



**Mecklenburg County  
Department of Internal Audit**

Financial Services Department Policies and Procedures Follow-Up  
Audit Report 1362

November 5, 2012

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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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**Internal Audit Contacts**

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**Staff Acknowledgements**

Eric Davis, Auditor-In-Charge

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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/Pages/Reports.aspx>



**MECKLENBURG COUNTY**  
**Department of Internal Audit**

To: Harry Jones, County Manager

From: Joanne Whitmore, Director, Department of Internal Audit

Date: November 5, 2012

Subject: Financial Services Department Follow-Up Audit Report 1362

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 and reviewed written policies and procedures and other documents. 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 eleven recommendations in the Department of Finance Audit Report 1161. Internal Audit has determined nine recommendations were fully implemented and two recommendations have been partially implemented. Of the two recommendations partially implemented, management has implemented the majority of the related components. 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 Financial Services Department 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  
Robert Thomas, Senior Associate Attorney  
Dena Diorio, Director, Financial Services Department  
Board of County Commissioners  
Audit Review Committee

**Follow-Up Results**  
**Finance Policies and Procedures 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
1	Although the Department typically conducts an annual review of its countywide and internal financial policies and procedures, they have not developed a formal process to ensure that financial policies and procedures are documented, current and consistent with the County’s goals and objectives.	Internal Audit recommends that the Department of Finance develop a formal, documented process to review and modify as necessary its countywide and internal policies and procedures. The written policies and procedures should have a framework that establishes, at a minimum: <ol style="list-style-type: none"> <li>a. frequency of policies and procedures reviews</li> <li>b. assumptions, criteria, methods, processes and techniques used to develop and review relevant policies and procedures</li> <li>c. roles, responsibilities and selection criteria of participants involved in the development and review process</li> <li>d. a standard format for policies and procedures</li> <li>e. training for relevant County staff</li> <li>f. communication to appropriate internal and external stakeholders</li> </ol>	X			
2	A. Countywide cash handling, receipts and deposits policies and procedures do not have specific requirements to help ensure staff follows key control activities, such as receipt issuance, daily reconciliations, system recordation and separation of duties.	A. Develop a more comprehensive countywide cash handling, receipts and deposit policies and procedures that provide a consistent approach to help protect County assets. Relevant County staff should be trained on the new policies and procedures. The	X			

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		<p>policies and procedures should include, at a minimum, directives and guidance to ensure:</p> <ul style="list-style-type: none"> <li>a. proper separation of duties for cash receipts, deposits and reconciliations</li> <li>b. security of cash receipts is commensurate with the amount of cash routinely collected</li> <li>c. the use of subsidiary accounting systems, e.g., manual ledgers, cash registers or computerized systems, to record detail customer activity and support/validate/confirm general ledger entries and reconciliations</li> <li>d. daily reconciliation of cash receipts with subsidiary accounting systems and bank deposits</li> <li>e. timely posting of cash receipts to subsidiary accounting systems</li> <li>f. issuance of pre-numbered customer receipts for all payments made in person at County facilities, which includes name, date, dollar amount, payment type and other</li> </ul>				

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	B. Countywide policies and procedures do not require departments who want to establish a revenue collection point to first obtain authorization and training from the Department of Finance. As a result, the Department may	<p>relevant information</p> <p>g. issuance of numbered receipts at the time of online customer payments, which includes name, date, dollar amount and other relevant information</p> <p>h. recordation of cashier overages and shortages to a single general ledger account and submission of supporting documentation</p> <p>i. payments received in the mail are recorded upon receipt either on a mail receipt log or in a cash receipt system, such as a manual ledger, cash register or computerized system.</p> <p>j. proper handling of insufficient fund checks not directly returned by the bank to the Department of Finance</p> <p>k. adequate training for countywide staff</p> <p>B. Establish and document in the current cash handling, receipts and deposit policies and procedures a protocol that requires departments who want to establish a cash collection point to first obtain authorization and training from the Department of Finance.</p>	X			

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	not be aware of revenue collection points to ensure that proper controls for collection, deposit and reporting are in place and that staff are adequately trained.	Protocol should follow best practices to ensure proper controls for collection, deposit and reporting.				
	C. Countywide policies and procedures do not require departments who want to accept credit card payments to first obtain authorization and training from the Department of Finance. As a result, the Department cannot ensure adequate controls exist over the security, processing and reporting of credit card transactions.	C. Establish and document in the current cash handling, receipts and deposit policies and procedures a protocol that requires departments who want to accept credit card payments to first obtain authorization and training from the Department of Finance. Protocol should follow best practices to ensure adequate controls over the security, processing and reporting of credit card transactions.	X			
	D. The Department’s internal cash receipt policies and procedures do not direct staff to timely research, reconcile and adjust the general ledger for cash amounts not reconciled to the bank statements.	D. Formally document in the Department’s internal cash handling, receipts and deposit policies and procedures directives for staff to timely research, reconcile and adjust the general ledger for cash amounts not reconciled to the bank statements.	X			
	E. The Department’s internal policies and procedures for checks returned	E. Formally document in the Department’s internal cash handling,	X			

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	<p>from the bank for insufficient funds are not formally documented.</p> <p>F. The Department’s internal cash handling, receipts and deposit policies and procedures do not establish ongoing training requirements to ensure its staff is updated on any changes.</p>	<p>receipts and deposit policies and procedures directives for staff regarding the return check procedure.</p> <p>F. Amend current internal cash handling, receipts and deposit policy to indicate staff ongoing training requirements.</p>	X			
3	<p>A. While County departments may be conducting comparisons of actual to budgeted payroll costs, countywide payroll policies and procedures do not require it.</p> <p>B. Although the departments of Human Resources and Finance assign payroll function tasks between the two departments to ensure proper separation of duties, current internal payroll policies and procedures do not require it.</p>	<p>A. Amend current countywide payroll processing and accounting policies and procedures to require County departments’ staff to conduct routine comparisons of actual to budgeted payroll costs. Staff should be trained so they are aware of and understand the documented policies and procedures.</p> <p>B. Amend current internal payroll processing and accounting policies and procedures to define department and internal staff roles to ensure proper separation of duties between the departments of Human Resources and Finance. Department of Finance staff should be trained so they are aware of and understand the</p>	X			
			X			

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	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.	documented policies and procedures.  C. 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: 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	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		P		

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	<p>expectations and to ensure proper internal controls. Internal policies and procedures do not:</p> <ul style="list-style-type: none"> <li>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.</li> <li>b. require separation of duties between the approval and receipt of new procurement cards.</li> <li>c. address the type and frequency of staff training to ensure competency and awareness of any procedural changes.</li> </ul>	<p>or fraud. The policies and procedures should include, at a minimum:</p> <ul style="list-style-type: none"> <li>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</li> <li>b. proper separation of duties between the approval and receipt of new procurement cards</li> <li>c. internal staff training requirements</li> </ul>				