



**Mecklenburg County
Department of Internal Audit**

Financial Services Department
Accounts Payable Follow-Up Audit
Report 1803

October 11, 2018

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

Obtaining Copies of Internal Audit Reports This report can be found in electronic format at <https://www.mecknc.gov/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: October 11, 2018

Subject: Financial Services Department Accounts Payable Follow-Up Audit Report 1803

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 follow-up audit objective 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, 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 provides the original number of recommendations and summarizes the follow-up audit results performed to date.

| Fiscal Year | Audit Report | Implemented | Open | Not Implemented¹ | Withdrawn | Total Carryforward |
|--------------------|---------------------|--------------------|-------------|------------------------------------|------------------|---------------------------|
| 2012 | 1162 ² | N/A | | | | 11 |
| 2013 | 1363 | 7 | 4 | | | 4 |
| 2014 | 1463 | | 4 | | | 4 |
| 2015 | 1565 | | 4 | | | 4 |
| 2018 | 1803 | | 1 | 3 | | 1 |

¹ Management assuming risk for not taking corrective action

² Initial report

The attached **Follow-Up Results** matrix provides details for the most recent follow-up audit. Internal Audit will review any carryforward issues later to verify recommendations 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**)

| Issue No. | Recommendation | Management's Risk Mitigation Strategy | Original Implementation Date | Implementation Status | |
|-----------|---|---|------------------------------|-----------------------|---|
| | | | | 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 the TIN verification and management oversight functions for these activities moving from General Accounting Accounts Payable to Procurement Vendor Management. Procurement policies have been updated to address most issues after fieldwork was completed in May.</p> |

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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> | 09/2011 | NI | <p>Internal Audit determined validation and review activities did not consistently occur as designed. Management indicated Finance will provide additional training to staff responsible for this function. For TIN verification, vendors are required to submit W-9s as part of the registration process, and TINS are ultimately verified with the issuance of W-9s. Management has indicated Finance will accept the risk of not validating TIN information before vendors are added to the master vendor file.</p> |
| | <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> | <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 | NI | <p>Internal Audit determined supervisor review activities did not consistently occur as designed. Management indicated Finance has implemented the recommendation through a combination of processes and reports, with supervisor review of all changes. Management indicated Finance will accept the risk of not having a report with which staff made changes, given the supervisor review. Management indicated the process was implemented after fieldwork was</p> |

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|-----------|--|---|------------------------------|-----------------------|--|
| | | | | 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> | | | completed. |
| 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 | NI | Internal Audit determined KPIs in the staff workplan provided did not comprehensively cover the major components of the accounts payable process and were limited to accuracy. Management indicated Finance has incorporated KPIs into workplans that include accuracy, timeliness, and training for key processes, including accounts payable. Management indicated they were comfortable that existing processes capture sufficient information, and will continue to update KPI |

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| | | 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. | | | measures as part of strategic planning and performance management processes, and accepts risk of what is in place at this time. |