

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

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

**Palmer Park Community Center  
Report Number: PGC-013-2019**

**August 26, 2019**

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# Palmer Park 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 audit focused on the Palmer Park Community Center (the Center) located at 7720 Barlowe Road, Landover, MD. The Center reopened in March 2016 after a two-year renovation. The Center offers key amenities including dance, fitness, and game rooms. The Center also provides sport venues such as a basketball court, tennis court, and a gymnasium. Many of these venues are available to the public for rental opportunities. Residents also have access to a computer lab. In addition, the Center offers Senior Programs and serves area youth through its Xtreme Teens Programs.

The Facility Director, who has overall responsibility for the Center, reports to the Regional Manager and Program Superintendent within Central Area Operations (CAO), under the direction of the Division Chief, Deputy Director and Acting Director of Prince George's County Department of Parks and Recreation.

CAO management recently reorganized facility leadership, with internal transfers of some Facility Directors to different work sites. The reorganization was effective as of January 14, 2019, resulting in a new Facility Director assigned to Palmer Park Community Center.

## **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 the audit included, but was not limited to, the following audit procedures:

- Reviewed applicable Commission practices and procedures;
- Interviewed managers and staff to obtain an understanding of facility operations;
- Performed surprise cash counts of the petty cash fund and change fund;
- Reviewed petty cash reimbursements for appropriate approval and supporting documentation;
- Reviewed the fixed and controlled asset reports, and verified completion of annual inventory;
- Reviewed paper time cards and payroll procedures;
- Reviewed accounts receivable for payment of outstanding balances;
- Reviewed rental contracts in the PARKS DIRECT/Rec Trac system to reconcile system data with supporting documentation retained onsite at the Center; and
- Verified all drivers of Commission vehicles met risk management requirements.

The audit covered the period from January 1, 2018 through February 28, 2019.

### **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 the following major audit concern:

- Inadequate procedures over controlled assets.

Although controlled assets have a value less than \$10,000, the OIG considers the deficiencies as major. This conclusion is supported by:

- Loss of controlled assets at the facility appears routine. Police reports have been filed in 2016 and 2019 but mitigating controls do not appear to have been implemented.
- The OIG judgmentally chose ten (10) assets that were disposed of during the audit period for testing, and exceptions were identified for each.
- Administration and identification of controlled assets are the responsibility of the Department. The Controlled Asset Coordinator for Central Area Operations is not aware of all controlled asset purchases, (i.e. not receiving Form 164 forms). Note, based on additional facility audits completed by the OIG, this issue appears pervasive throughout the Department of Parks and Recreation.

Additional information pertaining to this area can be found in Section II, Detailed Commentary and Recommendations.

**D. Overall Conclusions**

The results of our evaluation and testing procedures indicate significant deficiencies in the design or operation of internal controls for administering controlled assets for Palmer Park 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 the Palmer Park Community Center management and staff for their cooperation and courtesies extended during the course of our review.



Wanda King, MBA  
Assistant Inspector General



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

August 26, 2019

**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. Strengthen Procedures for Controlled Asset Inventory

**Issue:** Audit testing disclosed the following discrepancies with the controlled assets inventory report:

- The Office of the Inspector General (OIG) judgmentally selected 26 of 117 (22%) samples from the controlled assets inventory report provided by the Central Area Operation's (CAO) Fixed Assets Coordinator, to locate and verify the existence of assets at the facility. OIG verified the existence of 25 of the 26 selected samples without exception. However, OIG could not locate one recumbent stepper in the fitness room. It is unclear whether the stepper was transferred to another facility, disposed of, or stolen. See the below table:

Asset Description	Asset Tag #	Purchase Date/Price
Recumbent Stepper	Missing Tag #	5/25/15 - \$5995

OIG observed three television sets that were placed into service at the facility but were not included on the inventory report. If the televisions were to be stolen, their disappearance would not be identified during the completion of the annual inventory review of controlled assets. See the below table:

Asset Description	Asset Tag #	Serial #
Visio Flat Screen TV	025304	LFTRRZAR1906253
Visio Flat Screen TV	025306	LFTRRZAR1906269
Roku Flat Screen TV	Missing Tag #	1805GTO000601A01022

- OIG reviewed 10 assets designated on the controlled assets inventory report as either donated, disposed of, or stolen. Testing disclosed the following exceptions:
  - Six of 10 assets (60%), all new projectors, were stolen from the facility before they were removed from the boxes. As a result, asset tag numbers were not assigned to them. Four (4) of the six (6) projectors were acquired on 4/29/15, and documentation indicates the facility did not file police reports for the thefts until 7/12/16, over a year later.
  - The other two (2) projectors were acquired on 6/1/2018. A police report was filed for one of the two projectors on 2/16/19, about eight months after the theft. The Center did not file a police report for the remaining projector.

- Three of 10 assets (30%), designated as disposed on the inventory report, did not have documentation on file to support the method of disposal (e.g., disposal by maintenance). However, a Form 164 was completed for each of the assets, in accordance with internal procedures.
- One of 10 assets (10%), designated as a donated asset on the inventory report, did not have documentation on file to support details of the donation (e.g., to whom the asset was donated). However, a Form 164 was completed for the asset, in accordance with internal procedures.
- OIG reviewed purchase card logs for controlled asset purchases made from July 2018 through December 2018. In July 2018, two controlled assets were purchased:
  1. Brother Embroidery Machine for \$559.99 and
  2. Laser Tag for Kids Game for \$119.95.

The Fixed Assets Coordinator was not aware of the Laser Tag for Kids Game and did not have a completed Form 164 on file for the purchase. In addition, the Laser Tag for Kids Game was not listed on the controlled assets inventory report. Although Commission practices and procedures related to controlled assets do not require the completion of the Form 164, OIG observed the use of the form as an internal procedure in the CAO.

**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 strengthen procedures to ensure all controlled assets are identified, tracked and monitored. Although there may be several ways to accomplish this goal, OIG suggests the following for new asset purchases:

- New guidelines from Finance require all purchase cardholders to send a copy of their Purchase Card Logs to the Purchasing Department each month. The purchase cardholders could make an extra copy of their logs,

highlight purchases that meet the criteria for controlled assets and send the copy to the Central Area Operations' Fixed Assets Coordinator.

- The Fixed Assets Coordinator, in conjunction with the Facility Manager, should monitor new purchases to ensure receipt and update to the controlled assets inventory reports.
- The Regional Manager may exercise additional oversight and periodically compare purchase requests to controlled assets inventory reports.

Management should also strengthen procedures for disposals, donations, transfers and stolen assets:

- Procedures should include steps to ensure assets removed from service at facilities are appropriately authorized by management and adequate supporting documentation is kept on file.
- Management should request assistance from maintenance for removal and disposal of facility assets. The facilities should request a copy of maintenance's work order and file it along with the asset disposal documentation.

**Risk:** High

**Management Response:** Management concurs that internal controls should be strengthened as it relates to controlled assets. The Department is reviewing its policies as a whole and participated in a work session on July 15<sup>th</sup> to develop Department-wide procedures.

Specific, response to each item:

- The recumbent stepper was on the controlled inventory list but the sticker fell off. It has been replaced.
- The flat screen TVs had asset tags. However, the inventory coordinator never received the documentation and it did not get placed on the list. We are reviewing our internal procedures to assure this does not happen again. Stickers will not be given out without the appropriate documentation turned in.
- We acknowledge that the stolen projectors should have been reported stolen earlier than they were. However, they were purchased and put in a storage shed while Palmer Park was being renovated. Therefore, inventory could not be conducted until the center was back open and the equipment was delivered. This was a unique situation but documentation of all items put in the shed was kept by staff.

- One asset was reported donated (instead of transferred). Staff misunderstood the term, as they felt it was donated when it was sent to another MNCPPC center. The TRANSFER box should have been checked instead. However, a full report of where the item went was listed on the Form 164 and it is located (as we confirmed) at CAM.
- The audit cites a CAO internal procedure. We do not have an internal procedure requiring the Laser Tag item to be listed on our controlled asset report. However, as stated above, the Department is reviewing its procedures and will make recommendations for a Department-wide policy regarding internal procedures.

**Expected Completion Date:** July 2019 (stickers); November 2019 (procedures)

**Follow-Up Date:** February 2020

**2. Develop Formal Written Cash Handling Procedures**

**Issue:** The Center does not have formal written and approved cash handling procedures. The current Facility Director presented OIG with a one-page draft document, which was provided by the former Facility Director. A finding related to cash handling procedures was also issued in the prior audit report, Palmer Park Community Center Petty Cash Audit (PG-004-2012).

Although the previous audit report recommended “The facility should develop written cash handling procedures specific to safe operations to ensure that proper procedures are being followed,” the recommendation alluded to the need to update and enhance cash handling procedures overall.

During the audit, OIG also reviewed the timeliness of weekly cash receipt bank deposits for July 2018. Cash receipts were not deposited timely for two of five weeks. OIG included the deposit timeliness exceptions in this finding to illustrate the importance of written comprehensive cash handling procedures, to help ensure facility staff is aware of cash operation requirements. The following table displays cash receipts and bank deposit data for the two exceptions. For PARKS DIRECT Rec Trac cash reporting purposes, the week begins on Friday and ends on Thursday.

<b>Week Dates</b>	<b>Date Balance Exceeded \$1000</b>	<b>Deposit Date</b>	<b>Days Late</b>	<b>Total Bank Deposit Amount</b>
07/6/18 – 07/12/18	N/A	07/17/18	2*	████████
07/13/18 – 07/19/18	07/19/18 \$1028.00	07/23/18	1**	████████

\* Days late excludes Saturday, 07/14/18 and Sunday, 07/15/18. Deposit should have been made on Friday, 7/13/18 instead of Tuesday, 7/17/18.

\*\*Days late excludes Saturday, 07/21/18 and Sunday, 07/22/18. Deposit should have been made on Friday, 7/20/18 instead of Monday, 7/23/18.

**Criteria/Risk:** Commission Practice No. 3-13, *Cash Receipts and Related Cash Transactions*, indicates that “Facility Managers are responsible for developing Cash Handling Procedure Manuals for the final approval of the Secretary-Treasurer for each facility receiving cash from the public.”

Commission Administrative Procedures No. 01-01, *Cash Receipts and Related Cash Transactions*, states “Bank deposits will be made whenever cash on hand exceeds ██████████ or once per week, whichever comes first.” Failure to deposit daily cash receipts timely increases the risk of misappropriation of Commission cash collected from the public.

**Recommendation:** Management should ensure the facility develops formal written and approved cash handling procedures and should strengthen oversight of facility cash to ensure bank deposits are made timely in compliance with Commission administrative practices and procedures.

**Risk:** High

**Management Response:** Management concurs that all sites should have written cash handling procedures. Cash handling procedures have been written and staff have been trained.

**Expected Completion Date:** July 2019

**Follow-Up Date:** February 2020

### **3. Maintain Documentation Supporting Rental Contracts**

**Issue:** The facility did not maintain all supporting documentation for rental contracts. OIG tested five (5) rental samples, resulting in the following exceptions:

- The facility could not provide customer rental applications for two of five (40%) samples. As a result, OIG was unable to determine if the two rentals were signed and authorized by management.
- Of the three customer rental applications provided to OIG, one of them (33.3%) did not have management signatures to support authorization of the rental.

**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 that complete supporting documentation for each rental contract is kept onsite.

**Risk:** High

**Management Response:** Management concurs, and we are exploring a Department wide policy to run a monthly report to assure all rentals have the appropriate signatures.

**Expected Completion Date:** November 2019

**Follow-Up Date:** February 2020

#### **4. Strengthen Controls Over Employee Work Schedules**

**Issue:** The OIG reviewed 12 samples of employee paper time cards for the pay period February 3, 2019 through February 16, 2019. Testing disclosed some discrepancies between time card hours and scheduled work hours.

The Facility Director prepares a base work schedule at the beginning of each month. Due to unexpected operational and employee needs, the hours actually worked as shown on employee time cards may sometimes differ from the hours shown on the originally prepared work schedules. To manage these changes, the Facility Director requires employees to complete a document called the Sign In/Sign Out Sheet for each of their work days. The document generally mirrors the sign in/ sign out format similar to the paper time cards.

OIG's audit test results showed the following discrepancies:

- In three of 12 samples (25%), employee time card hours did not reconcile with the hours listed on the work schedule, nor did they reconcile with the hours completed by the employees on the Sign In/Sign Out Sheet.
- In one of 12 samples (8.3%), an employee time card showed hours worked, but the employee was not listed on the work schedule, nor did the employee complete the Sign In/Sign Out Sheet for the work day.
- Note that several instances occurred with 11 of 12 samples (92%), where employee time card hours did not always reconcile with the established work schedule hours. However, because OIG was able to reconcile the time card hours to the hours completed by employees on the Sign In/Sign Out Sheet, audit testing resulted in conclusions of "no exceptions." Nevertheless, test results suggest the need to enhance the facility's procedures for the timely updating of work schedules, so they remain reasonably current.

**Criteria/Risk:** Industry best practices support the use and maintenance of employee work schedules to facilitate verification of hours worked during the payroll period. Inherent risks associated with using paper time cards increase the potential for fraud, waste and abuse such as payments to "phantom" employees and overpayments made due to fraudulent hours recorded on paper time cards.

**Recommendation:** Management should continue to ensure the preparation of employee work schedules. Although the facility may choose to continue using the Sign In/Sign Out Sheet as a backup, management should strengthen procedures for monitoring and timely updating work schedules to reflect staff removals, substitutions, additions and time changes to work schedules, so they remain reasonably current.

**Issue Risk:** Low

**Management Response:** Management concurs that the facility should strengthen internal controls for documenting changes in the work schedule. A new procedure was put in place that documents any changes to the written work schedule since the new Facility Director came on board. Additionally, Department policies are being reviewed and developed as we prepare to move towards full Kronos implementation of seasonal staff by next fiscal year.

**Expected Completion Date:** Completed for manual time cards. January 1, 2020 for automation process.

**Follow-Up Date:** February 2020