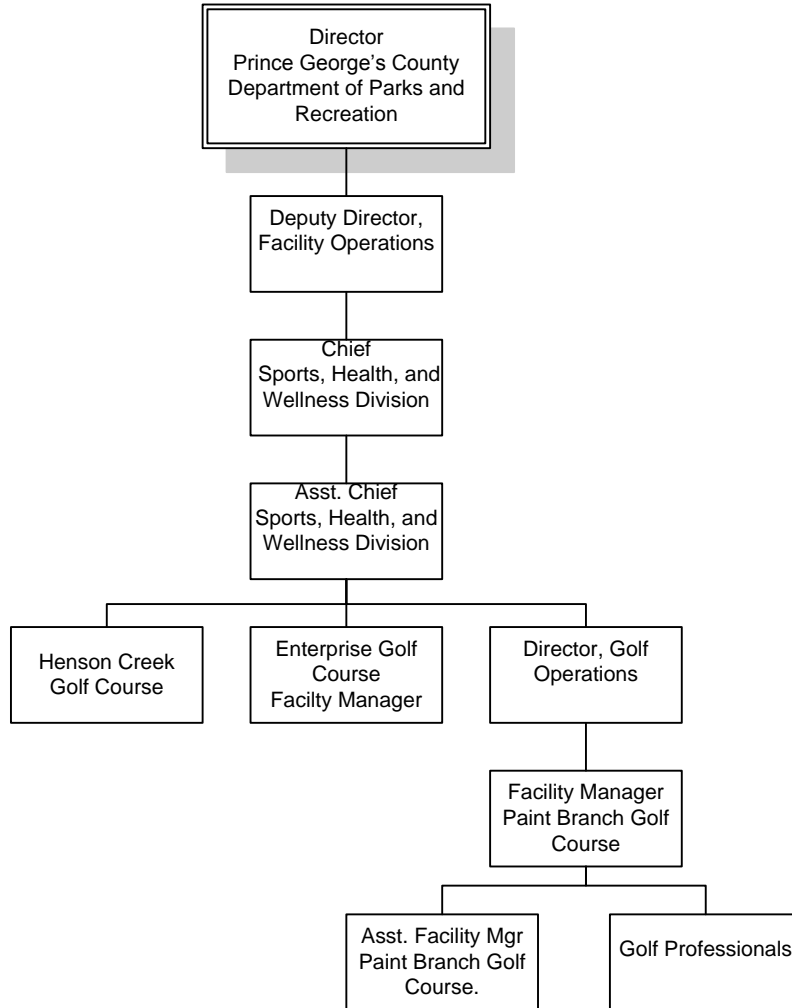
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I. EXECUTIVE SUMMARY

A. Background

Paint Branch Golf Complex (PBGC or Course) is one of three golf courses managed by the Department of Parks and Recreation (PRA). PBGC offers a 9 hole course, clubhouse and pro-shop. PGA Professionals are available to teach private and group lessons.



On February 10, 2017, Ms. Emily Rose, Chief, Sports, Health and Wellness (SHW) Division contacted the Office of Internal Audit to discuss payments to Paint Branch Golf Professionals at PBGC. Ms. Rose was concerned with the Course's reported losses for calendar years 2015 and 2016. Per the "GEN Sales and Accounting (Lessons – Paint Branch)" reports, Ms. Rose estimated that the Course lost approximately \$11,933 in 2015 and \$18,229 in 2016.

Ms. Rose was also concerned with the practices and procedures at PBGC supporting the payment of lesson income, specifically, the internal controls to ensure all lesson income is paid to the Commission and not directly to the golf professionals.

On May 9, 2017, Ms. Rose raised additional concerns regarding [REDACTED] acceptance of gifts from a Commission vendor.

Previous Audits

Sports, Health, and Wellness Division

In the fall of 2015, the Office of Internal Audit (OIA) completed a Management Advisory, at the request of Ms. Patti Barney, Executive Director and Mr. Ronnie Gathers, Director, Prince George's County Department of Parks and Recreation. At that time, the Maryland-National Capital Park and Planning Commission (M-NCPPC or Commission) was assessing the Commission's procedures for paying various contractors, including golf professionals. During this assessment process, Commission management discovered that the process for calculating golf professional payments did not comply with established procedures.

The OIA issued a Management Advisory report on November 16, 2015. The Management Advisory Report included opportunities to strengthen procedures for the completion and review of time cards at Paint Branch Golf Course.

Human Resources Division

The OIA issued the Department of Human Resources and Management, Personnel Action Forms Audit Report (CW-001-2016) on June 13, 2016. The report included a major audit concern, "Inefficient Administrative Procedures/Processes over the Processing of PA2 Forms." The OIA recommended that HRIS management strengthen internal PA2 form processing procedures to include additional managerial oversight of personnel file documentation, authorization and timeliness. In response, HRIS management agreed to develop audit procedures to perform random monthly reviews of personnel file documentation, to include authorization and timeliness of receipt and processing of personnel actions. During recent (May 2017) follow-up testing, the OIA has concluded that audit recommendations remain unresolved.

B. Scope and Objective of the Audit

The primary purpose of the review was to complete an analysis of salary and commission payments to the primary golf professional at PBGC.

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

- Interviewed Commission personnel to gain a better understanding of the Vendor Transition Project, specific to golf professionals. Interviews were conducted with:
 - Class and Compensation Manager, Human Resources Division;
 - HRIS Manager, Human Resources Division;
 - PGA Golf Professional;
 - Assistant Division Chief, SHW Division;
 - Director, Golf Operations; and
 - Assistant Facility Manger, PBGC.

- Obtained and reviewed:
 - GEN Reports (i.e. point-of-sale reports) for PBGC;
 - time cards submitted for primary golf professional;
 - Personnel Action (PA2) forms submitted for primary golf professional;
 - labor distribution reports for PBGC;
 - approved salary and revenue sharing rates for golf professionals; and
 - equipment (e.g. clothing, shoes clubs) deliveries to Commission employees.

- Reviewed email communications between HR and PBGC personnel

The period covered in this review was August 2015 – May 2017.

This audit was conducted in accordance with *Generally Accepted Government Auditing Standards (GAGAS)*.

C. Major Audit Concerns

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

Sports, Health, and Wellness Division

- Review and Approve Time Cards (Repeat Audit Finding)
- Inadequate Managerial Oversight

Human Resources Division

- Failure to process PA2 forms (Repeat Audit Finding)
- Inadequate Oversight of the Vendor Transition Program

Additional information pertaining to these areas 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 design or operation of internal controls over payments made to [REDACTED] at PBGC.

We believe the findings 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 Sports, Health, and Wellness Division and the Human Resources Division management and staff for the cooperation and courtesies extended during the course of our review.



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Senior Auditor,



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Chief Internal Auditor

June 13, 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

Sports, Health, and Wellness Division

1. Review and Approve Time Cards

Issue: PBGC management does not consistently review and approve time cards for their golf professional(s). Similar issues were identified in the 2015 Management Advisory. Initial audit recommendations have not been implemented. This is a repeat finding and requires management's immediate attention.

The OIA reviewed time cards submitted by [REDACTED] for pay period ending 08/22/15 through 11/12/16 (26 time cards).

- None of the time cards included a second level approval.
- All of the time cards reviewed included 8 hour work days (e.g. 10:00 – 6:00), however, none of the time cards included a lunch break.
- 14 of the time cards included time worked after the effective date of the transition from Recreation Class Instructor VI to PGA Pro/Member Instructor. All 14 time cards included labels with an incorrect pay rate. The pay rate was the old Recreation Class Instructor VI rate.
- 13 of the 14 time cards, after the transition, included a schedule provided by [REDACTED] breaking down his hours worked by category (e.g. private lessons, administration, club repair, etc.). However, the time cards submitted to the Payroll Department for reimbursement did not provide any activity differentiation. All hours were paid at the one rate printed on the label.
- The time card for pay period ending 05/28/16 included 20 hours from October 2016 for "winter simulator leave administration".
- The documentation, submitted by [REDACTED], for pay period ending 06/25/16 totaled 58 hours, with a hand written note, "I did not put any private lessons. I assume we will print a monthly income report and start the new system". Subsequently, the Director, Golf Operations added 10 hours to the documentation under private lessons. In addition, there was numerous errors on the time card that resulted in an overpayment of 10 hours.

Criteria/Risk: The time cards did not include a second approval signature. Although the Commission's Practice No. 3-40, *Preparing Time Cards*, only requires the approval of the supervisor, PRA has implemented additional internal controls that require a second level of review and approval.

Failure to review time cards may result in undetected errors, and possible fraud, waste, and abuse.

Recommendation: Supervisors have a responsibility to ensure time cards reflect actual hours worked. Supervisors of the golf professionals must ensure that time cards are supported by reasonable documentation. The documentation should differentiate the

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various activities completed to ensure proper reimbursement. The second level of managerial review should include a general review of the information included on the time card.

Issue/Risk: High

Management Response: Concur. The Manager at Paint Branch Golf Course will ensure that all timecards have both the supervisor and approving signature (second level managerial review) on all time cards. Proper documentation will be provided to reflect accurate pay.

Expected Completion Date: June 1, 2017

Follow-Up Date: September 2017

2. Strengthen Managerial Oversight

Issue: The OIA identified several administrative processes within the SHW Division that would benefit from additional managerial oversight.

Ensure Required PA2 Forms are Completed and Processed

The OIA identified three (3) PA2 forms completed and submitted to the Human Resources Division (HR) for a golf professional, however, the forms were never processed by HR. As the forms were not processed, the golf professional received incorrect compensation.

- Form 1 – Effective 08/23/15 - Increased the employee's base rate due to a contract renewal. Submitted to HR on 07/17/15.
- Form 2 – Effective 04/15/16 – Established a new position based on a minimum salary plus revenue sharing. Submitted to HR on 05/20/16.
- Form 3 – Effective 08/21/16 – Contract renewal. Submitted to HR on 07/15/16.

SHW Division management did not demonstrate appropriate oversight to ensure the required PA2 forms were processed.

In addition, when Form 2 was submitted to HR (04/15/16) to change the pay structure for the golf professional, a second PA2 form should have been completed for the golf professional's specialty service position. The vendor transition program required two separate positions, one position as golf professional (minimum wage plus revenue sharing) and a second position for other activities. Per OIA's discussion with the Assistant Chief, SHW Division, they were waiting on guidance from HR to clarify what tasks qualify as professional versus specialty services. When asked how they expected the golf professional to be paid correctly for the specialty services tasks, over the past 12 months, without submission of an PA2 form, the Assistant Division Chief could not provide a reasonable answer.

Review Labor Distribution Reports

Effective March 2016, the Payroll Department started providing monthly labor distribution reports to Commission management. The labor distribution reports include accounting units, pay dates, rates, hours, and wages/payments for all seasonal intermittent employees. Management is responsible for reviewing the reports for accuracy. The OIA confirmed that Assistant Division Chief, Director of Golf Operations, and Assistant Facility Manager all receive the labor distribution reports which reflected the incorrect hourly rate [REDACTED] for the golf professional. In addition to the incorrect [REDACTED] salary, the labor distribution reports included the commission/revenue sharing payments made to the golf professional. No one on the Paint Branch management team was reviewing the labor distribution reports.

Monitor Golf Program Revenue and Expenses

As discussed in the Background section of the audit report (page 1), on February 10, 2017, the Chief, SHW Division determined that the PBGC reported losses of \$11,933 and \$18,229 in calendar years 2015 and 2016, respectively. PBGC management was not

reviewing and analyzing the available GEN reports on a periodic basis, and did not identify the losses and/or escalate to management.

Criteria/Risk: Failure to provide adequate managerial oversight negatively impacts a unit's effectiveness, efficiency, and profitability. In addition, lack of managerial oversight significantly increases the opportunity for fraud, waste, and abuse.

Recommendation: We recommend that managerial oversight activities be strengthened. Specifically, roles and responsibilities should be clearly defined to ensure:

- All submitted PA2 forms are processed timely. Responsibilities should include verification of the requested change in HRIS or on the labor distribution form.
- Time cards are reviewed for accuracy. This includes review of documentation submitted by the golf professionals identifying professional versus special service activities. This also includes review of the time card labels provided by the Payroll Department that identify position number and pay rate.
- Labor distribution reports are reviewed for possible discrepancies.
- Quarterly reviews of the Courses revenues and expenses are reviewed.

In addition, escalation procedures should be developed to assist PBGC personnel with transactions that get held up in Central Administrative Services, questions on pay structures, and missed revenue goals.

Issue Risk: High

Management Response: Concur. Managerial oversight will be strengthened to include refresher training for all managers to include specific roles and responsibilities for fiscal responsibilities. This will include Personnel Actions, time cards and labor distribution reports.

Expected Completion Date: July 1, 2017

Follow-Up Date: September 2017

3. Use Manual Time Clock

Issue: All seasonal/intermittent employees at PBGC used a manual time clock to record hours worked, except the golf professional(s). The golf professional submitted hand written time cards. Based on interviews with the golf professional, the hours recorded did not correspond to actual hours worked.

Critical Risk: Improper recording of hours worked may result in inaccurate pay, and increased opportunities for fraud, waste, and abuse. In addition, inaccurate recording of time work may result in Fair Labor Standard Act (FLSA) violations.

Recommendation: All PBGC employees should use a manual time clock or if available, record hours in KRONOS, the Commission's time keeping application.

Issue Risk: High

Management Response: Concur. All Paint Branch Golf Course staff will use a manual clock to record their hours. Career staff will continue to use Kronos system.

Expected Completion Date: June 26, 2017

Follow-Up Date: September 2017

4. Remove Reference of Commission Programs on Employee's Website

Issue: A [REDACTED] maintains a website [REDACTED] to support [REDACTED] coaching services. The website lists Paint Branch Golf Complex and the University of Maryland as his primary instruction courses. The website includes information on the Boys and Girls Club and PGA jr. league teams at PBGC. The site also includes information for adult coaching programs, ladies only programs, and elite junior programs, which are offered at PBGC.

Criteria/Risk: Although there doesn't appear to be a link to Eventbrite on the website for payment, customers can submit their contact information to the [REDACTED], increasing opportunities for bypassing payment to the Commission.

Recommendation: While employed as a Commission employee, the [REDACTED] website should include M-NCPPC contact information, and if possible, a link to the Commission's ActiveNet account for payments.

Issue Risk: High

Management Response: Concur. If any golf instructors/professionals at Paint Branch Golf Course utilize a private website for their services, they must include a M-NCPPC contact information link or a link to our PG parks Active Net site for M-NCPPC programs.

Expected Completion Date: July 1, 2017

Follow-Up Date: September 2017

5. Reinforce Gift Restrictions

Issue: The [REDACTED] routinely accepted gifts from companies doing business with the Commission.

For calendar year 2016 and three months ending March 31, 2017, the Commission paid TaylorMade Golf \$52,593 and \$12,387 respectively for retail golf equipment (e.g. clothing, supplies, shoes, gloves, etc.). All items were purchased on a Commission issued purchase card.

During the same time period, the [REDACTED] received approximately \$4,972 of free equipment and clothing from TaylorMade. M-NCPPC was identified as the customer for all shipments. The items were delivered to [REDACTED] residence(s).

During an interview with OIA, the employee stated all gifts received were outside of [REDACTED] Commission responsibilities.

Criteria/Risk: Per Commission Practice 2-24, *Ethics*, “An employee shall avoid any action, whether or not specifically prohibited, which might result in, or create the appearance of: 1) using public office for private gain; 2) giving preferential treatment to a vendor.” In addition, “An employee shall not solicit or accept, directly or indirectly, any gift, gratuity, favor, entertainment, loan, or any other thing of more than nominal value from a person who has, or is seeking to obtain, contractual or other business or financial relations with the Commission.”

Recommendation: The OIA recommends that SHW management increase awareness of Commission Practice 2-24, *Ethics* with all SHW personnel.

Issue Risk: Medium

Management Response: Concur. We will review and reiterate Practice 2-24 with all Paint Branch Golf Course staff to ensure proper adherence to this practice.

Expected Completion Date: June 15, 2017

Follow-Up Date: September 2017

Human Resources Division

6. Ensure Personnel Forms Are Processed

(Repeat Audit Finding)

Issue: The OIA identified three (3) PA2 forms that were submitted to HR for a golf professional that were not processed. (Please see audit recommendation #1).

The OIA issued Audit Report CW-001-2016, DHRM Personnel Action Forms on June 13, 2016. The Audit Report included recommendations to strengthen procedures for the submission, receipt and processing of PA2 forms. The OIA is currently completing a follow-up review of this audit to ensure all audit recommendations have been successfully implemented; audit recommendations remain unresolved.

Criteria/Risk: Failure to expediently process PA2 forms may result in employee over/under payments. Retroactive transactions may be labor intensive, and reduce the overall efficiency of the Human Resources Division.

Although this is a significant deficiency, detailed recommendations for ensuring all personnel forms are processed for PBGC personnel will not be included in this audit report, they will be addressed in the DHRM Personnel Action Forms Follow-Up Audit report.

7. Inadequate Oversight of the Vendor Transition Program

Issue: Although there is evidence of email communications between the Department and the Human Resources Division, HR did not take adequate action to ensure all vendor transition program requirements were fully implemented and understood by their customers (i.e. Department personnel).

- HR did not complete the necessary analysis to ensure all golf professionals were set up in the system and being paid correctly. The PBGC instructor was paid at an [REDACTED] rate for approximately one year. HR lead the vendor transition project, they had a responsibility to ensure all impacted employees were properly set up in the system.
- On 10/03/16, HR sent an email to the Department, stating it did not appear that a PA2 form was submitted for the golf professional position. This was approximately 6 months after the effective date of the transition. It is reasonable to conclude that HR knew the golf professional was [REDACTED] for the entire 2016 golf season. HR did not take appropriate action to rectify.
- The OIA identified email communications dated 05/06/16, where HR provided information to the Department regarding the specialty services position. Additional email communications on the second position also occurred in July and August of 2016. Based on the emails, it is reasonable to conclude that HR knew that the second position was not set up in the HRIS system, although the new payment structure was effective in April 2016. HR did not ask how the individuals were being paid for specialty service activities while issues with setting up the second position were being discussed. This breakdown resulted in incorrect payrolls.

Criteria/Risk: Failure to provide the necessary oversight and guidance over a significant change in how employees are paid may result in incorrect payrolls.

Note: The Office of Internal Audit is currently completing a separate performance audit, "Transition of Commission Contractor's to Employee's." Management response to the above recommendation is not required at this time. Management will be provided an opportunity to respond to any exceptions identified in the "Transition of Commission Contractor's to Employee's" audit.