

# **AUDIT COMMITTEE ACTIVITY REPORT**

**FY2020 (July 1, 2019 – June 30, 2020)**

Prepared by the Audit Committee for the Executive Committee and Presentation to the Full Commission

**Report Date:** September 16, 2020

## **FY20 Audit Committee Members:**

- Casey Anderson (\*)
- Elizabeth Hewlett (\*)
- Dorothy Bailey
- Partap Verma
- Benjamin Williams
- Lori Depies

*\*Rotates with the appointment of Commission Chair*

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## INTRODUCTION

The Audit Committee (AC or Committee) operates independently from the management of the Maryland-National Capital Park and Planning Commission (M-NCPPC or Commission). The AC serves as a forum, in which auditors and other interested parties may identify and discuss concerns related to financial reporting and internal controls.

The Annotated Code of Maryland, Land Use Article, Subtitle 4 Audit Committee, §15-401-§15-405, governs the establishment and function of the Audit Committee (e.g. membership, terms, qualifications, and powers).

The AC consists of four (4) voting members and one (1) nonvoting member. Commissioner Dorothy Bailey (Prince George's County) served as Audit Committee Chair throughout FY20. Other Committee members included Commissioner Partap Verma (Montgomery County), Mr. Benjamin Williams, public member representing Prince George's County, and Ms. Lori Depies, public member representing Montgomery County. The Commission Chair<sup>1</sup>, serves as the nonvoting member of the Committee.

Maryland-National Capital Park and Planning Commission (M-NCPPC) Practice No. 1-31, *Organization and Functions of the Audit Committee*, provides additional guidance on the Committee's requirements. The Practice requires the AC to submit the following annual reports:

- A written report that addresses how the Committee discharged its duties and met its responsibilities.
- Evaluation of the adequacy of internal controls; the agency's adherence to financial regulations/policies; and any other significant concerns/complaints that were filed with or identified by the Audit Committee.
- A summary of significant audit findings as prepared by the Inspector General.

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<sup>1</sup> Each calendar year, the Commission Chair and Vice Chair positions rotate between the County Planning Board Chairs. For FY20, Chair Elizabeth Hewlett served on the AC July 1, 2019 – January 15, 2020 and Chair Casey Anderson served on the AC January 16, 2019 – June 30, 2020.

## **DISCHARGE OF DUTIES**

### External Auditors

The Audit Committee is responsible for appointment, compensation, retention, and oversight of the work of any external auditor engaged for the purpose of performing independent audit services, reviews or attest services.

Each fiscal year, the Office of the Secretary-Treasurer submits a Comprehensive Annual Financial Report (CAFR), in accordance with the Land Use Article of the Annotated Code of Maryland. In conjunction with the CAFR, State statute requires an annual audit by independent certified public accountants. The Commission, with agreement from the AC, selected the accounting firm of SB & Company to complete the FY20 external review.

- In August 2019, AC members were asked to provide comments to SB & Company to assist in pre-audit planning for the FY19 financial statement audit.
- January 13, 2020, the AC met with SB & Company to discuss the results of the FY19 financial statement audit (e.g. audit closing meeting).
- July 29, 2020, the AC met with SB & Company to assist in pre-audit planning for the FY20 financial statement audit.

SB & Company is at the end of their Contract (5-year contract including renewals) for auditing services. The Department of Finance will be issuing a Request for Proposal (RFP) for subsequent auditing services.

### Office of the Inspector General

The Audit Committee must select and appoint the Inspector General. The AC appointed Ms. Renee Kenney, Inspector General on December 20, 2017 for a 4-year term with renewal options.

On June 11, 2019, the AC formally approved the FY20 Internal Audit Plan submitted by the Inspector General. The Audit Plan included performance audits, fraud, waste, and abuse investigations, management advisories, and follow-up reviews.

The Audit Committee is required to hold at least four meetings during each year to discuss proposed audits and investigations, including significant audit findings/recommendations. The AC held 4 meetings in FY20 with the Inspector General:

- September 10, 2019
- December 10, 2019
- March 10, 2020
- June 9, 2020

## SUMMARY OF SIGNIFICANT AUDIT FINDINGS

### Major Audit Concerns

(Per the Office of the Inspector General's FY20 Annual Report)

If the overall control environment for the unit or process being audited requires management's immediate attention, details of the deficiencies are included in the "Major Audit Concerns" section of the report. For FY20, 6 audit reports included major audit concerns.

- Litigation Hold (CW-005-2020)
  - There were no formal practices or procedures to govern the provisioning of the litigation hold features to users' mailboxes.
  - Audit logs were not retained or monitored for alteration of scripts and litigation hold provisions or de-provisioning for users' mailboxes. Microsoft 0365 logs can only be recovered for up to 90 days.
  - The Commission had 24 Global 0365 and 13 Exchange Administrators with access to litigation hold capabilities. Best practice supports least privilege.

The Office of the Chief Information Officer (OCIO) concurred with the audit findings. The OCIO has initiated a formal plan to mitigate the risk. OIG's follow-up is scheduled for May 2021.

- Prince George's County Planning Department - Theft of Cash (PGC-002-2020)
  - Cash handling duties were not adequately segregated.
  - ██████████ receipts were not processed through petty cash as required.
  - Petty cash reimbursements were not processed timely.

Management has closed the ██████████. OIG issued an Audit Follow-Up Report on August 31, 2020 resolving all audit findings.

- DPR - Trap and Skeet Center - ██████████ Purchases (PGC-005-2020)

The audit identified waste and abuse occurrences by Center management to include:

- failure to disseminate ██████████ compliance inspection findings;
- violation of Commission purchasing Practices;
- lack of controls over inventory ██████████; and
- failure to address challenges with inventory and GEN (point-of-sale system).

Audit concerns were shared with Prince George's County Planning Board. DPR management advised the Planning Board of the additional controls put in place to resolve audit recommendations and to mitigate future risk. OIG's follow-up has been delayed due to facility access concerns.



- Glendale Community Center (PGC-006-2020)
  - Inadequate [REDACTED] coverage.

DPR management concurred with the audit finding and requested assistance from Park Police. OIG's follow-up has been delayed due to facility access concerns.

- PGC Park Police – Payments to Vendors (PGC-010-2020)
  - Services have been rendered by the vendor in the absence of obtaining price quote estimates as mandated by contract guidelines.

Park Police and DPR management concurred with the audit recommendations. Updated procedures have been implemented. OIG's follow-up has been delayed due to facility access concerns.

- Upper Marlboro Community Center (PGC-015-2020)
  - Deficient internal control systems.
  - Lack of managerial oversight.

This audit report contained repeat audit findings/recommendations for cash deposits, petty cash, and controlled assets. DPR management concurred with the audit recommendations and have implemented additional controls to mitigate the risks. OIG's follow-up is scheduled for October 2020.

### High-Risk Audit Findings

(Per the Office of the Inspector General's FY20 Annual Report)

The Office of the Inspector General (OIG) relies on the auditor's professional judgment when assigning risk ratings (high, medium, or low) to individual audit findings. A high-risk rating indicates 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.

High risk recommendations accounted for approximately 50% of total recommendations in FY20. The OIG identified 27 high-risk audit recommendations in FY20, out of 55 total recommendations.

The high-risk audit findings identified deficiencies in the following areas/programs. As depicted in the table, there does not appear to be a concentration of recommendations in a single business process.

	BUSINESS PROCESSES									
	Cash Handling & Petty Cash	Controlled Assets	Processing of PA2 forms	Lack of Managerial Oversight	Recommendation specific to business process	Security	Logical (i.e. system) Security	Lack of Internal procedures	Retail Inventory	Procurement (e.g. check requests, POs, etc.)
CW-001-2020					2					
CW-003-2020					1					
CW-003-2020							2	1		
PGC-001-2020		1								
PGC-002-2020	3									
PGC-004-2020					2			1		
PGC-005-2020					3				1	1
PGC-006-2020						1				
PGC-010-2020										3
PGC-011-2020			1	1						
PGC-015-2020	2			1						
<b>TOTAL (27)</b>	<b>5</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>8</b>	<b>1</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>4</b>

Fraud, Waste, and Abuse Investigations

In cases where fraud, waste, or abuse is suspected, the Office of the Inspector General has responsibility to investigate the matter in accordance with Commission Practice 3-31, *Fraud, Waste, & Abuse*. The OIG completed 4 fraud, waste, and abuse (FWA) investigations in FY20.

A summary of the 4 FWA investigations is provided below:

- PGC-002-2020 – Prince George’s County Planning Department – Theft of Cash  
 The OIG reasonably concluded a Commission employee misappropriated \$2,650.14 in Department funds (\$804.30 [REDACTED] and \$1,845.84 petty cash funds). The employee’s actions supported a conclusion of **fraud, waste, and abuse**. The OIG concluded the employee’s actions were intentional, and he/she obtained value through willful false representation.
- PGC-008-2020 – Department of Parks and Recreation - Sports Plex, Unauthorized Employment

The OIG reasonably concluded one employee's actions supported a conclusion of **abuse** involving the payment of an individual not approved for hire. The Commission did not incur any financial loss.

- PGC-011-2020 – Department of Parks and Recreation - Sports Plex, Payment of  
██████████

The OIG reasonably concluded two employee's actions supported a conclusion of **fraud** and **abuse** and one individual's actions were improper but did not raise to the level of fraud or abuse. Two ██████████ were allowed to work prior to being cleared by Human Resources. ██████████ management collectively falsified timecards to make up for back pay, disregarded the Division Chief's instructions and concealed information from the Division Chief. The Commission did not incur any financial loss.

- PGC-014-2020 – Department of Parks and Recreation - Falsified Travel Expenses

The OIG reasonably concluded one employee's actions supported a conclusion of **fraud** involving the issuance of a travel reimbursement request. The employee did not attend the minimum number of training sessions required for a conference. The travel reimbursement request was not processed; however, the employee did receive 3 days of paid administrative leave to attend the conference. In addition, the Department of Parks and Recreation paid conference registration fees of \$595 for the individual.

In addition to the 4 FWA investigations, the OIG completed 6 limited investigations. The results of each investigation are summarized in a Memorandum of Limited Investigation (LI). The LI describes specific issues or complaints received and the outcomes of the investigation.



## **EFFECTIVENESS OF THE INTERNAL CONTROL SYSTEMS AND PROCESSES**

It is the opinion of the Inspector General that the internal control systems and processes for the Commission's fiscal, operational, and information technology (IT) activities and applications/systems are adequate.

The Audit Committee concurs with the OIG's conclusion on the effectiveness of the internal control system.

## **OTHER CONCERNS AND COMPLAINTS**

As part of our reporting requirements, the AC is required to advise the Commission Chair and Vice-Chair of any Committee concerns arising from any audit/investigation reports. No additional concerns were raised in FY20.

## **CONCLUSION**

The Audit Committee would like to thank the Commission's Chair, Vice-Chair, Commissioners, management, staff, and the Office of the Inspector General for their continued efforts to strengthen public accountability and to improve the effectiveness, productivity, and efficiency of Commission operations.