



**Mecklenburg County
Department of Internal Audit**

Register of Deeds Follow-Up
Audit Report 1361

November 20, 2012

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

Joanne Whitmore, Audit Director, (704) 336-2575 or
joanne.whitmore@mecklenburgcountync.gov

Christopher Waddell, Audit Manager, (704) 336-2599 or
christopher.waddell@mecklenburgcountync.gov

Staff Acknowledgements

Deborah Caldwell, Auditor-in-Charge
Aubrey Blakely, Senior Internal Auditor
Crystal Turner, Internal Auditor
Gewreka Robertson, Internal Auditor

**Obtaining Copies of
Internal Audit Reports**

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<http://charmeck.org/mecklenburg/county/Audit/Pages/Reports.aspx>



MECKLENBURG COUNTY
Department of Internal Audit

To: Harry Jones, County Manager
From: Joanne Whitmore, Director, Department of Internal Audit
Date: November 20, 2012
Subject: Register of Deeds Follow Up Audit Report 1361

The Department of Internal Audit has completed follow-up procedures on reported issues from the Register of Deeds Audit Report 1061 issued November 9, 2012. 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 under the guidance of the International Standards for the Professional Practice of Internal Auditing.

RESULTS

As noted in the following **Follow-Up Results** section, there were fifty-four recommendations in the Register of Deeds Audit Report 1061. Internal Audit determined thirty-five recommendations were fully implemented, eighteen recommendations have been partially implemented and one recommendation was withdrawn as the Department's e-check payment process is no longer in use. Internal Audit will conduct a follow-up review at a later date to verify that the partially implemented recommendations are fully implemented and working as expected.

The cooperation and assistance of the Register of Deeds staff are recognized and appreciated.

c: Michelle Lancaster, General Manager
John McGillicuddy, General Manager
Bobbie Shields, General Manager
Leslie Johnson, Associate General Manager
Tyrone Wade, Deputy County Attorney
Bob Thomas, Senior Associate Attorney
Dena Diorio, Director, Financial Services Department
David Granberry, Register of Deeds
Board of County Commissioners
Audit Review Committee

**Follow-Up Results
Register of Deeds 1061**

- **Fully Implemented** – The audit issue has been adequately addressed by implementing the original or alternative corrective action (X).
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Issue	Risk Observation	Recommendation	Corrective Action Taken			
			Fully Implemented	Open/Partially Implemented	Not Implemented	Withdrawn
1	<p>The Department does not have formal, documented department-level policies and/or procedures for the following business activities:</p> <ul style="list-style-type: none"> a. change funds b. travel and entertainment expenses c. time reporting d. purchasing e. accounts payable f. cash collections g. electronically processed payment checks (e-checks) h. escrow accounts and escheats capital and non-capital asset management i. system access controls <p>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. Further, the Government Finance Officers Association (GFOA) indicates</p>	<p>Internal Audit recommends that the Register of Deeds create formal, documented department-level policies and procedures for change funds, travel and entertainment expenses, time reporting, purchasing, accounts payable, cash collections, e-checks, escrow accounts and escheats, asset management and system access controls. Staff should be trained on the new policies and procedures to ensure understanding and management should evaluate for compliance.</p>	X			

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	that documented accounting policies and procedures, along with staff training and periodic evaluations and updates, should provide management with a level of assurance that internal control activities are functioning as intended. While the Department’s intent is to use County policies and procedures, they would not always provide the necessary guidance and accountability specific to the Department’s business activities.					
2	<p>A. When the transition between the prior and newly elected Register of Deeds occurred, the authorized change fund and petty cash were not counted and properly transferred to the new Register of Deeds, as required by County policy.</p> <p>B. The Department’s petty cash fund is sent to the bank with the daily deposit to make change for the next business day. County policy, however, states that a petty cash fund is a fixed amount of money “for minor disbursements for which the issuance of a formal check</p>	<p>A. Review and follow County change fund policy.</p> <p>B. Work with Finance to reclassify the petty cash fund to an authorized change fund or return the fund to Finance.</p>	X			
			X			

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	would be too expensive and time consuming” and a change fund is an amount to make change for clients or customers.					
	C. The Department did not have authorization forms for fifteen of 30 or 50% of its change funds to document each cashier's total change fund amount for which he or she is held accountable.	C. Ensure authorization forms that formally establish change fund assignments and amounts for each cashier are completed and retained.	X			
	D. Cashiers are not required to document the receipt and return of their change funds each business day to track funds and provide accountability.	D. Require cashiers to document the receipt and return of their change funds each business day.		O		
	E. Cashiers are not required to record their daily beginning and ending change fund amounts to provide accountability and detect overages or shortages. As a result, overages and shortages due to errors, loss and theft could go undetected. Auditors found variances and undocumented monies in the change funds with an overall \$93 overage balance for which there is	E. Require cashiers to document their beginning and ending change fund cash counts each work day.		P		

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	<p>no reconciling documentation to explain the cause.</p> <ul style="list-style-type: none"> • The petty cash fund contained \$10 extra • An unassigned change fund bag contained \$352 in cash • An auditor count of 31 change funds when compared to the total authorized change fund revealed a \$269 shortage <p>F. Cashiers are not required to remove their change funds from the change fund bags and put them into their lockable cash drawers. Rather, the funds sometimes remain in the bag during business hours in an unlocked drawer. During testing, auditors observed 19 of 30 or 63% of change funds in use that day were not properly secured to protect against loss and theft.</p> <p>G. The change fund maintained by the prior deputy director was found secured in a locker rather than in the safe where the other change funds are kept when not in use.</p>	<p>F. Require cashiers to set up their cash drawers each morning and properly secure the funds throughout the business day.</p> <p>G. Require that all change funds are kept secure in the safe when not in use.</p>	X	P		

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	H. Cashiers are not required to document the exchange of cash when making change for large denomination currency. Without documentation, such as a transfer log or cash register receipt, there is no accountability in the event of errors, loss and theft.	H. Ensure cashiers document the exchange of cash when making change for large denomination currency. Documentation should include signatures of the persons exchanging cash and the date and amount of cash transferred.	X			
	I. Auditors noted a 14-month lapse between reconciliations of the authorized change funds. County policy requires all departments to conduct two surprise reconciliations each year by an independent party to ensure all cash is accounted for. One of the two reconciliations should occur in June and all reconciliation results should be documented. Without such reconciliations, management may not timely detect errors, loss and theft.	I. Follow County policy for surprise change fund reconciliations and document the results.	X			
3	A. Staff does not document receipt of checks received in the mail, including FedEx and UPS express deliveries. Nor are checks restrictively endorsed for “deposit	A. Ensure incoming mail is opened with two people present and that checks are documented. Also, checks should be restrictively endorsed immediately upon receipt or immediately processed		O		

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	only” immediately upon receipt as required by County policy. Checks are, however, endorsed during processing in Anthem or are electronically processed in viaWARP.	for deposit in Anthem. If two people cannot be present, management should put other mitigating controls in place.				
	B. While the Department does not accept personal checks for NSF restitution, it does accept company checks. County policy, however, states that restitution for NSF checks must be made by cash, certified check or money order.	B. Ensure staff accepts only cash, certified checks or money orders as restitution for NSF checks.	X			
	C. Money orders, cashier checks and company checks accepted for NSF restitution are not restrictively endorsed until prepared for deposit. Thus, checks remain vulnerable to loss and theft until endorsed.	C. Ensure money orders and cashier checks are restrictively endorsed immediately upon receipt.	X			
	D. The viaWARP vendor sends notification directly to the Department of any e-check payment reversals resulting from insufficient funds. The Department followed the previous administration’s process to track	D. Continue to work with Finance to establish an appropriate and effective tracking and communication process for e-check reversals.				W

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	<p>the reversals on a log and collect restitution from the customers and was uncertain what communication, if any, was provided to Finance. Yet, without appropriate communication, Finance may not be aware of the reversals to ensure they are reviewed for timeliness of collection and potential write-off. The Department began working with Finance to establish an appropriate communication process and with the Anthem vendor to address these issues in the future system upgrade.</p>					
	<p>E. Cash collections and change funds do not have sufficient physical security to protect them from loss and theft.</p> <ul style="list-style-type: none"> • The combinations and keys that provide dual controls over the safes that hold daily cash collections and change funds are not changed when staff that had safe access leaves the department’s employ. • One safe holds daily cash collections and change funds, 	<p>E. Increase physical security over cash controls to include, at a minimum:</p> <ul style="list-style-type: none"> • periodic changing of safe combinations and keys to prevent access by unauthorized persons • removal of all non-County items from the safes • labeling and securing each change fund in the safe • sealing bank bags immediately after the deposit is prepared and keeping them properly secured until pick up by the armored car. 		P		

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	<p>non-department monies, such as charity collections and non-monetary items like walkie-talkies. Comingling of funds and clutter in safes provides an opportunity for monies to become lost or stolen without immediate detection.</p> <ul style="list-style-type: none"> • The bank bags with daily cash collections and petty cash fund are locked in a desk drawer, rather than the safe, while they await the armored car to take them to the bank. Furthermore, the bags are not sealed until the armored car picks them up to protect against loss and theft because cashiers may want to use the deposit to make change to set up the day’s cash drawers. 					
F.	Because daily deposits are picked up by armored car service, staff does not receive the bank confirmation until it is faxed the day after pick-up. The bank confirmation provides assurance that the amount submitted for	F. Comply with County policy to record the deposit in Advantage on the same day that the deposit is made. Alternatively, work with Finance to obtain a waiver of compliance to permit the Department to record cash receipts into Advantage the same day	X			

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	deposit was received. County policy, however, requires staff to record the deposit in Advantage on the same day that the deposit is made to ensure Finance can timely approve the recording and complete the bank statement reconciliation. While the current process prevents staff from complying with the letter of County policy, deposits were also not always timely recorded once the bank confirmation was received. Of 40 deposits reviewed, two Cash Receipts (CR) were posted before the bank confirmation was received and 16 were posted 1 to 71 days after the bank confirmation. As a result, financial reporting did not accurately reflect revenues collected and deposited.	as the bank confirmation is received and ensure staff follows this practice.				
	G. Credit card and check payments electronically processed from October 2008 to April 2009 in the new viaWARP system were properly routed to the bank but staff did not timely process all CRs	G. Continue working with Finance to ensure all payments from October 2008 to April 2009 are properly posted to the general ledger.	X			

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	for the payments collected into Advantage. As a result, revenues did not get posted to the general ledger until May and June of 2009. The Department is working with Finance to properly post all payments from that period.					
	H. Collateral, such as car keys and/or drivers' licenses, are required from customers to obtain a Public Key device that records their print charges for later payment. The collateral, however, is left unsecured and in the open, which exposes the items to loss and theft.	H. Establish a secure area for customer collateral taken in exchange for the Public Key device and train staff to consistently use the secure area.	X			
	I. Auditors sampled 250 recording area cashier daily reconciliation balances over 40 randomly selected days and noted 15 negative cash balances ranging from \$1 to \$13, which were a result of cashiers providing cash back from payment checks. The current director gave cashiers approval to return money on two pre-written checks that exceeded fees due and the other 13 occurred during the prior	I. Comply with County policy that prohibits giving change back from payment checks.	X			

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	administration. County policy does not, however, allow cash back from check payments because it constitutes an improper loan of funds.					
4	<p>A. The Cash Out Slip, an Anthem document used by cashiers to record currency denominations and check and credit transaction totals, does not require cashiers to record necessary information to facilitate a complete reconciliation and the supervisor’s subsequent review. Missing information includes, at a minimum:</p> <ul style="list-style-type: none"> • beginning change fund amount • end of day change fund amount • voided transactions • no sale transactions • no fee transactions • overages or shortages • reviewing supervisor signature <p>Without sufficient information, errors and fraud could go undetected. For example, if cashiers do not record their</p>	A. Work with the Anthem system vendor to modify the Anthem Cash Out Slip so that it will provide cashiers the ability to properly document and reconcile their daily cash collection to beginning balances.		P		

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	beginning and ending change fund amounts on the Cash Out Slip, they could use change funds to cover any daily shortages or keep any overages without immediate detection.					
	B. Cashiers do not consistently sign the Cash Out Slip or the Receipt Summary Report to document who prepared the reconciliation documents. Of 782 reconciliations reviewed, 322 or 41% were not signed. As a result, there is no attestation of the amounts cashiers submitted for deposit.	B. Train staff to consistently sign the Cash Out Slip or the Receipt Summary Report to document who prepared the reconciling documents.	X			
	C. The Department does not require the recording area cashiers to complete a Cash Out Slip or comparable document. The prior administration felt it was not necessary because the majority of fees collected in the recording area were made by checks, not cash.	C. Require all department cashiers, including those in the recording area, to complete a reconciliation of daily cash collections. The reconciliation should include the Cash Out Slip with overages and shortages noted, as well as cashier and reviewing supervisor signatures.	X			
	D. Supervisors are not required to review and approve cashiers’ daily Cash Out Slips and reconciliations.	D. Require supervisors to review and approve cashiers’ Cash Out Slip reconciliation to ensure that cash	X			

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	<p>Rather, management directs a cashier to request a supervisor’s review of his or her reconciliation only when there is a variance noted between the Cash Out Slips and the Anthem reports. Of 782 cashier reconciliations reviewed, 79 or 10% had variances that were not identified until the depositor prepared the deposit. Without an independent review of each cashier’s daily reconciliation, management cannot ensure that cash submitted for deposit agrees with supporting documentation.</p>	<p>submitted for deposit agrees with supporting documentation.</p>				
	<p>E. Each cashier wraps his or her cash collections within a Receipt Summary Report, which are then combined into two bank bags before being verified by the depositor. Further, the bags are transferred several times between staff before the depositor receives the cash collections. As a result, it would be difficult to establish accountability in the event of errors or missing funds.</p>	<p>E. Require each cashier to secure the day’s cash collections in an individual, locked money bag before submitting them to the depositor.</p>		P		

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	F. Management does not conduct timely verifications of the bank validated deposit amount to the depositor’s reconciliation worksheet until after amounts are recorded in the general ledger. As a result, errors and omissions may not be timely detected. G. The Department does not have a process in place to ensure all Hecon Quick Key print and copy fees are entered into Anthem. Fees for the audit period totaled \$215,171.	F. Require management to conduct timely verifications of the bank validated deposit amount. G. Establish a process to ensure all Hecon Quick Key print and copy fees are entered into Anthem.	X			
5	A. NCGS §116B requires properties abandoned for a specified period of time be escheated, or returned, back to the State. Relevant to escrow accounts, NCGS §116B-53 (c)(12) states that “property held by a court, government, governmental subdivision, agency, or instrumentality” is deemed abandoned if unclaimed “one year after the property becomes distributable”. Owners with an account balance of \$50 or more should be notified of a pending	A. Continue to work with Finance to bring the escrow accounts into compliance with NCGS §116B and ensure that going forward the accounts are routinely monitored and abandoned accounts appropriately addressed.	X			

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	<p>escheat and accounts with less than \$50 should be reported in the aggregate to the State.</p> <p>At the time of the audit, the Department had 983 escrow accounts used to ensure fees are obtained prior to the execution of services rendered, in accordance with NCGS §161-10 (c). Of those accounts, 439 with a total value of \$34,530 had no documented activity for over one year and were not properly addressed. As a result of this audit, management has begun working with Finance to ensure statutory compliance escheat requirements.</p>					
	<p>B. Unless requested, escrow account owners are not issued periodic statements to inform them of their account activity. As a result, posting and other errors, as well as missing funds, could go undetected by customers.</p>	<p>B. Issue escrow account owners periodic statements detailing their account transaction activity and balance.</p>		P		
	<p>C. Although staff records into Anthem the day’s individual escrow</p>	<p>C. Work with Finance to resolve the current variance between the Anthem</p>	X			

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	<p>activities, because Anthem does not interface with Advantage, staff must also manually record the liability for these pre-paid accounts in Advantage. The day’s pre-paid amounts are not, however, recorded individually but as a net amount into a single liability account. The Department does not conduct a daily reconciliation between the two systems’ total balances and, as of May 27, 2010, there was a \$50,963 variance. Moreover, because the Advantage liability is recorded as a single net amount, variances due to errors or other factors are difficult to detect and resolve.</p>	<p>total escrow account balance and the Advantage liability account balance. Further, ensure staff enters the day’s individual escrow payments and amounts used. Management should conduct monthly reconciliations to maintain agreement between the two balances.</p>				
	<p>D. Auditors observed that staff inappropriately recorded Quick Key Revalue Station print and copy fees to an escrow account, rather than to a revenue account, which understates revenue and overstates escrow account balances.</p>	<p>D. Ensure staff properly records print and copy fees in the correct general ledger account.</p>	X			
	<p>E. The Department followed the prior administration’s practice to post</p>	<p>E. Ensure staff records cash overages as “other revenue” and records shortages</p>	X			

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	<p>cashier overages to a pre-paid liability account established solely for escrow funds. One Cash Out Slip showed a \$5 overage with management instructions to add the overage to that account if the customer did not return within 24 hours. A \$44 total overage discovered in a surprise change fund audit was also posted to that account.</p> <p>F. An active escrow account in Anthem believed to have been established for system testing purposes had as of July 1, 2010 a balance of \$2,384. The monies were from non-testing transactions, such as deposits and escrow account transfers. Allowing a testing account to remain active could provide an opportunity to commit fraud.</p> <p>G. Before November 1998 when the Department established escrow accounts in Anthem, voucher accounts were used. Because Anthem did not restrict charges</p>	<p>as “other expenditures”. Management should identify and address any trends for cashiers with frequent and/or high dollar overages and shortages.</p> <p>F. Research and resolve the remaining escrow testing account balance and transfer the funds to the appropriate accounts. In addition, remove the escrow testing account from the Anthem production environment.</p> <p>G. Work with Finance to appropriately address the negative voucher account balances that remain in Anthem.</p>	<p>X</p> <p>X</p>			

**Follow-Up Results
Register of Deeds 1061**

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	against a voucher account even when the balance was insufficient, as of May 27, 2010 there were 189 accounts with a total negative balance of \$4,820.					
6	<p>A. The viaWARP, Anthem and Advantage systems do not interface with each other, staff must conduct labor intensive workarounds to ensure all payments are posted to the general ledger. Staff manually inputs the customer name and payment amount into both viaWARP and Anthem to ensure the customer receives credit. Staff also manually inputs the day’s total revenue into Advantage so it will post to the general ledger.</p> <p>B. Because the Hecon Quick Key and Anthem systems do not interface, staff must manually enter into Anthem any pre-paid fees and Public Key charges processed in Hecon Quick Key. Recordation in Anthem facilitates the allocation of all payments to the appropriate account codes for subsequent recording in Advantage.</p>	<p>A. Work with viaWARP and Anthem vendors to create an interface between the systems. Further, when any Anthem upgrades are made, work with the County Information Systems and Technology Department (IST) to determine whether an interface or other automated process can be developed to exchange data with Advantage.</p> <p>B. Work with the Anthem and Hecon vendors to create an interface between the two systems.</p>	X			
			X			

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	C. Because viaWARP and Anthem systems do not interface, staff must manually record on a tracking log any variances between the two systems. Auditors reviewed 40 random days of cash collection activity and noted 14 variances. One \$10 variance was not recorded on the log and two log entries did not indicate the variance amount. Overall, as of June 2010, the log contained 85 unresolved variances from the period of November 2008 through August 2009 with a net balance of \$874 owed to the County.	C. Ensure staff accurately completes the variance log and work with Finance to resolve all outstanding variances between viaWARP and Anthem.	X			
	D. The Department has inadequate controls in place to ensure Anthem system access approvals are appropriate and adequately documented. Inappropriate access to key systems could result in unauthorized data or software program changes, improper disclosure of confidential data, as well as the introduction of viruses and other malware. The Department does not have:	D. Increase controls over Anthem system access by, at a minimum: a. designating a security administrator b. properly separating duties between staff authorizing access permissions and staff implementing, monitoring and updating permissions c. categorizing data and software based on sensitivity and criticality levels		P		

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	<p>a. a designated security administrator to ensure access permissions are properly implemented, promptly updated and in line with current job duties and that system access logs are reviewed and any issues reported</p> <p>b. proper separation of duties between the person authorizing system access permissions and the person implementing, monitoring and updating permissions</p> <p>c. categorization of data and software based on sensitivity and criticality levels to protect them from unauthorized users</p> <p>d. written documentation of approved staff’s access to various data and software</p> <p>e. a process in place to promptly deactivate user accounts for terminated, transferred or reassigned employees. Two ex-employees with last employment dates of April 2 and April 30 2010 still had</p>	<p>d. documenting individual staff access to various data and software</p> <p>e. developing and implementing a process to ensure user accounts of terminated, transferred or reassigned employees are promptly deactivated</p>				

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	<p>active system access to Anthem as of June 30, 2010. Upon notification during the audit, management deactivated their user accounts.</p> <p>E. The Department does not routinely monitor the Anthem, viaWARP and High Tech systems for unauthorized access. When access controls are not implemented, unauthorized or unusual access to critical or confidential resources, such as data files, application programs and equipment, may go undetected.</p> <p>F. Anthem users are not required to periodically change their system access passwords, although to gain access to Anthem staff must first access the County network with a password that County policy does require to be changed every 90 days. Failure to periodically change passwords increases the likelihood of unauthorized access.</p>	<p>E. Evaluate the feasibility of designing and implementing a process to monitor the Anthem, viaWARP and High Tech systems for unauthorized access.</p> <p>F. Require staff to periodically change their Anthem system log-on passwords.</p>	<p>X</p>	<p>O</p>		

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7	<p>A. Auditors noted that 23 of 29 or 79% of purchase orders reviewed were not encumbered or the purchase orders were not created until after the invoices were received. Yet, NCGS §159-28(b) states that bills, invoices, or other claims against a local government or public authority may be approved if the amount is payable, authorized and has been encumbered or has an unencumbered balance sufficient to pay the amount due.</p> <p>B. Management does not use the online Outstanding Purchase Order Report to monitor the status of open, partially expended and/or modified purchase orders, except at year-end to notify Finance of purchase orders that extend into the next fiscal year. As a result, purchase orders that should be closed remain open, overstating liabilities and unnecessarily encumbering funds.</p>	<p>A. Ensure staff comply with NCGS §159-28(b) for proper encumbrance of planned purchases.</p> <p>B. Utilize the online Outstanding Purchase Order Report to routinely monitor and manage the Department’s purchase orders.</p>		P		

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8	A. The Department had been erroneously charged for and paid an expense that should have been charged to another department. In addition, the expense was miscoded as supplies rather than professional services. As a result, the other department’s professional service expense was understated and Register of Deed’s supplies expense was overstated. Management approved the payment during their review because the previous administration had approved and paid it the five previous years. Acceptance of charges without confirmation could result in future errors and fraud. As a result of this audit, however, the Department will receive an adjustment of \$1,701 and charge the correct department for the services.	A. Confirm charges against supporting documentation to ensure they are appropriate.		P		
	B. Staff requested a payment for a printer valued at \$17,940 using a General Accounting Expenditure (GAX) instead of using a Commodity-based Payment	B. Train and monitor staff to ensure they comply with Finance purchasing practices.	X			

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	Request (PRC). The County’s Asset and Procurement Management group set up a purchase order to encumber the funds for the printer but, because department staff paid for the printer with a GAX, the encumbrance was not reduced. As a result, the encumbrance restricted the use of those funds, which could have been used for other needs.					
9	<p>A review of 147 expenditures \$5,000 or greater for unrecorded capital assets revealed that three expenditures were not properly capitalized, which understated both capital assets and depreciation expense related to those assets.</p> <p>Further, one department fund established for computer and imaging technology and other associated needs to preserve and store public records had only one available accounting code. The code was for capital assets, although non-capital expenditures were permitted to be paid by the fund. As a result, 17 of 20 or 85% of expenditures reviewed</p>	Internal Audit recommends that the Register of Deeds work with Finance to train relevant Register of Deeds staff to increase their general accounting knowledge. Management should correct the account errors noted during this audit and ensure the assets are listed in Advantage.	X			

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	were miscoded. Effective April 2010, Finance set up additional accounting codes for the fund to allow proper coding for all expenditures.					
10	<p>A. During a physical inventory of capital assets within the Department, auditors could not locate or verify 19 of 39 or 49% of the items recorded on the Capital Asset Inventory list.</p> <ul style="list-style-type: none"> • five items had serial numbers that matched those on the asset list but did not have property tag numbers • nine items did not have asset tags or did not have tags within view due to their size, location, et cetera • five items could not be located <p>In addition, two newly acquired printers valued at \$17,940 each and two file cabinets valued at \$5,803 each were not on the FY2009 Capital Asset Inventory list.</p> <p>Capital assets were defined by County policy at the time of this</p>	A. Conduct an annual inventory of department capital assets and report any variances to Finance. Ensure all capital assets, including the two printers and two file cabinets, are properly tagged and included on the Capital Asset Inventory list. The five missing items should be located and the Capital Asset Inventory list should be updated accordingly.		P		

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	<p>audit as assets that cost \$5,000 or more and having a useful life of more than one year.¹ Policy states that each department should ensure all capital assets are tagged and all additions, disposal and transfers are recorded on the Capital Asset Inventory list. Departments should conduct an annual inventory and report any variances to Finance. Policy also states that each department is accountable for the physical custody of both its capital and non-capital assets.</p> <p>B. The Department does not maintain a record of high resale value non-capital assets such as laptops, camera equipment and telecommunication items, which are prone to theft. Further, auditors could not locate one of 13 laptops shown by County IST as located at the Register of Deeds. Management indicated the remaining laptop was transferred back to IST but did not have documentation to support the</p>	<p>B. Maintain a detailed record of all high resale value non-capital assets, annually review the physical existence of those assets and update the records accordingly.</p>		O		

¹ The updated Capital Asset Policy revised June 2010 changes the useful life to two years.

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	transfer. C. The Department does not provide sufficient control over bank note paper stock inventory. Cashiers print birth, death and marriage licenses on serialized bank note paper stock. These official documents are used for personal identification to conduct various legal activities. For that reason, documentation of the serial numbers, distribution of stock in numerical sequence and management oversight for use, inventory balance and security are important controls to prevent against loss and theft. a. Management does not document the bank note paper stock certification numbers received from the vendor to track the inventory and issuance of certification numbers to cashiers, which would provide necessary information to conduct a reconciliation of the inventory. b. Management typically records	C. Provide proper security and accountability over bank note paper stock that include, at a minimum: a. management documentation of all bank note paper stock certification numbers for all stock numbers received from the vendor b. management issuance in sequential order by certificate number all bank note paper stock packs given to the cashiers c. management recordation of all paper stock issued to cashiers d. cashier usage in sequential order by certification number e. cashier security of bank note paper stock in a lockable device at their workstations f. cashier security of bank note paper stock in the vault at the end of the each business day	X			

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	<p>the beginning and ending certification numbers for packs of bank note paper stock when distributed to cashiers but seven of 25 packages recorded were not issued in sequence by certification numbers to help track inventory.</p> <p>c. Seven of 12 cashiers were issued bank note paper stock that was not on management’s record of stock issued.</p> <p>d. Three of 12 cashiers issued the bank note paper stock to customers out of sequence with the certification numbers.</p> <p>e. Cashiers often maintain a stock of bank note paper at their workstations for use during the day but do not have the ability to secure the stock in a locked device to help prevent loss and theft.</p> <p>f. Management does not ensure that cashiers return their bank note paper stock to the vault at the end of the business day to help prevent loss and theft.</p>					

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11	<p>The Department has several areas that lack proper separation of duties. When one person is responsible for two or more related functions, such as cash collections, deposit preparation and reconciliation, the potential exists for undetected errors, lost or misappropriated cash and inaccurate application of cash receipts to department accounts.</p> <p>For example, one staff conducts the following related cash collection functions:</p> <ul style="list-style-type: none"> • receives, endorses and processes checks in the Anthem system • receives cash for inclusion in the deposit • conducts reconciliations of cash collections to the Anthem receipt records • prepares the daily deposit • verifies the bank deposit acknowledgement • enters and approves cash receipts into Advantage <p>A second staff member conducts the following related business functions:</p>	<p>Internal Audit recommends that the Register of Deeds provide adequate separation of duties in the cash handling, purchasing, disbursement and inventory functions so that one staff does not have two or more related functions, such as authorization, recordation, asset custody and reconciliation. If staff resources are limited, management should implement mitigating controls to reduce the risk of undetected errors and fraud.</p>	X			

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	<ul style="list-style-type: none"> • manages the authorized change funds • creates and approves purchase orders (A total of 54 purchase orders totaling \$873,411 were created during the audit period. Auditors sampled 29 totaling \$658,140 and 23 or 79% of the purchase order, which totaled \$273,234, were created and approved by this person.) • both receives the goods ordered and inputs the invoice payment request in Advantage, although a different staff member approves the invoice payment request • orders, receives, distributes and tracks the inventory use of pre-numbered bank note paper documents used by the cashiers to issue certified birth and death certificates and marriage licenses <p>A recording area staff member that collects recording fees also receives and reconciles all of the recording area’s cashier collections against Anthem reports rather than requiring a person independent of the collection process to</p>					

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	<p>conduct the reconciliations. Further, a supervisory review does not occur to ensure it is accurate and complete and there is no evidence of loss or theft.</p> <p>Two staff members who collect cash or checks for pre-paid print and copy fees also serve as back-up for the depositor. As a result, when acting as back-up staff would both reconcile and prepare the deposit that includes his/her cash collections, which provides an increased opportunity for errors and fraud.</p>					
12	<p>A. The public can view cash being handled at most cashier areas. Although cashier counter walls are high, a person with sufficient height could reach down and remove cash and/or confidential documents. While cashiers have cash drawers in which they can securely store payments, auditors observed a cashier placing cash on the desk during a transaction. Further, one cash area has a public entrance door in an isolated area of the building where some staff members handle cash. Moreover, cashiers do not have a panic button to press in</p>	<p>A. Consult with the Department of Real Estate Services to determine whether physical security of cashier areas can be increased.</p>	X			

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	<p>the event of an imminent threat. While some video surveillance is in place throughout the Department in the event of a theft or other security threat, the accessibility of cashiers puts them, cash and confidential information at risk.</p> <p>B. In order to carry out their duties, certain supervisors and housekeeping staff have keys to high risk areas, such as rooms with safes or confidential information. Yet, the Department does not monitor keyholders to ensure staff members leaving County employment return all keys in their possession. The County’s Facility Security Plan states that any department should designate an Access Control Custodian to be responsible for maintaining the inventories that will account for all keys. Lack of controls over key areas could subject cash and/or confidential information to loss, theft or unauthorized access.</p> <p>C. The Department’s facility is under</p>	<p>B. Follow the County Facility Security Plan to ensure the Access Control Custodian to appropriately maintain key inventories that will account for all keys.</p> <p>C. Work with the Department of Real</p>	X			
				P		

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	<p>the jurisdiction of the property management company contracted by the County's Real Estate Services Department who confirmed that the building has a fire alarm system for the smoke detectors throughout the building but it does not have water sprinklers and alarms for abnormal water activity, such as burst pipes. Without proper controls in place to protect against fire and water damage, irreplaceable hard copy documents and computer equipment that store confidential data could be damaged or destroyed.</p>	<p>Estate Services to ensure that the property management service adequately protects the Register of Deed’s building from water damage, fire or other threats. Also ensure that the physical safeguards used to protect computer resources, documents and data are commensurate with the risks of intentional or unintentional destruction or impairment.</p>				
	<p>D. The current evacuation plan has not been updated to reflect changes over the years to the Department’s physical layout. Nor has the plan been posted for staff to view.</p>	<p>D. Update the evacuation plan, post it where staff can view it and train staff on the plan.</p>		O		
	<p>E. During a recent arson attempt, the video surveillance recording device in that area failed although the recording device was replaced and the suspect was successfully</p>	<p>E. Periodically test and repair or replace as necessary the video surveillance equipment to ensure that the system is working properly.</p>	X			

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	captured on video during a second arson attempt.					
13	Supervisors review myHR system Time Reports prior to submitting them to process payroll but do not follow County policy to review the reports after payroll has been processed to ensure salaries were appropriately paid.	Internal Audit recommends that the Register of Deeds ensure supervisors and staff comply with County policy and review myHR Time Reports both before and after payroll is processed.		O		