

MARYLAND-NATIONAL CAPITAL PARK & PLANNING COMMISSION

Prince George's County Department of Parks and Recreation

Petty Cash Audit

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Prince George’s County Department of Parks and Recreation

Petty Cash Audit

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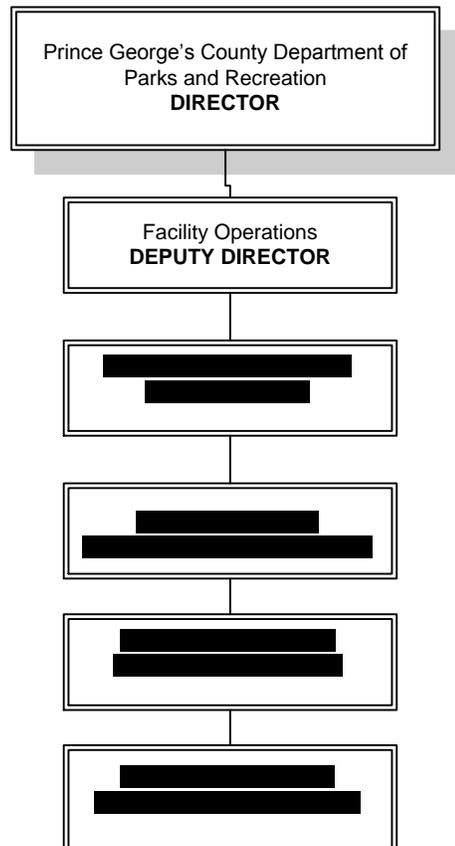
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I. EXECUTIVE SUMMARY

A. Background

The ██████████ ██████████ ██████████ ██████████ ██████████ ██████████ (Park) is located ██████████ ██████████. The Park has an outdoor pool open during the summer months along with a basketball court, and 6 renovated tennis courts. The complex also maintains an indoor pool and spa, a new fitness room, multi-purpose room, lounge/game room and locker rooms. The Park offers swimming lessons, land and water fitness classes, certification courses, tennis programs, dance classes, camps and a variety of other sports, health and wellness programs.

The Park is managed within Prince George's County Department of Parks and Recreation Facility Operations. A Facility Director is responsible for the day to day management of the complex. The Facility Director is also the custodian of a ██████████ petty cash fund. The Facility Director reports to the ██████████ ██████████, who is the petty cash approver.



B. Scope, Objectives, and Methodology of the Audit

Objective: Review controls over the petty cash fund at the ██████████
██████████ 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 receipts;
- reconciling the petty cash fund; and
- interviewing the petty cash custodian and approver.

The audit period covered the period from July 5, 2013 – August 29, 2014.

C. Major Audit Concerns

The results of our evaluation and testing procedures indicated the following major audit concern:

- Received of Petty Cash Forms do not contain the signatures required by Commission Practice No. 3-11, *Administration of Cash Funds*.

Additional information can be found in the Detailed Commentary and Recommendation section of the report.

II. DETAILED COMMENTARY AND RECOMMENDATIONS

1. Ensure Received of Petty Cash Forms have Proper Signatures

Issue: Received of Petty Cash forms do not contain the signatures required by Commission Practice No. 3-11, *Administration of Cash Funds*. The Office of Internal Audit (OIA) reviewed 100% (or 36 forms) of the Received of Petty Cash forms issued since the designation of this petty cash custodian in September 2013. Our review disclosed the following:

- 10 forms did not have a proper approver signature (3 had no signature and 7 had the petty cash custodian's signature as the approver).
- 11 forms did not have a signature of the receiver of the funds.
- 1 form did not have a signature of the requestor of the funds.

The 22 exceptions were on 16 of the 36 forms.

Risk/Criteria: Commission Practice 3-11 states "duties of a petty cash custodian include verifying that a Received of Petty Cash form is signed in ink by the employee requesting the reimbursement and signed/approved by a proper designee. Petty cash custodians are not authorized to approve Received of Petty Cash forms. Custodians must obtain the signature of the recipient of the petty cash reimbursement in ink."

Obtaining a secondary signature of an approver on a Received of Petty cash form provides the required segregation of duties and oversight to help ensure petty cash funds are used appropriately.

Recommendation: The petty cash custodian should obtain fully completed and signed Received of Petty Cash forms prior to reimbursing petty cash funds, as required by Commission Practice 3-11. If the approver is not on site and cannot sign the Received of Petty Cash form, the petty cash custodian can accept an email approval from the approver.

In addition, we recommend Park management strengthen oversight and monitoring of the petty cash function to ensure compliance with Commission Practice 3-11.

Risk: High

Management Response: Concur. The petty cash custodian will obtain the required approvals and complete the required petty cash form/voucher with signatures prior to distributing cash for purchases. Additional training for the petty cash custodian and increased management oversight of the petty cash fund and required forms will be completed by the approver.


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Expected Completion Date: Completed

Follow Up Date: 12/1/14

2. Maintain Received of Petty Cash Forms and Receipts

Issue: On August 29, 2014 the OIA conducted the petty cash count at the facility and determined the fund was short ██████████. At that time the petty cash custodian could not provide a Received of Petty Cash form or receipt for ██████████ in petty cash disbursements. On September 25, 2014 the OIA received an email from the ██████████ stating that the petty cash custodian had found a Received of Petty Cash form and receipt in the amount of ██████████ dated October 15, 2013 (11 months old). As a result the fund is 13 cents short.

Risk/Criteria: Commission Practice 3-11 states “duties of a petty cash custodian include retaining executed Received of Petty Cash forms and receipts.” The Practice also states that if a receipt is lost, the employee should affix a note to the Received of Petty Cash form stating the receipt was lost and include the following:

- name and address of vendor;
- Date of purchase;
- description of items purchased; and
- cost of item.

Petty cash custodians who fail to carry out their duties to obtain the required documentation for lost receipts increase the Commission’s risk of fraud, waste, and abuse of these funds.

Recommendation: We recommend Park management and the petty cash custodian strengthen internal procedures to ensure Received of Petty Cash forms are completed and retained per Practice requirements. If a petty cash receipt is lost, the receiver should provide the required information (detailed above) to the petty cash custodian prior to reimbursement.

Risk: Medium

Management Response: Concur. The petty cash custodian will retain and file all petty cash forms and receipts with the remaining funds per policy. In the event of a missing receipt the appropriate documentation will be obtained and included with the fund prior to reimbursement.

Expected Completion Date: Completed

Follow Up Date: 12/1/14

3. Reconcile Petty Cash Fund at Time of Designation

Issue: An accurate reconciliation of the petty cash fund was not completed on September 17, 2013 when the new petty cash custodian was designated. A Petty Cash & Change Fund Custodian Transfer form (Transfer form) was completed when the new custodian was named, however the Transfer form included a ██████ mathematical error. The Transfer form included ██████6 of cash, ██████ of receipts and totaled to ██████; however, the actual total is ██████

In addition, our review of the actual receipts supporting the ██████ identified on the Transfer form disclosed an additional error. The actual receipts only totaled ██████ Both errors resulted in a ██████ overall shortage of petty cash funds.

	Transfer Form	Actual
Cash	██████	██████
Receipts	██████	██████
Total on Form	██████	
Correct Total	██████	██████
Shortage		██████

The Transfer form was signed by the Incoming petty cash custodian and the Outgoing petty cash custodian on September 17, 2014. Approximately 9 months later, the Assistant Division Chief and the Division Chief signed the Transfer form. It does not appear that anyone signing the form verified the mathematical calculations or totaled the attached receipts. Due to the pervasive breakdown of internal controls over petty cash, the OIA cannot determine if the shortage is due to a theft of cash or due to administrative error. The OIA also cannot determine the exact time of the shortage or who was responsible for the shortage.

In addition, an Accountant within Cash Management signed the Transfer form once it was received from Park management in June 2014. The Accountant did not notice the errors.

Criteria/Risk: Commission Practice 3-11 states “When a permanent change in a designated custodian occurs, the new custodian and a supervisory employee should reconcile the fund.” During the reconciliation process, a supervisory employee should verify the mathematical accuracy of the numbers as well as the validity of any receipts on hand. Petty cash custodians have an obligation to accurately reconcile the petty cash fund at the time of their designation and

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consequently assume full responsibility for the cash and receipt amounts they sign for on the form.

Recommendation: We recommend Park management ensure a Transfer form is completed and verified whenever a new petty cash custodian is designated. In addition, we recommend Park management ensure supervisory employees are verifying the mathematical accuracy of the numbers and validity of receipts on Transfer Form prior to approving and signing them. This should be done at the time of transfer.

Risk: Medium

Management Response: Concur. Prior to completing change fund custodian transfer forms, management will ensure the accuracy of listed mathematical information and also verify the fund and receipts prior to transfer.

Expected Completion Date: Completed

Follow Up Date: 12/1/14

4. Ensure Petty Cash Custodians receive Petty Cash Training

Issue: The incoming petty cash custodian did not receive any petty cash training when designated custodian. The petty cash custodian told the OIA that she/he was unfamiliar with a number of duties petty cash custodians are required to perform.

Risk/Criteria: Failure to obtain the necessary training may increase the number of errors and discrepancies with the petty cash fund.

Recommendation: We recommend Park management ensure all petty cash custodians and approvers receive training prior to being designated. The OIA conducted a live petty cash Webinar designed for petty cash custodians and approvers. The training is available for viewing on InSite.

Risk: Medium

Management Response: Concur. Petty cash custodians will be required to attend training, when available or required to complete the online petty cash training via InSite. The petty cash custodian for ██████████ completed the online training on 9/24/14.

Expected Completion Date: Completed

Follow Up Date: 12/1/14

5. Replenish Petty Cash Fund

Issue: The petty cash custodian did not replenish the petty cash fund since becoming the custodian on September 17, 2013. At the time of our review, the petty cash fund only contained ██████████ (or 6% of ██████████).

Risk/Criteria: Commission Practice 3-11 states “duties of a petty cash custodian include replenishing the petty cash fund at appropriate intervals for efficient administration”. Petty cash custodians who fail to carry out their duties to replenish petty cash funds at regular intervals risk not having sufficient petty cash on hand when it is required for efficient operation of Commission functions.

Recommendation: We recommend Park management ensure petty cash custodians replenish petty cash funds at regular intervals. The OIA recommends replenishing when funds on hand are approximately 50% of the total.

Risk: Low

Management Response: Concur. Management will ensure the petty cash fund is regularly replenished or at the time fund is approximately 50% spent.

Expected Completion Date: Completed

Follow Up Date: 12/1/14