



**Mecklenburg County  
Department of Internal Audit**

Medical Examiner's Office  
Procurement Cards  
Report 1761

March 5, 2018

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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** Rhonda Minter, Auditor-In-Charge

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

**To:** Dr. Thomas Owens, Director, Medical Examiner's Office

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

**Date:** March 5, 2018

**Subject:** Medical Examiner's Office Procurement Card Report 1761

The Department of Internal Audit has completed its audit of the Medical Examiner's use of procurement cards to determine whether internal controls effectively manage key business risks inherent to this activity. Internal Audit interviewed key personnel; reviewed and evaluated policies, procedures, and other documents; observed operations; and tested various procurement cards activities from July 1, 2013 through June 30, 2017.

This audit was conducted in conformance with The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

**OVERALL EVALUATION**

Overall, key risks inherent to the procurement card process were managed to an acceptable level; however, opportunities exist to improve the design and operation of some control activities.

## RISK OBSERVATION SUMMARY

The table below summarizes the risk observations identified during this audit, grouped by the associated risk factor, and defined in Appendix A. The criticality or significance of each risk factor, as well as Internal Audit’s assessment of the design and operation of key controls to effectively mitigate the risks, are indicated by the color codes described in Appendix B.

RISK OBSERVATION SUMMARY			
Risk Factors and Observations	Criticality	Design	Operation
1. Policies and Procedures Risk	●	●	●
1.1 Formal Documentation			
2. Compliance Risk	●	●	●
2.1 Training Requirements			
3. Procurement Card Risk	●	●	●
3.1 Receipt Reconciliation Forms			
4. Documentation Risk	●	●	●
4.1 Document Retention			
5. Accounting Risk	●	●	●
5.1 Recordation			
6. Authorization Risk	●	●	●
No risk observation noted			
7. Segregation of Duties Risk	●	●	●
No risk observations noted			
8. Human Resource Risk	●	●	●
No risk observations noted			

The risk observations and management’s risk mitigation strategies as defined in Appendix C are discussed in detail in the attached document. Internal Audit will conduct a follow-up audit to verify management’s action plans have been implemented and are working as expected.

We appreciate the assistance and cooperation you and your staff provided during the performance of this audit. Please feel free to contact me at 980-314-2889 if you have any questions or concerns.

c: County Manager  
Assistant County Managers  
Deputy County Attorney  
Senior County Attorney  
Board of County Commissioners  
Audit Review Committee

## BACKGROUND

The Medical Examiner’s Office (the Department) “aids in investigations, determinations and certifications of cause and manner of deaths under Medical Examiner jurisdiction (e.g., homicide, suicide, trauma, unexpected death, death in police custody, unattended death, etc.) occurring in Mecklenburg County”. The Medical Examiner also provides autopsy and investigative services to Union, Anson, Cabarrus, Gaston, and Cleveland counties.

### Procurement Card Program

The Mecklenburg County Procurement Card (P-card) Program provides departments with a convenient, flexible method to procure and pay for goods and services. The County has contracted with a major bank to provide, implement and support the program.

The County Financial Services Department (Finance) is charged with overall program administration and maintains the Procurement Card Policies and Procedures Manual, which also delineates the rules and responsibilities of program participants.

<b>Roles and Responsibilities of Program Participants</b>	
<b>Role</b>	<b>Key Responsibilities</b>
Program Administrator	Oversees and manages day-to-day P-card program administration; serves as liaison between the County and the bank
Department Director	Authorizes departmental and employee program participation
Program Manager	Ensures cardholders, accountants, and supervisors comply with program requirements
Accountant	Reviews cardholder reconciliations for proper documentation and processing and ensures proper allocation of expenditures
Supervisor	Ensures appropriate P-card use and program compliance
Cardholder	Makes P-card purchases and reconciles transactions against monthly bank statement

*Source: Mecklenburg County Procurement Card Policies and Procedures Manual*

**Card Issuance**—Each P-card is issued in the employee’s name who is accountable for all P-card purchases and for the protection of the card. Cardholders and other program participants are required to complete an initial training before participating in the program and biennial refresher training thereafter.

P-card purchase limits are typically set at \$3,000 per transaction and \$6,000 per month. The program administrator assigns in WORKS, the bank’s online P-card software application, other P-card limitations such as alcohol purchases, to further restrict the cardholder’s ability to purchase specific goods and services.

**Reconciliation**—Each month the cardholder records all purchases made on a Receipt Reconciliation Form, reconciling the monthly bank statement with original transaction receipts. Approving officials then

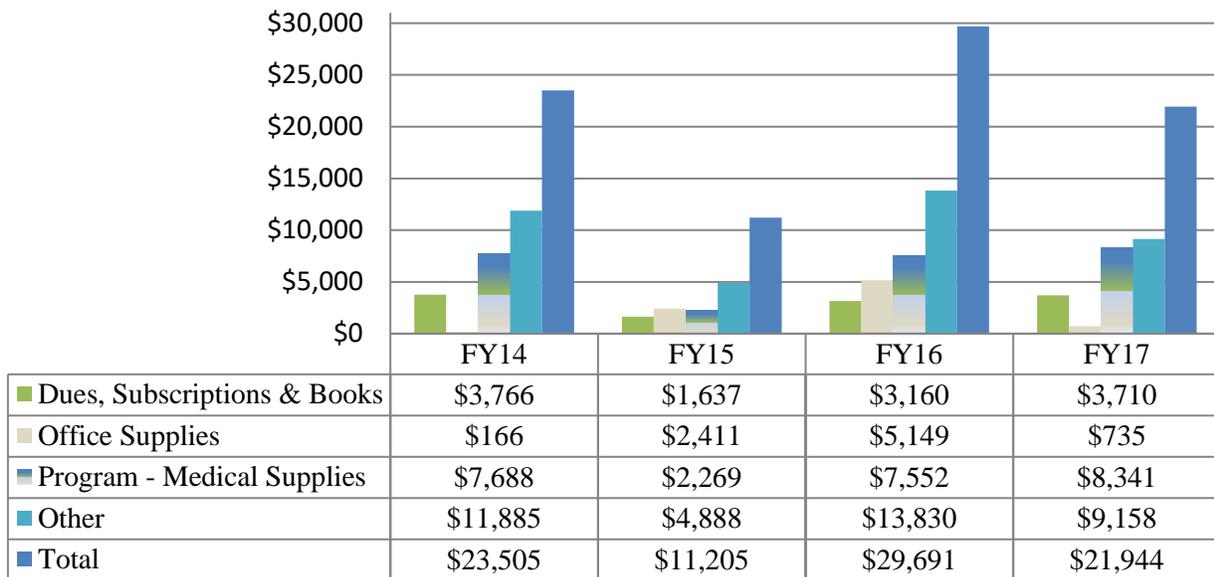
review and approve the form, original purchase receipts, and the general ledger account coding. Approving officials include the cardholder’s reviewing supervisor, the accountant, and the program manager.

Card Deactivation—When a cardholder transfers jobs, retires, or is terminated, the program manager receives the original receipts and P-card from the accountant, destroys the card, and sends the program administrator a Destruction Notice to deactivate the card. If the P-card is lost, stolen, or compromised, the cardholder must first report the occurrence to the bank and program manager before following the deactivation process.

### Department Spending

The table below illustrates the Department’s P-card purchases from July 1, 2013 through June 30, 2017.

Procurement Card Purchases



Source: Auditor analysis of Advantage data, unaudited



Risk Factor	Criticality	Design	Operation
2. Compliance Risk	●	●	●

**Risk Observation**

2.1 Training Requirements—While cardholders and approving officials completed the initial training required to participate in the P-card program, they had not completed the required refresher training.

**Recommendation**

2.1 Internal Audit recommends management improve the tracking and monitoring of program participant training and ensure all P-card program participants receive the appropriate training.

**Management’s Response**

2.1 **Risk Mitigation Strategy:** Reduce **Implementation Date:** February 2018

**Action Plan:** A system reminder will be put in MeckEDU to assist in tracking and monitoring P-card training compliance for the MEO.

Risk Factor	Criticality	Design	Operation
3. Procurement Card Risk	●	●	●

**Risk Observation**

3.1 Receipt Reconciliation Forms—While approving officials reviewed cardholder Receipt Reconciliation Forms, no signoff was documented by the accountant to evidence their review as required by County policy.

**Recommendation**

3.1 Internal Audit recommends management ensure that reviews and approvals are documented by all approving officials.

**Management’s Response**

3.1 **Risk Mitigation Strategy:** Reduce **Implementation Date:** February 2018

**Action Plan:** The MEO will ensure all approving officials sign the Receipt Reconciliation Form to evidence their review of P-card transactions.

Risk Factor	Criticality	Design	Operation
4. Documentation Risk	●	●	●

**Risk Observation**

4.1 Document Retention—The Department did not retain some documents as required by County policy and procedures. Failure to adequately retain documentation compromises management’s ability to ensure controls are functioning as intended. Specifically:

- Destruction Card Notices were missing for the two P-cards deactivated during the scope period
- New Cardholder Authorization forms were missing for one of the two cardholders
- Cardholder Agreement forms were missing for one of the two cardholders

**Recommendation**

4.1 Internal Audit recommends management re-emphasize to staff document retention requirements.

**Management’s Response**

4.1 **Risk Mitigation Strategy:** Reduce **Implementation Date:** February 2018

**Action Plan:** The MEO will confirm all agreement forms, authorization forms, and destruction card notices are completed accordingly and timely, and emphasize document retention requirements to all P-card participants.

Risk Factor	Criticality	Design	Operation
5. Accounting Risk	●	●	●

**Risk Observation**

5.1 Recordation—P-card transactions were not always recorded accurately in Advantage, the County’s financial management system. Improper recording of transactions could conceal fraud and/or affect some financial reports and State sales tax reimbursements. Of 40 P-card transactions sampled:

- 33 or 83% incorrectly recorded sales taxes
- 23 or 58% incorrectly recorded the cost of the goods purchased

**Recommendation**

5.1 Internal Audit recommends management provide staff additional training on coding P-card transactions.

## Management's Response

5.1 **Risk Mitigation Strategy:** Reduce

**Implementation Date:** July 2018

**Action Plan:** The MEO Business Manager and P-card Program Manager will work with the County's Financial Services Department to coordinate training for the P-card Program Accountant and Program Manager to specifically address the coding of P-card transactions.

## APPENDIX A—Risk Factor Definitions

Risk Factor	Definition
Accounting Risk	Failure to accurately and timely record transactions may result in untimely or inaccurate compilation of information needed for financial and operational reporting and analysis.
Authorization Risk	Failure to clearly articulate and communicate authority to commit the organization may result in internal and external misunderstandings.
Compliance Risk	Failure to comply with established policies, procedures, and/or statutory requirements may result in unacceptable performance that impacts financial, operational, or customer objectives.
Documentation Risk	Failure to adequately collect, file, and retain key documentation may result in lack of accountability and/or evidence to support transactions and events.
Human Resources Risk	Failure to attract, train, develop, deploy, and/or empower competent personnel may inhibit the organization's ability to execute, manage, and monitor key business activities.
Policies and Procedures Risk	Failure to have formal, documented, clearly stated, and updated policies and procedures may result in poorly executed processes and/or increased operating costs.
Procurement Card Risk	Failure to consistently and effectively execute procurement card policies and procedures may result in expenditures that do not meet management's criteria.
Segregation of Duties Risk	Failure to adequately segregate duties may allow an employee or group of employees to perpetrate and conceal errors or irregularities without timely detection.

## APPENDIX B—Color Code Definitions

The criticality of a risk factor represents the level of potential exposure to the organization and/or to the achievement of process-level objectives before consideration of any controls in place (inherent risk).

Criticality	Significance and Priority of Action
	The inherent risk poses or could pose a significant level of exposure to the organization and/or to the achievement of process level objectives. Therefore, management should take immediate action to address risk observations related to this risk factor.
	The inherent risk poses or could pose a moderate level of exposure to the organization and/or to the achievement of process level objectives. Therefore, management should take prompt action to address risk observations related to this risk factor.
	The inherent risk poses or could pose a minimal level of exposure to the organization and/or to the achievement of process level objectives. Risk observations related to this risk factor, however, may provide opportunities to further reduce the risk to a more desirable level.

The assessment of the design and operation of key controls indicates Internal Audit’s judgment of the process and system design to mitigate risks to an acceptable level.

Assessment	Design of Key Controls	Operation of Key Controls
	The process and system design does not appear to be adequate to manage the risk to an acceptable level.	The operation of the process’ risk management capabilities is not consistently effective to manage the risk to an acceptable level.
	The process and system design appear to be adequate to manage the risk to an acceptable level. Failure to consistently perform key risk management activities may, however, result in some exposure even if other tasks are completed as designed.	The operation of the process’ risk management capabilities is only partially sufficient to manage the risk to an acceptable level.
	The process and system design appear to be adequate to manage the risk to an acceptable level.	The operation of the process’ risk management capabilities appears to be sufficient to manage the risk to an acceptable level.

**APPENDIX C—Risk Mitigation Strategy Definitions**

<b>Risk Mitigation Strategy</b>	<b>Definition</b>
Reduce	Risk response where actions are taken to reduce a risk or its consequences.
Accept	Risk response where no action is taken to affect the risk.
Transfer	Risk response where a portion of the risk is transferred to other parties.
Avoid	Risk response to eliminate the risk by avoiding or withdrawing from the activity giving rise to the risk.