



# HARFORD COUNTY, MARYLAND

## Office of the County Auditor

### AUDIT OF PETTY CASH - ABINGDON WATER AND SEWER ADMINISTRATION

#### Report Highlights

#### Why We Did This Audit

This audit was conducted as part of the County Auditor's risk-based Annual Audit Plan approved by the County Council for FY2016.

#### What We Found

Review of supporting documentation of vouchers can be improved.

**Report Number: 2016-A-14**

**Date Issued: 06/21/2016**

Council Members and County Executive Glassman:

In accordance with Section 213 of the Harford County Charter, we have performed an audit of Water & Sewer – Abingdon Office's petty cash funds. The results of that audit, our findings and recommendations for improvement are detailed in the attached report. We would like to thank the members of management for their cooperation during the audit.

The audit found cash on hand agreed to the expected amount. However, our review of transactions showed that some transactions were missing adequate support. In particular, signatures confirming supervisor approval and employee receipt of cash was missing in some cases.

The audit team is available to respond to any questions you have regarding the attached report.

Sincerely,

*Chrystal Brooks, CPA*

Chrystal Brooks  
County Auditor

cc: Mr. Robert Sandlass, Treasurer  
Mr. Jeffrey Stratmeyer, Acting Director of Public Works  
Mr. Joel Caudill, Deputy Director for Water and Sewer  
Ms. Charmane Dawson, Petty Cash Custodian



# HARFORD COUNTY, MARYLAND

## Office of the County Auditor

### REVIEW RESULTS

We have focused on activity during the period of 7/1/2014 through 6/1/2016 and cash on hand on 06/03/2016. The audit approach focused on testing the key controls that address management's objectives for the process.

Our opinion, based on the evidence obtained, is cash is properly managed; however, the voucher review process could be improved to ensure all disbursements have adequate supporting documentation. Conclusions drawn are below.

Risk	Expected Control	Conclusion
Cash could be lost or stolen	Cash is secured in a locked safe or drawer with limited access.  At all times, cash on hand and receipts agree to the expected fund amount.	Satisfactory
Purchases are not appropriate or approved	Expenditures are supported by receipts and approval documentation.  Reconciliations are performed at least monthly.	Needs Improvement  Satisfactory
Procurement limits are exceeded	Purchases do not exceed \$50.	Satisfactory

Areas for improvement are described in the Findings and Corrective Actions section of this report. Management has been provided an opportunity to respond to this report. The response provided is in the Findings and Corrective Actions section below.

### FINDINGS AND CORRECTIVE ACTIONS

#### **Finding Number: 2016-A-14.01 Missing Meal Voucher Approvals**

**Some Water and Sewer transactions were missing approvals.**

**Analysis:** We reviewed supporting documentation for each transaction within the petty cash replenishment. Our expectation was that each transaction within the replenishment would be supported by a receipt and a petty cash request form that included an explanation of the purchase, a supervisor's approval and acknowledgement of the employee's receipt of the cash.

Within each of the replenishments, we identified missing documentation. Specifically, we noted:

- 2 meal vouchers without supervisor approval
- 6 meal vouchers without employee acknowledgement of receipt of the cash; and
- 1 meal voucher without supervisor approval or employee acknowledgement of receipt of the cash

**Management Response:** During the timeframe covered by this audit, W&S Maintenance processed 2,189 meal ticket vouchers. Although all transactions had receipts, nine were incomplete. Despite the fact that less than one half of a percent of meal ticket vouchers were missing a required approval, in response to this audit the Standard Operating Procedure for Meal Ticket Distribution has been modified to include wording that clarifies that administrative staff MUST verify supervisor's signature when processing meal vouchers and MUST have employee's sign the 'Received By' acknowledgement at the time of distribution of meal voucher funds. This revision of the SOP was shared with all employees on June 8, 2016 and will be reviewed again at the mandatory staff meeting on June 24, 2016.

**Expected Completion Date:** 06/24/2016

## BACKGROUND INFORMATION

### **PROGRAM DESCRIPTION AND KEY STATISTICS**

The Division of Water & Sewer maintains a petty cash fund for its Abingdon operations office to reimburse employees for overtime meals. The petty cash fund is reconciled by the petty cash custodian when it needs to be replenished – approximately every 3 weeks.

### **REVIEW OBJECTIVE, SCOPE AND METHODOLOGY**

The objective of this review was to ensure that petty cash processes for the Abingdon Water and Sewer Office are in compliance with Petty Cash policies and ensure disbursement and replenishment transactions were approved and properly accounted for. The scope of this review was limited to reviewing the controls over Abingdon's petty cash fund. 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 focused on activity during the period of 7/1/2014 through 6/1/2016. Our audit procedures included interviewing personnel, observation and testing. Specifically, we counted the cash on hand, reviewed recent payments, confirmed the outstanding reimbursements, observed physical security, and reviewed the supporting documentation of petty cash fund expenditures and replenishments.

Our procedures disclosed cash transactions were generally properly accounted for, but in some cases transactions were not fully supported by properly approved documentation. The petty cash funds on hand agreed to the expected amount. We observed that cash was appropriately secured and not easily accessible.

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.

**Audit Team:**

Chrystal Brooks  
CPA, CIA, CGAP, CISA, CGFM, CRMA  
*County Auditor*

Brad DeLauder, CPA  
*Senior Auditor*