



OFFICE OF THE INSPECTOR GENERAL MONTGOMERY COUNTY MARYLAND

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Performance Audit of Recreation Activity

Department of Recreation

OIG Publication #27-04

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EXECUTIVE SUMMARY

This audit of the Montgomery County Department of Recreation (REC) was initiated pursuant to our mandate to conduct reviews of the internal accounting processes and controls used by each department and principal office in the Executive Branch. REC's approved operating budget for fiscal year (FY) 2024 and 2025 was \$59,709,661 and \$64,615,217, respectively.

Our audit largely focused on REC's daily financial activities including financial transactions made at facilities, to include adequate safeguarding of assets, purchase card usage, non-local travel, procurement, and contract monitoring. We also inquired about the status of previous OIG recommendations related to REC's compliance with criminal background investigation requirements.

OBJECTIVES

Through this audit we attempted to (1) assess p-card transactions to identify the presence of potentially fraudulent, improper, or abusive purchases, (1a) determine whether p-card transactions were supported by proper documentation and purchase for use by the County, (2) assess REC's oversight of contracts, including related billing practices and performance measures, for compliance with contract terms, (2a) assess REC's oversight of instructor contracts, (2b) assess REC's oversight of an additional standalone contract, (3) evaluate the design, implementation and operating effectiveness of controls over daily financial activity at REC centers and administrative units, and (4) determine if REC has written and implemented policies and procedures for background investigations and related practices as recommended in OIG Publication # OIG-22-014.

SCOPE AND STANDARDS

Our audit covered activity from July 1, 2022, through April 30, 2026. Our audit was conducted in accordance with the generally accepted government auditing standards (GAGAS).

RESULTS

- REC paid invoices totaling over \$5,842,000 that lacked adequate support.
- REC still does not have formal policies and procedures governing criminal background investigations.
- Not all REC facilities comply with policies related to tracking and receiving program and use fees.
- REC does not consistently monitor instructor contracts or instructor performance as required by policy.
- REC violated the County's purchasing card policy.
- REC did not adhere to the County's non-local travel policy.

RECOMMENDATIONS

As a result of our findings, we made recommendations that REC obtain reimbursement from an overpaid contractor, update policies and procedures related to invoice processing and daily cash balance reports, provide training related to invoice processing, generating daily cash balance reports, and the use of the County's travel system, and implement procedures to ensure staff complies with County policies related to p-card usage. Additionally, we recommend REC implement recommendations made in a prior OIG report.

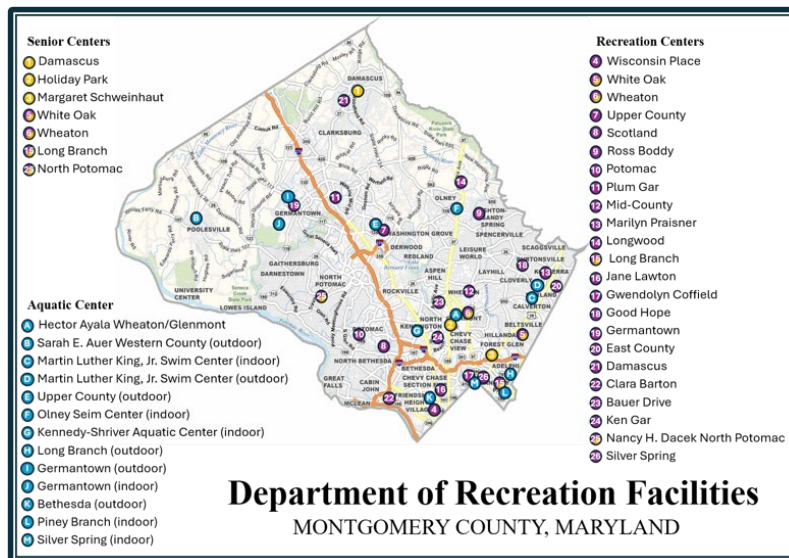
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BACKGROUND

The Montgomery County Department of Recreation's (REC) mission is to "provide high quality, diverse, and accessible programs, services and facilities that enhance the quality of life for all ages, cultures and abilities." To support its mission, REC provides leisure activities through the operation of 39 recreation facilities¹ throughout Montgomery County. See figure 1. REC is led by a director who oversees three divisions: Programs, Administration, and Facilities.

Figure 1: Recreation Facility Locations



REC's approved operating budgets for fiscal years (FY) 2024 and 2025 were \$59,709,661 and \$64,615,217, respectively, with 37% of the year over year increase resulting from increases within the aquatics program. In FY2024 and FY2025, REC collected revenue from recreation fees totaling \$13,657,477 and \$12,602,369, respectively.

This performance audit (audit) examined financial transactions at recreation facilities, purchase card usage, and the oversight of contracts and related billing practices. We also followed up on recommendations from a prior OIG report related to REC's criminal background investigation practices.

Financial Transaction Processing

REC utilizes a system called RecTrac² to manage registrations for programs, requests for rental spaces, and purchases of memberships and pool passes. The system is also used to process

¹ Recreation facilities include recreation centers, outdoor pools, indoor pools, and senior centers.

² RecTrac is a portal for residents to access services offered by REC, register for programs, purchase memberships, and sign up for leagues. RecTrac also allows REC employees to schedule events and programs, maintain inventory and point-of-sale information, manage scholarships, and utilize other in-depth administrative tools. REC contracts with Vermont Systems, Inc. (VSI) for RecTrac services.

financial activity related to these transactions. The public interface to RecTrac is ActiveMontgomery.

Each recreation facility is responsible for running a daily cash balance report (DCBR) through RecTrac documenting the type and amount of each payment received that day. REC staff reviews the generated DCBR, counts physical cash and checks received, compares amounts received to the totals on the DCBR, and signs the DCBR if daily totals agree to amounts received. The DCBR is then uploaded to REC's Business Services Unit's SharePoint site to compare to bank deposits. Recreation facility staff are responsible for making deposits within 1 to 5 business days after receiving physical payments. A fiscal assistant in the Business Services Unit is responsible for tracking all DCBRs and ensuring recreation facilities comply with the requirement to produce a daily DCBR.

Purchasing Cards

REC utilizes purchasing cards (p-cards) for various office and program supplies, recreation facility necessities, membership fees, and both local and non-local travel, among other purchases. From July 1, 2023, through June 30, 2025, REC expended \$2,607,662 through 8,647 p-card transactions. All p-card activity at REC is governed by the County's Purchasing Card Policy as well as County local and non-local travel policies.

Contract Monitoring

REC manages just shy of 600 contracts, including contracts for online administrative systems, senior and youth programs, playground equipment, swim coaches, and various instructors that conduct classes at REC facilities. As of March 12, 2026, REC managed 534 instructor contracts. For the contracts it manages, REC is responsible for monitoring and documenting the contractor's performance by utilizing various contract monitoring forms.

Follow-Up

A May 2022 OIG review, *Criminal Background Investigations*, OIG Publication # 22-014, found that REC's background investigation policy, which applied to all REC employees and applicants, had been in draft since 2004 and was never finalized. We observed at the time that the draft also did not address ongoing monitoring efforts, reinvestigation requirements, or the retention and destruction of related background records. Our review resulted in four findings and eight recommendations focused on improving compliance with policy and strengthening safety measures, to include the formalization of a related policy.

OIG Audit Approach

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS).

Appendix A contains additional information on this audit's objectives, scope, and methodology.

FINDINGS AND RECOMMENDATIONS

In accordance with the OIG's mandate to review the internal accounting and contracting processes and controls used by each department and principal office in the Executive Branch, we conducted this audit to assess the Department of Recreation's (REC) processes and controls over daily financial activity. Specifically, we evaluated controls over financial activity at facilities, assessed REC's oversight of contracts and related billing practices, and evaluated purchase card transactions for the presence of potentially fraudulent, improper, or abusive purchases and for compliance with County policy.

We subsequently found numerous instances where REC did not comply with County policy related to accounts payable, purchasing cards, procurements, and non-local travel. The most notable of these being payments to one vendor totaling more than \$5 million without adequate support. We also noted that REC still has not implemented recommendations made by the OIG in 2022, related to the administration of criminal background checks.

Finding 1: REC paid invoices totaling over \$5,842,000 that lacked adequate support.

From July 1, 2022, through April 30, 2026, REC paid a contractor \$8,798,342.17 to provide County-based spaces for youth to engage in unique, interactive experiences, including hands-on learning in science, technology, engineering, art, and math. Our review of the 29 associated invoices found numerous instances where invoices lacked adequate supporting documentation and did not include required invoice details, in violation of the County's Accounts Payable Policy and REC internal procedures.

We specifically noted issues with 14 of the 29 invoices; 8 lacked sufficient supporting documentation and 6 had calculation errors. In the 8 invoices, totaling \$5,573,420, we noted they did not include itemized totals and lacked documentation of services performed, prices or quantities of items purchased, or billing periods or dates of service. Additionally, we found documentation associated with 6 invoices, totaling \$268,588, did not total the invoiced amount. In at least one case, the County appears to have been overbilled by \$1,149.87. In other instances, the contractor's support suggests the County was underbilled for services performed.

The County's Accounts Payable Policy states that in order "to receive payment, suppliers are required to submit a valid invoice containing all mandatory elements outlined in the Accounts Payable Invoice Guidelines." The policy further requires that "County employees must acquire goods and services only from approved suppliers who have registered through CVRS and have been validated by the AP section."

In addition, the County's *Accounts Payable Invoice Guidelines* outline required invoice elements, including: company name and current address; invoice date; unique invoice number from supplier; a description of goods or services; the title of the project; price, quantity, and/or any

information that would describe work or services performed; billing period or date of service; and a requirement that invoices must be billed to Montgomery County Government. REC's own *Recreation Internal Process Invoice Procedures* reinforce County policy by requiring that totals be checked and verified prior to payment.

We discussed our results with the REC employee who processes invoices for this contract and were told that they process upwards of 50 invoices in a day and may have made mistakes. They also added that prior to receiving the invoices, program managers are responsible for ensuring the accuracy of invoices. REC implemented the use of Monday.com in December 2025 to enhance the invoice approval process and centralize all invoices. Our observations involved invoices processed prior to December 2025 and we were not able to assess if the use of Monday.com would have minimized the discrepancies. We noted however that the use of Monday.com is still not widespread across REC. Additionally, we found no policies and procedures governing the use of Monday.com in the processing of invoices.

Not obtaining necessary invoice details, including itemized totals, documentation of services performed, prices or quantities of items purchased, or billing periods or dates of service could result in fraudulent and unjust payments.

Recommendation 1

We recommend REC

- a) Update the *Recreation Internal Process Invoice Procedures* to reflect current invoice processing practices, including implementation of Monday.com, as well as reference and incorporate relevant County Accounts Payable Policies.
- b) Provide training to all staff involved in the processing of invoices to ensure compliance with County Accounts Payable Policy.
- c) Attempt to obtain reimbursement from the contractor for the noted overpayment of \$1,149.87.

Finding 2: REC still does not have formal policies and procedures governing criminal background investigations.
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In May of 2022, the OIG published OIG Publication # OIG-22-014, *Criminal Background Investigations*, documenting that REC did not have a formal policy concerning criminal background investigations. Specifically, the review found that REC did not always follow the processes outlined in draft policies when conducting criminal background investigations, did not have policies addressing the retention and destruction of criminal history information and related hiring records, and continued the monitoring or reinvestigation of employees after their departure from REC. At the time of the review, REC had only a draft policy from 2004. The OIG

made five recommendations for REC to implement written policies related to criminal background investigations. We learned through this audit that REC still has not formally adopted policies governing the various issues identified by the OIG in 2022.

Since 1986, Maryland law³ has required that employees of “a recreation center or recreation program operated by the State, a local government, or a private entity primarily serving minors” undergo a federal and state criminal background investigation.⁴ Documentation shows REC has fingerprinted individuals to obtain their criminal histories since at least 1993, however procedures were inconsistent and did not follow a formalized policy. We were informed that as of February 2026, a draft of the criminal background investigations policy had been submitted to the County Attorney for review but was subsequently returned to REC with the recommendation of starting from scratch. During our inquiries related to background investigations, we were told that the delay in formalizing the criminal background investigation policy was due to vacancies in relevant positions since the OIG’s initial review four years earlier.

As of July 2026, REC has reportedly revised the draft policy with insight from other departments and is working through internal procedures to obtain stakeholder feedback. Once the Director approves the draft, it is expected to be resubmitted to the County Attorney for review and approval.

A lack of policies and procedures could lead to inconsistent treatment of applicants, inequitable hiring decisions, and inconsistent monitoring practices. The continued monitoring of individuals after they leave County employment could lead to potential violations of privacy laws.

Recommendation 2

We recommend REC implement the recommendations made in the prior OIG report, OIG Publication # OIG-22-014, *Criminal Background Investigations*.

Finding 3: Not all REC facilities comply with policies related to tracking and receiving program and use fees.

In calendar year 2022, REC implemented a new system (RecTrac)⁵ for tracking daily financial activity at recreation facilities. RecTrac functions as a point-of-sale system, documenting amounts collected and generating a daily cash balance report (DCBR) at the end of each day.

³ Maryland Family Law Article 5-561

⁴ Criminal background investigations in this instance constitute obtaining criminal history records based on fingerprint submissions.

⁵ Throughout the audit, REC used RecTrac, VSI, and ActiveMontgomery interchangeably when referring to the tracking system. Additionally, REC policies and procedures for the system use VSI.

We evaluated a week's worth of DCBR's for 31 recreation facilities and found inconsistencies in processing that were counter to REC policy.

DCBR Requirements and Compliance

REC policy requires various steps to be followed when generating and reviewing a DCBR. To determine whether staff were following DCBR processing requirements, we tested DCBRs generated at all 31 open REC facilities, indoor swim centers, and administrative units for the week of June 16-22, 2025. Of the 174 DCBRs tested, 38 documented the receipt of cash and checks while the others showed either no transactions or the processing of other payment types. Our review of the 174 DCBRs completed during this time found numerous violations of policies. See Table 1.

Table 1: *Finding 3 Observations*

Non-Compliance	Number of Instances Observed
DCBRs were not run daily	121
DCBRs were not uploaded daily	156
DCBRs did not contain two staff signatures	2
Deposits not made within 5 business days	3
Missing/Inadequate deposit slip	11
No evidence DCBR was run	10

Cash Handling at Facilities

In addition to testing DCBRs, we also reviewed whether staff at 9 randomly selected recreation facilities were following relevant cash handling procedures. REC's *Safe Oversight Procedures* govern cash handling at recreation facilities. We subsequently noted violations of REC and County policies related to the safeguarding of monies collected.

The County's Accounts Receivable Policy states that "departments handling cash, whether in the form of coin and currency, check payments, or credit card payments, must follow appropriate procedures to properly safeguard financial assets." It also states that "Departments must deposit all funds received in an approved County bank account within 1-5 business days of receiving the payment(s)."

During our visits, we noted that only 3 of the 9 facilities actively used a "Safe Access Log" to document who opens the safe on a given day. One facility claimed to use a "Facility Drop Safe Log" and the "Safe Access Log"; however, upon inspection of the documents, one had not been

used since 2024 and the other was blank and did not appear to be in use. We also found while reviewing DCBRs that 3 of 38 deposits were made after 5 business days in violation of policy.

Finally, at one site, the door to the safe room was unlocked, unattended, and accessible by patrons. At the time of our visit, the bottom chamber of the safe that holds petty cash (though empty) was also unlocked and hanging open.

All the sites we visited have cameras covering the safe and areas where cash is collected. However, we were told that at 3 facilities cash is sometimes counted in areas outside of camera view. We also noted that at one facility the camera feed was not functioning and at another facility, staff did not have access to the camera feed that would have enabled them to investigate potential theft or wrongdoing.

Our observations were consistent with the County's Office of Internal Audit's findings in October 14, 2022, *Cash Management Targeted Internal Control Review, Department of Recreation*, which identified similar gaps in "physical cash security measures."

Through discussions with staff and our observations at the 9 facilities we visited, we noted inconsistent application of policy and were told that staff are sometimes busy and not able to fully comply with policy. We also noted at least one facility's procedure manual was not updated to include the most recent DCBR guidance.

A lack of adequate safeguards around cash handling could increase the risk of fraud, theft, or loss of funds. Additionally, not complying with policies related to DCBRs weaken a key control designed to minimize errors and mitigate the possibility of fraud and missing funds.

Recommendation 3

We recommend REC

- a) Update procedure manuals at facilities to include the most current guidance.
- b) Implement training to reinforce policy requirements.
- c) Review security procedures around cash handling to ensure cameras function, cash is stored and deposited appropriately, and staff utilize logs as required.

Finding 4: REC does not consistently monitor instructor contracts or instructor performance as required by policy.

REC contracts with approximately 600 companies and individuals to provide services ranging from the procurement of playground equipment to providing swim and other instruction to persons participating in programs provided at REC facilities and locations throughout the County. As of March 12, 2026, 534 of these contracts totaling \$79,185,000 were for instructors

providing various classes and programs through REC facilities, including yoga, fitness, arts and crafts, cooking, pottery, and academic instruction. REC is responsible for monitoring and documenting the contractor's performance relative to the contract terms.

REC's *Contract Monitoring Policy* requires that monitoring efforts be prioritized based on the results of an assessment of contract risk as determined through the use of the Montgomery County Office of Procurement's "Contract Risk Assessment Template". Contracts that are deemed high-risk must be assessed for compliance with the terms and scope of the contract at least once every six months by "merit employees or designated representatives using the Contract Monitoring Report"⁶. We were told that contracts determined to be lower risk should be assessed at least annually and prior to contract renewal.

In the 50 instructor contracts we reviewed, we found no evidence that REC had completed the Contract Risk Assessment Template or prioritized compliance assessments as required. REC reported that they began conducting risk assessments in October 2025, starting with 15 of their higher-priority contracts, and intend to assess all other contracts beginning in FY2027.

The Montgomery County Office of Procurement's *Procurement Guide* delegates responsibility for "monitoring and documenting the contractor's performance and preparing monitoring reports of the contractor's deficiencies" to the using Department. REC defines a deficiency as "failing to adhere to or fulfill the scope and terms of a contract." REC documents performance for instructor contracts using an *Onsite Contract Monitoring Form* completed online by program managers and facility staff who are present during the instruction.

For 20 of the 50 instructor contracts we reviewed, we found no evidence that any monitoring was conducted during the life of the contract. Of the 30 contracts that did have some evidence of monitoring, 15 of the completed contract monitoring forms contained errors made by REC employees. Some of the errors included entering the evaluator's own name under 'Name of Instructor Observed' and entering the contractor's email under 'Email of Merit Employee for Administrative Follow Up'. REC provided that only two individuals are responsible for managing all of the contracts and ensuring that monitoring forms are completed adds additional responsibilities to already overloaded employees.

We observed that 23% of the reviewed contract monitoring forms noted negative or adverse feedback. This feedback included arriving late to scheduled classes, not showing up for scheduled classes, not engaging with participants, complaints from parents, and unprofessional communication. Despite the negative feedback documented on these monitoring forms, we

⁶ The Contract Monitoring Form is a report completed by designated staff detailing the efficiency, safety, compliance, and customer satisfaction of a contractor. The report contains two sections: onsite monitoring and administrative review.

noted only one instance where the feedback was shared with the offending instructor.⁷ Not discussing concerns with underperforming contractors limits the contractor's ability to rectify behavior and possibly impedes the County's future efforts to bring the contractor into compliance.

While visiting REC facilities, we inquired with REC specialists and supervisors regarding their efforts to monitor instructor performance at their facilities. Through these conversations, we were told that only 2 of the 9 facilities consistently evaluated contractor performance and used the forms. Staff at one facility admitted not knowing about the contract monitoring form at all.

Effective contract monitoring provides assurance that goods and services were delivered in a manner consistent with contract terms, supports programmatic objectives, and helps reduce the risk of fraud and waste. REC conducted risk assessments on approximately 2.5% of contracts. Of the contracts tested, REC did not monitor the performance for approximately 40% of contracts. Without proper monitoring, REC could continue to employ contractors whose negative actions go unnoticed and inadvertently renew contracts with instructors who underperformed. Insufficient monitoring also poses a reputational risk to the County, a potential impact on participant safety, and the possibility of the County receiving inadequate services. Lack of documented monitoring also violates the Office of Procurement's requirements for monitoring contractors.

Recommendation 4

We recommend REC implement procedures to ensure risk assessments are conducted and monitoring activity is captured on required forms, including delineating how often and by whom they should be completed.

Finding 5: REC violated the County's purchasing card policy.

From July 1, 2023, through June 30, 2025, REC expended \$2,607,662 through 8,647 purchase card (p-card) transactions. P-card purchases are governed by the County's purchasing card policy manual that provides numerous restrictions on their use.⁸

Our analysis of 45 judgmentally selected purchases from a population of transactions with indicators of noncompliance with policy found numerous instances violating policy. We noted six instances where purchases were split into multiple transactions to circumvent the County's \$9,999 P-Card single purchase limit. In one instance, REC obtained the services of a portable toilet company whose invoice exceeded \$12,000. REC paid the vendor in two installments and

⁷ REC told us that they typically let contracts with instructors expire rather than terminate them.

⁸ Different iterations of the policy exist, including the *Purchasing Card Program Policy and Procedure Manual*, dated March 31, 2017, the *Purchasing Card Policy*, dated January 1, 2024, and the *Purchasing Card Policy*, dated February 1, 2025.

provided the same invoice to support both payments. In another instance involving the same company, REC was provided with two sequential invoices equaling over \$11,000 for the same services. The 4 remaining instances involved situations where the buyer made online purchases back-to-back to avoid the P-Card single purchase limit. We discussed our findings related to split transactions with REC staff and were given various explanations, none of which justified the violation of policy.

We further observed a p-card transaction for over \$40,000 for a hotel stay for 25 REC employees attending a conference. The p-card policy requires Director of the Office of Procurement approval for purchases over \$10,000. We inquired with REC as to whether they obtained the requisite approval, but staff could not provide any evidence that an approval had been obtained.

Lastly, we noted one transaction for \$12,005 where REC erroneously paid \$680 in sales tax. When we inquired of staff, they agreed the sales tax was incorrectly included and subsequently paid. Finally, REC neither uploaded into the payment system, nor could provide support for one identified transaction.

Purposely avoiding vital controls by exceeding purchasing thresholds, through splitting transactions, or not obtaining requisite approvals, leaves the County vulnerable to fraud, waste, and misuse. Similarly, expending County funds that are prohibited by policy and not having proper documentation for expenditures wastes County money and limits the ability to validate compliance with Policy.

Recommendation 5

We recommend REC implement procedures to ensure staff complies with County policies related to the use of p-cards.

Finding 6: REC did not adhere to the County's non-local travel policy.

The County's Non-Local Travel Policy⁹ states that "all County employees undertaking business related non-local travel (more than 75 miles from the Executive Office Building) must receive approval prior to traveling and document the trip in eTravel."¹⁰

During our scope period, we identified 70 non-local travel transactions related to various training courses and conferences attended by REC employees. We found that 17 of these transactions totaling \$13,656 were not documented or approved in eTravel, as required by

⁹ Non-Local Travel Summary Document, effective March 2024.

¹⁰ eTravel is the County's online travel tracking system where employees enter non-local travel authorizations.

policy. Additionally, we noted that 3 transactions totaling \$4,183 were approved in eTravel after the travel had already occurred, which is a violation of County policy.

When we inquired with REC's P-Card liaison regarding the use of eTravel, they stated that they were not aware of the requirement to use eTravel and did not know that travel required prior approval. This indicates a lack of communication and training within REC on the requirement to utilize eTravel despite repeatedly issued guidance by the County's Department of Finance and Deputy County Administrative Officer. Failure to enter travel details into eTravel increases the risk that staff could incur unallowable or fraudulent expenses and could result in reporting errors.

Recommendation 6

We recommend REC

- a) Develop a process to ensure that all non-local travel is recorded and approved in the eTravel application prior to employees initiating travel.
- b) Implement training on the process for requesting travel and obtaining necessary approvals through eTravel.

OIG COMMENTS TO CHIEF ADMINISTRATIVE OFFICER'S RESPONSE

The County Chief Administrative Officer's response to our report is included in its entirety in Appendix B. The response indicates concurrence with the OIG's recommendation. Appendix C summarizes the CAO's response to our recommendation and the OIG's assessment of the County's progress towards fully implementing the stated action.

APPENDIX A: OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives

The objectives of this performance audit were to:

- 1) Assess p-card transactions to identify the presence of potentially fraudulent, improper, or abusive p-card purchases.
 - a. Using transactions identified above, determine whether p-card transactions were supported by proper documentation and purchased for use by the County.
- 2) Assess REC's oversight of contracts, including related billing practices and performance measures, for compliance with contract terms and County policies.
 - a. Assess REC's oversight of instructor contracts.
 - b. Assess REC's oversight of a selected contract.
- 3) Evaluate the design, implementation, and operating effectiveness of controls over daily financial activity at REC centers and administrative units.
- 4) Determine if REC has written and implemented policies and procedures for background investigations and related practices as recommended in OIG Publication # OIG-22-014.

Scope and Methodology

The scope of our audit covered various subject areas and time periods as outlined below:

- 1) All REC cardholders' p-card transactions within the JP Morgan Chase Bank PaymentNet Reconciliation system (PaymentNet) with transactions dates from July 1, 2023, through June 30, 2025.
- 2) All accounts payable invoice payments made from July 1, 2024, through June 30, 2025, to instructors with active contracts executed between July 1, 2024, through June 30, 2025.
- 3) All accounts payable invoice payments made to another specific contractor from July 1, 2022, through April 30, 2026.
- 4) A listing of all Recreation facilities indicating those in operation during FY25.
- 5) A population of all DCBR reports run from July 1, 2023, through Jun 30, 2025.
- 6) Financial transactions recorded in RecTrac from July 1, 2023, through June 30, 2025.
- 7) All written and implemented policies and procedures for background investigations and related practices as recommended in OIG Publication # OIG-22-014.

We conducted our fieldwork from March 2026 to July 2026. To accomplish our objectives, we conducted interviews with REC's Business Services Division and members of the Director's Office. We also performed walkthroughs at 9 REC facilities and interviewed facility staff. Additionally, we reviewed County and departmental policies and procedures and sampled transactions to test against criteria.

We obtained and reviewed the following criteria for our performance audit:

- 1) Montgomery County Maryland Purchasing Card Program Policy and Procedure Manual, effective March 31, 2017
- 2) Montgomery County Maryland Purchasing Card Policy and Purchasing Card Procedure Manual, effective January 1, 2024
- 3) Montgomery County Maryland Purchasing Card Policy, effective February 1, 2025
- 4) Administrative Procedure 1-2, Non-Local Travel Guidelines and Related Reimbursements, effective October 21, 2011; and Non-Local Travel Summary Document, effective March 2024
- 5) Accounts Payable Policies – Financial Governing Principles and Standards, effective October 1, 2022
- 6) Accounts Payable Invoice Guidelines, updated December 29, 2021
- 7) Accounts Receivable Policies – Financial Governing Principles and Standards, effective March 1, 2025
- 8) Office of Procurement – Procurement Guide, September 2024
- 9) Procurement Contract Monitoring Guidance, February 27, 2022
- 10) OIG Publication # OIG-22-014
- 11) Other applicable REC policies, procedures, and related documentation

Objective 1 – Potentially fraudulent, abusive, and improper P-card purchases.

To determine whether p-card transactions were supported by proper documentation and purchased for use by the County in accordance with P-Card Policy, we first met with the REC p-card liaison to gain an understanding of their processes. We then obtained a population of p-card transactions for our scope period from PaymentNet and utilized data analysis software to analyze all 8,647 REC p-card transactions for characteristics of potential fraud, abuse, and improper purchases.¹¹ We created a sampling plan for testing and judgmentally selected 45 transactions that might have a higher impact if they were not compliant with County policy. Samples were selected across four sub-populations generated from the data analysis software, as well as non-local travel, and were selected based on transaction characteristics that were deemed to warrant further review.

To test compliance with Administrative Procedure 1-2, Non-Local Travel Guidelines and Related Reimbursements and Non-Local Travel Summary Document, we utilized data analysis software to identify the population of 70 non-local travel transactions that occurred during our

¹¹ We used various data analytic scripts to identify P-Card transactions incurred during our audit scope period exhibiting characteristics of split purchases (defined in the P-Card Manual (2017) a single item costing more than \$10,000, which is split into multiple transactions to circumvent the \$10,000 limit or in the P-Card Policy (2024 & 2025) as a transaction that is split into multiple payments to circumvent either the P-Card limit or the Direct Purchase Procurement threshold), weekend purchases, excluded merchant category code purchases, or questionable vendors.

scope period. We compared all 70 transactions to data exported from eTravel to determine if the transactions were properly entered and approved in eTravel.

Objective 2A – Instructor Contracts

To assess REC's oversight of instructor contracts, including related billing practices and performance measures, for compliance with contract terms and County policies, we sampled a population of 1,902 unique accounts payable (AP) invoice payments made in FY25 to instructors with active contracts. We created a sampling plan for testing and used data analysis software to generate a random sample of 57 AP invoice payments for testing.

For the selected samples, we reviewed documentation to determine whether invoices and payments were properly supported, vendors' addresses matched information in the County's financial system, invoice and payment amounts were calculated correctly and agreed to supporting documentation, payments did not exceed contracted amounts, and invoices were properly approved and in compliance with County policies and procedures.

The 57 sampled AP invoice payments were made to 50 unique instructors. For the 50 instructors, we also sought to determine whether REC was performing contract monitoring procedures as required by Office of Procurement guidelines. We reviewed the population of completed contract risk assessments performed by REC as well as the contract monitoring forms that were available for the 50 selected instructors.

Objective 2B – Stand-alone contract

To assess REC's oversight of a single contract for youth programs and determine if the related billing practices and performance measures were compliant with contract terms and County policies, we reviewed all 36 AP invoice payments made to this contractor from July 1, 2022, to April 30, 2026. We assessed the reliability of this data by reviewing documentation, tracing all 36 selected invoices to source documents, and interviewing REC staff responsible for invoice processing and approval.

For the selected samples, we reviewed documentation to determine whether invoices and payments were properly supported, the vendor's address matched what was documented in the County's financial system, invoice and payment amounts were calculated correctly and agreed to supporting documentation, payments did not exceed contracted amounts, and invoices were properly approved, in compliance with County policies and procedures. For this contractor, we also determine whether contract monitoring had been performed by requesting and reviewing the completed risk assessment and all related contract monitoring forms.

Objective 3 – Daily cash balance report (DCBR)

To assess REC's controls over daily financial activity at REC facilities, we obtained a population of all 27 recreation facilities¹² in operation during fieldwork. We randomly selected 9 facilities for site visits to perform walkthroughs of the DCBR process and conduct interviews of facility staff. We also conducted separate interviews of staff in the administrative units and REC Finance to determine their responsibilities in the DCBR process.

During site visits, we observed facility safes and cameras, inquired regarding the use of safe access logs and cash handling procedures, and observed how site staff run and prepare daily DCBRs. We also inquired about the invoice approval process at each site.

In addition to facility site visits, we conducted compliance testing on the DCBR process. We randomly selected one week in FY25 (June 16, 2025, through June 23, 2025) to perform testing on DCBRs run from all applicable facilities, which include the 27 facilities noted above as well as the 4 administrative units. This resulted in testing 174 DCBRs to determine if they were run daily, uploaded to SharePoint daily, properly calculated, and contained two signatures approving and verifying the daily totals. Additionally, for DCBRs that contained cash or check transactions, we determined whether a deposit slip was completed and initialed, whether a bank slip was obtained, if the deposit was made timely, and if the deposit slips agreed to DCBR totals.

Objective 4– Follow-up on background investigations

To evaluate whether recommendations identified in report OIG # OIG-22-14, *Criminal Background Investigations*, were properly implemented, we initially requested all approved internal policies and procedure manuals related to background checks/investigations. We also submitted a follow-up request during the audit, requesting a status update regarding these items and any policies that had been finalized since the initial request.

Internal Controls

We assessed REC's internal controls and compliance with policies and procedures necessary to satisfy our audit objectives related to DCBRs, contractor invoicing, contract monitoring, and p-card usage. However, we did not evaluate REC's internal control structure to provide assurance on its overall effectiveness. We conducted interviews, walkthroughs, and reviews of documentation to assess whether internal controls related to the applicable types of control activities, separation of duties, and documentation of responsibilities through policies are

¹² There is a total population of 40 REC facilities which include 7 facilities with only outdoor pools and 4 administrative units. For the purposes of this objective, we removed the 7 outdoor pools as well as 2 closed recreation centers from our total population. We also removed the 4 administrative units due to the comparatively higher risk at REC centers. As a result, our population for sampling is 27 REC centers.

properly designed and implemented. It is important to note that our audit was limited in scope and may not have disclosed all internal control deficiencies that may have existed at the time of the audit.

Auditing Standards

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). 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.

APPENDIX B: CHIEF ADMINISTRATIVE OFFICER'S (CAO) RESPONSE

The Chief Administrative Officer provided the following response to our report:



OFFICE OF THE COUNTY EXECUTIVE

Marc Elrich
County Executive

Richard S. Madaleno
Chief Administrative Officer

MEMORANDUM

October 15, 2026

TO: Megan Davey Limarzi, Inspector General

FROM: Richard S. Madaleno, Chief Administrative Officer *BSM*

SUBJECT: Inspector General Confidential Draft Report: Response and Action Plans – Audit of Department of Recreation (OIG Publication #OIG-27-04)

Thank you for the opportunity to respond to the issues identified in the report. The Department of Recreation plays a vital role in strengthening community well-being by providing accessible programs, safe facilities, and inclusive services that enrich the quality of life for residents. Its work supports public health, fosters community engagement, and ensures that individuals of all ages have opportunities to learn, grow, and connect.

We acknowledge that there are opportunities to improve procedures and controls within the Department of Recreation to strengthen compliance with County policies related to accounts payable, purchasing cards, procurement, and non-local travel. Your report's noted findings and recommendations will be useful as we continue to improve processes in the future. We are committed to taking appropriate steps to address the report's findings and recommendations, as noted below.

Recommendation 1a: We recommend REC update the Recreation Internal Process Invoice Procedures to reflect current invoice processing practices, including implementation of Monday.com, as well as reference and incorporate relevant County Accounts Payable Policies.

Response. We concur with this recommendation. While findings were noted, most stemmed from invoices received from the early part of the audit period. Moving forward, the Department of Recreation will update the relevant policy and continue transitioning remaining teams onto Monday.com to ensure that one unified, department-wide process is consistently applied. The goal is to migrate all teams to Monday.com and have updated invoice procedures by the end of the calendar year.

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Recommendation 1b: We recommend REC provide training to all staff involved in the processing of invoices to ensure compliance with County Accounts Payable Policy.

Response. We concur with this recommendation. By March 31, 2027, the Department of Recreation will provide staff involved in the processing of invoices with training on the County's Accounts Payable policy and all applicable department policies to reinforce expectations and promote compliance.

Recommendation 1c: We recommend REC attempt to obtain reimbursement from the contractor for the noted overpayment of \$1,149.87.

Response. We concur with this recommendation. The Department of Recreation will examine the contractor's invoices to determine if funds are owed to the County and seek reimbursement if warranted. Going forward, the Department of Recreation will review each individual invoice to confirm accuracy.

Recommendation 2: We recommend REC implement the recommendations made in the prior OIG report, OIG Publication # OIG-22-014, Criminal Background Investigations.

Response. We concur with this recommendation. The Department of Recreation has been engaged in this work for several years, and given the complexity and volume of records, resolving the matter has required substantial time. The Background Check Policy was recently finalized in October 2026 and approved by both the Recreation Director and the Office of the County Attorney. The Department of Recreation is coordinating with the Office of Labor Relations to notify the union and affected employees of required re-fingerprinting. In addition, the Department is engaged in an 18-month project to review and update all 25,000 Rap Back records. We anticipate meeting all requirements of OIG-22-014 by July 2028.

Recommendation 3a: We recommend REC update procedure manuals at facilities to include the most current guidance.

Response. We concur with this recommendation. The Department of Recreation is reviewing and updating all procedure manuals to ensure employees have access to the most current and accurate guidance by the end of the calendar year.

Recommendation 3b: We recommend REC implement training to reinforce policy requirements.

Response. We concur with this recommendation. The Department of Recreation will provide staff with training or retraining as appropriate by March 31, 2027, after the procedure manuals are updated as noted in Recommendation 3a.

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Recommendation 3c: We recommend REC review security procedures around cash handling to ensure cameras function, cash is stored and deposited appropriately, and staff utilize logs as required.

Response. We concur with this recommendation. The Department of Recreation is finalizing the Safe and Cash Handling policy and procedures to strengthen internal controls and reinforce compliance and expects to have them finalized by the end of January 2027.

Recommendation 4: We recommend REC implement procedures to ensure risk assessments are conducted and monitoring activity is captured on required forms, including delineating how often and by whom they should be completed.

Response. We concur with this recommendation. The Contract Monitoring Policy will be updated by the end of January 2027 to ensure risk assessments are conducted consistently, and monitoring timelines are clearly defined and consistently followed. The Department of Recreation will also develop a tracking system by July 2027 to document contract monitoring activities, promote timely completion, and strengthen accountability.

Recommendation 5: We recommend REC implement procedures to ensure staff complies with County policies related to the use of p-cards.

Response. We concur with this recommendation. The Department of Recreation will establish more robust procedures to ensure compliance with all p-card requirements, including clearer documentation standards, strengthened approval pathways, and explicit steps for purchases exceeding \$9,999.99. These enhanced procedures, which we expect to have in place by January 2027, will aim to prevent gaps and reduce the likelihood of future compliance issues. Once finalized, all relevant employees will receive training during the first quarter of 2027 to ensure both understanding and consistent execution of the new expectations. The Department will incorporate periodic quarterly reviews to verify ongoing adherence starting in the second quarter of 2027.

Recommendation 6a: We recommend REC develop a process to ensure that all non-local travel is recorded and approved in the eTravel application prior to employees initiating travel.

Response. We concur with this recommendation. The Department of Recreation will implement a more structured and proactive process to ensure all non-local travel is formally documented prior to initiation. This will include standardized pre-travel submission requirements, defined review and approval steps, and clear staff responsibilities to ensure accuracy and timely compliance. We expect to have the new procedures in place by the end of 2026. Since some of the previously identified issues stemmed from a staffing vacancy, the updated procedures will incorporate designated backup coverage to prevent interruptions and maintain continuity of operations. Additionally, we will perform periodic internal spot checks to validate adherence and identify areas for further improvement.

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Recommendation 6b: We recommend REC implement training on the process for requesting travel and obtaining necessary approvals through eTravel.

Response. We concur with this recommendation. The Department of Recreation will conduct targeted training during the first quarter of 2027 to ensure that all employees understand the revised requirements and their role in maintaining compliance.

Thank you for bringing these matters to our attention.

cc: Fariba Kassiri, Deputy Chief Administrative Officer, Office of the County Executive
Gabriel Albornoz, Director, Department of Recreation
Michele El-Gamil, Internal Audit Manager, Office of the County Executive

APPENDIX C: RECOMMENDATION STATUS AND FOLLOW UP

This Appendix provides a summary of the findings and recommendations presented in this report along with the OIG's assessment of the County's progress towards addressing the recommendations. The OIG categorizes progress towards implementation into the following 4 status groups:

- Open Unresolved: No management response, inadequate response, or no agreement on corrective action plan.
- Open In Progress: Agreed on planned action, auditee is in the process of implementing stated actions, but no evidence of implementation has yet been provided to the OIG.
- Open Resolved: Auditee provided support to OIG indicating implementation was complete, OIG testing to ensure implementation.
- Closed: Recommendation has been implemented.

Finding #	Finding	Recommendation	CAO Response	Status
1	REC paid invoices totaling over \$5,842,000 that lacked adequate support.	1a: We recommend REC update the <i>Recreation Internal Process Invoice Procedures</i> to reflect the current invoice processing practices, including implementation of Monday.com, as well as reference and incorporate relevant County Accounts Payable Policies.		
		1b: We recommend REC provide training to all staff involved in the processing of invoices to ensure compliance with County Accounts Payable Policy.		

Finding #	Finding	Recommendation	CAO Response	Status
		1c: We recommend REC attempt to obtain reimbursement from the contractor for the noted overpayment of \$1,149.87.		
2	REC still does not have formal policies and procedures governing criminal background investigations.	2: We recommend REC implement the recommendations made in the prior OIG report, OIG Publication # OIG-22-14, <i>Criminal Background Investigations</i> .		
3	Not all REC facilities comply with policies related to tracking and receiving program and use fees.	3a: We recommend REC update procedure manuals at facilities to include the most current guidance.		

Finding #	Finding	Recommendation	CAO Response	Status
		3b: We recommend REC implement training to reinforce policy requirements.		
		3c: We recommend REC review security procedures around cash handling to ensure cameras function, cash is stored and deposited appropriately, and staff utilize logs as required.		
4	REC does not consistently monitor instructor contracts or instructor performance as required by policy.	4: We recommend REC implement procedures to ensure risk assessments are conducted and monitoring activity is captured on required forms, including delineating how often and by whom they should be completed.		

Finding #	Finding	Recommendation	CAO Response	Status
5	REC violated the County's purchasing card policy.	5: We recommend REC implement procedures to ensure staff complies with County policies related to the use of p-cards.		
6	REC did not adhere to the County's non-local travel policy.	6a: We recommend REC develop a process to ensure that all non-local travel is recorded and approved in the eTravel application prior to employees initiating travel.		
		6b: We recommend REC implement training on the process for requesting travel and obtaining necessary approvals through eTravel.		