



**Mecklenburg County
Department of Internal Audit**

Mecklenburg County Community Support Services
NOVA Cash Collections and Compliance
Report 1268

March 8, 2013

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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MECKLENBURG COUNTY
Department of Internal Audit

To: Stacy Lowry, Director of Community Support Services

From: Joanne Whitmore, Director of Internal Audit

Date: March 8, 2013

Subject: NOVA Cash Collections and Compliance Audit Report 1268

The Department of Internal Audit has completed its audit of the Community Support Services New Options for Violent Actions (NOVA) Program to determine whether internal controls over cash collections effectively manage key business risks inherent to those activities and to determine compliance with North Carolina Administrative Code Title 1, Chapter 17. Specifically, compliance activities related to continuing education and training; annual program approval; and quarterly program assessment. The audit period covered July 1, 2008 through June 30, 2012. Internal Audit interviewed key personnel, evaluated policies and procedures and observed and documented the above processes.

This audit was conducted in conformance with The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing. These 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.

OVERALL EVALUATION

Overall, risks inherent to cash collection and compliance activities were managed to an acceptable level. There were no significant exceptions noted for compliance activity reviewed. There were, however, some exceptions noted with cash collections which require management's attention. Specifically, the Department's documented cash handling procedures do not reflect current activities and some best practices. Further, the Department lacks adequate controls for some cash collection activities.

The issues listed below, as well as recommendations and management's responses, are discussed in detail in the attached document. Internal Audit will conduct a follow-up review at a later date to verify that recommendations are implemented and working as expected.

ISSUES

1. Department-level procedures do not reflect current cash handling activities and some best practices.
2. The Department lacks adequate controls for some cash collection activities.

We appreciate the cooperation you and your staff provided during this audit. Please feel free to contact me at 704-336-2575 if you have any questions or concerns.

c: Harry Jones, County Manager
Michelle Lancaster, General Manager
John McGillicuddy, General Manager
Bobbie Shields, General Manager
Leslie Johnson, Associate General Manager
Tyrone Wade, Deputy County Attorney
Robert Thomas, Senior County Attorney
Dena Diorio, Finance Director
Board of County Commissioners
Audit Review Committee

BACKGROUND

The Mecklenburg County New Options for Violent Actions (NOVA) Program (the “Program”) is part of Community Support Services (CSS). Services provided through the NOVA Program are dedicated to ending violence among intimate partners through education and behavior modification methods for adults who batter their partners. Practical information on how to change abusive behavior is provided by exploring non-controlling and non-violent ways of relating to their partners. The Program is deemed a State Certified Batterer’s Intervention Program.

Referrals of individuals to the NOVA Program are usually made by an agency or other persons of authority on behalf of the client, such as Mecklenburg County criminal and civil courts, the Department of Community Corrections, Mecklenburg County Youth and Family Services (YFS), pastors, employers, or private therapists. Self-referrals are accepted by NOVA only when there is a suitable person of authority to which the client will be held accountable and the client is appropriate for the service in all other respects.

NOVA Referrals by Calendar Year						
Referring Source	Male Clients			Female Clients		
	2010	2011	2012	2010	2011	2012
Criminal Court	378	413	216	13	13	16
Civil Court	46	74	10	0	1	0
Social Services	45	43	20	5	2	4
Self-Referral	5	9	4	0	2	1
Substance Abuse	0	0	1	0	0	0
Total Referrals	474	539	251	18	18	21

*Source: NCCFW/DVC¹ Abuser Treatment Program
Auditor compilation of Quarterly Statistical Reports for calendar years 2010 - 2012*

To be eligible to participate in the NOVA Program, participants must:

- be eighteen years or older;
- a resident of or employed in Mecklenburg County;
- convicted of a domestic violence-related crime in Mecklenburg County Court or on probation in Mecklenburg County; and
- has committed acts of physical and/or emotional violence against an intimate partner.

Prior to admission, a NOVA Program case coordinator performs an intake assessment of the potential client. The assessment includes the collection and evaluation of current and historical information related to family and social life; medical, psychological and behavioral information; criminal activity; and

¹ North Carolina Council for Women/Domestic Violence Commission

substance abuse history. If the potential client has substance abuse or mental health issues, the case coordinator refers the individual back to the referral agency. Clients admitted to the Program attend a scheduled orientation followed by weekly two-hour group sessions held once a week for 26 weeks. The Program is not considered completed unless the client attends the orientation and all 26 group sessions.

The NOVA Program utilizes the widely acclaimed Duluth Model and the use of power and control. The curriculum consists of the following principles:

- Non-Violent/Non-Threatening Behavior
- Partnership and Negotiation
- Honesty and Accountability
- Conflict Resolution
- Respect
- Sexual Respect
- Children and Domestic Violence

The NOVA Program charges each client a \$32 orientation fee and \$16 for each group session attended. Clients who are unemployed and determined indigent by the Court are offered the option to do community service work in lieu of cash payments. The Nova Program had on average approximately 800 active clients for fiscal years 2009 through 2011.

NOVA Program Activity			
Measurable Goals	FY 2009	FY 2010	FY 2011
Number of active clients served	911	700	782
Recidivism Rate	2	7	0
Revenue Collected	\$113,472.42	\$87,923.43	\$96,735.08

Source: Advantage Financial System data, unaudited and Mecklenburg County budget data for fiscal years 2009 - 2011

ISSUES, RECOMMENDATIONS and MANAGEMENT RESPONSES

County Manager's Overall Response to the Recommendations

The Community Support Services Department's management response is appropriate to address the audit report findings and consistent with the recommendations provided by the Internal Audit Department staff.

Issue 1: Department-level procedures do not reflect some current cash handling activities and some best practices.

Risk Observation

Although the Department has some formally documented cash handling procedures, they do not reflect current cash collection and deposit activities and best practices. Formal, documented procedures, however, 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.

Recommendation

Internal Audit recommends the Department update its procedures to include, at a minimum, current cash handling activities and best practices related to those activities. The procedures should include, at a minimum:

- a. adoption of applicable countywide financial procedures
- b. staff roles and responsibilities
- c. staff training requirements
- d. communication requirements for internal and external stakeholders
- e. frequency of policy and procedure review and update

Management Response

Agree. The Department agrees that cash handling procedures are outdated and lack best practice. It is the goal of CSS/NOVA Program to adhere to guidelines set forth in Mecklenburg County's Finance Department's Cash Handling Policy. The Department hired a Business Manager to fill partial void left from the creation of Human Service Finance. This position will assist in developing procedures and ensuring accurate direction. Mecklenburg County Finance's Cash Handling policy along with an adaptation of the policy focusing on NOVA's money order collection will be reviewed with appropriate NOVA employees including NOVA Administrative Supports and Program Supervisor by February 28, 2013.

In order to ensure ongoing compliance of County Finance policy and procedures, the Business Manager will provide annual training to NOVA employees. Documentation of the annual procedures review will be forwarded to Finance each year. New Administrative Supports or Program Supervisor will attend training prior to his/her ability to handle money orders.

Issue 2: The Department lacks adequate controls for some cash collection activities.

Risk Observations

- A. The NOVA Program staff did not adequately separate custodial, recording and verification functions for the cash handling activities to provide accountability in the event of loss or theft. Currently, one staff initially receives, verifies and records cash collected; prepares the deposits; enters the cash receipt documents in Advantage; and reconciles deposit bank confirmations to supporting documentation. That same staff also updates client accounts to record payments received. A second staff person makes deposits via remote capture. In the event one staff is absent, the other staff completes the entire transaction cycle.
- B. While management assigns and communicates to staff their cash collections duties, management does not periodically review and approve staff's work. Management oversight, however, is essential to timely detect errors and omissions.
- C. The Department was unable to locate the bank deposit confirmation for four deposits. In addition, NOVA staff could not locate the money bag log book to verify the armored car cash pick-up dates and times. Last, NOVA staff does not document the transfer of custody for cash collections between staff to assign accountability for the cash. Failure to maintain supporting documentation for deposits as required by County policy and document custody changes of cash limits management's ability to provide adequate oversight over cash deposits processed by NOVA staff.
- D. Money orders, which are as negotiable as checks, are not restrictively endorsed immediately upon receipt in accordance with County policy. As a result, the money orders are more susceptible to theft.

Recommendations

Internal Audit recommends the Department:

- A. Ensure all cash handling activities are adequately separated. If adequate separation of duties cannot be achieved, management should implement appropriate compensating controls.
- B. Ensure management conducts periodic reviews of the cash handling activities and documents those reviews.
- C. Ensure staff adequately documents the change of custody for all cash collections. In addition, management should ensure staff maintains the proper supporting documentation for deposits and custody changes.
- D. Ensure staff restrictively endorses all money orders immediately upon receipt.

Management Response

Agree. The Department agrees with the feedback regarding the need for more institutionalized controls regarding the collection and documentation of money orders. In order to ensure an adequate separation of consistent custodial duties, it is recommended that a representative from Human Service Finance (HSF) become a part of this process. The current NOVA employee will continue to receive, verify, and record money orders. She will also enter amounts in Advantage and reconcile deposit bank. The HSF

representative will verify completion of procedure and make deposits via remote capture. The change of custody will be documented for all cash collections. NOVA employee will manage and maintain this documentation with oversight from Business Manager. The purpose of including the representative from HSF is to reduce the possibility of committing or hiding errors or irregularities in their duties. It creates a transparent balance across County departments. The Business Manager will be meeting with HSF Director on February 13th to discuss this matter. If the described process is unable to occur, NOVA Program Supervisor will serve as alternative.

The Business Manager will conduct and document quarterly reviews of accurate cash handling activities.

NOVA administrative support employees were supplied a Payable to Mecklenburg County stamp on January 30, 2013 with instructions from the Business Manager to restrictively endorse all money orders immediately in accordance with County policy.