



HARFORD COUNTY, MARYLAND

Office of the County Auditor

February 1, 2013

Honorable Members of the County Council
Harford County, Maryland
18 Office St.
Bel Air, MD 21014

Dear Council Members:

In accordance with Section 213 of the Harford County Charter, we have performed an audit of Harford County Housing Agency's Petty Cash. The results of that audit, our findings and recommendations for improvement are detailed in the attached report. We would like to thank the Housing Agency Director and Accountant for their cooperation during the audit.

The audit found that the petty cash was overfunded by 49 cents. Additionally, we noted that the cash box was not secured in a locked area. This matter was corrected when we notified management.

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

Sincerely,

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

cc: Mr. Shawn Kingston, Director of Housing
 Mr. David Craig, County Executive
 Ms. Kathryn Hewitt, Treasurer

~ Preserving Harford's past; promoting Harford's future~

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HARFORD COUNTY, MARYLAND Office of the County Auditor

AUDIT OF HOUSING AGENCY PETTY CASH

Period Covered:
01/01/2011 through 01/29/2013

Report Number: 2013-A-01

Date Issued:
02/01/2013

Audit Team:

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

Laura Tucholski, CPA, CFE
Auditor

BACKGROUND INFORMATION

INTRODUCTION AND KEY STATISTICS

The Harford County Housing Agency maintains a petty cash fund of \$50. It is used to reimburse small purchases such as tolls and minor maintenance items. Occasionally, the Director reconciles the fund and performs an internal audit of the transactions. At the Request of the Director of Housing, we performed an independent evaluation of the petty cash fund.

REVIEW OBJECTIVE, SCOPE AND METHODOLOGY

The objective of this review was to ensure that petty cash processes for Harford County Housing Agency are in compliance with Petty Cash policies and ensure disbursements and replenishment transactions were approved and properly accounted for. The scope of this review was limited to reviewing the controls over the department's petty cash fund. This review was conducted in consideration of generally accepted government auditing standards. However, it did not include a complete evaluation of internal control but relied on substantive testing to support conclusions. Due to the narrow scope of this review, our evaluation of internal control was limited to the Housing Agency's petty cash fund. This lack of a complete review of internal control will not affect the objective of the review.

The audit focused on activity during the period of 01/01/2011 through 01/29/2013. Our audit procedures included interviewing personnel, observation and testing. Specifically, we reviewed the supporting documentation for each petty cash expenditure and replenishment.

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.

REVIEW RESULTS

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.

Our procedures disclosed cash was appropriately accounted for and transactions were supported by documentation. The petty cash fund totals \$50.49 which is 49 cents more than expected. We observed that cash was not easily accessible, but also was not appropriately secured.

FINDINGS AND RECOMMENDATIONS

Finding Number: 2013-A-01.01 Physical Security

Cash is not maintained in a physically secured location.

Analysis: We observed that the petty cash fund is held in a cash box in a drawer within the Accountant's Office in the Housing Agency. There is limited access to the Housing Agency administrative offices and the cash box is out of sight, but neither the box nor the drawer holding the cash box was locked. There is a briefcase style safe available in the office.

The petty cash fund is relatively small and the Accountant would be responsible for any lost cash; however, it is prudent to keep the cash in a place where it may be locked.

Recommendation: We recommend the Housing Agency consider a locked cabinet or drawer for storage of the petty cash fund.

Management Response: As recommended, management has provided the controls necessary to provide reasonable assurance for the protection of petty cash.

Access to cash funds is restricted to the Accountant only. To prevent access by anyone except the Accountant, petty cash is kept in a locked strong box, in a locked cabinet whenever not in use or whenever the Accountant is absent.

Expected Completion Date: 01/29/2013