



MEMORANDUM

To: Audit Committee

From: Mary Hom
Chief Risk Officer

Date: December 2, 2020

Re: Internal Audit Reports

Since the last report to the Audit Committee on October 29, 2020, the Petty Cash audit was completed. A copy of the report is attached, and a summary is as follows:

2020 Petty Cash

Objective:

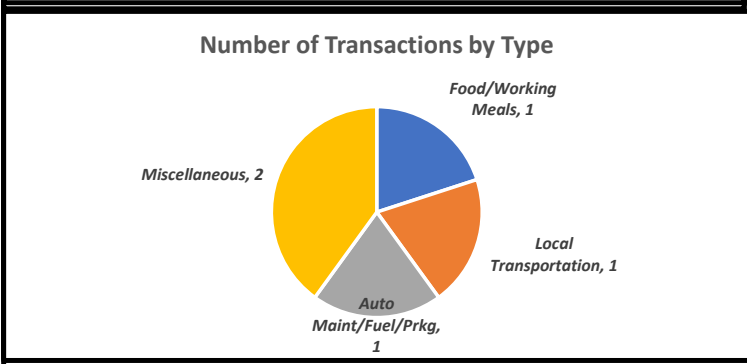
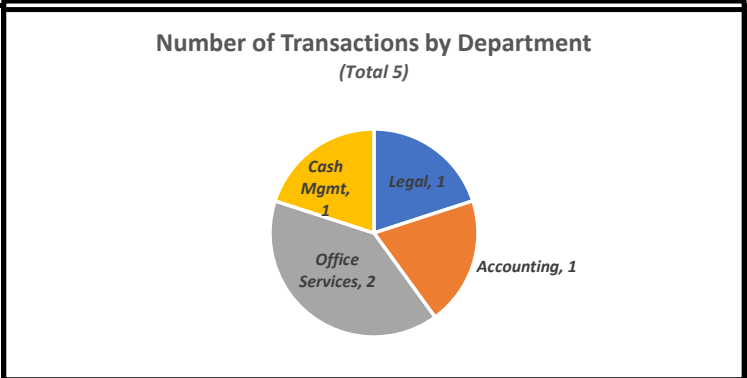
Our primary audit objectives were to determine whether adequate internal controls exist to ensure that:

- (1) The cash asset was safeguarded and maintained in the proper amount;
- (2) Petty cash disbursements were in compliance with the Corporation's policies and procedures; and
- (3) The Imprest Fund was properly authorized, processed, and reconciled.

Audit Results:

We found the Corporation's guidelines to be effective and found no matters involving internal controls and its operation that we consider to be material weaknesses. With respect to the specific audit results, we established that the petty cash disbursements were in compliance with policies and procedures; the petty cash on hand was kept in a secured lockbox and maintained in the proper amount; and all expenditures were properly authorized, processed, and reconciled.

Objective:	To determine whether adequate internal controls exist to ensure that: <ul style="list-style-type: none"> •The cash asset was safeguarded and maintained in the proper amount; •Petty cash disbursements were in compliance with the Corporation’s policies and procedures; and •The Imprest Fund was properly authorized, processed and reconciled.
Scope:	The audit period covered transactions from December 14, 2019 through October 20, 2020.
Background:	The Corporation has an in-house Petty Cash Fund with a maximum balance of \$700.00 that is used for reimbursement of minor expenses incurred in daily business operations and is periodically replenished. The Vice President, Office Services is the petty cash custodian. The custodian is responsible for safeguarding, disbursing, and replenishing the Petty Cash Fund. The Petty Cash Fund is replenished periodically from the Imprest Fund checking account held at Atlantic Bank. This account was established to cover minor miscellaneous/petty cash expenses and to replenish the Petty Cash Fund. Disbursements from this account generally follow Accounts Payable procedures established by the Cash Management division.
Results:	We found the Corporation’s guidelines to be effective and found no matters involving internal controls and its operation that we consider to be material weaknesses. We established that: (1) the petty cash disbursements were in compliance with policies and procedures; (2) the petty cash on hand was kept in a secured lockbox and maintained in the proper amount; and (3) all expenditures were properly authorized, processed, and reconciled.



- Internal Controls:**
- ✓ Policies & Procedures
 - ✓ Segregation of Duties
 - ✓ Retained in a fire proof safe box
 - ✓ Unannounced petty cash count
 - ✓ Maximum balance of \$700
 - ✓ Maximum reimbursement from petty cash is \$50 per transaction
 - ✓ Reimbursements to the Petty Cash custodian must be approved by another HDC officer
 - ✓ All money disbursed and received must be recorded on the Summary of Petty Cash report