

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

**Montgomery County Department of Parks
Southern Parks Division
Cabin John Maintenance Facility**

Report Number: MC-002-2019

September 20, 2018

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**Montgomery County Department of Parks
Cabin John Maintenance Facility
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I. EXECUTIVE SUMMARY

A. Background

Cabin John Maintenance Facility (Facility) is located at 7700 Tuckerman Lane, Potomac, Maryland. The Facility is located within the Cabin John Regional Park, which is a 500-acre park with seven athletic fields, nine tennis courts, a tai chi court, dog park, family and group picnic areas, camping areas, hiking and biking trails.

Facility maintenance personnel are responsible for grass mowing, tree trimming, trash and recycling removal, athletic field renovation and general maintenance for 82 parks in the surrounding areas.

A Park Manager has overall responsibility for the Facility, reporting to the Operations Manager, under the direction of the Division Chief, Deputy Director and Director of the Montgomery County Department of Parks.

B. Audit Scope, Objectives, and Methodology

Objective

The purpose of the audit was to evaluate the system of internal controls regarding operations at the Facility, 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 our audit included but was not limited to, the following audit procedures:

- Reviewed applicable Commission practices and procedures;
- Performed surprise cash count of the petty cash fund;
- Reviewed petty cash disbursements for timeliness and assessed adequacy of supporting documentation;
- Reviewed expense reimbursements and assessed adequacy of supporting documentation;
- Obtained fixed asset reports and verified completion of annual inventory;
- Obtained controlled asset reports and verified completion of annual inventory; and
- Examined vendor check requests and supporting documentation.

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.

The audit covered the period from January 1, 2017 – July 31, 2018.

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 deficiencies in the internal controls, as noted in 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 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 Montgomery County Department of Parks, Southern Parks Division management and staff for their cooperation and courtesies extended during this review.



Robert Feeley, MBA, CFE, CAA, CGFM, CICA
Assistant Inspector General



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

September 20, 2018

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 Oversight of Purchase Card Transactions

Issue: Our review of purchase card transaction logs and bank statements disclosed two transaction logs were not properly reconciled to the bank statements:

| Date of Transaction Log and Bank Statement | Total Amount on Transaction Log | Total Amount on Bank Statement | Difference | Note |
|---|--|---------------------------------------|-------------------|-------------|
| 12/29/2017 | 7,364.45 | 12,711.99 | 5,347.54 | A. |
| 1/31/2018 | 4,753.59 | 5,902.59 | 1,149.00 | B. |

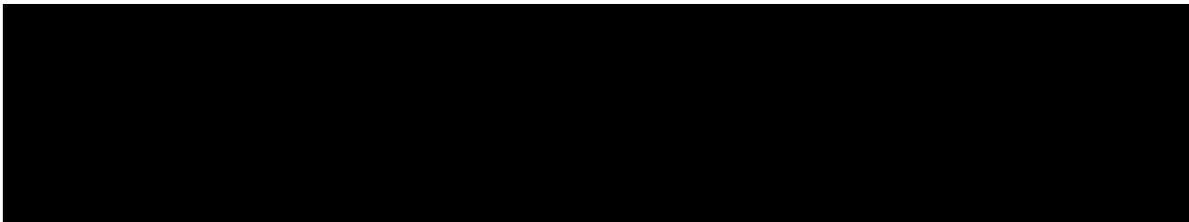
A. The difference of \$5,347.54 is due to an incorrect amount entered on the transaction log and an error in adding the total of the transactions log column.

B. The difference of \$1,149.00 is due to an error in adding the total of the transactions log column.

Once the errors were identified, the OIG was able to reconcile the transaction log to the bank statement.

In addition, we identified three transactions did not have the required supporting documentation:

| Date of Transaction | Amount of Transaction | Vendor | Description | Note |
|----------------------------|------------------------------|------------------|--|-------------|
| 2/13/18 | 93.50 | ██████ | ████████████████████ ████████████████████ | ■ |
| 2/13/18 | 84.87 | ██████ ██████ | ████████████████████ ████████████████████ | ■ |
| 2/14/18 | 29.97 | ██████ ██████ | ████████████████████ | ■ |



Criteria/Risk: The Commission's *Purchase Card Program Policy and Procedure Manual* states it is the responsibility of the purchase card holder to reconcile all monthly transactions to the bank statement. It also states that it is the responsibility of the purchase card approver to review monthly, each transaction receipt and ensure the transaction log reconciles to the bank statement. Failure to reconcile purchase card transaction logs to bank statements significantly increases the risk of fraud, waste and abuse.

Commission Practice No. 3-10, *Authorized Business Expenses*, states the occurrence of business discussion among staff members does not, in and of itself, qualify a meal as a reimbursable expense. Reimbursement for employee meals in conjunction with M-NCPPC business meetings also are not reimbursable unless the meal is specifically pre-approved by the Department Head and meets the following conditions:

- The employee is required to travel to and/or attend after-hours official meeting/event without the ability to take a meal break, and a meal is not otherwise provided at the meeting; or
- Purchase of a meal is specifically called for by the occasion or nature of the official meeting or M-NCPPC Business.

Recommendation: We recommend management ensure all transaction logs are properly added and the total amounts reconciled to the bank statements. Managerial oversight over purchase card transactions should be strengthened to ensure Commission policies and procedures are followed prior to use of the purchase card for food and beverages.

Issue Risk: Medium

Management Response: Purchase card details will be more closely checked for accuracy and matched to bank statements. [REDACTED]

Expected Completion Date: Immediate

Follow-Up Date: January 2019

2. Improve Documentation of Controlled Asset Inventories

Issue: The Park Manager of the Facility provided a controlled asset inventory listing however it did not contain any signatures of individuals who conducted the inventory nor the dates of when it was conducted. We did randomly verify a number of items on the listing to the actual assets at the Facility.

Criteria/Risk: The Commission *Capital Asset Procedure Manual*, states controlled assets (less than \$10,000 in value) due to their portable and theft prone nature should be inventoried on a yearly basis. Failure to provide dates and signatures affirming inventory completion prohibits substantiation of inventory completion.

Recommendation: We recommend management have employees sign and date inventories of controlled assets when they are performed.

Issue Risk: Medium

Management Response: Controlled asset inventory will be implemented twice annually to include all assets between, \$250 - \$9,999. This inventory will be completed and signed by a minimum of two managers (Jun 30 & Jan 1). This will be inclusive of items that do not necessarily have a gas engine and anything that is at risk of easily disappearing inappropriately.

Expected Completion Date: Immediately. Jan 1, 2019 should be the next controlled asset inventory.

Follow-Up Date: January 2019

3. Increase Timeliness of Replenishments to Petty Cash Fund

Issue: The Facility maintains a petty cash fund of [REDACTED]. We determined that petty cash funds are not being replenished in a timely manner. During the 19-month audit period, we identified five instances where the petty cash funds on hand fell below 50% of the approved fund amount. Please see table below:

| Check Number | Date | Amount of Check to Replenish Fund | Amount of Petty Cash on Hand | Percent of Funds on Hand |
|---------------------|-------------|--|-------------------------------------|---------------------------------|
| 168535 | 5/11/18 | [REDACTED] | [REDACTED] | 41% |
| 166005 | 3/2/18 | [REDACTED] | [REDACTED] | 46% |
| 161617 | 11/3/17 | [REDACTED] | [REDACTED] | 28% |
| 157057 | 8/4/17 | [REDACTED] | [REDACTED] | 44% |
| 150920 | 2/24/17 | [REDACTED] | [REDACTED] | 28% |

Criteria/Risk: Commission Practice No. 3-11, *Administration of Cash Funds*, states petty cash funds should be replenished at appropriate intervals for efficient administration. Failure to maintain appropriate levels of petty cash on hand may hinder certain operations within the facility.

Recommendation: The OIG recommends increasing the timeliness of petty cash reimbursements to replenish the petty cash fund and not allowing the fund to fall below 50% of the approved amount.

Issue Risk: Low

Management Response: Management agrees and will instruct Petty Cash Custodian to complete monthly reconciliations and replenishments.

Expected Completion Date: September 2018

Follow-Up Date: January 2019

- Purchase of a meal is specifically called for by the occasion or nature of the official meeting or M-NCPPC Business.

(B) The petty cash custodian has a duty to ensure every effort is made by Commission employees to use the Maryland Tax Exempt Certificate when making purchases before being reimbursed from the petty cash fund. If a vendor refuses to honor the Certificate, a note should be attached by the purchaser/petty cash custodian explaining the circumstances.

(C) Per Practice 3-10, "...the reimbursement may be made from petty cash once the Expense Report has been reviewed and approved by the Department of Finance, Accounts Payable Section."

Recommendation: Managerial oversight over petty cash disbursements should be strengthened to ensure Commission policies and procedures are followed prior to disbursement of petty cash funds by the custodian.

Issue Risk: Low

Management Response: Management agrees and will strengthen adherence to policy and providing of supporting documentation.

Expected Completion Date: Immediate

Follow-Up Date: January 2019