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**Prince George's County Department of Parks and Recreation
Parks and Facilities Management**

**Audit Report
Controlled Assets in Maintenance Facilities
PGC-004-2023**

February 16, 2023

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Prince George's County Department of Parks and Recreation
Parks and Facilities Management

Controlled Assets in Maintenance Facilities
Audit Report

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I. EXECUTIVE SUMMARY

A. Background

The Prince George's County Department of Parks and Recreation (DPR or Department) is part of the Maryland-National Capital Park and Planning Commission (M-NCPPC or Commission), a bi-county agency serving Prince George's and Montgomery counties in Maryland.

DPR manages a comprehensive park and recreation system that presently includes close to 11% of the County's total land area. The Department is responsible for acquiring land, developing, and managing park and recreation facilities, maintaining, and policing park property, and conducting a wide array of leisure activities and services. DPR has several services and divisions, and their leadership structure includes a Director of Parks and Recreation, Deputy Director of Parks and Facilities Management and several division chiefs. Oversight of maintenance facilities falls under the Deputy Director of Parks and Facilities Management.

Commission Administrative Procedure 04-01, *Capital Asset Procedure Manual*, defines controlled assets as, personal property items with a purchase price less than \$10,000 that should be monitored due to their sensitive, portable, or theft prone nature. Departments are required to secure and track controlled assets. In addition, the Manual states an inventory system for controlled assets will be developed and maintained by each department, independent of the Capital Asset Management System and that controlled assets should be inventoried annually by December 31.

On April 1, 2022, DPR issued a Department Directive (DPR-4-01-22), *Facility Internal Controls*, which provides guidance, training and support to employees responsible for managing M-NCPPC facilities, equipment, assets and finances, including but not limited to cash funds, payroll, purchasing processes and point-of-sale transactions. Specifically, the Directive provides guidance to facilities for the management of controlled assets.

DPR utilizes several systems/applications to track controlled assets:

- FASTER (Fleet Management System) - System used to track vehicles and motorized equipment from initial acquisition through disposal for work order management, maintenance warranty and labor tracking, as well as fuel transaction management.
- Enterprise Asset Management (EAM) system – Web based application used to track assets and other data.
- Manual Excel spreadsheets.
- Apptricity - Application primarily used by the Information Technology Services Division. Utilizes RFID tagging for automated asset tracking.

This audit focused on Park and Facility Management's controlled assets within two divisions – **Natural and Historic Resources Division** and **Park and Facility Services Division**.

We visited and reviewed the following:

- Natural and Historic Resources Division – Provides the public with professional natural and historical resource management services, conservation, interpretive programs, museums, parks, and facilities that educate, engage, and encourage stewardship and visitation of the County's diverse natural resources and historical heritage. The following Units provide maintenance services in the Division:
 - Historic Preservation Unit
 - Patuxent River Park Maintenance Unit
- Park and Facility Services Division – Provides maintenance, repair, and renovation of Department facilities, properties, vehicles and equipment, along with snow removal and landscaping services. The following Sections provide maintenance services in the Division:
 - Southern Area Landscape Section
 - Northern Area Landscape Section
 - Fleet Services
 - Greenhouse Section
 - Urban Forestry Section
 - Heavy Equipment
 - Electrical Section
 - Mason Section
 - Locksmith Section
 - Carpenter Section
 - Welding Section
 - Plumbing Section
 - Exhibit Section
 - HVAC Section

B. Definitions

Capital Assets: Real and personal property items, or improvements to real and personal property items, with a unit cost of \$10,000 or more and a useful life of more than one year. The Department of Finance, with assistance from the Departments, is responsible for the financial reporting of capital assets within the Commission's financial statements.

Controlled Assets: Personal property items with a purchase price less than \$10,000 that should be monitored due to their sensitive, portable, or theft-prone nature. **Note:** Administration of controlled assets is the responsibility of the Departments. It is not a function of the Department of Finance.

Capital Asset System: The Capital Asset System is a system/application within the Commission's Enterprise Resources Planning (ERP) application (Infor). The Capital Asset System automatically captures basic information to account for the procurement and inventory of real and personal property (e.g., capital assets).

Fraud, Waste and Abuse: Per the Annotated Code of Maryland, §15-501 and Commission Practice 3-31, *Fraud, Waste, and Abuse*, fraud, waste, and abuse are defined as:

- **Fraud:** An intentional act or attempt to obtain something of value from the Commission or another person through willful misrepresentation. Fraud includes a willful false representation of a material fact, whether by words or by conduct, by false or misleading allegations, or by concealment of that which should have been disclosed, which causes the Commission to act, or fail to act, to the detriment of the Commission's interest.
- **Waste:** An inappropriate act or omission by an employee with control over, or access to, Commission property or funds that unreasonably deprives the Commission of value. Waste includes mismanagement or other unintentional conduct that is deficient or improper when compared to conduct a prudent person would consider necessary to preserve the value of Commission property or funds under the same facts and circumstances.
- **Abuse:** An employee's intentional or reckless misconduct or misuse of authority or position:
 - (I) involving Commission property or funds that is improper or deficient when compared to conduct a prudent person would consider reasonable under the same facts and circumstances; or
 - (II) For the purpose of furthering improperly the private interests of the employee, a family member, or a close personal or business associate. Abuse includes theft or misappropriation of Commission property or funds; and destruction or alteration of official records.”

Open Purchase Order (PO): The Park and Facility Services Division utilizes open PO's (in addition to the purchase card) to acquire various supplies, equipment and tools needed, on a streamlined basis without having to create a purchase requisition. The open PO quickly provides available funds for payment of invoices to various vendors for supervisory approved purchases made by a shop/facility employee. Park and Facility Services Division's administrative staff maintain open PO order tracking spreadsheets for each vendor to document the purchases and invoices paid.

C. Objective, Scope and Methodology of the Audit

Objective

The objective of this audit was to identify opportunities to strengthen internal controls, improve operational efficiencies and help ensure compliance with Commission Policies and Procedures involving the administration (e.g., tracking and reporting) of controlled assets.

Scope

The audit focused on Park and Facility Management's controlled assets within two divisions, Natural and Historic Resources Division and Park and Facility Services Division. We reviewed and conducted site visits at 16 sections and maintenance units. The scope of the audit included, but was not limited to, the following audit procedures:

- Reviewed guidance (e.g., standard operating procedures, internal guidelines, etc.) provided by the Facilities and/or Department over the administration of controlled assets.
- Interviewed staff and management to obtain an understanding of operational procedures and processes.
- Reviewed and verified completion of annual inventories at all sections/shops to ensure:
 - completeness (all controlled assets were included in the master-controlled asset listing)
 - any disposals were authorized and approved
 - completion of annual asset verification was verifiable (e.g., dated and initialed by examiner and reviewer).
- Tested internal controls over the physical inventory process (e.g., segregation of duties, timeliness of inventory, managerial oversight of inventory, etc.)

In addition, the audit scope was designed to identify possible fraud, waste, or abuse within the processes being audited.

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

Scope Limitation

In keeping with the intended goals of the Synergy Project, maintenance facilities within the Northern Region and Southern Region Parks Divisions were not included in this audit. Our audit of these divisions has been postponed until 2023, to provide additional time for the divisions to fully incorporate all Synergy Project related changes that have occurred.

Methodology

Field visits to facilities to conduct inquiries, observations, data analyses, and testing of effectiveness of internal controls over controlled asset were performed to complete the audit objective.

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 the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

D. Major Audit Concerns

The results of our evaluation and testing procedures indicated the following major audit concerns:

- Maintenance Units and Sections are not maintaining current listings of their controlled assets (4 out of 16).
- Maintenance Units and Sections are not conducting annual physical inventories of their controlled assets (15 out of 16).
- Maintenance Units and Sections are not affixing asset tags to their controlled assets (11 out of 16).
- Maintenance Units and Sections are not adequately securing controlled assets (2 out of 16).
- Controlled assets acquired with open PO's are not being consistently identified and tracked by the Facility Services Division.

Additional information pertaining to these areas can be found in the Detailed Commentary and Recommendations Section of this report.

E. Overall Conclusions

The results of our evaluation and testing procedures indicate significant deficiencies in the internal controls for tracking and securing controlled assets in maintenance facilities, as noted in the Major Audit Concerns section of this report, see definitions below.

We believe all weaknesses identified and communicated are correctable and 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 Prince George’s County Department of Parks and Recreation, Park and Facility Management personnel for their cooperation and courtesies extended during the course of our review.



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 Inspector General

February 16, 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. Maintain Current Controlled Asset Listings

Issue: One facility within the Natural and Historic Resources Division and three Units/Sections within the Park and Facility Services Division could not provide a current listing of their controlled assets.

- **Natural and Historic Resources Division:**
 - *Patuxent River Park* - On September 2, 2022, the OIG conducted a field visit to the Patuxent River Park Maintenance Facility to conduct testing of their controlled asset listing. The Facility Program Manager could not provide a current listing of the controlled assets. Despite not being provided a controlled asset listing, the OIG was able to physically verify controlled assets recently obtained with their purchase card.

- **Park and Facility Services Division:**
 - *Fleet Services Section* - On September 9, 2022, the OIG conducted a field visit to Fleet Services Section. The Fleet Manager could not provide a current listing of the controlled assets. The OIG however was able to physically verify a controlled asset recently obtained with their purchase card. The Fleet Manager is in the process of creating a current controlled asset listing.
 - *Heavy Equipment Section* - On September 4, 2022, the OIG conducted a field visit to the Heavy Equipment Section. The Assistant Division Chief with oversight of this Section could not provide a current asset listing of the controlled assets. The OIG however was able to physically verify controlled assets recently obtained with their purchase card. The Assistant Division Chief is in the process of creating a current controlled asset listing utilizing a new state of the art Bluetooth radio signal frequency system called One-Key.
 - *Exhibit Section* – On September 23, 2022, the OIG conducted a field visit to the Exhibit Shop. The Manager of the Section did not have a controlled asset listing. The OIG however was able to physically verify a controlled asset recently obtained with their purchase card. The Manager is in the process of creating a current controlled asset listing.

Criteria/Risk: Commission Administrative Procedure 04-01, *Capital Asset Procedure Manual*, states an inventory system for controlled assets will be developed and maintained by each department. Once established, this list of controlled assets should be inventoried annually by December 31. When establishing such a system, adequate internal controls must be adopted to ensure separation of duties in maintaining and updating the inventory records contained in the system. The controlled assets recorded in these departmental inventories will be subject to random audits by the Office of Inspector General (OIG), so maintaining a current, up to date list is important to satisfy any audit testing.

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Department Directive (DPR-4-01-22), *Facility Internal Controls*, state controlled assets should be tracked individually, are required to have an individual asset number assigned, and should have specific information maintained for each item. Controlled assets are those items purchased for more than \$500 for facilities and less than \$10,000.

Failure to maintain a current, accurate and complete listing of controlled assets represents inadequate managerial oversight of the controlled assets and significantly increases the risk of fraud, waste and abuse of Commission assets.

Cause: Existing work responsibilities coupled with staff shortages resulted in a lower prioritization of controlled asset management.

Issue Risk: High

Recommendation: Management should ensure current, accurate and complete controlled asset listings are maintained at each facility in accordance with Administrative Procedure 04-01 and Department Directive DPR-4-01-22.

Management Response: Park and Facility Services and Natural and Historic Resources Divisions concur.

Expected Completion Date: June 2023

Follow-Up Date: July 2023

2. Perform Annual Physical Inventories

Issue: Annual physical inventories of controlled assets were not performed at two maintenance facilities within the Natural and Historic Resources Division and 13 units/sections within the Park and Facility Services Division. For all 15 exceptions, management could not provide documentation to substantiate completion of a full physical inventory of their controlled assets for calendar years 2021 and 2022.

Only the Southern Area Landscape Section within the Park and Facility Services Division was able to provide the OIG with documentation supporting the completion of an annual inventory in 2022.

Criteria/Risk: Commission Administrative Procedure 04-01, *Capital Asset Procedure Manual*, states “an inventory system for controlled assets will be developed and maintained by each department. Once established, this list of controlled assets should be inventoried annually by December 31. When establishing such a system, adequate internal controls must be adopted to ensure separation of duties in maintaining and updating the inventory records contained in the system. The controlled assets recorded in these departmental inventories will be subject to random audits by the Office of Inspector General (OIG), so maintaining a current, up to date list is important to satisfy any audit testing.”

Failure to conduct full physical inventories on a yearly basis represents inadequate managerial oversight of the controlled assets and significantly increases the risk of fraud, waste, and abuse of Commission assets.

Cause: Existing work responsibilities coupled with staff shortages resulted in a lower prioritization of controlled asset management.

Issue Risk: High

Recommendation: Management should ensure full physical inventories are conducted on a yearly basis at each maintenance facility and trade shop. When completing annual inventories, management should ensure:

- Roles are properly segregated. The inventory process should involve at least two individuals. One individual should complete the inventory (i.e., asset verification) and a second individual should review.
- Evidence of completion should be obtained. All individuals involved in the inventory should sign and date the inventory record.
- Evidence of completion should be maintained for internal and/or external audit per Commission retention requirements.
- Documentation supporting asset disposal should also be maintained. Documentation should include disposition reason (e.g., transferred to another facility, disposed of, lost, etc.). Disposals should be approved by management.

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- Facility management should ensure lost assets are reported to senior management and when appropriate, reported to Park Police.

Management Response: Park and Facility Services and Natural and Historic Resources Divisions concur. Park and Facility Services Division will have the Fixed Asset Coordinator send out the notification to perform the controlled asset inventory during the same cycle as the capital/fixed asset inventory. This will sync the inventory schedules and make it more efficient.

Expected Completion Date: June 2023

Follow-Up Date: July 2023

3. Strengthen Security of Controlled Assets

Issue: Controlled Assets were not adequately secured at the Historic Properties Maintenance Unit and Patuxent River Park within the Natural and Historic Resources Division.

- **Historic Properties Maintenance Unit:** During the OIG's field visit on August 16, 2022, we observed the warehouse which stored the controlled assets had three entrance doors, each with a lock. We were informed by the asset coordinator and project manager an unknown number of individuals have keys to the warehouse. They acknowledged this poses a potential risk¹.
- **Patuxent River Park:** During the OIG's field visit on September 2, 2022, we confirmed various warehouses and sheds used to store controlled assets and the front gate to the facility had locks. We were informed by the Park Manager and Program Manager an unknown number of individuals have keys to the warehouse and sheds. They acknowledged this poses a potential risk.

Criteria/Risk: Commission Administrative Procedure 04-01, *Capital Asset Procedure Manual*, states Departments are required to secure and track controlled assets.

In addition, best practices dictate warehouses and sheds be secured to prevent potential fraud, waste and abuse of Commission assets.

Failure to properly secure controlled assets contributes to a high probability of misappropriation and theft.

Cause: Existing work responsibilities coupled with staff shortages resulted in a lower prioritization of controlled asset management.

Issue Risk: High

Recommendation: We recommend management complete an assessment of all warehouses, sheds and the front gate of the Historic Properties Maintenance Unit and Patuxent River Park sites to determine how best to secure. If possible, card readers should be installed where practical to offer a higher level of security by providing a record of who enters the area along with the time of entry.

In the interim, locks should be changed as soon as possible. Management should ensure new key issuance is fully documented and tracked.

Management Response: Natural and Historic Resources Division concurs.

¹ We should mention another potential security risk at this location, although not involving controlled assets. We also observed six sheds with locks, that store small tools, equipment and paint. We were informed by the asset coordinator and project manager; an unknown number of individuals also have keys to these sheds.

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Follow-Up Date: July 2023

4. Flag Controlled Asset Purchases in Open Purchase Order Records

Issue: Park and Facility Services Division staff utilize open PO's to acquire a variety of supplies, equipment and tools. Based on review of open PO order tracking spreadsheets maintained by the administrative staff in the Division, controlled assets were not readily identifiable. As a result, management is unable to confirm all purchased controlled assets are recorded, tracked and inventoried as required.

Criteria/Risk: Commission Administrative Procedure 04-01, *Capital Asset Procedure Manual*, states an inventory system for controlled assets will be developed and maintained by each department. Once established, this list of controlled assets should be inventoried annually by December 31. When establishing such a system, adequate internal controls must be adopted to ensure separation of duties in maintaining and updating the inventory records contained in the system. The controlled assets recorded in these departmental inventories will be subject to random audits by the OIG, so maintaining a current, up to date list is important to satisfy any audit testing.

Failing to designate in the open PO order tracking spreadsheet(s) purchases which are controlled assets prohibits management from monitoring all controlled assets. Failure to identify all controlled assets may also increase the risk of fraud, waste or abuse of these assets.

Cause: Management did not realize the lack of trackability which existed for controlled assets obtained on open purchase orders.

Issue Risk: High

Recommendation: Management should establish internal procedures for identifying and flagging controlled assets in open PO order tracking spreadsheet to enhance the trackability of those obtained with an open purchase order.

Management Response: Park and Facility Services Division concur. We plan to implement a plan to only utilize P-Card or a PO for any and all controlled asset purchases. No open PO's to be used for these purchases.

Expected Completion Date: June 2023

Follow-Up Date: July 2023

5. Ensure Asset Tags are affixed to all Controlled Assets

Issue: Asset tags were not affixed to controlled assets at the two maintenance facilities within the Natural and Historic Resources Division and nine facility/shops within the Park and Facility Services Division.

Criteria/Risk: Commission Administrative Procedure 04-01, *Capital Asset Procedure Manual*, defines controlled assets as, personal property items with a purchase price less than \$10,000 that should be monitored due to their sensitive, portable, or theft prone nature. In addition, an inventory system for controlled assets will be developed and maintained by each department, independent of the central Asset Management System. When establishing such a system, adequate internal controls must be adopted to ensure a separation of duties in maintaining and updating the inventory records contained in the system.

Per Department Directive (DPR-4-01-22), *Facility Internal Controls*, controlled assets are those items that should be tracked individually, are required to have an individual asset number assigned, and should have specific information maintained for each item. Controlled assets are those items purchased for more than \$500 for facilities and less than \$10,000.

Failure to maintain a current listing of controlled assets with individual asset numbers and tags affixed to each asset represents inadequate managerial oversight of the controlled asset program and significantly increases the risk of fraud, waste and abuse of Commission assets.

Cause: Existing work responsibilities coupled with staff shortages resulted in a lower prioritization of controlled asset management

Issue Risk: High

Recommendation: Management must ensure current, accurate and complete controlled asset listings are maintained at each facility/shop which provides a number assigned to each controlled asset and has a tag affixed to each asset in accordance with Administrative Procedure 04-01 and Department Directive DPR-4-01-22.

Management Response: Park and Facility Services and Natural and Historic Resources Division concur. We are currently in the process of implementing the Milwaukee One-Key system throughout Facility Services Division. Natural and Historic Resources Division will work to incorporate this system as well. This system will allow individual asset tags to be used on all controlled asset's and provide an easy method of tracking by section and Divisions as a whole.

Expected Completion Date: June 2023

Follow-Up Date: July 2023

**Exhibit A
Summary of Audit Findings**

Divisions	Current Controlled Asset Listing Provided	Signed and Dated Annual Inventory Performed	Asset Tags on all Controlled Assets	Controlled Assets were Secure
<i>Natural & Historic Resources Division:</i>				
Historic Properties Maintenance Unit	Yes	No	No	No
Patuxent River Park	No	No	No	No
<i>Facility Services Division:</i>				
Southern Area Landscape	Yes	Yes	Yes	Yes
Northern Area Landscape	Yes	No	Yes	Yes
Fleet Services	No	No	No	Yes
Greenhouse	Yes	No	Yes	Yes
Urban Forestry	Yes	No	Yes	Yes
Heavy Equipment	No	No	No	Yes
Electrical Section	Yes	No	No	Yes
Mason Section	Yes	No	No	Yes
Locksmith Section	Yes	No	No	Yes
Carpentry Section	Yes	No	No	Yes
Welding Section	Yes	No	No	Yes
Plumbing Section	Yes	No	Yes	Yes
Exhibits Section	No	No	No	Yes
HVAC Section	Yes	No	No	Yes