

**MARYLAND-NATIONAL CAPITAL PARK & PLANNING COMMISSION**

**Internal Control Review**

**Montgomery County Department of Parks**

**Purchase Card and Petty Cash Administration**

**Report Number: MC-011-2015-B**

**May 13, 2015**

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Audit Report

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**A. Background**

On April 27, 2015, the ██████████ requested a review of the petty cash and purchase card activities at the ██████████. The ██████████ has a ██████████ petty cash fund. In the last six months, the ██████████ processed 84 purchase card transactions totaling approximately ██████████. The purpose of the request was primarily due to recent and anticipated staff changes at the ██████████

The Division Chief position was vacant for approximately 7 months before the current Chief was appointed in January 2015. During that time, petty cash and purchase card approval functions were carried out by the existing ██████████ management team. In addition, ██████████, who serves as the ██████████ petty cash custodian and purchase card holder, ██████████

The OIA conducted an unannounced field visit to the ██████████ on April 30, 2015, but due to unexpected employee absences, we had to reschedule for the following day. Subsequently, the OIA completed an announced reconciliation of ██████████ petty cash fund on May 1, 2015. The petty cash fund contained ██████████ in cash and ██████████ in receipts for a total of ██████████ (.20 cents over). In addition to completing a reconciliation of the petty cash fund, the OIA reviewed the documentation supporting the ██████████ in petty cash reimbursements.

During the May 1, 2015 visit, the OIA also reviewed the documentation supporting all purchase card transactions processed in March and April, 2015 (33 transactions totaling ██████████).

## **B. Scope of the Audit**

The purpose of the review was to determine if the administration of ██████ petty cash and purchase card programs were in compliance with Commission Practice No. 3-11 – *Administration of Cash Funds* and Commission Practice No. 4-10, *Purchasing Policy*.

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

- Interviewing ██████ personnel to gain a better understanding of ██████ internal procedures for the administration of the petty cash and purchase card programs.
- Reconciliation of the existing petty cash fund.
- Reviewing Signature Authorization forms.
- Reviewing documentation supporting the ██████ petty cash reimbursements and purchase card purchases.

The period covered in this review was March 1, 2015 – May 8, 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 internal controls over the administration of the purchase card and petty cash programs at the [REDACTED]

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 [REDACTED] management and staff for the cooperation and courtesies extended during the course of our review.



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

May 13, 2015

#### Conclusion Definitions

<b>Satisfactory</b>	No major weaknesses were identified in the design or operation of internal control procedures.
<b>Deficiency</b>	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.
<b>Significant Deficiency</b>	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.
<b>Material Weakness</b>	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.

## D. Detailed Commentary and Recommendations

### 1. Strengthen Controls over the Administration of Petty Cash

**Issue:** During our review, we identified several opportunities to strengthen internal controls over the administration of petty cash.

- [REDACTED] management should complete periodic unannounced reconciliations of the petty cash fund. At a minimum, we recommend a complete reconciliation every time a petty cash reimbursement request is processed.
- Ensure petty cash funds are secure. Although all of the petty cash funds were accounted for, it appears the funds were not consistently stored in the metal petty cash box, locked in the petty cash safe on premise.  
[REDACTED]  
[REDACTED]
- Petty cash advance forms are not being cancelled as required in Commission Practice No. 3 -11, *Administration of Cash Funds*. Per the Practice, cancelled Petty Cash Advance forms should be “attached” to appropriate Received of Petty Cash forms.
- A [REDACTED] employee was allowed to co-mingle funds. The employee submitted a petty cash receipt that included [REDACTED] of personal purchases. Although the personal purchases were not reimbursed, the personal purchases were exempt from sales tax. Per Commission Practice No. 3-11, the petty cash custodian must ensure that receipts for the expenditure(s) are appropriate. The reimbursement request, with store receipts identifying personal purchases, was approved by 4 individuals.

**Risk/Criteria:** Although the financial exposure of a petty cash fund is small, unauthorized use of the funds may result in significant reputational damage to the Commission.

**Audit Risk:** Medium

**Recommendation:** We recommend [REDACTED] management take the necessary actions to address the deficiencies identified above.

**Management Response:** [REDACTED] management agrees and supports the recommendation. Once the [REDACTED] hires a [REDACTED] [REDACTED] random inspections and reconciliations will be regularly conducted

without warning. All of Practice No. 3-11's mandates will be followed, including the attaching of *Petty Cash Advance* form to the appropriate *Received of Petty Cash* form.

On May 6, 2015, ██████ management told the ██████ Section Leaders to notify their staff that personal purchases cannot be made during the same transaction involving Commission purchases to prevent future "accidental" co-mingling. The employee will repay the Commission the tax he did not pay by May 15, 2015.

**Expected Completion Date:** Dependent on recruitment effort.

**Follow-Up Date:** August 2015



**Recommendation:** Although not specifically required in Administrative Practice No. 4-10, the OIA recommends that the cardholder receive approval for purchase card purchases prior to placing the order. This will help ensure that all purchases support the business needs of the ██████. In addition, the approving official should ensure that the supporting documentation includes a documented business purpose. A documented business purposes mitigates the risk of personal purchases.

Finally, the OIA also recommends that the purchase card holder complete the Purchase Card Transaction Log as the transactions occur.

**Management Response:** ██████ management agrees and supports the recommendation. On May 6, 2015, the ██████ Section Leaders were told that they must use the *Purchase Card Request* form before the ██████ ██████ ██████ ██████ can make the purchases, supporting the spirit of Practice No. 4-10. Proper use of this form will make it necessary for the employee to provide a business need for the items purchased. A Purchase Order Log will be kept up-to-date at all times. ██████ ██████

**Expected Completion Date:** Dependent on recruitment effort.

**Follow-Up Date:** August 2015