



**Mecklenburg County
Department of Internal Audit**

Financial Services Department
Accounts Payable Follow-Up Audit
Report 1565

April 4, 2016

**Internal Audit's
Mission**

To support key stakeholders in cultivating an environment of accountability, transparency and good governance.

Internal Audit Contacts

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**Staff
Acknowledgements**

Chinyere Brown, CIA, CFE, Auditor-In-Charge

**Obtaining Copies of
Internal Audit Reports**

This report can be found in electronic format at
<http://charmeck.org/mecklenburg/county/audit/reports/pages/default.aspx>



MECKLENBURG COUNTY
Department of Internal Audit

To: Dena Diorio, County Manager

From: Joanne Prakapas, Director, Department of Internal Audit

Date: April 4, 2016

Subject: Financial Services Department Accounts Payable Follow-Up Audit Report 1565

The Department of Internal Audit completed a follow-up audit on reported issues from the Department of Finance Accounts Payable Audit Report 1162 issued July 18, 2011. The objective of the follow-up audit was to determine with reasonable but not absolute assurance whether management took effective corrective action on the issues presented in the audit report.

Internal Audit staff interviewed key personnel, observed operations, reviewed written policies and procedures and other documents, and tested specific transactions where applicable. Internal Audit conducted this audit in conformance with The Institute of Internal Auditor's International Standards for the Professional Practice of Internal Auditing.

FOLLOW-UP SUMMARY

There were eleven recommendations in the Department of Finance Accounts Payable Audit Report 1162. The following table summarizes the results of the follow-up audits performed to date.

Recommendation Summary					
Fiscal Year	Audit Report	Implemented	Open	Not Implemented	Withdrawn
2013	1363	7	4		
2014	1463		4		
2015	1565		4		

Details regarding the most recent follow-up audit are noted in the attached **Follow-Up Results** matrix. Recommendations considered implemented will be excluded from further review. For those that remain open, Internal Audit will conduct a follow-up audit at a later date to verify they are fully implemented and working as intended.

The cooperation and assistance of the Financial Services Department staff are recognized and appreciated.

- c: Deputy County Manager/Chief of Staff
- Assistant County Managers
- Deputy County Attorney
- Senior County Attorney
- Board of County Commissioners
- Audit Review Committee
- Director, Financial Services Department

Follow-Up Results
Department of Finance Accounts Payable Audit Report 1162

- **Implemented** – Audit issue has been adequately addressed by implementing the original or alternative corrective action plan (**I**)
- **Open** – Corrective action for audit issue initiated but not completed (**P**); Implemented but not operating as intended (**IO**); Not been addressed but management fully intends to address issue (**O**)
- **Not Implemented** – Audit issue not addressed and management has assumed the risk of not taking corrective action (**NI**)
- **Withdrawn** – Audit issue no longer exist due to operational changes (**W**)

				Implementation Status	
Issue No.	Recommendation	Management's Risk Mitigation Strategy	Original Implementation Date	Current Status	Management Comments
1	<p>Internal Audit recommends that the Department of Finance:</p> <p>B. Develop and implement more comprehensive documented policies and procedures for master vendor file management to improve its accuracy and reliability. Staff should be trained on the policies and procedures. The written policies and procedures should have a framework that establishes, at a minimum:</p> <p>a. requirements and process to validate vendor names, addresses, TINs and telephone numbers prior to setting vendors up in the Advantage master vendor file</p> <p>b. requirements to compare new vendors against debarment lists</p> <p>c. timeframe to periodically review and clean up the master vendor file</p> <p>d. procedures to identify and remove or deactivate duplicate or inactivate duplicate vendors</p>	<p>Agree. The Finance Department will revise its accounts payable policies and procedures to reflect current activities and best practices as recommended by Internal Audit. The anticipated completion date is September 30, 2011. The Finance Department will seek input from the Internal Audit Department on the draft revisions to policies and procedures prior to final approval of the revisions.</p>	09/2011	P	<p>Management indicated the recommendation is partially implemented due to system and process changes that have created competing priorities and limited staff and resources.</p>

Follow-Up Results
Department of Finance Accounts Payable Audit Report 1162

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				Implementation Status	
Issue No.	Recommendation	Management's Risk Mitigation Strategy	Original Implementation Date	Current Status	Management Comments
	<ul style="list-style-type: none"> e. an independent review of changes to the master vendor file f. data entry requirements, such as vendor naming conventions and critical field entries g. master vendor file change management for all changes h. management oversight requirements 				
2	<p>Internal Audit recommends that the Department of Finance:</p> <p>A. Validate information provided by the vendor on the IRS Form W-9 and check against debarment lists before entering vendor data into the master vendor file.</p>	<p>Agree. Prior to the audit, the Finance Department has taken several steps to better manage the vendor file. The Department no longer accepts W-9 forms directly from departments and requires that the information be submitted directly by the vendor. In addition, several years ago the Finance Department no longer allowed departments to modify the vendor file to insure that vendors are entered using a consistent naming scheme and validates to insure duplicate vendors are not entered.</p> <p>The Department is unable to remove inactive or duplicate vendors from the vendor file as the payment history associated with those vendors will no longer be accessible. However, the</p>	09/2011	P	Management indicated the recommendation is partially implemented due to recent changes to the vendor management systems and processes.
	<p>C. Design a report detailing all additions, deletions and other changes made to the master vendor file, including the identity of the staff making the change. A senior level manager should periodically review and approve the report.</p>		09/2011	P	Management indicated the recommendation is partially implemented due to recent changes to the vendor management systems and processes.

Follow-Up Results
Department of Finance Accounts Payable Audit Report 1162

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				Implementation Status	
Issue No.	Recommendation	Management's Risk Mitigation Strategy	Original Implementation Date	Current Status	Management Comments
		<p>Finance Department has begun developing and implementing processes to deactivate inactive/duplicate vendors from the master vendor file. This will prohibit any errant payments to those vendors but will maintain the relevant history. The anticipated completion date for inactivating these vendors is July 31, 2011.</p> <p>In addition, the Finance department will implement procedures to validate vendor information prior to vendor setup and conduct reviews of master vendor file additions and changes as recommended by Internal Audit. The anticipated completion date to implement these procedures is September 30, 2011. The Finance Department will seek input from the Internal Audit Department on the proposed procedures prior to implementation.</p>			
4	Internal Audit recommends that the Department of Finance develop formal KPIs for the major components of its accounts payable process, such as accuracy, timeliness, training or other key process objectives.	Agree. The Finance Department currently tracks data for over thirty performance measures across all functions in the Department consistent with the requirements of the County's balanced scorecard. However, the Finance Department will develop key performance indicators for the major components of the accounts payable process as	09/2011	O	Management indicated the recommendation is open due to pending changes to the accounts payable process that have yet to be finalized.

Follow-Up Results
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				Implementation Status	
Issue No.	Recommendation	Management's Risk Mitigation Strategy	Original Implementation Date	Current Status	Management Comments
		recommended by the Internal Audit Department. The Finance Department will work with its SOI Analyst to create measures consistent with their guidelines. The anticipated completion date is September 30, 2011.			