



**Mecklenburg County
Department of Internal Audit**

Financial Services Department
Policies and Procedures Follow-Up Audit
Report 1462

March 21, 2014

**Internal Audit's
Mission**

Through open communication, professionalism, expertise and trust, Internal Audit assists executive management and the Audit Review Committee in accomplishing the Board's objectives by bringing a systematic and disciplined approach to evaluate the effectiveness of the County's risk management, control and governance processes in the delivery of services.

**Internal Audit
Contacts**

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**Staff
Acknowledgements**

Eric Davis, CIA, CRMA, Auditor-In-Charge

**Obtaining Copies of
Internal Audit Reports**

This report can be found in electronic format
at <http://charmeck.org/mecklenburg/county/audit/reports/pages/default.aspx>



MECKLENBURG COUNTY
Department of Internal Audit

To: Dena Diorio, County Manager

From: Joanne Whitmore, Director, Department of Internal Audit

Date: March 21, 2014

Subject: Financial Services Department Policies and Procedures Follow-Up Audit Report 1462

The Department of Internal Audit has completed follow-up procedures on reported issues from the Department of Finance Audit Report 1161 issued February 21, 2011. The objective of the follow-up review was to determine with reasonable but not absolute assurance whether management took effective and timely action on the issues presented in the audit report.

Internal Audit interviewed key personnel, observed operations, reviewed written policies and procedures and other documents, and tested specific transaction activity where applicable. Internal Audit conducted this audit in conformance with The Institute of Internal Auditor's International Standards for the Professional Practice of Internal Auditing.

RESULTS

There were eleven recommendations in the Department of Finance Audit Report 1161. Internal Audit determined in the Financial Services Department Policies and Procedures Follow-Up Audit Report 1362 nine recommendations were fully implemented and two recommendations were partially implemented.

As noted in the following **Follow-Up Results** section, Internal Audit determined the two partially implemented recommendations noted in Follow-Up Report 1362 have not yet been fully implemented. Management indicates the recommendations are partially implemented due to competing priorities and their intention is to fully implement the recommendations by July 2014, and you have accepted this date.

Internal Audit will conduct a follow-up review at a later date to verify the partially implemented recommendations are fully implemented and working as expected.

The cooperation and assistance of the Financial Services Department staff are recognized and appreciated.

c: Deputy County Manager
Assistant County Managers
Deputy County Attorney
Senior County Attorney
Board of County Commissioners
Audit Review Committee
Director, Financial Services Department

Follow-Up Results
Department of Finance Report 1161

- **Fully Implemented** – The audit issue has been adequately addressed by implementing the original or alternative corrective action (X).
- **Open/Partially Implemented** – The corrective action has been initiated but is not complete (P) or the audit issue has not been addressed but management fully intends to address the issue (O).
- **Not Implemented** – The audit issue has not been addressed and management has assumed the risk of not taking corrective action (NI).
- **Withdrawn** – The audit issue no longer exist because of changes in the auditee’s operation (W).

Issue	Risk Observation	Recommendation	Corrective Action Taken			
			Fully Implemented	Open/Partially Implemented	Not Implemented	Withdrawn
3	C. The internal payroll policies and procedures do not define staff key roles and responsibilities; timelines for required activities; approval requirements; federal, state and other agency reporting requirements; or other guidance to ensure staff executes their duties in accordance with management expectations.	D. Ensure that the internal payroll policies and procedures adequately define roles of Department of Finance staff to ensure that processing and oversight of countywide payroll activities adequately protect against errors or fraud. The policies and procedures should include, at a minimum: <ul style="list-style-type: none"> a. defined staff roles and responsibilities b. proper separation of duties between staff c. timelines for completion of required activities d. approval requirements e. federal, state and other agency reporting requirements f. internal staff training requirements 		P		
4	While internal staff responsible for processing and overseeing countywide procurement card activities has informal procedures to carry out their duties, there are no formal policies and procedures to ensure staff executes their duties to meet management’s expectations and to ensure proper internal controls.	Internal Audit recommends that the Department of Finance management establish and document internal procurement card policies and procedures to define internal staff roles and to ensure that processing and oversight of card activities adequately protect against errors or fraud. The policies and procedures should include, at a minimum:		P		

Follow-Up Results
Department of Finance Report 1161

- **Fully Implemented** – The audit issue has been adequately addressed by implementing the original or alternative corrective action (X).
- **Open/Partially Implemented** – The corrective action has been initiated but is not complete (P) or the audit issue has not been addressed but management fully intends to address the issue (O).
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Issue	Risk Observation	Recommendation	Corrective Action Taken			
			Fully Implemented	Open/Partially Implemented	Not Implemented	Withdrawn
	Internal policies and procedures do not: a. establish the specific steps expected of the program administrator to conduct the review and follow-up of countywide procurement card expenditures to detect errors, omissions or potential fraud. b. require separation of duties between the approval and receipt of new procurement cards. c. address the type and frequency of staff training to ensure competency and awareness of any procedural changes.	a. defined procedures for staff processing and overseeing countywide procurement card activities, such as routine test for split transactions, unallowable purchases and spending limit violations b. proper separation of duties between the approval and receipt of new procurement cards c. internal staff training requirements				