

**The Maryland-National Capital Park and Planning Commission
Office of the Inspector General**

INTERNAL CONTROL REPORT

**Alleged Conflict of Interest
Department of Finance
Corporate Procurement Services Division**

**Report Number: PGC-013-2024-C
June 30, 2024**

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A. Background

The Office of the Inspector General (OIG) has completed their investigation into allegations of a conflict of interest between a Maryland-National Capital Park and Planning Commission (Commission) employee and a Commission vendor. A confidential Fraud, Waste and Abuse Report (PGC-013-2024-A) was issued on June 14, 2024 detailing the results of the investigation.

The fraud, waste and abuse investigation was conducted in accordance with the Principles and Standards for Offices of Inspector General. The investigation covered activities between January 1, 2016 – May 30, 2024.

During the completion of the investigation, the OIG identified opportunities to strengthen internal controls within Corporate Procurement Services. This Internal Control Report is being provided as a supplement to the Fraud, Waste, and Abuse Report.

Field Purchase Orders (FPO) are a widely accepted purchasing vehicle used in the Maryland-Capital Park and Planning Commission (Commission) for low-dollar purchases, whereby FPO's are issued and approved at the department or unit level. Corporate Procurement Services has minimal oversight of the FPO process. In Fiscal Year 2023 the Commission processed 4,584 FPO's, totaling \$16,342,719.

Per the Commission's Purchasing Manual (Manual), Section 9-420, FPO's may be used for the purchase of goods of \$5,000 and under, however, the Commission's informal bidding threshold was increased to \$10,000 in 2016 per Commission Practice 4-10, *Purchasing Policy*. Note: Practice 4-10 does not specifically reference FPO's. The Manual was issued in July 2005 and has not been updated to reflect the increased FPO limit.

Per the Manual (section 9-400) the Commission does not require documented competition for small dollar purchases; however, employees are encouraged to solicit Vendor quotes to the extent practicable and to solicit MFD¹ Vendors. When the need for a particular product or service or when several products from one vendor can be consolidated, the purchase must be consolidated, not subdivided. Splitting purchases into multiple transactions to avoid the Commission's competition requirements is prohibited.

Per the Manual (Appendix G), FPO's are only allowed for a one-time purchase (i.e., not to be structured as a blanket purchase order).

¹ An MFD Vendor means any entity that engages in commercial transactions and is at least fifty-one percent owned and controlled by one or more minority, female, or disabled persons.

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The Manual (section 9-600, Blanket Purchase Orders) also includes guidance for a “No Documentation of Competition – Blanket Purchase Order”; however, per Ms. Pearson, Corporate Procurement Services Division Chief, the Commission does not allow blanket purchase orders.

The Manual outlines the steps that apply to purchases made utilizing a FPO:

- a. Originator (i.e., Department Buyer) determines a need and has the appropriate Budget Reviewer approve the proposed purchase.
- b. Originator completes the requisition and obtains the necessary approvals and sends it to the Field Purchasing Aide.
- c. Department Field Purchasing Aide reviews the requisition and verifies it is appropriate for an FPO.
- d. Department Field Purchasing Aide selects a vendor.

The Manual provides guidance on obtaining two informal quotes when practical or as needed.

B. Findings and Recommendations

1. Increase Oversight of the FPO Process

Issue: The current FPO process does not adequately protect the Commission's assets. The corresponding fraud, waste, and abuse investigation identified significant deficiencies² within a Commission department over the use of FPO's and purchase cards for facility purchases in a five-year period 2016 - 2021.

██████████ Corporate Procurement Services has limited resources³ to increase their current level of FPO transaction review.

The Office of Internal Audit (now OIG) issued Audit Report, Field Purchase Orders, Audit Report No. CW-006-2016 on August 5, 2016. The Audit Report had one medium risk audit recommendation, "Develop and Implement Monitoring Procedures". Corporate Procurement Services management concurred with the recommendation and put procedures in place to review FPO's on a continuous monthly basis. As a result of the audit, Corporate Procurement Services completes a high level, post transaction review of a sample of FPO transactions.

Based on the nature of the fraudulent transactions identified in the corresponding investigation, even if selected by review by Corporate Procurement Services, it is unlikely the transactions would have been flagged for additional review.

Criteria: The purpose of the *Commission's Purchasing Manual* (Manual) is to establish and implement effective and efficient purchasing practices and procedures. The Purchasing Manual requires an appropriate amount of oversight to ensure adherence and to mitigate the risk of fraud and misuse. Although oversight for FPO's is at the department level, Corporate Procurement Services has ultimate responsibility over Commission-wide procurement activities.

Cause: The investigation found, departmental management's tone created an environment that hindered the staff's professional skepticism, which resulted in fraud, waste, and abuse.

Risk Level: High

² use of auto and towing companies for flooring and painting services, approval of invoices which identified a sub-contractor as customer, instead of the Commission, structuring FPO's as blanket PO's, splitting purchases between a purchase card and FPO to stay under required review limits, no evidence of competitive quotes for ANY of the FPO's, splitting proposals to avoid \$10,000 limit, and failure to record controlled assets.

³ Corporate Procurement has nine full-time positions to support all of the Commission's procurements and contracts, including competitive bids, construction projects, IT systems, maintenance services, etc.

Recommendation: The OIG recommends a potential realignment of departmental positions with procurement responsibilities to Corporate Procurement Services. Convenience of decentralization should not outweigh:

- the mitigation of fraud, waste, and abuse when establishing effective and efficient purchasing practices and procedures;
- the need to obtain competitive quotes; and
- the responsibility to query MFD business.

Once the appropriate governance structure is defined, Commission Practices, Administrative Procedures, and the Purchasing Manual must be updated to reflect the change in responsibilities.

Management Response: The Department of Finance acknowledges the recommendation to realign departmental positions with procurement responsibilities to Corporate Procurement Services. To that end, we will develop an interim plan that will strengthen internal controls for small dollar purchases with an eye to developing and implementing a long-term initiative that will focus on centralizing the procurement function. Once the appropriate governance structure is defined, the Commission Practices, Administrative Procedures and the Purchasing Manual will be updated to reflect the changes in responsibilities.

Expected Completion Date: June 2025

Follow-Up Date: July 2025

C. Conclusion

We believe the findings 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 Prince George's County Department of Parks and Recreation, Recreation and Leisure Services management and staff for the cooperation and courtesies extended during the course of our review.

Robert Feeley
Assistant Inspector General

Modupe Ogunduyile
Deputy Inspector General

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

June 30, 2024