



# HARFORD COUNTY, MARYLAND

## Office of the County Auditor

April 11, 2014

Honorable Members of the County Council  
Harford County, Maryland  
212 S. Bond St., 2<sup>nd</sup> 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 Emmorton Recreation Center's Petty Cash.

The audit found cash on hand agreed to the expected amount. However, we noted that physical security could be improved to better protect the cash on site.

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. Arden McClune, Director of Parks and Recreation  
Ms. Darlene Schalk, Emmorton Rec. Center, Administrative Specialist  
Ms. Ann Woodard, Budget and Purchasing Manager, Parks and Recreation

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# HARFORD COUNTY, MARYLAND

## Office of the County Auditor

### AUDIT OF PETTY CASH – EMMORTON RECREATION AND TENNIS CENTER

**Report Number: 2014-A-07**

Date Issued: 04/11/2014

#### **Audit Team:**

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

Laura Tucholski, CPA, CIA, CFE, CRMA  
Auditor

### BACKGROUND INFORMATION

#### **INTRODUCTION**

The Emmorton Recreation and Tennis Center maintains a petty cash fund for making change for the facility's customers. Customers pay for tennis court rentals, tokens for batting cages, and concessions. The cash on site is counted when custody is transferred from one cashier to the next and is reconciled regularly by the facility's manager. The facility does not use its petty cash to pay for operating expenses.

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

The objective of this review was to ensure that petty cash processes for Emmorton Recreation and Tennis Center 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 the 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.

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The audit focused on activity during the period of April 1, 2014 through April 3, 2014. Our audit procedures included interviewing personnel, observation and testing. Specifically, we reviewed the supporting documentation for each day's transactions, counted the cash on hand and confirmed that funds for deposit were received by the Treasurer's Office. We relied on the cashier system's output reports to determine the expected cash on hand. Audit of the Center's revenue was beyond the scope of this review. Consequently, our review only confirmed cash as of a specific point in time.

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 on hand from revenue was properly accounted for. The petty cash (change) funds on hand agreed to the expected amount. We noted that cash overages and shortages are accumulated throughout the month. This practice is acceptable, but creates an additional data point for the manager to track. We suggested that management consider recording any overages or shortages with the same day's transactions.

We confirmed that the deposited funds for the date reviewed were received by the Treasurer's Office. While on site at the Rec Center, we observed that cash could be better secured. Cashiers place their shift deposits into a lockbox with the change funds. While the lockbox was not kept in plain sight, its size and access to the key made it portable and easy to steal.

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; the response provided is below.

## MANAGEMENT RESPONSE

The Department of Parks and Recreation appreciates the findings and recommendations submitted as a result of the petty cash audit performed at the Emmorton Recreation & Tennis Center (ERTC). Being quite an active facility, primary focus has always been given to the needs of the hundreds of visitors coming in each week for tennis, basketball, and batting recreation. Subsequently, analyzing, developing, and executing a best practice plan to safely and securely handle cash on hand placed second, especially when current practices have withstood years of "status quo." The Department understands that policies and procedures are in place to improve the service we render to our employers – the citizens of Harford County. Therefore, we are grateful for the opportunity to display the efficiency of our staff and welcome future efforts to that end.

Respectfully,  
Ann Woodard  
Budget & Purchasing Manager  
Parks and Recreation

On behalf of:  
Arden C. McClune  
Director, Parks and Recreation

## FINDINGS AND RECOMMENDATIONS

### **Finding Number: 2014-A-07.01 Physical Security of Cash**

#### **Physical security of cash can be improved.**

**Analysis:** We observed that between preparation of deposits, cashiers' shift receipts are kept in a portable lockbox. The lockbox also holds the additional cash kept on site for making change. The key is kept in the same office as the lockbox and is easily accessible. Given the portability of the lockbox, it could be stolen with minimal effort. Further, the starting cash for the next shift is left in the cash registers overnight, instead of being kept in a safe.

Prepared deposits are kept in a more secured safe that is accessible only by the facility manager.

**Recommendation:** We recommend the facility install a drop or depository style safe so that cashiers may securely store their deposits. We further recommend that register cash be stored in the safe at night.

**Management Response:** In an effort to prevent easy access to cash stored in the facility, the department has purchased a Sentry Front Loading Depository Safe [...] which features solid steel construction, an anti-pry door, anti-fish hopper, and an anti-drill lock plate. The unit weighs 95 pounds and includes a bolt-down anchor kit. [...] At the end of each shift, cashier will reconcile, record, and close their shift's financial activity. They will then seal and deposit their shift envelopes into the front drop slot of the new safe which can only be retrieved by management at that point. [...] Management will relocate petty cash money to the existing combination safe. [...] This will ensure that the cash needed for next day's start-up is not vulnerable overnight.

**Expected Completion Date:** 04/16/2014

*[Auditor Note: Management's response has been partially redacted for publication to preserve the integrity of management's system of security.]*

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**Finding Number: 2014-A-07.02 Inclusion in the General Ledger**

**The cash fund kept at the Emmorton Recreation Center is not recorded in the County's General Ledger.**

**Analysis:** We received a list of petty cash funds from Treasury along with Treasury's last review of the petty cash. We noted that the Emmorton Recreation Center was not on the list. We confirmed that the subsidiary account in the County's records (002600-102-260001) had a \$0.00 balance as of 4/1/2014. This amount is immaterial for the County's financial statements, as a whole, but missing this balance would also make it easier to overlook periodic review of the petty cash.

**Recommendation:** We recommend the Treasurer record the \$450 petty cash fund in the general ledger.

**Management Response:** The Treasurer agrees with the finding and has recorded Petty Cash of \$450 for the Emmorton Recreation and Tennis Center in the general ledger.

**Expected Completion Date:** 04/09/2014