



**Mecklenburg County
Department of Internal Audit**

Office of the Tax Collector Follow-Up
Audit Report 1368

November 29, 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

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Staff Acknowledgements

Felicia Gadson, 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 29, 2012

Subject: Office of the Tax Collector Follow-Up Audit Report 1368

The Department of Internal Audit has completed follow-up procedures on reported issues from the Office of the Tax Collector Audit Report 1002 issued August 27, 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 two recommendations in the Office of the Tax Collector Audit Report 1002. Internal Audit determined in the Office Tax Collector Follow-Up Audit Report 1267 that one recommendation had been fully implemented and one recommendation remained open. As noted in the following **Follow-Up Results** section, Internal Audit has determined management has assumed the risk of not taking corrective action at this time.

Management states the “tracking system recommendation was not implemented because doing so requires resources that exceed the current capacity. The OTC has, however, implemented mitigating controls including restricting access to the office suite where funds are processed, documenting procedures and controls in our process manuals that protect funds, completed renovations that improved the security of funds, added security cameras resulting in full coverage of the work areas, and images of all checks processed. These mitigating controls achieve the desired results the recommendation sought to achieve.”

While increased security and limited access provide preventive and detective controls for loss and theft of checks, they do not address accountability to ensure “the receipt and transfer of rejected checks be properly documented to provide accountability until the payment is deposited or returned to the taxpayer”.

County Manager's Response

There is no history of the current process resulting in missing checks, so it appears the risk of this occurring is low. However, the Tax Collector, under the supervision of the Finance Director, is directed to determine the resources needed to implement the recommendation of the Internal Audit Department and consider reallocating existing resources to this task when current resources become available July 1, 2013 when the State of North Carolina assumes responsibility for motor vehicle tax collection.

The cooperation and assistance of the Office of the Tax Collector 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
Board of County Commissioners
Audit Review Committee
Dena Diorio, Director, Financial Services Department
Neal Dixon, Tax Collector

**Follow-Up Results
Tax Collector 1002**

- **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
2	<p>Rejected tax payment checks are sent from the lockbox service back to the units for further research but there is no manual or automated tool to record initial receipt of these checks. Nor does the Tax Support Services Unit have a method to record transfers of rejected checks removed from the money room by staff conducting research.</p> <p>As a result of this audit, management directed the lockbox service to begin imaging rejected property tax checks and their associated documents effective March 23, 2010. Both the lockbox service and the Department now have online images to conduct research if rejected checks are lost, misplaced or destroyed before being posted to taxpayer accounts. The courier, however, still transports the rejected checks back to the Department.</p>	<p>The Department should then modify its current policy and procedure over rejected checks and train staff accordingly.</p> <p>In the interim, management should ensure that the receipt and transfer of rejected checks be properly documented to provide accountability until the payment is deposited or returned to the taxpayer.</p>			NI	