



HARFORD COUNTY, MARYLAND

Office of the County Auditor

AUDIT OF PETTY CASH- FLEET MANAGEMENT

Report Highlights

Report Number: 2015-A-09

Date Issued: 08/11/2015

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 FY2015.

What We Found

Employees did not confirm when they received cash reimbursements.

What We Recommend

Ensure complete documentation for each petty cash disbursement

Council Members and County Executive Glassman:

In accordance with Section 213 of the Harford County Charter, we have performed an audit of Department of Procurement – Fleet Management'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 controls could be improved to ensure petty cash transactions are proper. Our review of transactions showed that transactions were missing adequate support. In particular, signatures confirming employee receipt of cash were not documented. Given the issues noted and the small number of transactions in this account, management has advised that this petty cash fund will be closed.

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

Sincerely,

Chrystal Brooks
County Auditor

cc: Mr. Robert Sandlass, Treasurer
Ms. Karen Myers, Director of Procurement
Mr. Warren Patrick, Fleet Manager
Ms. Tiffany Fitzpatrick, Fleet Petty Cash Custodian



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REVIEW RESULTS

We have focused on activity during the period of 7/1/2014 through 7/27/2015 and cash on hand on 7/27/2015. 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 controls could be improved to ensure the disbursements from the petty cash fund are proper. Conclusions drawn are below.

Risk	Expected Control	Conclusion
Cash could be misappropriated.	Cash is secured in a locked safe with limited access.	Satisfactory
Cash could be accessed inappropriately.	Cash is secured in a locked safe with limited access.	Satisfactory
Purchases are not appropriate or approved.	Expenditures are supported with proper documentation including a receipt.	Needs improvement
	Reconciliations are performed monthly to ensure support is proper for each transaction.	Needs improvement

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 advent of the 'P' card has enabled the Fleet Department to need less and less cash. We will be terminating the fund as it makes better business sense going forward. Thank You.

FINDINGS AND RECOMMENDATIONS

Finding Number: 2015-A-09.01 Employee Receipt of Cash from Fleet Management's Petty Cash Fund

Some Fleet petty cash transactions were missing approvals.

Analysis: We inspected documentation for all 10 petty cash transactions during our 13-month audit period. 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. We noted none of the transactions showed employee acknowledgement of receipt of the cash.

Recommendation: We recommend the petty cash custodian only provide reimbursements when a properly completed request form has been provided and the employee acknowledges receipt.

Management Response: The cash that was involved was so small that we did not require a receipt for it on the way out and only required the receipt on the way back in to account for the dollars spent. The handing out of a \$10 bill in anticipation of a car wash for \$8 merely required the \$2 back with the car wash slip equaling \$8.

We are turning back our \$100 total petty cash and will put in for expense reimbursement in the future if need be.

Expected Completion Date: 08/20/2015

Finding Number: 2015-A-09.02 Fleet Management Alignment with County Code

We noted reconciliations were done less than monthly.

Analysis: County Code §41-35 requires reconciliation of petty cash accounts monthly and limits petty cash transactions to \$50. Fleet Management policy for petty cash is to reconcile their funds when approximately half the fund has been spent. Fleet Management has few transactions, but this practice contradicts the County Code.

Recommendation: We recommend the Fleet Management update its policies to reflect the County Code requirements.

Management Response: Reconciliation should have occurred monthly – we agree!
We only spent on average \$9 per month and reconciled when necessary to replenish around \$50 which was incorrect according to Policy.

Expected Completion Date: 08/10/2015

BACKGROUND INFORMATION

PROGRAM DESCRIPTION AND KEY STATISTICS

The department maintains a petty cash fund for reimbursing office expenses paid with cash. Primarily, the funds are used to reimburse employees for tolls and car washes for fleet vehicles. The fund had 10 transactions totaling \$86.76 during fiscal year 2015 and July 2015. The petty cash fund is reconciled by the petty cash custodian when it needs to be replenished – approximately every 6 months. County Code §41-35 requires reconciliation of petty cash accounts monthly.

REVIEW OBJECTIVE, SCOPE AND METHODOLOGY

The objective of this review was to ensure that petty cash processes for the Department of Procurement – Fleet Management 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 Fleet Management'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 7/27/2015. Our audit procedures included interviewing personnel, observation, and testing. Specifically, we counted the cash on hand, observed physical security, and reviewed the supporting documentation for each petty cash fund expenditure and replenishment.

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:

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