



**Mecklenburg County
Department of Internal Audit**

Business Support Services Agency – Human Resources Follow-Up
Audit Report 1367

November 5, 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

Crystal Turner, Auditor-In-Charge

**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: Business Support Services Agency – Human Resources Follow-Up Audit Report 1367

The Department of Internal Audit has completed follow-up procedures on reported issues from the Human Resources, now Business Support Services Agency– Human Resources (BSSA-HR), Audit Report 0964 issued August 13, 2010. 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

There were four recommendations in the Human Resources Department Audit Report 0964. Internal Audit determined in the Human Resources Follow-Up Audit Report 1266 that the four recommendations remained open. As noted in the following **Follow-Up Results** section, Internal Audit has determined the four open recommendations have been fully implemented.

The cooperation and assistance of the BSSA-AFM and BSSA-Business and Financial Management (BSSA-BFM) 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
Brian Cox, Director, BSSA
Chris Peek, Director, BSSA-HR
Rodney Harris, Deputy Division Director, BSSA-BFM
Board of County Commissioners
Audit Review Committee

**Follow-Up Results
Human Resources 0964**

- **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
1	A staff person that collects cash and endorses checks also prepares and transports bank deposits to the County Finance and keys the transactions into the County’s financial system. The staff person also reconciles transit pass sales and maintains custody of any funds held overnight. Failure to adequately segregate cash collection activities could subject cash to loss or theft without timely detection.	Internal Audit recommends that management separate cash receipt duties between designated employees so a single person is not responsible for all aspects of cash collection, deposits, reconciliations and general ledger postings. If limited staffing resources preclude proper separation of duties, management should implement compensating controls, such as periodic management review, to ensure the accuracy and completeness of cash receipts and deposits.	X			
2	<p>NCGS §159-32 states that local governments must deposit cash receipts daily. If the governing board gives its approval, deposits are required when the moneys on hand amount to \$250. In any event, a deposit must be made on the last business day of the month.</p> <p>Due to the current process to transport deposits to the County Finance Department, which are then picked up by armored car for transport to the bank, deposits do not get credited to the County’s bank account for two business days. Other delays unrelated to the process also occurred. For example, five of 33 deposits tested</p>	Internal Audit recommends management ensure staff deposits cash collections and record deposit transactions according to NCGS 159-32 and County policy.	X			

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Human Resources 0964**

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	<p>(5%) identified bank deposit delays ranging from an additional two to thirteen business days.</p> <p>Furthermore, the County’s Financial Policy and Procedures Manual states that a department should key deposits into the financial system on the same day as the deposit. Yet, two deposits (6%) from the 33 deposits tested were not posted to the general ledger until four to ten business days after the deposit was made. Failure to comply with County policy and state statute governing timely cash deposits and recordation negatively impacts County revenues and increases the risk of loss or theft.</p>					
3	While the Department follows County policy regarding cash collections, it does not have formal, documented cash collection policies and procedures to ensure proper separation of duties and accountabilities for cash receipts.	Internal Audit recommends management develop formal, written policies and procedures for cash collections to properly separate duties and to define staff roles and accountabilities. Staff should be trained on the new procedures.	X			
4	Cash receipts collected by HRS staff are securely stored until they are hand delivered to other HRS staff for endorsement, deposit and posting to the general ledger. The Department	Internal Audit recommends management implement a procedure to document funds transferred between employees.	X			

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Human Resources 0964

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Issue	Risk Observation	Recommendation	Corrective Action Taken			
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	does not, however, document the transfer of cash receipts from one employee to another. Failure to document cash receipt transfers between employees compromises accountability in the event of discrepancies.					