

MARYLAND-NATIONAL CAPITAL PARK & PLANNING COMMISSION

Montgomery County Department of Parks

**Rockwood Manor
Report Number: MC-001-2020**

April 27, 2020

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Rockwood Manor

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I. EXECUTIVE SUMMARY

A. Background

The Maryland-National Capital Park and Planning Commission (Commission) is a bi-county agency serving Montgomery County and Prince George's County in Maryland, providing quality parks, recreation facilities, programs and services for residents and visitors. The Montgomery County Department of Parks system consists of approximately 36,991 acres.

The audit focused on Rockwood Manor Retreats & Events (Rockwood Manor), which encompasses a 30-acre wooded park and country house, located in Montgomery County at 11001 Macarthur Boulevard, Potomac, MD. The Manor House, which is the centerpiece of the property and has stood for nearly a century, was the National Girl Scout Camp for 40 years.

The Facility Manager, who has overall responsibility for Rockwood Manor, reports to the Regional Operations Manager and Enterprise Division Chief, under the direction of the Deputy Director of Operations and Director of Montgomery County Department of Parks.

Rockwood Manor's fiscal year 2020 revenue is budgeted at \$235,000, with total expenses of \$292,255, resulting in a planned loss of approximately \$57,255. Rockwood Manor's salary and benefit costs of \$178,979 account for 61% of the budgeted expenditures.

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 Commission practices and procedures;
- Interviewed managers and staff to obtain an understanding of facility operations;
- Reviewed ActiveMONTGOMERY cash reports and assessed the timing and accuracy of bank deposits;
- Reviewed capital and controlled asset reports, and verified completion of annual inventory;
- Selected a sample of purchase card transactions and verified for proper authorization and appropriate purchases;
- Reviewed Non-Commission employment documentation;
- Reviewed accounts receivable reports for outstanding balances;
- Reviewed permit contracts processed in ActiveMONTGOMERY and reconciled the system data with supporting documentation retained by the facility; and
- Verified all drivers of Commission vehicles met risk management requirements and reviewed vehicle mileage logs for reasonableness.

The audit covered the period from June 1, 2018 through December 31, 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 no major audit concerns.

Overall Conclusions

The results of our evaluation and testing procedures indicate no major weaknesses in the design or operation of internal controls for the administration of Rockwood Manor, Montgomery County Department of Parks. 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 Rockwood Manor 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

April 27, 2020

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. Ensure Compliance with Permit Policies and Procedures

Issue: The Office of the Inspector General (OIG) selected and tested a judgmental sample of 10 rental permits processed by Rockwood Manor. Testing disclosed the following exceptions:

- Four of 10 (40%) rental permits were not signed by the customer in compliance with management's policies and procedures.
- Six of 10 (60%) rental permits were not signed by the Facility Manager in compliance with management's policies and procedures.
- For one of 10 rental permits (10%), the customer was undercharged for a two-day business retreat attended on October 2, 2018 and October 3, 2018. Generally, customers are charged for 8 hours per day for business retreats. However, if customers request additional hours, they are required to pay an additional \$175 per hour over an 8 hour stay. The customer, who chose a 9.5 hour stay for both days, also rented both levels of the Manor House, which encompasses the veranda and patio levels. The customer was not charged for the additional 1.5 hours per day for each of the two levels. Therefore, the customer was undercharged by \$1050.00 (\$175 x 1.5 hours x 2 days x 2 levels).

Criteria/Risk: Operational best practices require compliance with established policies and procedures, including requirements to obtain customer and Facility Manager signatures and adherence to fee rates. Failure to do so may lead to monetary losses to the Commission and potential fraud, waste, and abuse.

Recommendation: The Regional Operations Manager should implement additional oversight and periodically review permit processing documentation to ensure compliance with established policies and procedures.

Management Response: We concur. We will comply with the recommendation.

- Procedures already in place: Reservations staff place all new and updated permits in a labeled folder for review and signature by the Facility Manager, weekly. At this time, the Facility Manager would ensure proper rates have been charged in the permits. The Facility Manager then submits a list of signed permits to the Regional Operations Manager.
- Line items will be added to the permit checklist/cover page to include "Signed by Client" and "Signed by Facility Manager."

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- The Facility Manager will review the master permit binder bi-weekly to ensure all permits have been created using the correct rates and following the required procedures.
- The Regional Operations Manager will perform periodic spot checks of the master permit binder to further ensure all permits have been created using the correct rates and following the required procedures.

Risk: Medium

Expected Completion Date: June 2020

Follow-Up Date: August 2020

2. Strengthen Procedures for Controlled Asset Inventory

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

- OIG judgmentally selected 30 of 86 (34.9%) samples from the controlled assets inventory report provided by the Facility Manager, to locate and verify the existence of assets at Rockwood Manor. OIG verified the existence of 26 of the 30 selected samples, without exception. However, OIG and the ██████████ could not locate two (2) heavy duty vacuum cleaners and two (2) chairs listed on the inventory report. Note the two chairs belong to a set of 150.
- OIG inquired if any new controlled assets were acquired during the prior fiscal year. The ██████████ informed OIG about the purchase of one John Deere tractor in September 2019 via a purchase order processed by administrative staff at the Enterprise Division headquarters. However, the new asset was not added to the controlled assets inventory report.
- According to the ██████████, four (4) assets listed on the inventory report had been disposed; however, the facility had no available documentation (e.g., completed Form 164 or maintenance records) on file to support the disposals.

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 identify, track and monitor controlled assets may lead to fraud, waste, and abuse (i.e., theft, personal use, loss, and unauthorized disposal of Commission assets).

Recommendation: Management (i.e., Regional Operations Manager and Facility Manager) should develop and implement 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 newly acquired assets:

- External asset purchases made on behalf of the facility via purchase order should be communicated to the Facility Manager. The Facility Manager is responsible for updating the controlled assets inventory report to reflect new acquisitions, whether made by purchase order or purchase card. The

inventory report should also be updated to reflect all asset transfers into the facility, as well as donations from other facilities or departments.

Management (i.e., Regional Operations Manager and Facility Manager), should strengthen procedures for asset disposals:

- Procedures should include steps to ensure assets removed from service are appropriately authorized by management and adequate supporting documentation is kept on file. Although the Form 164 is not required for disposal of controlled assets, some facilities use the form to document asset disposal details and to support senior management's authorization signatures (e.g., Regional Operations Manager or Division Chief).
- 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.

Management Response: We concur. We will comply with all recommendations.

- Procedures already in place: External asset purchases are discussed with the Facility Manager during budget meetings held throughout the year.
- Procedures already in place: Event chairs are numbered and will be counted following each event. Missing or broken chairs will be identified by number for reporting and disposal purposes.
- Procedures already in place: Annual inventory will be conducted and reported following commission policies and procedures.
- Inventory will be counted quarterly for internal monitoring.
- Updated controlled assets reports to include new, transferred, or discarded items will be submitted to the Regional Operations Manager quarterly.
- Regional Operations Manager will conduct random inventory checks.
- The Facility Manager will report any assets needing to be removed from service to the Regional Operations Manager. Also, management will complete Form 164 prior to disposing of assets.
- Management will request the assistance of maintenance as needed for the removal and disposal of facility assets. Management will request a copy of maintenance's work order to file with asset disposal documentation.

Risk: Medium

Expected Completion Date: June 2020

Follow-Up Date: August 2020

3. Obtain Form A-1 Documents for Non-Commission Employment

Issue: The facility does not have appropriately completed Form A-1 documents on file for all staff who have additional non-Commission employment. OIG requested copies of the required Form A-1 documents from the [REDACTED] for all employees who have jobs outside of the Commission.

According to the [REDACTED], three employees have non-Commission jobs. OIG noted the following exceptions:

- The [REDACTED] provided the Form A-1 for two employees. However, neither document indicated the required supervisory and department head signatures to support managerial approval of employment.
- The [REDACTED] could not provide a completed Form A-1 for the third employee.

Criteria/Risk: Commission Practice No. 2-14, *Non-Commission Employment and Non-Commission Business*, discusses the potential for developing conflicts of interest as a result of outside activities. While the Practice does not prohibit such activities, employees are required to complete Form 1-A and disclose outside employment and business relationships to management.

Failure to disclose and obtain authorization for non-Commission employment and business activities may lead to potential fraud, waste, and abuse due to conflicts of interest and may also lead to violation of fiduciary duty to the Commission.

Recommendation: The [REDACTED] [REDACTED] should ensure compliance with Commission Practice 2-14. Management should consider implementing procedures that require periodic discussions with staff regarding non-Commission employment. At minimum, management should consider requiring having discussions with employees during their annual performance reviews.

Management Response: We concur. We will comply with all recommendations.

- Procedures already in place: Non-commission employment is included on the checklist of required documents for new hires.
- Management will have discussions with employees during their annual performance review and annual all-staff meetings.
- The non-commission employment notice will be posted in the staff room on the bulletin board containing required H/R documents.

Risk: Low

Expected Completion Date: June 2020

Follow-Up Date: August 2020