



# HARFORD COUNTY, MARYLAND

## Office of the County Auditor

### AUDIT OF PETTY CASH - PARKS AND RECREATION MAINTENANCE SHOP

**Report Number:**  
2023-A-05

**Report Date:**  
08/02/2022

Council Members and County Executive Glassman:

In accordance with Section 213 of the Harford County Charter, we have performed an audit of the Parks and Recreation Maintenance Shop's petty cash fund 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 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, no response was provided.

Sincerely,

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 <sup>i</sup>
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**

The Department of Parks and Recreation maintains a petty cash fund to reimburse Maintenance Shop employees for overtime meal vouchers. The fund is reconciled by the petty cash custodian monthly if there are transactions. All vouchers and receipts for reimbursed expenditures are tracked on a detailed Reimbursement Log and copies are provided to Treasury as supporting documentation when the fund needs to be replenished.

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.

<b>Process / Control Objective</b>	<b>Scope of Review</b>
<b>Physical Security</b>	
Cash is secured in a locked safe or drawer with limited access.	<ul style="list-style-type: none"> <li>• Observe the secure location of the petty cash</li> <li>• Confirm that backup custodians are limited in number</li> </ul>
At all times, cash on hand and receipts agree to the expected fund amount.	<ul style="list-style-type: none"> <li>• Count cash and receipts during an unannounced inspection</li> </ul>
Employees accepting cash must sign to confirm its receipt.	<ul style="list-style-type: none"> <li>• Confirm that all required signatures are present on meal vouchers</li> </ul>
<b>Proper Accounting</b>	
Expenditures are supported by receipts and approval documentation.	For a sample of petty cash replenishments: <ul style="list-style-type: none"> <li>• Confirm that transactions are applied to the correct accounts</li> <li>• Confirm that receipts were maintained</li> <li>• Confirm supervisor approvals when required</li> </ul>
Reconciliations are performed at least monthly.	<ul style="list-style-type: none"> <li>• Confirm the timeliness of fund replenishments</li> </ul>

Process / Control Objective	Scope of Review
<b>Compliance with Procurement Law</b>	
Reconciliations are performed at least monthly.	<ul style="list-style-type: none"> <li>• Confirm the timeliness of fund replenishments</li> </ul>
Purchases do not exceed \$50	<ul style="list-style-type: none"> <li>• Confirm that transactions are below the limit</li> </ul>

We have reviewed an issue related to timeliness of reimbursements, which was reported in a prior audit and noted that the issue has been corrected.

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:** *(Responsible Management and Impacted Parties)* **Audit Team:**

Mr. Robert Sandlass, County Treasurer  
Ms. Kathleen Burley, Director, Parks and Recreation  
Ms. Joan Carmen, Petty Cash Custodian, Fallston Maintenance Shop

Chrystal Brooks  
CPA, CIA, CGAP, CISA, CGFM, CRMA  
*County Auditor*  
  
Sarah Self, CIA, CGAP  
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<sup>i</sup> 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.