



**Mecklenburg County  
Department of Internal Audit**

Office of the Tax Assessor Follow-Up Audit  
Report 1473

July 16, 2014

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**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.

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**Staff  
Acknowledgements**

Felicia Gadson, CIA, CISA, Auditor-In-Charge  
Gewreka Robertson, Internal Auditor

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**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:** July 16, 2014  
**Subject:** Office of the Tax Assessor Audit Follow-Up Report 1473

The Department of Internal Audit has completed follow-up procedures on reported issues from the Office of the Tax Assessor (the “Tax Assessor”) Audit Report 1163 issued April 26, 2013. 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, 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**

As noted in the following **Follow-Up Results** section, there were fifteen recommendations in the Office of the Tax Assessor Audit Report 1163. Internal Audit has determined six recommendations have been fully implemented, seven recommendations have been partially implemented, and two recommendations remain open.

Management indicates the recommendations are partially implemented or open due to limited user capabilities in the tax systems; time needed to assist with the 2011 revaluation review; and time to evaluate and implement process improvement initiatives. Their intention is to fully implement all seven partially implemented recommendations by September 2014. Implementation of the two open recommendations is contingent upon system modifications by the vendor that supports the Tax Assessor’s primary tax management system.

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

The cooperation and assistance of the Office of the Tax Assessor's 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
- Tax Assessor

**Follow-Up Results**  
**Office of the Tax Assessor Audit Report 1163**

- **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
1	While the Assessor’s Office has informal procedures, guidance manuals and other information for staff relevant to RMV valuations, property appeals and information system access, it has not formally documented those procedures. Furthermore, there are no formal, documented policies for these activities. Policies and procedures are important control activities to help ensure management’s directives are carried out while mitigating risks that may prevent the organization from achieving its objectives. Policies and procedures include a range of activities, such as approvals, authorizations, verifications, reconciliations, operational reviews, asset security and separation of duties.	<p>Internal Audit recommends the Assessor’s Office develop and implement formal, documented policies and procedures for RMV valuations, property appeal processes and information system access. The policies and procedures should include, at a minimum:</p> <ol style="list-style-type: none"> <li>a. applicable State statutes</li> <li>b. applicable County policy and procedures</li> <li>c. staff roles and responsibilities</li> <li>d. assumptions, criteria, methods, processes, techniques and documentation requirements</li> <li>e. professional training requirements</li> <li>f. internal and external stakeholder communication requirements</li> <li>g. frequency of policy and procedure reviews and updates</li> </ol> <p>Further, management should ensure staff is trained on the policies and procedures.</p>		P (2)		
2	The North Carolina Machinery Act requires the taxpayer to submit his or her appeal by a specific deadline but	Internal Audit recommends the Assessor’s Office re-emphasize to staff key Machinery Act requirements and	X (2)			

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	<p>the Assessor’s Office processed some Other Property and RMV taxpayer appeals received after the deadline established by the Machinery Act.</p> <p>Accepting and processing appeals beyond the established deadline may violate statute and could negatively impact the County’s tax revenues.</p> <p>In addition, of 56 Other Property formal appeals and supporting documentation reviewed from the period of January 1, 2010 to October 31, 2010, two real estate appeals or 4% were missing the taxpayer’s appeal form or written appeal. Of 72 Other Property informal appeals and supporting documentation reviewed, seven real estate informal appeals or 10% were missing the taxpayer’s appeal form or written appeal. Yet, the Machinery Act requires the taxpayer to submit his or her appeal in writing to the Assessor’s Office before a review can take place. Without complete supporting documentation, management cannot ensure they are in compliance with</p>	<p>related procedures. Management should conduct routine reviews of the appeals and supporting documentation to ensure compliance.</p>				

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	the Machinery Act.					
3	There is no independent, detailed review of a representative sample of the population of all abstracts to ensure valuations are appropriate. Further, the pre-billed edits subject to review were not carried out for 14 of 20 months or 70% of the months sampled. The remaining six months did not have evidence that all vehicles included in the pre-bill edit check were reviewed.	Internal Audit recommends the Assessor’s Office expand the scope of its pre-billing edits to include an independent, detailed review of a representative sample of the population of all abstracts processed. In addition, management should implement procedures to ensure RMV review activities are conducted as intended.		P (2)		
4	The Assessor’s Office does not have a reconciliation process in place to ensure the total number of vehicle registrations received from DMV were properly processed for billing or received other necessary actions. As a result, billing discrepancies may not be detected.	Internal Audit recommends the Assessor’s Office establish a reconciliation process to ensure all DMV vehicle registrations are properly processed and accounted for. Management should monitor the reconciliation process and make certain identified variances are resolved.		O (2)		
5	Due to permissions assigned in NCPTS, current roles allow a user to have both creator and approver rights. Twenty-four staff members have the ability to both create and approve property valuation adjustments in the NCPTS system. Ninety IPP/BPP adjustments, 752	Internal Audit recommends the Assessor’s Office work with the NCPTS vendor to determine whether the system can be modified to separate the creator and approver rights for property adjustments. Once modified, management should provide oversight to maintain the proper separation of		P		

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	real estate adjustments and 414 RMV adjustments made during the audit period were created and approved by the same user. In August 2009 management instructed staff to use a different creator and approver for all adjustments. Yet, 36 IPP/BPP adjustments, 208 real estate adjustments and 24 RMV adjustments were created and approved by the same user after the August date. The lack of adequate separation of duties increases the risk for unauthorized adjustments, undetected errors and fraud.	duties between the creator and approver. If system rights cannot be adequately segregated, management should implement appropriate compensating controls.				
6	Although management indicated they perform reviews and approvals prior to billing of real property valuation changes made in AssessPro, they do not document the review as evidence it occurred. As a result, there is no way to validate the review took place and the valuation changes were authorized.	Internal Audit recommends the Assessor’s Office document their review and approval of all real property valuation changes.		P		
7	Several valuations and adjustments sampled lacked sufficient supporting documentation and/or NCPTS system notes to help management ensure	Internal Audit recommends the Assessor’s Office re-emphasize to staff the importance of retaining adequate supporting documentation and		P (2)		



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	they were appropriate and adequately supported. For example, there were no system notes for some valuations to indicate the resource and/or other criteria used to determine the vehicle’s value. Insufficient supporting documentation or notes may increase the risk of inappropriate or inaccurate valuations or adjustments.	consistently providing and maintaining detailed system notes for valuations and adjustments in the proper place within the respective system. In addition, management should routinely review related valuation and adjustment supporting documentation and notes.				
8	<p>The Assessor’s Office does not have a process to effectively manage NCPTS and AssessPro system access. Without appropriate system access management, unauthorized persons may gain access to systems and data.</p> <p>A. There were multiple instances where staff has inappropriate system access.</p> <ul style="list-style-type: none"> <li>• Four terminated staff access sampled had enabled UserIDs in both NCPTS and AssessPro. As a result of the audit, access for all four terminated staff has since been deactivated.</li> <li>• One user who could not be identified as a County staff</li> </ul>	<p>Internal Audit recommends the Assessor’s Office:</p> <p>A. Restrict NCPTS and AssessPro to only those with a valid business purpose. In addition, each staff should only have one unique UserID assigned and the generic UserID should be deactivated.</p> <p>B. Require all system access requests to be documented and formally approved.</p> <p>C. Review on an annual basis user access rights and authorizations for NCPTS and AssessPro, and certify, in writing, as to their correctness and appropriateness.</p>	X (3)			

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	<p>member, vendor or contractor had an enabled NCPTS UserID with system administrator rights during the time of review giving them the ability to make system-wide changes, such as disable user accounts, change passwords and delete taxpayer abstract notes necessary to support the valuations and adjustments. As a result of the audit, the user has been deactivated.</p> <ul style="list-style-type: none"> <li>• One staff had two enabled UserIDs in NCPTS.</li> <li>• Six UserIDs were assigned to BSSA-IT staff with one having two UserIDs and four UserIDs also had NCPTS administrator rights. There was also one enabled generic UserID.</li> </ul> <p>B. The Assessor’s Office management does not consistently document its authorization of user access to NCPTS</p>					

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	<p>and AssessPro. Rather, some requests are verbally made to the Assessor’s Office information technology staff.</p> <p>C. The Assessor’s Office does not evidence its annual review of user access and authorizations to ensure access is appropriate based on staff’s job duties.</p>					