



HARFORD COUNTY, MARYLAND

Office of the County Auditor

AUDITS OF PETTY CASH – OFFICE ON AGING AND HAVRE DE GRACE SENIOR CENTER

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 FY2015.

What We Found

Reconciliations are not performed frequently.

Transactions were missing confirmations.

What We Recommend

Proper signatures for all transactions and monthly reconciliations.

Report Number: 2015-A-07

Date Issued: 08/11/2015

Council Members and County Executive Glassman:

In accordance with Section 213 of the Harford County Charter, we have performed an audit of Office on Aging and Havre de Grace (HdG) Senior Center's Petty Cash Funds. The results of those audits, our findings and recommendations for improvement are detailed in the attached report.

We found cash on hand agreed to the expected amount and was appropriately secured. However, controls could be improved to ensure expenditures from the petty cash fund are proper. Our review showed that all HdG transactions were missing signatures confirming employee receipt of cash.

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,

Chrystal Brooks, CPA

Chrystal Brooks
County Auditor

cc: Mr. Robert Sandlass, Treasurer
Ms. Amber Shrodes, Director of Community Services
Ms. Susan Welsh, OOA Petty Cash Custodian
Ms. Laretta Schatz, HDG Senior Center Petty Cash Custodian



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REVIEW RESULTS

We have audited Office on Aging (OOA) and Havre de Grace Senior Center's (HdGSC) petty cash funds for the period of 7/1/2014 through 7/24/2015. Both petty cash funds are used to reimburse employees for miscellaneous office expenses.

Our opinion, based on the evidence obtained, is that controls are adequate over Office on Aging's petty cash fund and related transactions. However, controls for the Senior Center could be improved to ensure the disbursements from the petty cash fund are proper. The audit approach focused on testing the key controls that address management's objectives for the process. 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.	OOA - Satisfactory HdGSC - Needs Improvement
	Reconciliations are performed monthly to ensure support is proper for each transaction.	OOA - Needs Improvement HdGSC - Satisfactory

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

FINDINGS AND RECOMMENDATIONS

Finding Number: 2015-A-07.01 Employees' Receipt of Cash from Havre de Grace Senior Center's Petty Cash Fund

Havre de Grace Senior Center's transactions were missing documentation of employee's receipt of funds.

Analysis: We reviewed Havre de Grace Senior Center's petty cash transactions, totaling \$398.84. We expected that each transaction 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 funds. Each of the 24 transactions reviewed lacked the employee's acknowledgement of receipt of cash. As a result we were not able to verify the employee actually received the cash.

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

Management Response: The original petty cash receipts had been sent to the Office on Aging from the Havre de Grace center without copies being made and kept at the center. Making a copy of any receipt submitted for reimbursement is part of our written Petty Cash Fund Procedure. There was a change in staffing at the Havre de Grace center in May 2015. The new Center Manager is familiar with and is following the correct procedure.

Our procedure also includes an "Expense Receipt Form" which has a place for the Center Manager to approve the expense, and a place for the recipient to acknowledge receipt of petty cash. These steps are being reviewed with all center staff to ensure compliance and the Senior Center Division Manager will check for approvals and acknowledgements of receipt in future internal audits.

Expected Completion Date: 08/10/15

Finding Number: 2015-A-07.02 Office on Aging Alignment with County Code

Office on Aging petty cash was reconciled less than monthly.

Analysis: The County Code §41- 35 requires reconciliation of petty cash accounts monthly. The Office on Aging policy for petty cash is to reconcile their funds when approximately half the fund has been spent. They have very few transactions, but this practice contradicts the County Code.

We also noted this issue in prior audits of other senior centers' Petty Cash Funds. At that time, the Office on Aging created a new procedure for the senior centers, but the policy has not been followed by the Office on Aging, itself.

Recommendation: We again recommend Office on Aging update, and follow, its policies to reflect the County Code requirements.

Management Response: The requirement for the petty cash custodian to physically retrieve and deliver petty cash from seven Office on Aging locations in the County (main office and six senior centers) presents a workload challenge. At one point in time prior to this audit, the requirement was discussed with auditing staff and we were under the impression that our practice of auditing at the point when half of our funds were expended was acceptable. We now understand that the County policy conflicts and will amend our practice accordingly.

Expected Completion Date: 08/10/15

BACKGROUND INFORMATION

PROGRAM DESCRIPTION AND KEY STATISTICS

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 monthly. Due to the small volume of transactions, replenishment is only needed every few months, in most cases.

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. Both Office on Aging and Havre de Grace Senior Center maintain petty cash funds for reimbursing office expenses paid with cash. Office on Aging primarily uses their fund to reimburse employees for tolls and postage. The department had 39 transactions totaling \$389.52 during FY2015 and July 2015.

In addition to miscellaneous office expenses, the Senior Center petty cash fund is primarily used to purchase program supplies and pay the fees for program speakers and entertainers. The Senior Center had 24 transactions totaling \$398.84 during FY2015 and July 2015. Both petty cash funds are reconciled by the petty cash custodian whenever the funds need to be replenished, approximately every month.

REVIEW OBJECTIVE, SCOPE AND METHODOLOGY

The objective of this review was to ensure that petty cash processes for the Office on Aging and Havre de Grace Senior Center 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 offices' petty cash 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 7/24/2015. Our audit procedures included interviewing personnel, observation, and testing. Specifically, we counted the cash on site, observed physical security, and reviewed the supporting documentation for each petty cash expenditure and replenishment.

We tested petty cash for Havre de Grace Senior Center and Office on Aging. We selected these funds because they were not reviewed during the prior year's audit of the petty cash fund and they were the next largest funds.

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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