

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

**Montgomery County Department of Parks  
Park Planning & Stewardship Division  
Audit of Purchase Card & Petty Cash**

**Report Number: MC-006-2016  
June 16, 2016**

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**Park Planning & Stewardship Division  
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**I. EXECUTIVE SUMMARY**

**A. Background**

The Park Planning & Stewardship Division (PPS Division) works to support the vision, mission and values of the Department of Parks to achieve the right balance of recreation and stewardship through a comprehensive park and trail planning program that is closely aligned with management and protection of our county's best natural and cultural resources on parkland. A Division Chief has overall responsibility and reports directly to the Deputy Director of Administration. The PPS Division includes the following sections:

- Cultural Resources Stewardship;
- Legacy Open Space;
- Natural Resources Stewardship;
- Natural Surface Trail Planning & Implementation;
- Park Planning and Trails; and
- Resource Analysis.

The PPS Division has its own purchase card with a \$10,000 monthly limit and petty cash fund in the amount of [REDACTED].

On December 13, 2013, the Office of Internal Audit (OIA) completed a fraud, waste and abuse review for the PPS Division due to alleged mishandling of the PPS Division's petty cash. [REDACTED]

[REDACTED]

On April 4, 2016, the Commission's Purchase Card Administrator sent an email to Park Planning and Stewardship management informing them that the PPS Division's purchase card was being suspended because the purchase card holder and purchase card approver did not review, approve, or close any transactions since January 5, 2016.

The suspension of the PPS Division's purchase card coupled with the November 2013 audit prompted the Office of Internal Audit's current review of the PPS Division's purchase card and petty cash programs.

**B. Scope, Objective, and Methodology of the Audit**

**Objective:** The purpose of the audit was to conduct a review of petty cash disbursements and purchase card transactions and perform an evaluation of the system of internal controls for each.

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

- Reviewed applicable Commission Practices, Policies and Administrative Procedures;
- Reviewed pertinent Treasury Operation files;
- Performed surprise petty cash count and cash reconciliation;
- Reviewed purchase card transactions, receipts and transaction logs;
- Interviewed petty cash custodian, purchase card holder and purchase card approver;
- Obtained bank statements from the Commission's Purchase Card Administrator; and
- Performed a reconciliation of purchase card transactions to the banks statements.

The audit was conducted in accordance with the *U.S. Generally Accepted Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate 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.

The audit covered the period from 10/01/15 through 03/31/16.

**C. Major Audit Concerns**

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

- Strengthen oversight of purchase card program. The purchase card holder and approver failed to follow Commission Practices and Administrative Procedures.
- Strengthen oversight of petty cash program. Cash advances are not being properly disbursed.
- Ensure purchase card fraudulent activity is identified and reported in a timely manner.

Additional details can be found in the Detailed Commentary and Recommendations section.

**D. Overall Conclusions**

The results of our evaluation and testing procedures indicate significant deficiencies in the design or operation of internal control procedures over the petty cash and purchase card programs at the Montgomery County Department of Parks, Park Planning and Stewardship Division, as noted in the Major Audit Concerns section of the report. See the 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 Montgomery County Department of Parks, Park Planning and Stewardship Division management and staff for their cooperation and courtesies extended during the course of our review.



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Senior Auditor



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

June 16, 2016

**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.

## II. DETAILED COMMENTARY AND RECOMMENDATIONS

### 1. Strengthen Oversight of Purchase Card Program

**Issue:** The OIA completed a review of all purchase card transactions posted between October 1, 2015 and March 31, 2016 (6 months). The sample included 94 transactions in the amount of \$26,934.08.

The OIA's review of the purchase card transactions identified the following discrepancies:

- Card holder is not using the Commission's official transaction log for entering purchase card transactions. The cardholder developed their own transaction log, but their log does not include a reconciliation column or include monthly totals.
- Card holder is not completing their transaction log on a timely basis. The card holder updated three months of transactions once the audit was initiated.
- Card holder failed to enter several transactions into their transaction log.
- Card holder did not provide card approver with bank statements.
- Card approver is not ensuring transaction logs reconcile to monthly bank statements during the approval process.
- Card holder and card approver are not accessing the Supply Chain Management Module (SMS) in a timely manner to electronically review/close transactions.

**Criteria/Risk:** The Commission's Purchase Card Program Policy and Procedure Manual (Manual) includes a copy of the official transaction log to be used by the card holder and approver. The Manual requires the card holder and approver to ensure the transaction log is complete, accurate, totaled, and reconciled to the monthly bank statement.

As of April 14, 2014 the Commission implemented the SMS module as part of the Enterprise Resource Planning (ERP) System provided by Infor/Lawson. This module requires purchase cardholders and approvers to access the SMS portal on line and electronically review, approve and close each purchase card transaction on a weekly basis to ensure timely expense reporting. Once transactions are approved by the cardholder and closed by the approving official, the expense is posted to the general ledger. Failing to follow these procedures delays expense reporting to the general ledger.

In addition, failure to follow established policies and procedures significantly increases the risk of purchase card fraud.

**Recommendation:** The OIA recommends management ensure the purchase card holder and approver adhere to all Commission policies and procedures for conducting purchase card transactions.

**Risk:** High

**Management Response:** Management and administrative staff in the PPS Division accepts the OIA's recommendations. The PPS Division Chief has reviewed the Purchase Card Program Policy and Procedure Manual with the Division's administrative staff. At present, PPS Division's purchase card has been suspended and purchases on behalf of the Division are being made by purchasing staff in the Director's Office and other divisions. That said, PPS Division staff are now using the Commission's official transaction log for tracking purchases made by others on the PPS Division's behalf. If/when use of the card is restored, PPS Division staff (i.e., the card holder) will continue to use the correct log and record purchases as they are made. The card holder will also download/print a monthly card holder statement from J.P. Morgan Chase. The card holder will match receipts to the monthly statement and move any reconciling items to the reconciliation column of the transaction log. The log and all supporting documentation will then be forwarded to the purchase card approver for monthly review/approval and storage. And finally administrative staff have proposed to designate each Thursday as the day purchasing will be done on behalf of the division. Doing so should allow the purchase card holder and purchase card approver to focus on the purchasing task with fewer interruptions/diversions and thereby significantly reduce the opportunity for mistakes.

**Expected Completion Date:** June 2016

**Follow-Up Date:** July 2016

## **2. Strengthen Oversight of Petty Cash Programs**

**Issue:** The petty cash custodian provided two separate advances to one employee on February 25, 2016. One advance was for [REDACTED] and the other was for [REDACTED]. The OIA identified the following discrepancies:

- Neither of the received of petty cash slips for the advances contained an approval signature.
- The received of petty cash slip for the [REDACTED] advance did not have a signature of the employee that received it. It only contained the signature of the petty cash custodian.
- The employee did not provide a receipt for what he/she purchased with the [REDACTED] advance until April 18, 2016, 54 days from issuance of the advance.
- The [REDACTED] advance was returned on April 18, 2016 (54 days); the employee stated, they did not need it.

**Criteria/Risk:** Commission Practice 3-11, *Cash Receipts and Related Transactions*, states “advances of petty cash should not be made for more than 30 days”. A fully signed and approved Received of Petty Cash form marked ADVANCE should document the cash advance disbursed. Failing to adhere to these procedures for advances significantly increases the Commission’s risk of experiencing fraud, waste and abuse of these funds.

**Recommendation:** Management should provide sufficient oversight of the petty cash fund to ensure all required signatures are on the Received of Petty Cash forms before any cash disbursements are made.

**Risk:** High

**Management Response:** Management and administrative staff in the PPS Division accepts the OIA’s recommendations. The PPS Division Chief has reviewed the Commission’s Practices related to petty cash with the division’s administrative staff – with a particular emphasis on procedures related to cash advances. Petty cash advances will not be made for more than 30 days. The petty cash voucher will be marked across the top “ADVANCE” and the voucher will be signed by the petty cash approver as well as the employee that received the advance. The voucher will not be coded. When the advance is returned, the voucher will be canceled and a new voucher will be prepared for the amount of the expenditure. The new voucher will be coded. The canceled advance form will be attached to the expenditure voucher for a complete record of the transaction.

**Expected Completion Date:** June 2016

**Follow-Up Date:** July 2016

### **3. Ensure Purchase Card Fraudulent Activity is Identified and Reported in a Timely Manner**

**Issue:** Two fraudulent purchases were charged to the PPS Division's purchase card. The charges were made on February 17, 2016 and February 19, 2016 in the amounts of \$349.00 and \$89.99 respectively.

As discussed in the background section (page 1), the Commission's Purchase Card Administrator sent an email to the purchase card holder, purchase card approver and Division Chief on April 4, 2016 indicating that the PPS Division's purchase card was suspended due to lack of oversight.

As a result of the notice of suspension, the card holder initiated the required review of purchase card transactions. During this review, the card holder identified the two fraudulent transactions identified above. The transactions were reported as fraudulent to the Commission's Purchase Card Administrator on April 7, 2016.

Note: The above referenced charges did not result in a financial loss to the Commission.

**Criteria/Risk:** Per the Commission's Purchase Card Program Policy and Procedure Manual (Manual), card holders are required to record transactions as they are ordered on transaction logs and reconcile these logs to bank statements at the end of each month. Card holders are required to immediately notify the bank and Purchase Card Administrator when the purchase card has been breached because of fraudulent transactions identified.

Failure to notify the bank in a timely matter may result in the Commission being responsible for payment of the fraudulent charges. In addition, failing to cancel a breached purchase card significantly increases the Commission's risk of experiencing additional fraud, waste and abuse of Commission funds.

**Recommendation:** Management should ensure fraudulent transactions on the purchase card are identified and reported in a timely manner.

**Risk:** High

**Management Response:** Management and administrative staff in the PPS Division accepts the OIA's recommendations. The PPS Division Chief has reviewed the Purchase Card Program Policy and Procedure Manual with the PPA Division's administrative staff. As noted above in Section II.1 Management Response, the purchase card holder will record purchases on the Commission's official transaction log as they are made. The log will be reconciled to the J.P. Morgan Chase bank statement at the end of each month. By doing so,

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fraudulent transactions can be promptly identified and both the Purchase Card Administrator and the bank can be notified in a timely manner thereby reducing the Commission's risk of experiencing additional fraud.

**Expected Completion Date:** June 2016

**Follow-Up Date:** July 2016

#### **4. Strengthen Security of Petty Cash Fund**

**Issue:** The petty cash box is not adequately secured. At the time of the audit, the key to the petty cash box was missing. The unlocked petty cash box was stored in the custodian's locked desk drawer.

**Criteria/Risk:** Commission Practice 3-13, *Cash Receipts and Related Transactions*, states "cash must be kept in a safe, cash drawer, or cash register and must not be stored in employee desks".

**Recommendation:** Management should purchase a small safe for the custodian to store the petty cash fund box in.

**Risk:** Medium

**Management Response:** Management and administrative staff in the PPS Division accepts the OIA's recommendations. Commission Practice 3-13 states that "cash must be kept in a safe, cash drawer, or cash register and must not be stored in employee desks." Administrative staff in the PPS Division have recently ordered a safe for more secure storage of petty cash as per OIA staff's recommendation.

**Expected Completion Date:** As soon as safe is received from vendor.

**Follow-Up Date:** July 2016

**5. Submit an Accurate Petty Cash Custodian Form and Updated Signature Authorization Form**

**Issue:** The amount on the Petty Cash Custodian form is incorrect. Our review of the Petty Cash Custodian form, completed by the PPS Division, indicated a [REDACTED] petty cash fund however a spreadsheet maintained by Treasury Operations reflected the accurate balance of [REDACTED]

Also, the petty cash approver [REDACTED] and the individual approving the Received of Petty Cash forms in their absence did not have the authority to do so as an updated signature authorization form was not submitted to the Department of Finance.

**Criteria/Risk:** Failure to have a Petty Cash Custodian form on file with Treasury Operations designating the accurate amount of the fund increases the Commission's risk of fraud, waste and abuse of the fund.

Commission Practice 3-30, *Delegation of Authority to Sign Documents*, provides a signature authorization form for obtaining authority to sign Received of Petty Cash slips for disbursement of petty cash. Commission Practice No. 3-11, *Administration of Cash Funds*, states "signature authorization forms must be updated".

**Recommendation:** Management should submit an accurate Petty Cash Custodial form to Treasury Operations. Management should also submit an updated signature authorization form for the employee approving Received of Petty Cash forms in the division for disbursement of petty cash funds.

**Risk:** Low

**Management Response:** Management and administrative staff in the PPS Division accepts the OIA's recommendations. Commission Practice 3-30, *Delegation of Authority to Sign Documents*, provides a signature authorization form for obtaining authority to sign Received of Petty Cash slips for disbursement of petty cash. Commission Practice No. 3-11, *Administration of Cash Funds*, states "signature authorization forms must be updated". The Petty Cash Custodian form has been updated to reflect the accurate amount of petty cash in the fund, i.e., [REDACTED]. In addition, updated signature authorization forms (as per Commission Practice 3-30) have been completed for the PPS Division Chief, Master Planner/Supervisor; Senior Administrative Specialist; and Senior Administrative Assistant.

**Expected Completion Date:** Completed

**Follow-Up Date:** July 2016