



HARFORD COUNTY, MARYLAND

Office of the County Auditor

AUDIT OF PETTY CASH - PUBLIC WORKS

Report Number:
2024-A-02

Report Date:
8/8/2023

Council Members and County Executive Cassilly:

In accordance with Section 213 of the Harford County Charter, we have performed an audit of the Department of Public Works' petty cash funds for the period of 7/1/2022 through 7/31/2023. This audit was conducted as part of the County Auditor's risk-based Annual Audit Plan approved by the County Council for FY2024.

The objective of the audit was to confirm proper tracking, use and accounting of cash held by County departments. The scope was limited to the controls performed by the Departments' petty cash custodians to secure and account for the funds. The results of the audit and our findings are detailed in this report.

We would like to thank the members of management for their cooperation during the audit. Although none was required, they have been provided an opportunity to respond to this report; accordingly, none was provided.

Sincerely,

A handwritten signature in black ink that reads "Chrystal Brooks, CPA".

Chrystal Brooks
County Auditor

CONCLUSIONS

Our opinion, based on the evidence obtained, is petty cash funds have been closed and related transactions were properly accounted for. 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	Effective
County Code requirements are met	Effective

BACKGROUND, OBJECTIVES, SCOPE AND METHODOLOGY

Within the Department of Public Works, petty cash funds were in place primarily for reimbursing overtime meals. Occasionally, there are also other expense reimbursements. Historically, when employees worked overtime, they completed a meal voucher request/form which required supervisor approval. Supervisors provided the voucher forms to the petty cash custodian who prepared and provided the meal reimbursement to the employee. The custodian would keep the voucher form, signed by the employee, as confirmation that the cash was received.

In July 2023, the above process was changed so that overtime meal reimbursements are paid through the County's financial accounting system. Each of the Public Works petty cash funds were closed and the cash was returned to the Treasurer's Office.

The objective of the audit was to confirm proper tracking, use and accounting of cash held by County departments. The scope was limited to the controls performed by the Departments' petty cash custodians to secure and account for the funds.. The scope of the review included each of the four Public Works petty cash funds: Abingdon Water Treatment Plant; Abingdon Maintenance Shop; Sod Run Wastewater Treatment Plant; and Highways Maintenance. 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">• Confirm closed funds were returned to the Treasurer's Office
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 were maintained • Confirm supervisor approvals 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

We have reviewed the issues reported in prior petty cash audits. There was one open finding, number 2023-A-03.01, related to the timeliness of Highways Maintenance's reconciliation of its petty cash. *This issue has been closed*; it is no longer relevant since the petty cash fund was closed.

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:		Audit Team:	
Mr. Robert Sandlass, County Treasurer		Chrystal Brooks	Sarah Self, CIA, CGAP
Mr. Joseph Siemek, Director of Public Works		CPA, CIA, CGAP, CISA, CGFM, CRMA	Senior Auditor
Mr. William Bettin, Deputy Director for Water and Sewer		County Auditor	Ivy Simmons
Mr. Steven Walsh, Deputy Director for Highways			Audit Intern

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.