



**Mecklenburg County  
Department of Internal Audit**

Office of the Tax Collector  
Cash Collections Follow-Up Audit  
Report 1577

April 4, 2016

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**Internal Audit's Mission** To support key stakeholders in cultivating an environment of accountability, transparency and good governance.

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**Staff Acknowledgements** Eric Davis, CIA, CISA, CRMA, Auditor-In-Charge  
Rhonda Minter, Internal Auditor

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

**To:** Dena Diorio, County Manager

**From:** Joanne Prakapas, Director, Department of Internal Audit

**Date:** April 4, 2016

**Subject:** Office of the Tax Collector Cash Collections Follow-Up Audit Report 1577

The Department of Internal Audit completed a follow-up audit on reported issues from the Office of the Tax Collector Cash Collections Audit Report 1370 issued June 9, 2014. 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 seven recommendations in the Office of the Tax Collector Cash Collections Audit Report 1370. The following table summarizes the results of the follow-up audits performed to date.

<b>Recommendation Summary</b>					
<b>Fiscal Year</b>	<b>Audit Report</b>	<b>Implemented</b>	<b>Open</b>	<b>Not Implemented</b>	<b>Withdrawn</b>
2015	1577	5	2		

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 Office of the Tax Collector and 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
- Tax Collector, Office of the Tax Collector

**Follow-Up Results**  
**Office of the Tax Collector Cash Collections Audit Report 1370**

- **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**)
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- **Withdrawn** – Audit issue no longer exist due to operational changes (**W**)

				Implementation Status	
Risk Observation	Recommendation	Management's Risk Mitigation Strategy	Original Implementation Date	Current Status	Comments
1.1	<p>Internal Audit recommends the OTC management revise its current policies and procedures to include the following items and staff should be trained as necessary:</p> <ul style="list-style-type: none"> <li>• Cash handling authorization requirements</li> <li>• Accountability and transfer of cash receipts</li> <li>• Current change fund amount maintained in cash drawers</li> <li>• Segregation of duties for change fund reconciliations</li> </ul>	<p>The OTC has a standard process in place to maintain and update procedure documentation. That process includes the following steps:</p> <ol style="list-style-type: none"> <li>A. The Management Coordinator reviews policies and procedures for compliance with actual work processes.</li> <li>B. Identify policies and procedures to be updated.</li> <li>C. Draft updated documents.</li> <li>D. Review updated documents with staff, supervisor, and deputy director for feedback and corrections.</li> <li>E. Upon finalizing documents, submit to the Director for approval.</li> <li>F. Once approved, publish updates and communicate to staff.</li> </ol> <p>The policy and procedure documents and the Money Handling Policy reviewed during this audit were in the process of being updated. Currently, the updates are in stage D above. The review process for policies and procedures described in the four bulleted areas recommended is expected to be completed and implemented by September 1, 2014.</p>	09/2014	I	

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2.1	<p>Internal Audit recommends the OTC management re-emphasize the importance of documenting in the Cashier Change Fund Log Book all change fund transfers. In addition, management should ensure the initial receipt of mailed payments and all other transfers are adequately documented. Documentation should evidence, as applicable, the date of receipt or transfer, the remitter, the amount received, and the staff involved in the receipt and/or transfer of funds.</p> <p><b>Internal Audit Counter Response:</b>                      While we understand management's concern that lack of resources will prevent implementation of our recommendation to document the transfer of checks between staff, we feel this control is critical to assign accountability in the event a check is lost or stolen.</p>	<p>The OTC has taken the following steps to address this recommendation:</p> <p>We are working with BSSA-IT<sup>1</sup> to enhance our current imaging system interface to allow for scanning and storage of all checks within TSS. The appropriate document types have been created within the imaging system interface and a scanner has been provided. We are currently in the middle of a PC<sup>2</sup> replacement project which when completed, will allow us to allocate a dedicated PC to this project. The final outcome will provide the ability, upon receipt of mail in the TSS, to scan all checks, coupons and envelopes received into daily batches indexed by the name on the check, date, and operator identification. The images will be retained for 13 months. Full implementation, inclusive of process documentation and/or policy creation, of this component will be completed by September 1, 2014.</p> <p>Lockbox service was expanded to include imaging of all payments</p>	09/2014	I (2)	

<sup>1</sup> Mecklenburg County's Business Support Services Agency

<sup>2</sup> Personal computer

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		<p>received by the service provider. Previously, checks that were rejected (not processed) by the service provider were not imaged. Only checks that were processed successfully or processed and rejected (exceptions) were imaged. The rejected checks were delivered to TSS via courier. We now have an image record of all checks received by the lockbox service provider if the checks were actually processed by the service provider or not.</p> <p>As a result of these two changes, the OTC will have images of every check received. This level of documentation can be maintained at current staff levels. TSS resources are not sufficient to implement the recommendation of documenting the transfer of checks between staff. As a result, the OTC must accept the risk of not implementing this recommendation.</p> <p>Regarding the transfer of receipts from the OTC to Tax Accounting (Central Finance Division of Financial Services Department), the OTC staff will not transfer funds to the Tax Accounting Staff without having them sign to acknowledge acceptance of the</p>			

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		receipts. The signed document will be retained with the cash receipt as a record of the transfer of receipts. In regards to the change fund log, the TSS Supervisor met with staff on March 4, 2014, to review the process and requirements for signing the log and complying with all applicable procedures. The Supervisor is also working individually with staff as needed to ensure compliance. The TSS Supervisor reviews the log daily to ensure it is signed and transactions are properly documented. When the TSS Supervisor is absent, the coverage Supervisor performs the review task and the TSS Supervisor reviews the log again upon his/her return. This process will be documented in the OTC manual by September 1, 2014.			
3.1	Internal Audit recommends the Financial Services Department include all significant accounts in its monthly reconciliation of NCPTS to Advantage. The reconciliations should evidence the preparer and date of preparation, support for reconciling items and related corrective actions, and management's review and approval.	The OTC deferred to the Financial Services Department to respond to this recommendation. Financial Services responds as follows:  A revenue analyst in the Central Finance Division of Financial Services currently reconciles the County general property tax revenue recorded in NCPTS to the amounts posted to general ledger accounts monthly. The	06/2014	O	Management indicated the recommendation is open due to competing priorities and recent staff changes.

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		reconciliation will be expanded to include all the revenue accounts for the County and documentation of the review. Central Finance will also prepare a monthly reconciliation of the amounts collected for the other jurisdictions in the County with the collections recorded in NCPTS and remitted to those jurisdictions. Those collections will be reconciled by jurisdiction only, since the County does not record the collections by type in the general ledger. The reconciliations will include documentation of the review. These changes will be implemented by June 30, 2014.			
4.1	Internal Audit recommends the OTC management ensure monthly change fund reconciliations are documented and retained.	Regarding the change fund reconciliation, our monthly reconciliation and documentation process is for the TSS unit to maintain calculator tapes from the reconciliations of the petty cash fund and cashier change fund. The OTC retains the NCPTS (tax system) balancing sheets that are created each time a till is balanced for each cashier. The balancing sheets report the verified till amounts and currency details (number of \$1 bills, \$5 bills, and other denominations of money). This information is included with the cash	06/2014	P	Management indicated the recommendation is partially implemented due to an oversight in the reconciliation process for cash tills not in use.
	Internal Audit recommends the OTC management ensure bi-annual surprise change fund reconciliations are documented and retained.		06/2014	I	

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		receipt documentation, which is stored on-site as required by our document retention schedule. Although the monthly reconciliations were occurring, document retention will be fully implemented on June 1, 2014. Now the mandatory surprise audits and end of year audit occur once each year as required. The resulting documentation is retained and/or distributed to the Financial Services Department as required by an OTC Deputy Director.			
4.2	Internal Audit recommends the OTC management ensure staff maintains adequate supporting documentation for all cashier balancing activities.	Regarding the cash receipt reconciliation, the TSS Unit Supervisor will ensure that unit staff provides the appropriate information to Tax Accounting Unit staff upon balancing for inclusion with the cash receipt.  As for field collection receipts, the policies and procedures will be updated by September 1, 2014 to reflect the practices that were in place during the audit but not documented in the OTC manual. The policy and procedure updates are in the approval process as described in the response to item 1.1.	09/2014	I	