



# HARFORD COUNTY, MARYLAND

## Office of the County Auditor

### **AUDIT OF PETTY CASH- PARKS AND RECREATION**

#### **Report Highlights**

**Report Number:** 2015-A-06

**Date Issued:** 08/26/2015

#### **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**

We noted that controls are not adequate to ensure the security of the petty cash and ticket sale funds.

#### **What We Recommend**

Management should implement the recommendations to ensure security of the petty cash funds, ticket receipts and ticket inventory.

Council Members and County Executive Glassman:

In accordance with Section 213 of the Harford County Charter, we have performed an audit of Department of Parks and Recreation's Petty Cash and Ticket Sales 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 the safeguarding of the cash and tickets on hand. For example, ticket sales surcharge fees were not properly accounted for. Additionally, our review of transactions showed the majority were missing confirmation that the requesting employee received the cash.

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  
Mr. James Malone, Director of Department of P&R  
Ms. Kim Snee, P&R Petty Cash Custodian  
Ms. Kathleen Hall, P&R Ticket Sales Custodian



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### REVIEW RESULTS

We have audited Harford County’s Department of Parks and Recreation’s petty cash and ticket sale funds for the period of 7/1/2014 through 7/27/2015 and cash on hand as of 7/22/2015 and ticket sale funds on hand on 7/24/2015. The department’s petty cash fund is used to reimburse employees for miscellaneous office expenses. Also, the Department sells amusement park tickets and has created a petty cash fund through the Maryland Recreation and Parks Association (MRPA) program by charging an additional fee for certain amusement park tickets to cover administration costs.

Our opinion, based on the evidence obtained, is controls could be improved to ensure the security of the cash on hand, ticket inventory and ticket revenue. The audit approach focused on testing the key controls that address management’s objectives for the process. Conclusions drawn are below.

<b>Risk</b>	<b>Expected Control</b>	<b>Conclusion</b>
Cash could be misappropriated.	Cash is secured in a locked safe with limited access.	Needs Improvement
Cash could be accessed inappropriately.	Cash is secured in a locked safe with limited access.	Needs Improvement
Purchases are not appropriate or approved.	Expenditures are supported by proper documentation included a receipt.	Needs Improvement
	Reconciliations are performed monthly to ensure support is proper for each transaction.	Satisfactory
Amusement park tickets could be stolen.	Tickets are prenumbered and reviewed for sequential order to ensure inventory is complete.	Satisfactory
	Access to tickets is limited.	Needs Improvement

Areas for improvement are described in the Findings and Recommendations section of this report.

## **FINDINGS AND RECOMMENDATIONS**

### **Finding Number: 2015-A-06.01 Administration of Fees for Amusement Park Tickets**

**Surcharge fees are not tracked routinely to ensure proper use and financial reporting.**

**Analysis:** Harford County is a member of the Maryland Recreation and Parks Association (MRPA). The association allows Harford County Department of Parks and Recreation to sell amusement park tickets at a discounted price. The ticket custodian is responsible for the tickets on hand and ensuring the revenue is deposited. Funds are deposited directly into the MRPA bank account. MRPA grants Harford County 20% of the profits for selling the tickets each year. Harford County total ticket sales from 2011 through 2015 (through July) totaled approximately \$560,500.

Harford County charges an administrative fee of \$0.25 for selected tickets to pay for program expenses. This money from administrative fees should be tracked like a petty cash fund, but is not currently included in the Department of Treasury's records. The fund amount is immaterial to the County's financial statements, but missing this balance makes it easier to overlook periodic review of the petty cash. Given the size of the administrative fee fund and prior years' recorded expenditures, it is likely that the fee itself costs more to administer than it generates; management may want to consider absorbing administrative costs by paying for them with the program's grant revenue.

Based on prior years' ticket sales and recorded expenditures, the surcharge cash balance should be \$874.62, but is actually \$277.49. The cash balance is \$597.13 short.

We found the administrative fee is routinely collected, but not properly recorded and tracked in the County's financial system. Additionally, the expenditures from this account are recorded in an excel file and receipts maintained; however, approval of expenses and cash count is not performed by someone independent of the custodial function. The revenue from the surcharge from 2014 and 2015 (through July) seasons were \$623.50 and \$238.50, respectively. Total expenditures for the same periods were \$597.80 and \$31.04. The department was able to provide receipts for all recorded expenses except for one, totaling \$500, which was used for a retirement party in December 2014. The County's purchase card policy specifically restricts purchases "for Holiday or celebratory food" and states "these expenses must be paid by the employee(s)". Additionally, the County Code limits petty cash transaction to \$50 or less.

**Recommendation:** We recommend management eliminate the ticket surcharge and create a modest petty cash (change) fund for amusement park ticket sales.

**Management Response:** Management understands the concerns raised about the ticket surcharge. The current ticket prices advertised to the public include the surcharge fee, therefore, Management will honor those prices thru the end of this season (November, 2015). In the meantime, Management is meeting to determine the feasibility of continuing the Discounted Ticket Program. If Management decides to continue the program next year, the ticket surcharge fee will be eliminated and a separate petty cash fund will be established for ticket sales.

**Expected Completion Date:** 11/01/2015

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**Finding Number: 2015-A-06.02 Physical Security of Cash**

**Parks and Recreation Petty Cash is not properly restricted to those who require access.**

**Analysis:** We observed that the petty cash fund is held in a folder within a safe in a Parks and Recreation second floor office. Also, some of the ticket sales revenue is kept in an unlocked bag in the same safe. Even though the safe is locked at all times, the folder with the petty cash and support is not secured separately in the safe and the safe is accessible by six individuals (four of whom should not have access to the petty cash fund or the ticket sales revenue).

We observed the amusement park ticket inventory and remaining ticket sales revenue are kept in a locked drawer in the ticket sales custodian's desk. Eight individuals know where to find the key to access the tickets and cash. These individuals act as backups, but we were informed not all these employees were trained on selling the tickets. With revenue totaling over \$1,000 per week, it is important to restrict the access as much as possible. Amusement park tickets can be easily resold and should be treated like cash. If tickets or cash were missing, the current arrangement would not allow management to determine the responsible party. Consequently, the petty cash custodian and ticket sales custodian would be held responsible personally.

**Recommendation:** We recommend the Department of Parks and Recreation consider a lockbox for storage of the petty and ticket sales funds. Additionally, access to the tickets and related revenue should be restricted to the custodian and a trained backup.

**Management Response:** Management has ordered locking money bags to store petty cash and ticket sales money separately inside the safe and will contact a locksmith to have the combination on the safe changed. The new combination will be given to a maximum of 4 employees at the Main Office and will be changed as needed (assignments/duties change, staff turnover, etc).

**Expected Completion Date:** 09/18/2015

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**Finding Number: 2015-A-06.03 Missing Petty Cash Approvals**

**Some Parks and Recreation transactions were missing approvals.**

**Analysis:** We inspected 3 petty cash replenishments to review supporting documentation for each transaction within the replenishment. 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.

Within each of the replenishments we sampled, we identified missing documentation. Specifically, we noted 10 of the 11 total transactions tested lacked 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.

**Management Response:** Management has developed a Petty Cash Request & Receipt Form and has implemented a new procedure requiring the request be approved and receipt of cash acknowledged by a signature.

**Expected Completion Date:** 08/01/2015

## **BACKGROUND INFORMATION**

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

The Department of Parks and Recreation maintains a petty cash fund for reimbursing office expenses paid with cash. Primarily, the funds are used to reimburse employees for tolls and postage. The fund had 11 transactions totaling \$143.71 during the 13-month audit period. Currently, the petty cash fund is reconciled by the petty cash custodian monthly. Prior to June 2015, it was done only when needed. The County Code (§41-35) requires reconciliation of petty cash accounts monthly.

Harford County is a member of MPRA and sells amusement park tickets at discount prices. Ticket inventory is held by the Department of Parks and Recreation and revenue is collected and deposited into MPRA's bank account on a weekly basis. In order to cover administration fees for this program, Harford County charges an additional \$0.25 for selected ticket types and this revenue is retained by the Department as a petty cash fund. This surcharge money is used to pay for miscellaneous ticket sales program expenses, such as postage for mailing back un-sold tickets by certified mail and to cover any mistakes that occur during the sale.

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

The objective of this review was to ensure that petty cash processes for the Department of Parks and Recreation 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 and surcharge funds. 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 and cash on hand as of 7/22/2014 and 7/24/2014. 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 and surcharge fund expenditure and replenishment. We relied on the ticket sale custodian's reports to determine the expected cash on hand. Audit of the ticket sales revenue was beyond the scope of this review. Consequently, our review only confirmed cash as of a specific point in time.

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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