



THE MARYLAND-NATIONAL CAPITAL PARK AND PLANNING COMMISSION

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MEMORANDUM OF LIMITED INVESTIGATION

June 25, 2024

To: Gavin Cohen, Secretary-Treasurer
Department of Finance

Abbey Rodman,
Corporate Accounting Director

Bill Tyler, Director
Prince George's County Department of Parks and Recreation

Steven Carter, Deputy Director
Parks and Facilities Management

Katrina Williams, Division Chief
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From: Renee Kenney, CIG, CPA, CIA, CISA
Inspector General

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Deputy Inspector General

Subject: Show Place Arena Bank Box Office Reconciliation (PGC-008-2024)
Limited Investigation

A Memorandum of Limited Investigation describes specific issues or complaints received and the outcomes of limited procedures undertaken during a preliminary inquiry conducted by the Office of the Inspector General (OIG). The investigation was not conducted in accordance with the U.S. Generally Accepted Government Auditing Standards or Principles and Standards for Inspector Offices of Inspector General.

Concern/Allegation

Prince George's County Show Place Arena and Equestrian Center's (Show Place Arena) is an entertainment and sports facility that hosts large-scale attractions and equestrian events and has a box office on-site to accommodate in-person ticket sales.

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Show Place Arena is managed under the aegis of Prince George's County Department of Parks and Recreation, Arts and Cultural Heritage Division.

During the Commission's external financial statement audit, the Department of Finance (Finance) identified some initial concerns with Show Place Arena's bank reconciliations conducted in 2023. This prompted Finance management to review Show Place Arena's monthly box office checking account bank reconciliation more in depth. Finance was unable to properly account for Show Place Arena's reimbursement requests and identified some inconsistencies in their bank reconciliation and financial reporting process.

On November 20, 2023, Finance requested the OIG review Show Place Arena's box office checking account activities due to concerns identified with their monthly bank reconciliations. As a result, the OIG agreed to review Show Place Arena's box office activities between July 2022 through January 2024.

Inquiry and Analysis

Upon the OIG's request, [REDACTED], Show Place Arena and [REDACTED], Show Place Arena, provided the OIG with the following information:

- monthly reconciliations and bank statements for box office checking account **(account ending in x9115)** between July 2022 and December 2023;
- register report between July 1, 2022 through February 7, 2024;
- request for reimbursement to replenish the box office checking account (x9115) between May 3, 2023 through February 5, 2024;
- copies of voided checks in FY23 and FY24;
- FY23 and FY24 Accounting Online System (AOS) reports
- contracts and settlement agreements FY23 and FY24; and
- RecTrac reports that included all Show Place Arena events in FY23 and FY24.

In addition, [REDACTED], provided the OIG with the following information:

- FY23 and FY24 General Ledger Budget to Actual Reports for Show Place Arena's General Arena Fund;
- Accounting On-Line System (AOS) treasury deposit batches; and
- monthly reconciliation and bank statement for box office checking account (account ending in x9115) for January 2024;

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Show Place Arena Discussion and Analysis

On January 5, 2024, the OIG met with [REDACTED] to gain an overview of their activities related to box office events, monthly bank reconciliations, reimbursements, and financial reporting process.

Show Place Arena has two checking accounts and one depository account with Bank of America:

- box office checking account (x9115) is used to collect on-line Ticketmaster ACH direct deposits (i.e., ticket sales) and to issue checks to clients;
- food and beverage checking account (x7207); and
- box office depository account (x4321) is used for on-site ticket sales, and rolls automatically into x1177, the Commission's main depository account.

The checking accounts are reconciled monthly by [REDACTED] and provided to Finance's Treasury and Operations Division for review. **The OIG's review focused on the box office checking account (x9115) used to receive Ticketmaster ACH deposits and to issue checks to clients.**

To secure an event at Show Place Arena, a rental agreement must be signed by the vendor and reviewed by Show Place Arena management including the Arts and Cultural Heritage Division Chief. A rental agreement is generated by RecTrac which includes the terms and conditions of the event and estimated fees for use (fees). These fees include but are not limited to facility fees, equipment rental, event staff labor hours, and set up fees. A vendor's deposit must accompany the ratified rental agreement. At the conclusion of an event, either the same day or one to two days after the event, a settlement agreement is drawn up which includes ticket sales and the amount of fees owed to Show Place Arena. In most cases, if a vendor has a balance due to Show Place Arena, they are required to issue a check to pay for services rendered. However, during our review, it was disclosed that if additional fees were owed to Show Place Arena, instead of requiring the vendor to issue a check, in order to recoup the fees, the [REDACTED] would deduct the vendors balance from their total proceeds and issue a check payable to Show Place Arena from the box office account (x9115). The check is deposited into x4321 (which rolls automatically into x1177 the Commission's main depository account).

Show Place Arena must pay settled ticket sales proceeds directly to the client; in most cases, based on contractual requirements, payments are often expedited. Show Place Arena must then wait for Ticketmaster to deposit ticket sales into their box office checking account (x9115). An account deficiency may occur as it takes several weeks to receive the Ticketmaster ACH deposit. If Show Place Arena has several events within a short period of time the [REDACTED] should request reimbursement from Finance for the amounts paid to clients in order to replenish the box office checking account to its original balance of \$220,000. If the number of events to be settled

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exceed the box office checking account balance, then [REDACTED] must request a temporary increase¹ of the box office checking account balance.

Prior to the COVID-19 pandemic Ticketmaster would send checks directly to Show Place Arena, which took a long time to receive. Show Place Arena personnel would deposit the checks using their deposit ticket (x4321) which rolls into the depository account (x1177) maintained by Finance. During the COVID-19 pandemic, Ticketmaster stopped sending checks to Show Place Arena and began depositing the proceeds from ticket sales via ACH direct deposit into Show Place Arena's box office checking account (x9115).

When Show Place Arena collects funds from ticket sales at the on-site box office, those funds are deposited into box office checking account (x4321), which rolls into the depository account (x1177) maintained by Finance. The box office personnel provide [REDACTED] with a copy of the deposit slip and a summary sheet that shows the amount in cash collected, tickets sales and facility fees. [REDACTED] then records and uploads the deposit information into AOS, which is coded as deferred revenue². [REDACTED] would encounter pushback from Finance when requesting reimbursements and replenishment for the box office checking account (x9115) due to the low balance in the general ledger deferred revenue account. The current process in place requires Finance to check the deferred revenue account balance prior to approving any reimbursement requests. If any reimbursement request exceeds the current balance in the deferred revenue account, the amount requested will be reduced or rejected due to insufficient funds.

[REDACTED] uses AOS to report box office financial activities and uses QuickBooks to maintain [REDACTED] internal financial reporting activities and the monthly bank reconciliations related to Show Place Arena.

Discussion with Department of Finance Personnel

On January 24, 2024, the OIG met with [REDACTED], from Finance to gain an understanding of Show Place Arena's requirements related to box office activities, monthly bank reconciliations, reimbursements, and financial reporting.

[REDACTED] explained Show Place Arena's box office checking account should not exceed \$220,000. If Show Place Arena expects to exceed \$220,000 due to a large number of events, they must submit a memo to the Secretary-Treasurer requesting a temporary increase of funds in the box office checking account or submit a request for reimbursement. [REDACTED] noticed that Show Place Arena had a history of requesting temporary increases to the box office checking account.

1 During our review of the OIG determined reviewed documentation that showed the box office checking account (x9115) maintained a \$420,000 balance from July 31, 2022 through November 30, 2022.

2 General ledger account 2300, sub account 7001 is used to record on-site box office ticket sales. The account does not account for Ticketmaster online sales.

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However, since COVID [REDACTED] noticed a decrease in such requests as Ticketmaster began depositing the proceeds from ticket sales via ACH direct deposit into Show Place Arena's box office checking account (x9115) instead of mailing the checks to Show Place Arena.

In September 2021, Show Place Arena [REDACTED] notified Finance when Ticketmaster stopped issuing checks and started using ACH direct deposit to pay Show Place Arena. Based on the evidence provided Finance was aware of the change in the Ticketmaster payment process.

Summary and Conclusion

During our review, the OIG determined Show Place Arena's financial reporting process was impacted when the Ticketmaster sale proceeds began being directly deposited into box office checking account (x9115). The change allowed [REDACTED] to forgo requesting timely reimbursements or requests for temporary increases but instead use the Ticketmaster funds to pay for future events held at Show Place Arena. The OIG believes the current unapproved process undermines the controls put in place with the \$220,000 approved account limit and increases the risk of improper recording of Ticketmaster funds, which can potentially impact the reliability of the Commission's financial statements.

Based on the results of the OIG's limited scope investigation of Show Place Arena's bank reconciliation, reimbursement and reporting process, we did not identify any actions that would support a conclusion of fraud, waste, or abuse. However, the OIG did identify opportunities to strengthen overall controls for improved oversight and management of Show Place Arena's monthly bank reconciliation procedures, reimbursement, and financial reporting processes.

1. Evaluate the Current Processes for Utilization of Business Checking Accounts

Issue: The OIG found the current process of using business checking accounts to process Ticketmaster sales proceeds and client payments to be overly complex and subject to error. In addition, current Commission cash handling Practices and Procedures³ do not align with how facilities such as Show Place Arena are doing business. Since March 2001, the Department of Finance has not made recommendations to the Executive Director for the necessary policy updates.

The OIG confirmed Show Place Arena's [REDACTED] maintained Ticketmaster funds in the box office checking account instead of submitting reimbursement requests or requesting a checking account increase as required under the current process. According to the [REDACTED] this process eliminated the need to borrow money from Finance. In addition, Show Place Arena has some legacy (i.e. 2014) cash handling and financial reporting policies, but they have not been approved by the Secretary-Treasurer.

Criteria: Commission Practice No. 3-13, *Cash Receipts and Related Cash Transactions* prescribes the proper policies and procedures for secure handling of cash and cash records of the Commission. Department Heads or designees are responsible for establishing, or reviewing existing procedures, to assure internal controls are sound. Management is also responsible for ensuring applicable staff comply with the provisions of the Practice and Administrative Procedure to safeguard resources against fraud, waste, and abuse and to promote accuracy and reliability in accounting and operating data.

Commission Administrative Procedures No. 01-01, *Cash Receipts and Related Cash Transactions*, includes Restrictions on Use of Cash Receipts:

- Disbursements from cash receipts are prohibited except to make change or to purchase inventory for a self-operated vending machine,
- Cashing checks and making loans, for any purpose, from Commission cash receipts or other funds is prohibited.

The Administrative Procedures also provide guidance on the development of a cash handling procedure manual at each facility:

- A cash handling procedures manual is a set of guidelines and procedures for each individual facility operation. Each manual may be different depending upon the needs and structure of the particular facility.
- The manual should define the responsibility of each person involved in the control of cash; describe the books, records and internal controls; and indicate the position which will be responsible.

³ Commission Practice 3-13, and Administrative Procedure 01-01, Cash Receipts and Related Cash Transactions

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- The manual, when approved by the Secretary-Treasurer, will govern in situations where the manual is at variance with this Practice.

Risk: High

Recommendation: The Department of Finance must provide recommendations to the Executive Director for updates to Commission Practice No. 3-13 and Administrative Procedures No. 01-01 “Cash Receipts and Related Cash Transactions” to ensure policy documents align to the current needs of Commission business practices. In addition, the Department of Parks and Recreation (DPR) management must establish their own cash handling procedures, with input from the Secretary-Treasurer, to promote accuracy in accounting and operating data for Show Place Arena.

The OIG strongly recommends, Department of Parks and Recreation (DPR) management, with input from the Department of Finance, evaluate the overall process for the collection of Ticketmaster sales proceeds and client payments. Management should consider the elimination of business checking accounts and initiate the incorporation of client ACH payments through the Commission’s Accounts Payable section in the Department of Finance. In addition, DPR management should consider updating the blanket contract agreement to remove same day post settlement payout to client(s). If exceptions are warranted, additional guidance should be documented and provided to Show Place Arena management.

Management Response:

Department of Finance

Finance Management concurs with the recommendations of the OIG as it relates to the updating of Commission Practices and Procedures. Recommended updates to Commission Practice No. 3-13 and Administrative Procedures No. 01-01 “Cash Receipts and Related Cash Transactions” are in process.

In addition, Finance Management concurs with the need to close down individual facility separate checking accounts and that the Commission’s centralized disbursement functions should be utilized for all payments to Commission vendors. Vendors doing business with the Commission should be paid via electronic means and not by check.

Finance Management recommends that DPR staff familiarize themselves with the Ticketmaster contract, terms and conditions, so that appropriate decisions on settlement agreements can be made. Settlement agreements with vendors need to align with Commissions practices and procedures and the Ticketmaster agreement. That is what will reduce operational risk and provide for efficient settlements. Finance Management recommends that an efficient process incorporating appropriate controls be flowcharted by DPR as a basis for ongoing discussions.

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Show Place Arena management staff will work with the Department of Finance and DPR leadership to identify possible solutions in order to address and correct the findings. It is important to stress the importance of finding solutions that reduce the overall risk while still meeting the unique needs of the operations. One example is the ability to do timely event settlements, sometimes within 24 to 48 hours upon event completion, with our clients. The option of adding ACH, in addition to providing a check needs to be explored. At the current time, ticketed events represent 23% of our rental bookings and account for 53% of our overall revenue. An inability to provide quick and efficient settlements will severely impact our operations and the clients/patron we serve.

Expected Completion Date:

Review of Practice and Discussion of possible solutions – October 2024

Presentation and selection of new procedures – January 2025

Implementation of procedures and the revisions of rental agreements verbiage – March 2025

Follow-Up Date: March 2025

2. Improve Cash Management and Monthly Bank Reconciliation Process

Issue: During the OIG's review of the monthly bank reconciliations, we identified two areas for improvement.

1. Strengthen approval processes; and
2. Strengthen basic controls over the reconciliation process.

The FY23 and FY24 monthly bank reconciliations should have an additional level of approval. Currently, only the Finance Manager conducts each monthly reconciliation and signs it once completed. There was no evidence of a secondary review and approval by the Finance Manager's supervisor. We also identified the monthly bank reconciliations from May 31, 2023 through July 31, 2023, in which Show Place Arena carried an overage of \$38,302.64. On August 11, 2023, three months after reporting the overage, Show Place Arena deposited \$38,302.64 and incorrectly reported the funds as Ticketmaster revenue. This transaction caused confusion within Finance and required correction.

In addition, checks issued by Show Place Arena were not sequentially numbered or were missing. The Finance Manager did not properly maintain the register to account for all voided checks and did not provide a reason for each voided check. During our review, OIG was able to confirm all voided checks from documentation provided by the Finance Manager.

Criteria: Commission Practice No. 3-13, *Cash Receipts and Related Cash Transactions* prescribes the proper policies and procedures for secure handling of cash and cash records of the Commission. The Department Heads or designees are responsible for establishing, or reviewing existing procedures, to assure that internal controls are sound and that applicable staff comply with the provisions of the Practice and Administrative Procedure in order to safeguard resources against waste, fraud, and theft and to promote accuracy and reliability in accounting and operating data.

Timely, accurate monthly bank reconciliations provide sound controls for ensuring proper recording and safeguarding of cash. Failure to fully reconcile accounts may result in misstated financial statements and possible misappropriation of funds.

Risk: Medium

Recommendation: We recommend Department of Finance management improve cash management processes to:

- Update the monthly reconciliation form to improve transparency of reported cash. The form should require the submitting Department to provide specifics of any overages currently noted in line item #5 (Request to Reimburse).
- Require a second review and approval of submitted monthly bank reconciliations.
- If allowed, require documented clarification of voided and nonsequential check usage.

Management Response:

Department of Finance

Finance Management concurs with the OIG recommendations as they relate to the bank reconciliation form. We agree that the bank reconciliation form can be improved for better overall controls and will modify the process to make the recommended changes.

As stated previously, time and effort into process improvements should be around closing down individual facility checking accounts and consequently improvements as to how voided checks are handled or what software is used to produce checks is moot.

Department of Parks and Recreation

1. Prior to this review process, the recommendation/requirement for a second signature on submitted bank reconciliations was not shared. Upon receipt of this report, the facility has revised the Facility Bank Reconciliation form to include a second reviewing signature line in order to meet the recommendation of the audit.
2. The facility admits incorrectly coding the referenced deposit in the auditor's comments. At the time of this report, the facility had made 32 deposits with 1 error as stated in the auditor's comments. This represents a 96.9% accuracy rate; however, the facility will continue to make a good faith effort to achieve 100% accuracy moving forward.
3. The facility admits to no wrongdoing regarding not submitting voided checks with our monthly bank reconciliations. Prior to this review process, the recommendation/requirement to submit voided checks with the monthly bank reconciliations was not shared. Upon receipt of this report, the facility has revised the internal procedures and will include a copy of any voided checks with that month's submitted bank reconciliation.

Please note that checks are voided for various reasons (i.e. issued for the incorrect amount, printing issue, etc.) within the course of normal business. At this time, the facility uses Quicken for this process. Quicken's overall capabilities are limited and does not allow for voided checks to be included in the check register. Once a check is printed in Quicken, a system prompt appears to ask if the check printed properly; if the check did not print properly then the system allows you to reprint using the next check number in the sequence. The check that did not print correctly is not recorded in the register.

Facility management is open to using a different software program, upon recommendation of the Department of Finance and agency approval to address the check register issue.

Expected Completion Date: July 2024

Follow-Up Date: March 2025

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