



**Mecklenburg County
Department of Internal Audit**

Financial Services Department
Enterprise Procurement Card Program Follow-Up Audit
Report 1830

October 11, 2018

**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**

Gewreka Robertson, 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 Enterprise Procurement Card Program Audit Follow-Up Report 1830

The Department of Internal Audit completed a follow-up audit on reported issues from the Financial Services Department Enterprise Procurement Card Program Audit Report 1664 issued August 24, 2017. 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 fourteen recommendations in the Financial Services Department Enterprise Procurement Card Program Audit Report 1664. 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Fiscal Year	Audit Report	Implemented	Open	Not Implemented¹	Withdrawn	Total Carryforward
2018	1664 ²	N/A				14
2018	1830	9	4	1		4

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
Financial Services Department Enterprise Procurement Card Program Audit Report 1664

- **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 management update its P-card program procedures and train staff accordingly. Procedures should include, at a minimum:</p> <ul style="list-style-type: none"> • Frequency of policy and procedure reviews and updates • Staff roles and responsibilities, including proper segregation of duties • Staff training requirements • Document retention requirements • Rebate processing procedures, including general ledger recordation • Administrator oversight and monitoring, e.g., merchant category codes, training, split transactions, and terminations • Review of general ledger transaction recordations 	<ul style="list-style-type: none"> • The Procurement Card policy will be reviewed annually, and the date of review will be noted on the cover page of the document. • Staff roles and responsibilities are documented in the Procurement Card Policy including new responsibilities for the Supervisor of the Program Administrator. These roles and responsibilities will include proper segregation of duties. • The document retention requirements have been added to the Procurement Card policy. • Random sampling of the MCC codes has been added to the roles and responsibilities outlined in the Procurement Card policy. • The Procurement Card Program will follow the retention guidelines as outlined by North Carolina Department of Natural and Cultural Resources located at https://www.ncdcr.gov/resources/records-management. This information will be updated in the County Procurement Card Policy. • The policy will include training requirements for all those involved in the p-card process. 	07/2017	P	Management indicated the recommendation is partially implemented due to changes in department leadership.

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Risk Observation	Recommendation	Management's Risk Mitigation Strategy	Original Implementation Date	Current Status	Comments
		<ul style="list-style-type: none"> • The policy will include rebate processing procedures, including general ledger recordation. • The policy will include Administrator oversight and monitoring, e.g., merchant category codes, training, split transactions, and terminations. • The policy will include review of general ledger transaction recordations 			
2.1	Internal Audit recommends management develop a process to annually review and update the MCC codes as necessary in the bank system.	There will be random and annual audits of the MCC codes. The audits will be documented with findings and dated. If follow-ups are required due to findings the Program Administrator will ensure that the bank is notified and MCC codes are removed/added to reflect current policy guidelines. This process will be documented and maintained with the Procurement Card MCC Code Audit Files.	06/2017	NI	Internal Audit determined the department is not annually reviewing all the MCC codes in the bank system. Management indicated the MCC codes are reviewed monthly as part of the P-card reconciliations and accepts the risk of not performing additional audits on a random or annual basis.
2.2	Internal Audit recommends management ensure P-cards of terminated employees whose P-cards should be deactivated are timely done so in WORKS.	As of 2/5/2016, the current Program Administrator now receives an employee termination report from the Human Resources Department so that it can be verified that an employee is no longer with the County and be immediately deleted from the WORKS program.	02/2016	I	

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2.3	Internal Audit recommends Finance staff review its monthly list of potential split transactions and timely respond to and resolve the possible violations. Documentation of the review and any actions taken should be maintained.	Prior split transactions reports were reviewed when received and no violations were found. As reports are received, Finance will review the monthly list of potential split transactions and respond to and resolve possible violations. Documentation of the split transactions review and any actions taken will be maintained.	07/2017	I	
2.4	Internal Audit recommends management ensure the program administrator consistently document and maintain proof of the monthly P-card bank invoice review and any actions taken.	A form was created on 5/5/16 to list any questionable purchases and actions taken. This form serves as documentation for the review of the monthly Procurement Card statement.	05/2016	I	
2.5	Internal Audit recommends management ensure Finance staff consistently document and retain proof of their review of the Receipt Reconciliation forms and any actions taken.	A fiscal staff member in Central Finance has been trained to ensure that reconciliations are reviewed, signed and date stamped. Staff members currently review, sign, and date stamp all procurement card reconciliations.	08/2016	P	Management indicated the recommendation is partially implemented due to employees needing additional training regarding the process.
3.1	Internal Audit recommends management appropriately segregate duties for new cardholder establishment, WORKS cardholder data input, P-card deactivation, and P-card monitoring so no one person has the responsibility to conduct two or more phases of the program administration process. If adequate	The Supervisor of the Program Administrator will perform random quarterly audits on the establishment of new cardholders, and will review paperwork proper authorization.	07/2017	I	

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	segregation of duties cannot be achieved, management should implement appropriate compensating controls.				
4.1	Internal Audit recommends management ensure all P-card program documents are properly authorized prior to being processed.	There will be random quarterly checks of documentation to ensure all required documents have been properly authorized.	July 2017	I	
5.1	Internal Audit recommends management ensure monthly random audits are conducted each month and follow-up is completed within a month, documenting all identified discrepancies and resolutions.	There is a monthly Administrator's checklist that serves as a reminder that the audit be done which also chooses the department to be audited. The Administrator will ensure monthly random audits are conducted each month and follow-up is completed within a month, documenting all identified discrepancies and resolutions.	July 2017	I	
5.2	Internal Audit recommends management ensure all credit limit increase requests are properly supported with a written explanation from the department director and authorized with the program administrator's initials and date on the requesting document.	The Cardholder Action Request Form has been updated with a place for the Director to put an explanation for the increase. The Administrator will ensure all credit limit increase requests are properly supported with a written explanation from the department director and authorized with the program administrator's initials and date on the requesting document.	May 2017	I	

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5.3	Internal Audit recommends management monthly monitor all cardholder purchases greater than \$1,000 and ensure MWSBE Control Forms are completed.	Finance is not changing Procurement card policy C.1.4. However, for the policy to be successfully implemented p-card users must have information regarding potential MWSBE vendors and Finance must have a way to track P-card purchases against those vendors. Finance is working with internal Business Analyst staff members to review procurement card transactions and determine vendors that qualify for MWSBE. A list of those vendors will be shared with procurement cardholders. In addition, the department is working with internal Business Analyst staff members to determine if reports can be developed to reconcile procurement card transactions, the BOA Works system and Advantage to track MWSBE spend.	12/2017	O	Management indicated the recommendation is partially implemented due to the policy no longer reflecting MWSBE requirements for purchases greater than \$1,000. Management indicated the policy update was completed after field work was completed.
6.1	Internal Audit recommends management ensure the annual P-card bank rebate validation is conducted, documented, and maintained.	The Investment Officer will ensure that the annual P-card rebate validation is conducted, documented, and maintained. Central Finance management will review and approve the P-card rebate validation process.	07/2017	I	
7.1	Internal Audit recommends management develop and implement a tracking and monitoring process to	The new Procurement Card training module was rolled out to Procurement Card participants on May 4, 2017. The	05/2017	P	Management indicated the process was completed after field work was completed. Internal Audit will validate during the next follow-up audit.

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	ensure program participants completed the mandatory initial and refresher P-card training.	new MeckEDU training will track training dates to ensure all Procurement participants are on schedule with their required training.			
8.1	Internal Audit recommends management ensures staff consistently complies with P-card document collection and retention requirements.	The Procurement Card program follows the retention schedule of the NC General Statutes. This information has been added to the Procurement Card Policy. The retention schedule can be found at https://www.ncdcr.gov/resources/recor ds-management .	05/2017	I	