

MARYLAND-NATIONAL CAPITAL PARK & PLANNING COMMISSION

**Montgomery County Department of Parks
Brookside Gardens**

**Petty Cash Audit
Report Number: MC-008-2015**

February 26, 2015

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Petty Cash Audit**

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I. EXECUTIVE SUMMARY

A. Background

Brookside Gardens is Montgomery County's 50 acre public display garden situated within Wheaton Regional Park. Brookside Gardens is managed within Montgomery County Department of Parks Operations under the Horticulture, Forestry and Environmental Education Division.

On January 22, 2015 the petty cash custodian of Brookside Gardens contacted the Office of Internal Audit (OIA) to report an overage in the [REDACTED] authorized petty cash fund. As a result, on January 23, 2015, the OIA conducted an audit of the petty cash fund. The audit verified [REDACTED] in cash on hand and [REDACTED] in vendor receipts for a total of [REDACTED] which calculates to an overage of [REDACTED]. Although our review could not determine the specific cause of the overage, our report does offer recommendations to strengthen internal controls for administering the petty cash fund at Brookside Gardens.

B. Scope, Objectives, and Methodology of the Audit

Objective: Review controls over the petty cash fund at Brookside Gardens to ensure compliance with Commission Practices and Procedures.

Scope: The scope of our audit included, but was not limited to, the following audit procedures:

- conducting an unannounced cash count of the petty cash fund;
- reviewing “Received of Petty Cash” forms;
- reviewing cash transactions and vendor receipts;
- reconciling the petty cash fund; and
- interviewing the petty cash custodian and approver.

The audit period covered the period from October 1, 2013 – January 23, 2015.

C. Overall Conclusions

This audit was conducted in accordance with *Generally Accepted Government Auditing Standards*. The results of our evaluation and testing procedures indicate deficiencies in the design or operation of the internal controls over the petty cash fund, see definition below.

We believe all weaknesses identified and communicated are correctable and that management's responses to all recommendations satisfactorily address the concerns. It is the responsibility of management to weigh possible additional costs of implementing our recommendations in terms of benefits to be derived and the relative risks involved.

We wish to express our appreciation to the Horticulture, Forestry and Environmental Education Division management and staff for their cooperation and courtesies extended during the course of our review. In addition, we would like to thank the petty cash custodian for contacting the Office of Internal Audit and working with us to identify recommendations for improvement.



Renee M. Kenney, CPA, CIA, CISA
Chief Internal Auditor

February 26, 2015

Conclusion Definitions

Satisfactory	No major weaknesses were identified in the design or operation of internal control procedures.
Deficiency	A deficiency in the design or operation of an internal control procedure(s) that could adversely affect an operating unit's ability to safeguard assets, comply with laws and regulations, and ensure transactions are properly executed and recorded on a timely basis.
Significant Deficiency	A deficiency in the design or operation of an internal control procedure(s) which adversely affects an operating unit's ability to safeguard assets, comply with laws and regulations, and ensure transactions are properly executed and reported. This deficiency is less severe than a material weakness, yet important enough to merit attention by management.
Material Weakness	A deficiency in the design or operation of an internal control procedure(s) which may result in a material misstatement of the Commission's financial statements or material impact to the Commission.

II. DETAILED COMMENTARY AND RECOMMENDATIONS

1. Replenish Petty Cash Funds More Frequently

Issue: The petty cash fund at Brookside Gardens is not being replenished in a timely manner. The table below shows the dates and amounts of the current and previous check requests submitted to replenish the petty cash fund.

Date of Check Request	Amount of Check Request	Percentage of Authorized Fund Depleted
Currently	██████████	99 %
6/26/14	██████████	86 %
4/1/14	██████████	96 %
12/19/13	██████████	94 %
10/1/13	██████████	86 %

Risk/Criteria: Commission Practice 3-11, *Administration of Cash Funds*, states “Petty Cash Funds should be replenished at appropriate intervals for efficient administration”.

Recommendation: Management should ensure petty cash funds are replenished at regular intervals. The OIA recommends replenishing when funds on hand are approximately 50% of the total authorized fund.

Risk: Medium

Management Response: The petty cash custodian will be instructed to replenish petty cash funds when funds on hand are approximately 50% of the total authorized fund.

Expected Completion Date: Completed

Follow-Up Date: April 2015

2. Increase Security of Petty Cash Funds

Issue: Petty cash is not adequately secured. [REDACTED]
[REDACTED]

Risk/Criteria: Failure to adequately secure petty cash increases the risk of theft.

Recommendation: We recommend the petty cash custodian maintain custody of the key [REDACTED].

Risk: Medium

Management Response: The key [REDACTED]
[REDACTED] will be secured.

Expected Completion Date: Completed

Follow-Up Date: April 2015

3. Obtain State Sales Tax Exemption

Issue: Sales tax is not consistently exempted from petty cash purchases. The OIA reviewed 44 petty cash reimbursements between June 13, 2014 and January 9, 2015; eight or 18% of the transactions included sales tax without an explanation of why an exemption could not be obtained.

Vendor	Date of Receipt	Amt. of Tax Paid
Shoppers	6/25/14	\$.36
Shoppers	7/8/14	.72
Westminister Equip.	8/27/14	.56
Target	9/8/14	.92
Costco	9/11/14	.42
Hardware City	10/28/14	2.33
Hardware City	11/19/14	.78
Staples	12/8/14	.24
Total Taxes Paid		\$6.33

Risk/Criteria: Maryland-National Capital Park and Planning (Commission) has a Maryland State Sales Tax Exemption Certificate. Failure to obtain the required exemption constitutes a waste of Commission funds.

Recommendation: Users of petty cash funds should not be reimbursed sales tax if the Received of Petty Cash form does not include a written explanation documenting the vendor's inability or unwillingness to accept the Commission's sales tax exemption certificate. We recommend management increase training and awareness to help ensure all users of petty cash are aware of the Commissions tax exempt status.

Risk: Low

Management Response: Sales tax was reimbursed to staff based on written recommendation by the OIA on September 7, 2011 which stated: "*If any purchases are made on behalf of the Commission, meaning Commission related purchases, the employee should be reimbursed.*" However, we will implement the recommendation advised in this audit and in the future, the petty cash custodian will require staff to provide written documentation of a vendor's inability or unwillingness to accept the Commission's sales tax exemption certificate or the staff member will not be reimbursed for sales tax.

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The petty cash custodian already counsels staff on petty cash policies and procedures and provides them with the Commission's tax exempt certificate for petty cash purchases. Procedures will be reviewed at the next staff meeting.

Expected Completion Date: March 2015

Follow-Up Date: April 2015