

**MARYLAND-NATIONAL CAPITAL PARK & PLANNING
COMMISSION**

**Show Place Arena / Equestrian Center
Facility Audit
Report Number: PGC-011-2018
August 14, 2018**

Distribution:

Executive Committee

Casey Anderson
Elizabeth Hewlett
Patricia Barney

Audit Committee

Dorothy Bailey
Norman Dreyfuss
Karen Tobat
Ben Williams

Maryland-National Capital Park and Planning Commission

Darin Conforti
Adrian Gardner
Roslyn Johnson
Tara Stewart
Joseph Zimmerman

Office of the Inspector General

Renee Kenney
Natalie M. Beckwith

Maryland-National Capital Park and Planning Commission
Office of the Inspector General
7833 Walker Drive, Suite 425
Greenbelt, MD 20770

Show Place Arena / Equestrian Center
Table of Contents

I. EXECUTIVE SUMMARY

A. Overall Perspective.....	1
B. Audit Objectives, Scope and Methodology.....	3
C. Major Audit Concerns.....	5
D. Overall Conclusions.....	6

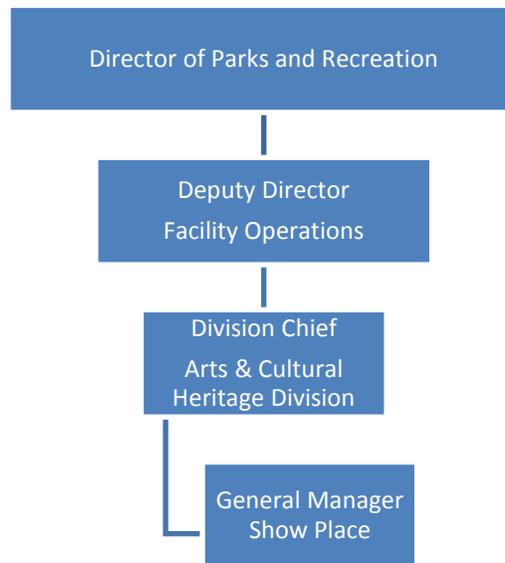
II. Detailed Commentary and Recommendations

1. Improve Monthly Cash Reconciliation Procedures.....	7
2. Strengthen Administrative Oversight - Capital/Fixed Assets.....	9

I. EXECUTIVE SUMMARY

A. Overall Perspective

The Show Place Arena (“Show Place” or “Arena”) is an indoor multi-purpose arena facility in Upper Marlboro that was constructed by the Commission in 1993, and is operated in conjunction with the Prince George’s County Equestrian Center (“PGEC”). The combined Arena/PGEC facility is managed under the aegis of the Commission’s Prince George’s County Department of Parks and Recreation (DPR). The staff assigned to run the facility is organized under DPR’s Arts and Cultural Heritage Division. The facility’s General Manager is responsible for the day-to-day activities of the co-facilities.



The Show Place Arena is comprised of a 99-acre rental property for large-scale attractions and equestrian events, drawing patrons nationwide with permanent seating for 4,404 and additional seating for 800 on the floor. There are three banquet rooms, dressing rooms/locker rooms and production offices. The banquet rooms can be rented out for private parties, government meetings and corporate events that are catered by third-party vendors under resale arrangements made by Arena staff.

The Arena also operates a box office and offers food and beverage service. Grounds maintenance covers 863 parking spaces utilized for Arena events, weekday commuters and visitors to local government buildings, law enforcement agencies, and mowing of 15 acres.

In addition, the Equestrian Center has three competition sized show rings, three warmup rings, 263 permanent stalls, a show office, food pavilion, lunging areas, horse trailer parking, camping facility, a maintenance yard, and temporary stall

Show Place Arena / Equestrian Center
Audit No. PGC-011-2018

locations. The Center's Therapeutic Riding Program, free to County residents, includes stabling and turnout for ten horses.

The Show Place Arena / Equestrian Center recognized \$3.9 million in revenue for FY 2017, with the bulk being generated from transfers-in, rentals and concessions.

B. Audit Objectives, Scope, and Methodology

Objective

The purpose of this audit was to evaluate the system of internal controls supporting operations at the Arena.

Scope

The scope of our audit included, but was not limited to the following audit procedures:

- Interviewing Show Place Arena personnel to gain an understanding of the internal control environment, current practices; and possible deficiencies;
- Performed an unannounced cash count of the petty cash and change funds;
- Reviewed petty cash receipts and replenishments;
- Tested controls over daily receipts and bank deposits;
- Reviewed electronic time cards, time keeping procedures and interviewed supervisory employees to gain an understanding of actual employee time keeping procedures;
- Verified the existence of capital and controlled assets to source documentation;
- Reviewed monthly bank reconciliations;
- Reviewed mileage logs for Commission vehicles;
- Reviewed and tested purchase card transactions;
- Assessed Center receivables;
- Obtained and reviewed a sample of facility contracts and rental agreements;
- Reviewed internal processes for issuing and administering Field Purchase Orders (<\$10,000); and
- Assessed the quality and effectiveness of the facility's security cameras.

The audit covered the period from July 1, 2016 through June 30, 2017.

Methodology

Inquiry, observation, data analysis, and tests of imposed actions to complete the objectives of this audit will be performed.

The audit was conducted in accordance with *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 our findings and conclusions based on our 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 Conclusions

The results of our evaluation and testing procedures indicate no major weaknesses in the design or operation of internal controls at the Show Place Arena / Equestrian Center. On an overall basis, we consider the controls to be satisfactory.

We believe the findings identified and communicated are correctable and that management's responses to the recommendations satisfactorily address the concerns. It is the responsibility of management to weigh possible additional cost 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 Parks and Recreation Department's, Arts and Cultural Heritage Division's management and staff for the cooperation and courtesies extended during the course of our review.



Natalie M. Beckwith, MPA, CICA
Assistant Inspector General



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

August 14, 2018

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. Improve Monthly Cash Reconciliation Procedures

Issue: Bank reconciliations are inaccurate and do not present a true representation of the financial position.

The Arena utilizes two checking accounts, one for the box office and the other for food services. Both accounts are reconciled each month using a form provided by the Department of Finance. However, the form does not follow a standard reconciling format. The form reconciles to the original fund balance, not the actual balance, (similar to a petty cash reconciliation).

Upon this discovery, the Office of the Inspector General secured the necessary financial data and accurately completed the reconciliations. It should be noted, that while the bank reconciliations were performed incorrectly, it did not appear that there was any misappropriation of Commission funds.

The Office of the Inspector General subsequently met with the Commission's Secretary-Treasurer and Treasury Department Manager to discuss the deficiencies of the current bank reconciliation form. The Secretary-Treasurer agreed to update the form to align with standard bank reconciliation practices.

Criteria/Risk: Timely, accurate bank account 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 cash.

Recommendation: We recommend, Arena management confer with the Treasury Department Manager regarding the use of the new bank reconciliation form to help ensure actual fund balances are accurately reflected.

Issue Risk: High

Management Response: Concur. Per the audit report, the OIG has sent a separate communication to the Department of Finance regarding updating and promulgating the new bank reconciliation form. Arena management is currently awaiting the updated required form from the Department of Finance. Once received, facility staff will be trained on its use and will begin using it for all future reconciliations.

Expected Completion Date: TBD pending receipt of the updated bank reconciliation form from the Department of Finance.

Follow-Up Date: November 30, 2018

Show Place Arena / Equestrian Center
Audit No. PGC-011-2018

Note: A separate communication has been provided to the Department of Finance regarding updating and promulgating the new bank reconciliation form.

2. Strengthen Administrative Oversight - Capital/Fixed Assets

Issue: Three (3) out of ten (10) capital assets identified for testing did not have the required capital asset tag and/or corresponding support acquisition documentation (e.g. asset tag attached to the purchase order).

Criteria/Risk: Per M-NCPPC Practice No. 3-14, *Fixed Asset Policy*, the Commission's fixed asset policy has two major objectives:

- To safeguard its fixed assets from loss or theft.
- To accurately account for and report fixed assets in its financial reports issued to the Planning Boards and County Councils, external reporting agencies, granting agencies and the public.

In addition, Administrative Procedure 04-01, *Fixed Asset Manual* states:

- Upon receipt of the fixed asset property identification tag, staff at the asset location should affix the label to the asset. If affixing a property tag is not practical, as in the case of playground equipment or software for example, then the tag should be filed with a copy of the purchase order and retained for inventory purposes.

Failure to provide the necessary oversight and controls over the Commission's capital assets increases opportunities for fraud, waste, and abuse.

Recommendation: We recommend that the Arena management ensure that asset tags are affixed to all capital asset items where applicable. If a tag cannot be affixed, the tag should be maintained with a copy of the purchase order.

Issue Risk: Low

Management Response: Concur. Arena Management will review all capital/fixed assets inventory lists for the facility to confirm that the required asset property identification tags are affixed to the assets. If this is not possible, then the tag will be kept on file with a copy of the purchase order/documents. In the event/case of older assets (i.e. purchased in the 1980, 1990, etc.), if Finance is unable to provide the facility with the original purchase documentation and/or original asset tag information, this will be noted and kept on file with the rest of the asset inventory documentation.

Expected Completion Date: July 31, 2018

Follow-Up Date: November 30, 2018