



**Mecklenburg County  
Department of Internal Audit**

Mecklenburg County Register of Deeds  
Accounts Payable  
Report 1967

April 12, 2019

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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:** Fred Smith, Registrar  
Register of Deeds

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

**Date:** April 12, 2019

**Subject:** Register of Deeds Accounts Payable Report 1967

The Department of Internal Audit has completed its audit of the Register of Deeds accounts payable process to determine whether internal controls effectively manage key business risks inherent to the activity. Internal Audit interviewed key personnel; reviewed and evaluated policies, procedures, and other documents; observed operations; and tested various activities for accounts payable that occurred July 1, 2016 through November 30, 2018.

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 accounts payable 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 the 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. Payment Accuracy Risk	●	●	●
1.1 Supporting Documentation			
2. Payment Timeliness Risk	●	●	●
No risk observations noted			
3. Accounting Risk	●	●	●
No risk observations noted			
4. Policies and Procedures Risk	●	●	●
No risk observations noted			
5. Human Resource Risk	●	●	●
No risk observations noted			
6. Segregation of Duties Risk	●	●	●
No risk observations noted			
7. Compliance Risk	●	●	●
No risk observations noted			

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

We appreciate the cooperation you and your staff provided during 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 Register of Deeds (the Department) acts as the custodian and manager of various public records filed in Mecklenburg County. Activities related to the public records include:

- Recording, indexing, and storing all real estate and business-related documents presented for registration
- Issuing marriage licenses
- Processing notary commissions and military discharge recordings
- Providing certified copies of recorded documents, such as birth, death, and other official documents
- Collecting fees for services and copies
- Collecting state excise tax on real estate transfers

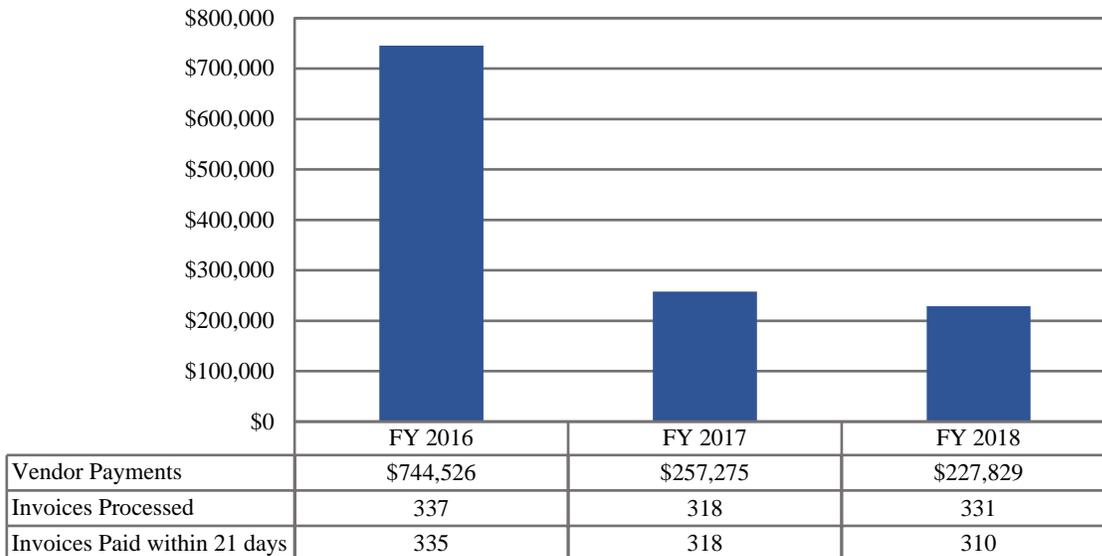
**Accounts Payable Process**

The Department’s fiscal staff initiates payment requests to pay vendors for goods and services. Prior to entering a payment request into Advantage, the County’s financial management system, a staff person reviews the vendor invoice to ensure the amount reflects established terms and conditions. The staff person also ensures applicable taxes are correctly calculated, the invoice date is reasonable, and the invoice is properly supported, before scanning the invoice into OnBase, the County’s electronic filing database. The Assistant Register of Deeds then reviews the invoice, supporting documentation, and payment request prior to approving and submitting the request to the Financial Services Department for final approval and payment.

**Payment Activity**

Vendor payments processed July 1, 2015 through June 30, 2018 are shown below.

**Register of Deeds Vendor Payments**



*Source: Advantage Financial System, unaudited*

## COUNTY MANAGER'S OVERALL RESPONSE

The County Manager concurs with all risk mitigation strategies and timeframes for implementation.

## RISK OBSERVATIONS AND MITIGATION STRATEGIES

Risk Factor	Criticality	Design	Operation
1. Payment Accuracy Risk	●	●	●

### Risk Observation

- 1.1 Supporting Documentation—The Department did not maintain supporting documentation, such as order confirmations or packing slips, for eight of 40 or 20% of vendor payments sampled. Without adequate supporting documentation, management cannot effectively ensure payments are appropriate and in compliance with County policy.

### Recommendation

- 1.1 Internal Audit recommends management reemphasize to staff the County's accounts payable document retention requirements and ensure they retain documents accordingly.

### Management's Response

- 1.1 **Risk Mitigation Strategy:** Reduce **Implementation Date:** February 2019

**Action Plan:** We have since and will continue to routinely reiterate to staff involved in the accounts payable process the importance of maintaining all supporting documentation, including packing slips and order confirmations, for the requisite period of time, and ensure they are held accountable for following the policy. We have also added an additional step to the accounts payable process that provides an additional safeguard to ensure all packing slips and order-related documentation are properly maintained.

## APPENDIX A—Risk Factor Definitions

Risk Factor	Definition
Accounting Risk	Failure to accurately and timely record transactions may result in inaccurate or untimely compilation of information needed for financial and operational reporting and analysis.
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.
Human Resource 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.
Payment Accuracy Risk	Failure to accurately execute disbursement processes may result in incorrect and/or duplicate vendor payments.
Payment Timeliness Risk	Failure to timely execute disbursement processes may result in sub-optimal cash management, missed discounts, and/or interest and penalties.
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.
Segregation of Duties Risk	Failure to adequately segregate duties may allow an employee or group of employees to 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 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 do 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.