



April 13, 2016

To: Ronnie Gathers, Director
Prince George's County Department of Parks and Recreation

Darin Conforti, Deputy Director
Administration and Development

Leonard Pettiford, Chief
Information Technology & Communications Division (ITCD)

From: Renee Kenney, CPA, CISA, CIA *Renee M Kenney*
Chief Internal Auditor

Subject: PG-015-2016 - ITCD Petty Cash Management Advisory

Background

On March 8, 2016, Mr. Leonard Pettiford, Chief ITCD, contacted the Office of Internal Audit (OIA) and requested a review of ITCD's petty cash account as ITCD's petty cash custodian informed him that the petty cash account totaling [REDACTED] appeared to be out of balance.

The petty cash custodian completes monthly petty cash reconciliations. When the reconciliation was performed for the month of March 2016, cash on hand totaled [REDACTED] and corresponding receipts totaled [REDACTED] for a grand total of [REDACTED], resulting in a possible account shortage of [REDACTED].

Scope

The scope of the management advisory review for ITCD's petty cash fund 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 (November 2015 – March 2016); and
- interviewing the petty cash custodian.

The audit period covered transactions between November 1, 2015 and March 8, 2016.

Detailed Commentary, Findings and Recommendations

The OIA conducted an independent reconciliation of the petty cash account back to November 2015, when ITCD appointed a new petty cash custodian. The OIA determined that the account shortage was attributed to a calculation error totaling [REDACTED] on the March 2016 petty cash reconciliation. The audit team informed the petty cash custodian of the calculation error and gave instructions regarding how an error of this nature can be avoided with future account reconciliations.

The OIA determined the actual cash on hand totaled [REDACTED] and petty cash receipts totaled [REDACTED]. This indicated a cash shortage of [REDACTED], not [REDACTED].

In addition, based on interviews with the petty cash custodian, the OIA determined that the combination to the safe that stores the petty cash had not been changed when the new custodian took responsibility for the petty cash account. We were also informed that [REDACTED] along with other ITCD office items such as old CDs and old computer hardware.

Based on our examination of the petty cash fund, the Office of Internal Audit has issued the following recommendations.

1. Increase Security of Petty Cash Funds

Issue: Petty cash is not adequately secured. The safe combination has not been changed and former petty cash custodians may still have knowledge of the combination. As well, [REDACTED] and non-petty cash items are also maintained in the safe.

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

Recommendation: We recommend the petty cash custodian change the combination of the safe immediately and that they be the sole trustee of the new combination. We also recommend that the petty cash custodian maintain the key to the cash box in a secured area outside of the safe.

Risk: Medium

Management Response: A new cash box was purchased and installed after the recommendations were received. All petty cash was transferred to new box and locked. The petty cash custodian is the sole trustee of the key [REDACTED]. All items have been removed from the safe except the cash box and petty cash card. On March 17, 2016, the safe combination was changed and the custodian is the sole trustee of the new combination.

Completion Date: Completed

2. Replenish the Petty Cash Account

Issue: The petty cash account is short \$3.02. The reason for the shortage is unknown.

Risk/Criteria: Per Commission Practice No. 3-11, *Administration of Cash Funds*, the amount of each petty cash fund is fixed and is composed of some combination of cash and paid Received of Petty Cash forms.

Recommendation: The petty cash account must be made whole [REDACTED]. The petty cash custodian has two options:

- 1) replenish the missing funds; or
- 2) submit a memo to the Department of Finance, signed by the Division Chief, requesting a write-off of the missing funds.

Risk: Low

Management Response: On March 10, 2016, the petty cash custodian replenished the missing funds and the account has been made whole [REDACTED].

Completion Date: Completed

Follow-Up Date: No follow-up required. The Office of Internal Audit considers the audit recommendations resolved.

Conclusion

This audit was conducted in accordance with the *Government Auditing Standards*. The results of our review indicate that there are areas for improvement in the internal controls for petty cash maintenance.

We believe all weaknesses identified and communicated are correctable and that management's responses to the recommendation 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 Prince George's County Parks and Recreation Information Technology & Communications management and staff for the cooperation and courtesies extended during the course of our review.

cc:

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