



HARFORD COUNTY, MARYLAND

Office of the County Auditor

April 25, 2014

Honorable Members of the County Council
Harford County, Maryland
212 S. Bond St., 2nd Floor
Bel Air, MD 21014

County Executive David Craig
Harford County, Maryland
220 S. Main St.
Bel Air, MD 21014

Dear Council Members and Mr. Craig:

In accordance with Section 213 of the Harford County Charter, we have performed an audit of the Petty Cash of four Senior Centers.

The audit found one significant cash overage and gift card purchases did not have appropriate support. We found the Office on Aging's petty cash procedures are comprehensive, but can be improved.

More detail about our audit methodology, procedures, findings and recommendations for improvement follows this letter. We would like to thank the members of management for their cooperation during the audit.

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

Sincerely,

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

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

cc: Ms. Kathryn Hewitt, Treasurer
Ms. Deborah Henderson, Director of Procurement
Ms. Beth Hendrix, Director of Community Services
Ms. Karen Winkowski, Office of Aging
Ms. Suzanne Streeter, Office of Aging
Ms. Linda Myers, Edgewood Senior Center
Ms. Linda Reading, Fallston Senior Center
Mr. Rick Walker, Bel Air Senior Center

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HARFORD COUNTY, MARYLAND

Office of the County Auditor

AUDIT OF PETTY CASH – SENIOR CENTERS

Report Number: 2014-A-06

Date Issued: 04/25/2014

Audit Team:

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

Laura Tucholski, CPA, CIA, CFE, CRMA
Auditor

BACKGROUND INFORMATION

INTRODUCTION

Harford County's Senior Centers fall under the direction of the Office on Aging (OOA), within the Department of Community Services. Occasionally, the facilities have a need to make small purchases of supplies. The Center managers do not have County purchase cards and the employees who make the purchases are generally grant funded, so are ineligible to have purchase cards. Instead of purchase cards, the Senior Centers use petty cash and utilize a ShopRite House Account (credit card). Petty cash transactions should be logged on a form created by the Office on Aging. Receipts for both petty cash and the ShopRite purchases are sent to the Office on Aging for review, reconciliation and fund replenishment. Petty cash custodians have been directed to request replenishment when their funds are approximately half expended. Due to the small volume of transactions, replenishment is only needed every few months, in most cases.

The McFaul Activity Center (Bel Air) additionally uses its petty cash to make change for customers during program registration periods. During registration periods, cash (petty cash and registration fees) is reconciled daily. Senior Centers also collect donations for lunches, coffee, copies and general contributions. These funds are kept separately from petty cash. They are not counted daily, but are logged and sent to the Office on Aging weekly.

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REVIEW OBJECTIVE, SCOPE AND METHODOLOGY

The objective of this review was to ensure that petty cash processes for the Senior Centers 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 each Center'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 June 1, 2013 through April 2, 2104. Our audit procedures included interviewing personnel, observation and testing. Specifically, we counted cash on hand and observed physical security. We reviewed the supporting documentation for each petty cash expenditure and replenishment.

We tested petty cash for 4 centers – Aberdeen, Bel Air (McFaul), Edgewood and Fallston (Chenowith). We selected these funds because they were the largest and were expected to have the most transactions.

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 the Office of Aging has designed sufficient procedures for the Senior Centers to follow with regard to managing petty cash. However, we noted, although following the procedure, instances of transactions that were greater than the County limit and reconciliations are performed less frequently than required. In accordance with the Office of Aging procedures, we observed that cash was appropriately secured and not easily accessible.

We agreed petty cash funds on hand to the expected amount for Fallston and Bel Air. For Edgewood, Treasury's records overstated the petty cash by \$100, but cash was actually only 36 cents short. For Aberdeen cash was \$44.80 over and included gift cards; we could not determine the cause of the overage.

Most cash transactions were properly accounted for and were supported by documentation. However, we determined that gift cards are occasionally purchased and documentation is not maintained to confirm their appropriate use.

Areas for improvement are described in the Findings and Recommendations section of this report. Management has been provided an opportunity to respond to this report; responses were provided for each recommendation.

FINDINGS AND RECOMMENDATIONS

Finding Number: 2014-A-06.01 Cash Overage - Aberdeen

Aberdeen Senior Center's Petty Cash was more than expected.

Analysis: We counted \$194.80 in Petty Cash at the Aberdeen Senior Center including \$70 in gift cards. This is \$44.80 more than expected.

We also found that the Center was holding \$70 in addition to its petty cash fund for Bingo tournaments. These are not County funds, but the County is acting as an agent for the Center's members. There was no record of how much should be in the Bingo envelope.

Recommendation: We recommend Aberdeen Senior Center's management deposit the extra petty cash funds to the Treasurer's Office and log and reconcile the funds regularly.

Management Response: The \$44.80 overage is money that belongs to the BINGO funds. BINGO is a member-funded event. This amount was inadvertently co-mingled with the center's petty cash funds. A new written procedure clarifying accounting practices when center staff is acting as an agent to member-funded activities is being written and will be effective in the centers by May 16, 2014. Our preference is that monies or gift cards associated with member-funded activities be held and accounted for by the center members facilitating the event and not by the center staff, but this is not always practical.

A new procedure and ledger for the limited purchase and award of gift cards to senior center members is written and under review, and will be made effective in the center by May 16, 2014. Any senior center member receiving a gift card will sign a receipt. Gift cards purchased by member-funded groups will not be co-mingled with the center's funds.

Expected Completion Date: 05/16/2014

Finding Number: 2014-A-06.02 Gift Card Use

Gift cards are sometimes purchased with petty cash funds.

Analysis: Within Aberdeen Senior Center's petty cash, we noted \$70 in gift cards (7 \$10 cards) within the fund. We noted that the envelope that contained the gift cards indicated that three had been distributed, but there were no receipts to confirm that their use was appropriate.

The expenditures reviewed for the McFaul Activity Center (Bel Air) indicated 9 \$5 gift cards were purchased. Again, there was no confirmation of the gift card recipients to ensure their use was appropriate.

Recommendation: We recommend gift card purchases be limited and approved prior to purchase and that receipts be obtained confirming each card recipient.

Management Response: A new procedure and ledger for the limited purchase and award of gift cards to senior center members is written and under review, and will be made effective in the center by May 16, 2014. Any senior center member receiving a gift card will sign a receipt. Gift cards purchased by member-funded groups will not be co-mingled with the center's funds.

Expected Completion Date: 05/16/2014

Finding Number: 2014-A-06.03 ShopRite House Account

The Office of Aging routinely uses a ShopRite credit account.

Analysis: Senior Center employees use the ShopRite account to purchase supplies for the facilities. Receipts are supposed to be sent to the Office on Aging for review and reconciliation. The monthly bill is paid with a purchase card by one of the Office of Aging employees.

The Shoprite account is functionally a revolving credit account. If the County is making regular purchases from a single vendor, there may need to be a contract in place with the vendor. Employees making purchases on behalf of the County, particularly those who have not attended purchase cardholder training need to be aware of the procurement guidelines. Further, this method of payment should be confirmed with the Treasurer's Office since financial accounts should not be opened in the County's name without the Treasurer's knowledge.

Recommendation: We recommend the Office of Aging obtain concurrence for the ShopRite account from the Treasurer and Director of Procurement.

Management Response: This has been brought to the attention of Treasury and we are in the process of setting up a meeting with Treasury and Procurement to discuss the document for concurrence with both departments.

Expected Completion Date: 05/25/2014

Finding Number: 2014-A-06.04 OOA Alignment with County Code

We noted transactions above \$50 and reconciliations less than monthly.

Analysis: The County Code (Chapter 41, Section 35) requires reconciliation of petty cash accounts monthly and limits petty cash transactions to \$50. The Office of Aging policies for petty cash require senior centers to reconcile their funds quarterly or when approximately half the fund has been spent. Most centers have few transactions, so this schedule is appropriate for the volume of transactions, but contradicts the County Code.

We noted 2 transactions above \$50 for the Fallston Senior Center. We were advised that at least one of the transactions had been approved by OOA management. The purchase was made from Walmart instead of ShopRite as a cost saving measure. While the explanation is reasonable; employees should be reminded of the limit for these transactions. The second purchase was also from Wal-Mart.

Recommendation: We recommend the Office of Aging update its policies to reflect the County Code requirements.

Management Response: The petty cash procedures have been amended to reflect the \$50 transaction limit and will be redistributed to all staff by May 14, 2014.

Expected Completion Date: 05/14/2014

Finding Number: 2014-A-06.05 General Ledger Amounts

The amounts recorded in the County's general ledger are incorrect.

Analysis: We received a list of petty cash funds from Treasury along with Treasury's last review of the petty cash. Based on that list, and our review of the County's financial system, we expected the Edgewood Senior Center petty cash to be \$250. When reviewing cash on site, our cash count and supporting documentation found a petty cash fund of \$150. We reviewed older transactions in the County's financial system and found that in June 2013 an increase in the Havre de Grace Senior Center's petty cash was applied to Edgewood's instead. The \$100 difference is immaterial for the County's financial statements, as a whole, but correcting this error will help financial system users know the location and custodian of the County's cash.

Recommendation: We recommend the Treasurer adjust the Edgewood and Havre de Grace senior center petty cash funds in the general ledger to the correct amounts.

Management Response: The Treasurer agrees with the recommendation and will adjust the general ledger to correct the petty cash accounts between the two senior centers.

Expected Completion Date: 04/11/2014