



# HARFORD COUNTY, MARYLAND

## Office of the County Auditor

### **AUDIT OF PETTY CASH – HIGHWAYS MAINTENANCE**

**Report Number:** 2016-A-12

**Date Issued:** 06/27/2016

#### **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**

We noted that controls are adequate over the Division of Highways' petty cash fund.

Council Members and County Executive Glassman:

In accordance with Section 213 of the Harford County Charter, we have performed an audit of the Department of Public Works – Bureau of Highway Maintenance's (Highways) petty cash fund. 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 and was appropriately secured. We have no recommendations for improvement at this time.

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. Jeff Stratmeyer, Acting Director of Public Works  
Ms. Peggy Bright, Highways' Petty Cash Custodian



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### REVIEW RESULTS

We have focused on activity during the period of 7/24/2015 through 6/1/2016 and cash on hand on 06/07/2016. 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 controls are adequate to ensure that petty cash is appropriately used, secured and reconciled. Conclusions drawn are below.

<b>Risk</b>	<b>Expected Control</b>	<b>Conclusion</b>
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.	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; however, none was required because there were no conditions requiring remediation.

### BACKGROUND INFORMATION

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

The Department of Public Works – Bureau of Highways Maintenance maintains a petty cash fund for reimbursing employees for meals when working overtime or on-call hours. In fiscal year 2016, the fund was temporarily increased to provide for these increased expenditures due to the blizzard of late January 2016. In April 2016, at the request of the petty cash custodian, the fund was reduced to its pre-blizzard balance. The petty cash fund is reconciled by the petty cash custodian both when it needs to be replenished (approximately monthly) and approximately once per week in order to ensure the fund remains balanced.

Our procedures disclosed Highways' petty cash process begins when an employee supervisor completes a daily request form for all employees under his control as needed and submits the form to the petty cash custodian who advances him the total amount of funds. The supervisor then distributes the funds to each employee as allocated on the form and has them sign to acknowledge receipt. Once the form has been signed by all employees, the supervisor returns it plus documentation of overtime to the petty cash custodian for her records.

**REVIEW OBJECTIVE, SCOPE AND METHODOLOGY**

The objective of this review was to ensure that petty cash processes for Department of Public Works – Division of Highways 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 Highways' 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 7/25/2015 through 6/1/2016. 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:**

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

Brad DeLauder, CPA  
*Senior Auditor*