



HARFORD COUNTY, MARYLAND

Office of the County Auditor

AUDIT OF PETTY CASH - HIGHWAYS MAINTENANCE

Report Number:
2023-A-03

Report Date:
7/27/2022

Council Members and County Executive Glassman:

In accordance with Section 213 of the Harford County Charter, we have performed an audit of Highways Maintenance's petty cash funds for the period of 7/1/2021 through 6/30/2022 and cash on hand as of 7/26/2022. This audit was conducted as part of the County Auditor's risk-based Annual Audit Plan approved by the County Council for FY2023.

The objective of this audit was to ensure that petty cash processes for various departments follow Petty Cash policies and ensure disbursements and replenishment transactions are approved and properly accounted for. The scope was limited to reviewing the controls over the selected departments' petty cash funds. The results of the audit, our findings and recommendations for improvement are detailed in this report.

We would like to thank the members of management for their cooperation during the audit; they have been provided an opportunity to respond to this report; the response(s) provided follows the Issues and Corrective Actions.

Sincerely,

A handwritten signature of Chrystal Brooks, CPA.

Chrystal Brooks
County Auditor

CONCLUSIONS

Our opinion, based on the evidence obtained, is cash on hand agreed to the expected amount and was appropriately secured. This assessment is based on the strengths and weaknesses identified for the operational objectives below.

Business Process Objective	Assessment ⁱ
Cash is held securely	Effective
Accounting for petty cash is correct and timely	Generally Effective
County Code requirements are met	Generally Effective

ISSUES AND CORRECTIVE ACTIONS

2023-A-03.01 Timely Petty Cash Accounting

Harford County Code 41-35 (B) requires "At the end of each month, the Director shall render to the County Treasurer a statement showing the actual expenditures for each using agency so made out of such Petty Expenditures Revolving Fund, and the County Treasurer shall reimburse such revolving fund for such expenditures in the same manner as other expenditures of such using agencies are paid."

For the Highways Maintenance Shop's petty cash, we observed that 4 of the 12 replenishments in Fiscal Year 2022 included more than 30 days' worth of transactions. This is because the petty cash fund is large enough that it is not exhausted in months with less overtime. However, without timely reconciliation, the Treasurer's Office cannot completely capture and report the County's financial information. Additionally, frequent reconciliations allow management to identify and investigate missing cash sooner.

We recommend Petty Cash supervisors reconcile their funds every 30 days in accordance with the County Code and confirm such with their supervisors or department heads.

Management Response: DPW Highways agrees with the findings. We will reconcile the fund at least every 30 days.

Expected Completion Date: 8/31/2022

BACKGROUND, OBJECTIVES, SCOPE AND METHODOLOGY

Within the Department of Public Works, the Division of Highways' maintenance shop has a petty cash fund that is primarily used to reimburse employees for overtime meals. When a Highways crew works overtime, the crew chief requests enough petty cash to cover the meal vouchers for the relevant employees. The funds are disbursed to the crew members, each of whom signs a form acknowledging receipt of the funds. The Petty Cash Custodian keeps the signed forms to support the fund reconciliations. The fund is reconciled by the Petty Cash Custodian when a replenishment is needed. In months with extreme weather, reconciliations occur frequently due to the number of transactions.

The objective of this audit was to ensure that petty cash processes for various departments follow Petty Cash policies and ensure disbursements and replenishment transactions are approved and properly accounted for. The scope was limited to reviewing the controls over the selected departments' petty cash funds.. The review did not include a complete evaluation of internal controls, but instead, relied on substantive testing to support conclusions. This lack of a complete review did not affect achievement of the audit objective. The audit approach focused on testing the key controls that address management's objectives. Our audit procedures included interviewing personnel, observation and testing as described in the table below.

Process / Control Objective	Scope of Review
Physical Security	
Cash is secured in a locked safe or drawer with limited access.	<ul style="list-style-type: none">• Observe the secure location of the petty cash• Confirm that backup custodians are limited in number
At all times, cash on hand and receipts agree to the expected fund amount.	<ul style="list-style-type: none">• Count cash and receipts during an unannounced inspection
Employees accepting cash must sign to confirm receipt.	<ul style="list-style-type: none">• Confirm that all required signatures are present on meal vouchers

Process / Control Objective	Scope of Review
Proper Accounting	
Expenditures are supported by receipts and approval documentation.	For a sample of petty cash replenishments: <ul style="list-style-type: none">• Confirm that transactions are applied to the correct accounts• Confirm that receipts are maintained• Confirm that supervisor approvals are present when required
Reconciliations are performed at least monthly.	<ul style="list-style-type: none">• Confirm the timeliness of fund replenishments
Compliance with Procurement Law	
Reconciliations are performed at least monthly.	<ul style="list-style-type: none">• Confirm the timeliness of fund replenishments
Purchases do not exceed \$50	<ul style="list-style-type: none">• Confirm that transactions are below the limit

Areas for improvement are described in the Issues and Corrective Actions section of this report.

Harford County management is responsible for establishing and maintaining effective internal controls. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records, effectiveness and efficiency of operations including safeguarding of assets and compliance with applicable laws, rules and regulations are achieved. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected.

The audit was performed in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient 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.

Report Distribution:	<i>(Responsible Management and Impacted Parties)</i>	Audit Team:
Mr. Robert Sandlass, County Treasurer		Chrystal Brooks
Mr. Joseph Siemek, Director of Public Works		CPA, CIA, CGAP, CISA, CGFM, CRMA
Mr. Steven Walsh, Deputy Director, Highways		<i>County Auditor</i>
Ms. Dana Basham, Petty Cash Custodian, Highways Maintenance		Sarah Self, CIA, CGAP <i>Senior Auditor</i>
		Joseph Abdulai <i>Audit Intern</i>

ⁱ Definitions

Effective: The design and effectiveness of the internal control environment address key risks. The business unit complies with external laws and regulations, and internal policies, procedures and guidelines. Business processes are managed effectively resulting in achievement of expected outcomes.

Generally Effective: The design and/or effectiveness of the internal control environment generally address key risks; however, the number and severity of findings relative to the size and scope of the business unit being audited indicate that some minor areas of weakness in the control environment need to be addressed. Isolated instances of non-compliance with external laws and regulations, and internal policies, procedures and guidelines may exist. Business processes may not be managed effectively in all areas resulting in reduced achievement of expected outcomes.

Not Effective: The design and/or effectiveness of the internal control environment does not address key risks. Non-compliance or historical patterns of non-compliance with key regulatory requirements and internal policies, procedures and guidelines exist which expose the audited entity to financial, reputational, and operational risks. Business processes are not managed effectively and expected outcomes are not achieved.