

MARYLAND-NATIONAL CAPITAL PARK & PLANNING COMMISSION

Montgomery County Department of Parks

**Cabin John Ice Rink
Report Number: MC-003-2022
October 20, 2021**

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Cabin John Ice Rink

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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. The Commission provides quality parks, recreation facilities, programs and services for residents and visitors.

The audit focused on the Cabin John Ice Rink (facility or ice rink) located at 10610 Westlake Drive, Rockville, MD, within Montgomery County Department of Parks, Enterprise Division. Cabin John Ice Rink is one of two indoor facilities in Montgomery Parks, which offers ice skating and skating exhibitions, ice hockey classes and special events throughout the year. The facility also features three ice rinks, a dance studio, three party rooms available to the public for rental, a Pro Shop which sells skating equipment and apparel and a Snack Bar.

The ice rink closed in March 2020 because of the COVID-19 pandemic. The ice rink reopened on July 6, 2020 with stringent restrictions, including mask requirements and social distancing. Programs such as ice hockey and ice skating were restricted, with ice hockey being temporarily canceled for several months. The Snack Bar officially reopened on April 30, 2021.

The Division Chief of Enterprise has overall responsibility for the facility and reports to the Deputy Director of Operations, under the leadership of the Director of Montgomery County Department of Parks.

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 staff to obtain an understanding of facility operations;
- Reviewed petty cash reimbursements for appropriate approval and supporting documentation;
- Reviewed cash receipts for timely and accurate bank deposits;
- Reviewed purchase card transactions and verified for authorization and appropriate purchases;
- Verified the existence of controlled assets and completion of the annual inventory;
- Verified the existence of capital assets and completion of the annual inventory;
- Reviewed the Pro Shop and Snack Bar retail inventory controls, and verified completion of the annual inventory count to support fiscal 2021 year-end journal entries;
- Reviewed Commission vehicle mileage logs for completeness and verified all drivers meet Risk Management requirements;
- Reviewed time-keeping procedures and management approval of Non-Commission employment;

- Reviewed accounts receivable reports for timely payment of outstanding balances; and
- Reviewed rental permits processed in the Active Montgomery system and reconciled system data with the facility's supporting documentation.

The audit covered the period from August 1, 2020 through July 31, 2021.

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

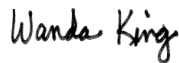
The results of our evaluation and testing procedures indicated no major audit concerns.

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 Cabin John Ice Rink, 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 the Cabin John Ice Rink management and staff for their cooperation and courtesies extended during the course of our review.



Wanda King
Assistant Inspector General



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

October 20, 2021

Conclusion Definitions

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| 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 Tracking Procedures for Controlled Asset Inventory

Issue: The Office of the Inspector General (OIG) verified the existence of controlled assets (e.g. assets valued <\$10,000) against the Snack Bar's controlled assets inventory list. Audit testing disclosed no discrepancies with verification of existence of assets within the Snack Bar.

However, testing disclosed the following discrepancies for Cabin John Ice Rink's controlled assets:

- OIG judgmentally selected a sample of 22 of 89 (24.7%) assets from the controlled assets inventory list. OIG and the Assistant Facility Manager could not locate and verify the existence of 5¹ of 22 (22.7%) sampled assets. Facility management discounted the possibility of theft, concluding it is more likely, the assets were transferred to another facility or disposed of without a proper paper trail.
- The controlled assets inventory list included two (2) JVC 27 inch televisions, which were not found on site. Management stated both assets were previously disposed and provided the OIG with copies of the Form 164 for both televisions. The form requires approval from two individuals, one of whom must be a supervisor; however, one form did not have any approval signatures. The other form was signed and dated by a Facility Manager, but not by a supervisor.

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).

Two signatures on the Form 164 demonstrates segregation of duties and mitigates risk of unauthorized removal.

¹ Assets include: Two (2) Washington Music Center Tascam CD Players, 1 Pullman Holt Wet Dry Vacuum (15 gal #2), 1 Network Cable Install and 1 Clarke Floor Scrubber.

Recommendation: Management (Regional Operations Manager and Facility Manager) should develop and implement procedures to ensure all controlled assets are identified, tracked, and monitored:

- Procedures should include steps to ensure assets removed from service are appropriately authorized by management and adequate supporting documentation (e.g., approved Form 164) is kept on file. Removal from service includes disposals, transfers to other facilities and donated assets. Although audit testing did not indicate exceptions related to asset acquisitions, ensure all newly acquired assets are also supported by appropriate documentation. The Form 164 should be signed and dated by two individuals, one of whom must be a supervisor,
- When performing the annual controlled assets inventory review, staff should print a copy of the current inventory report. As staff members (at least two) locate and verify the assets, they should make notations on the current inventory report. These notes should support all changes that will be made to, and reflected in, the new updated report. Staff members should also sign and date the reports. This procedure is similar to the one staff already use, when performing the annual retail inventory count at fiscal year-end for the Pro Shop and Snack Bar. The procedure will assist with tracking and monitoring controlled assets.

Management Response: Concur.

- Inputting/disposing Controlled Assets:
 - Identify asset category (revise as needed) and collect supporting information at the time of purchase of an asset OR when determined that an asset is to be disposed of.
 - Asset input (164) form is completed, signed by two individuals to include a supervisor, and filed.
 - Asset information is added to update the facility Controlled Asset Inventory spreadsheet.
 - Controlled Asset Inventory is uploaded to EAM.
- Managing inventory of Controlled Assets:
 - Facility Managers, with additional support staff, will export and print the asset inventory for annual auditing to ensure inventory accuracy.
 - Staff will sign and date inventory when counted.
 - In addition, Enterprise Administration Specialist will conduct bi-annual audits of all facilities-controlled asset inventories.

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Risk: Medium

Expected Completion Date: November 2021

Follow-Up Date: April 2022

2. Maintain Complete Documentation to Support Rental Permits

Issue: Facility management does not ensure complete supporting documentation is kept on file for all rental permits.

OIG selected a judgmental sample of 12 rental permits created between August 2020 through July 2021. Audit testing disclosed the following:

- Three of 12 (25%) rental permits were not signed by facility management and the customers. Although management and customers should always sign rental permits, the risk was mitigated to an extent because they were relatively low priced (i.e., \$40, \$360, and \$720).
- No documentation was on file to support management's approval of a discount given to a non-profit organization. The rental permit was priced at \$24,840, and the organization received a \$3,420 discount off the price (final price of \$21,420). The discount was verbally approved by senior management. Management's approval of rental permit discounts and fee waivers should always be supported by documentation.²

Criteria/Risk: Operational best practices support maintaining complete documentation for rental permits. Failure to require the maintenance of complete 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 complete documentation for all rental permits is maintained at the facility to support evidence of signatures, discounts and fee waiver approvals.

Management Response: Concur.

- Upon receiving a request for a discount, and the discount is warranted, the Facility Manager requests approval from the Division Chief via email for documentation.
- The Division Chief approves/denies via email ensuring documented responses.
- The Facility Manager files documentation with the lease agreement.

² The Assistant Facility Manager informed OIG that the facility will no longer offer discounted rates after this Fall/Winter Season. Note the OIG did not opine that management should cease providing discounts and/or fee waivers to non-profit organizations.

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- The Regional Operations Manager will check to ensure all rental agreements are signed by both the Facility Manager and customer, in addition to the customer's signature when amendments are made due to the customer's request.

Risk: Medium

Expected Completion Date: November 2021

Follow-Up Date: April 2022