

MARYLAND-NATIONAL CAPITAL PARK & PLANNING COMMISSION

Prince George's County Department of Parks and Recreation

**Audit of Prince George's County Child Care Center - Glenridge Elementary
School**

Report Number: PGC-05A-2023

January 6, 2023

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Office of the Inspector General

Renee Kenney
Modupe Ogunduyile
Wanda King

Maryland-National Capital Park and Planning Commission
Office of the Inspector General
6611 Kenilworth Avenue, Suite 106
Riverdale, MD 20737

Audit of Prince George’s County Child Care Center - Glenridge Elementary School

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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 County and Prince George's County in Maryland. M-NCPPC provides quality parks, recreation facilities, programs and services for residents and visitors.

M-NCPPC operates two employer sponsored child care centers in Prince George's County (PGC). Both are licensed by the Maryland State Department of Education Office of Child Care. The child care centers are governed by Title 13A State Board of Education under the Code of Maryland Regulations.

The report focuses on the PGC Child Care Center (Center) - Glenridge Elementary School, located at 7200 Gallatin Street, in Landover Hills, Maryland. The Center provides care to children ranging from ages 18 months old to pre-kindergarten. The Center operates Monday through Friday during the hours of 7:00a.m – 5:00pm.

Participation in the program is limited to families employed by:

- PGC public school system
- PGC government
- Maryland State employees who work within PGC
- M-NCPPC

The Child Care Center Program Director manages daily operations to ensure compliance with M-NCPPC Administrative Practices and Procedures. The Special Programs Division Chief has overall responsibility and reports to the Deputy Director of Recreation & Leisure Services, under the leadership of the Director of Parks and Recreation.

B. Audit Objective, Scope and Methodology

Audit Objective

The primary objective of the audit was to verify compliance with M-NCPPC Practices and Procedures and with Maryland State Department of Regulations Office of Child Care. Additional objectives included identifying opportunities to strengthen internal controls and improve operational efficiencies.

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:

- Interviewed and performed walkthroughs with staff to obtain an understanding of operations;
- Reviewed applicable M-NCPPC Practices and Procedures;
- Reviewed results of annual inspections conducted by the State of Maryland;
- Verified personnel background checks were conducted;
- Reviewed petty cash reimbursements for appropriate approval and supporting documentation;
- Reviewed bank receipts for timely and accurate deposits;
- Verified existence of controlled assets and completion of periodic inventory;
- Reviewed payroll timekeeping procedures;
- Reviewed accounts receivable for outstanding balances; and
- Accessed security protocols.

The audit covered the period from July 1, 2021 through June 30, 2022.

Methodology

Inquiry, observation, data analysis, and tests of transactions were performed to complete the audit objectives.

The audit was conducted in accordance with the *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.

D. Overall Conclusion

The results of our evaluation and testing procedures indicate no major weaknesses in the design or operation of internal controls for the administration of PGC Child Care Centers - Glenridge Elementary School. 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 PGC Child Care Centers - Glenridge Elementary School management and staff for their cooperation and courtesies extended during the course of our review.

Wanda King
 Assistant Inspector General

Modupe Ogunduyile
 Deputy Inspector General

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

January 6, 2023

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 Seasonal Employees Approve Bi-weekly Time Cards

Issue: Seasonal employees use a Kronos clock which has biometric technology to create a unique finger scan template. Management is required to enroll employees using the Kronos clock by scanning two fingers, one primary and one secondary, to enable biometric access. Once they are enrolled, employees can sign in and out with their finger. Employees also have the ability to approve their time cards by using the icon labeled, "Approve Timecard."

The Office of the Inspector General (OIG) reviewed 13 career and seasonal employees bi-weekly time cards for pay periods in July 2022. Of the employees reviewed, four Career employees approved and signed their time cards as required for the pay period beginning July 10, 2022 and ending July 23, 2022. In addition, of the nine Seasonal employees reviewed, seven did not sign and approve their time cards and Center management did not provide sufficient oversight to ensure these employees approved their time cards timely for the pay period beginning July 17, 2022 and ending July 30, 2022.

Cause: Center management and staff did not comply with Commission Administrative Procedures because according to the Program Director the employees probably forgot to sign their time cards and will remind employees to sign them in the future.

Criteria/Risk: Administrative Procedures No. 19-02, Section II, *Completing and Approving Time Cards*: Part A. Merit System (Represented and Non-Represented) and Contract Employees, No .4, states an employee will approve his/her completed time card prior to supervisor approval.

Management's failure to ensure employees approve time cards for hours worked may result in timekeeping errors and disputes. This may also create opportunities for potential fraud, waste, and abuse.

Issue Risk: High

Recommendation: Management should ensure all employees are aware of the Administrative Procedures pertaining to timekeeping and time card approvals. Management should also verify that all employees have signed their time cards in order to confirm approval of hours worked.

Management Response: Management will ensure that all recommendations are followed including Center management and supervisory management will have meetings with all staff to retrain and reinforce time card procedures.

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Center management will then review at the end of the two-week period to verify signatures.

Expected Completion Date: Retraining will take place by 12/30/22 and verification will be ongoing.

Follow-Up Date: June 2023

2. Ensure Compliance with Controlled Assets Policies and Procedures

Issue: The OIG's review of controlled assets disclosed the following discrepancies:

- Management provided the controlled assets list which included seven assets. The list did not include key purchase data, such as prices and dates. Purchase data is essential for determining whether or not an item should be classified as a controlled asset.
- OIG identified and verified the existence of the seven assets, without exception. OIG observed that two of seven assets had affixed asset tags, but five assets did not have asset tags. All items designated as controlled assets require tracking and should be assigned individual asset tag numbers.
- Staff did not perform an inventory of controlled assets within the past 12 months.

Cause: Center management and staff did not comply with established policies and procedures.

Criteria/Risk: Practice No. 3-14, Capital Asset Policy: Accounting for M-NCPPC Real and Personal Property, Responsibilities section, states Department Heads, Division Chiefs, or Designees are responsible for, on a departmental or divisional level, maintaining inventories of controlled assets, and conducting annual inventories of same.

The Facilities Internal Control Standards, Inventory and Controlled Assets section, provide guidance for classifying, documenting, tracking and performing inventories of controlled assets.

Failure to comply with policies and procedures contributes to errors and inconsistencies, which may increase operational risk. Failure to comply with policies and procedures may also lead to potential fraud, waste and abuse.

Issue Risk: Medium

Recommendation: Management should ensure staff are aware of the Facility Internal Controls requirements and mandate compliance. Management should also ensure staff perform the following:

- Revise the layout of the controlled assets list and include columns to show purchase prices, purchase dates, room locations and asset tag numbers.

- Ensure that all controlled assets are assigned individual asset tag numbers for tracking purposes.
- Use Form 164 to document the purchase, transfer, donation and disposal of controlled assets.
- Conduct periodic controlled assets inventory reviews.

Management Response: Management will ensure that all recommendations are followed to include ensuring that the controlled assets list is up to date, and all assets will be properly tagged and consistently in accordance with all M-NCPPC rules and regulations. Form 164 will definitely be utilized to ensure compliance. Periodic controlled asset reviews will take place (every 6 months).

Expected Completion Date: Updated controlled asset list currently taking place throughout 12/30/22. Asset review will occur on 3/1/23, 6/1/23 and 9/1/23.

Follow-up Date: June 2023

3. Strengthen Petty Cash Operations

Issue: The audit disclosed areas in which petty cash operations require enhancements to ensure appropriate management and use of the petty cash fund:

- On August 11, 2022, OIG performed a cash count of the petty cash fund. The cash count did not disclose any discrepancies pertaining to the fund's cash balance. However, the six unreimbursed receipts in the amount of \$235.02 did not have the required approval signature.
- The [REDACTED] did not submit a petty cash reimbursement request to the Department of Finance in a timely manner once the petty cash fund's remaining balance had been depleted below the recommended 50% maintenance threshold. The reimbursement request was for \$373.14 of the authorized \$500.00 fund amount, resulting in a remaining fund balance of \$126.86 , or a 25.4% remaining fund balance.
- Petty cash reimbursement testing disclosed the payment of \$0.24 sales tax for one purchase transaction. Although the sales tax amount was miniscule and affected only one of 19 transactions, employees are encouraged to present the Sales and Use Tax Exemption Certificate to merchants to avoid paying unnecessary sales taxes.

Cause: Center management and staff did not comply with established policies and procedures. The Program Director explained that the assigned approver works at a different location, which makes it difficult to obtain an immediate physical approval signature. However, they have discussions about program needs and appropriate purchases. In addition, the required supporting documentation is retained for the approver's subsequent review and physical approval signature.

Criteria/Risk: Practice No. 3-11, Administration of Cash Funds, states in Policy Section A., Petty Cash Funds - Limitation, item #6, Petty cash reimbursements must be approved by Department Head or designee.

The Facilities Internal Control Standards, Signature Authority section, provide guidance for signature authority approvals which state, approvers may approve transactions via electronic means, provided the approval can be retained. In addition, the Petty Cash and Change Fund section provides guidance for petty cash replenishment, stating when the cash on hand has been depleted to 50% of the total fund.

Failure to comply with policies and procedures contributes to errors and inconsistencies, which may increase operational risk. Failure to comply with policies and procedures may also lead to potential fraud, waste and abuse.

Issue Risk: Medium

Recommendation: Management should ensure staff are aware of Facility Internal Controls requirements and mandate compliance. Management should also ensure staff perform the following:

- The Program Director should send emails to request immediate approval for petty cash expenditures, thereby allowing for physical signature approval at a future date.

This method is also appropriate to use when the Program Director requires signature approval on the Purchase Card Request Form.

- The Program Director should periodically monitor the petty cash fund balance to ensure it does not fall below the recommended 50% of the total fund.
- Staff should present the Sales and Use Tax Exemption Certificate to merchants for all purchases and request the tax exemption. If the merchant does not accept the certificate, the exception should be documented with the receipt.

Management Response: Management will ensure that all recommendations will be followed including sending emails to request and get approvals for petty cash purchases, Director will not let petty cash get below 50%, and the Supervisor will also monitor. Staff will make sure that the Sales and Use Tax Exemption card is utilized with all purchases.

Expected Completion Date: Will check petty cash by 12/30/22, and then conduct spot audits of petty cash/signatures on 3/1/23, 6/1/23 and 9/1/23; as well as generic spot monitoring of petty cash and signatures for use of purchasing.

Follow-up Date: June 2023