



**Mecklenburg County  
Department of Internal Audit**

Department of Social Services  
Closeout Audit  
Report 2001

August 18, 2021

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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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## MECKLENBURG COUNTY Department of Internal Audit

**To:** John Eller, Director  
Department of Social Services

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

**Date:** August 18, 2021

**Subject:** Department of Social Services Close-Out Audit Report 2001

The Department of Internal Audit has completed a close-out audit of the Department of Social Services to assess whether the Department has maintained accountability of key resources and records and to assist the succeeding director's transition into office. Internal Audit staff interviewed key personnel and tested expenditures between July 1, 2018 to June 30, 2020. Staff also verified petty cash funds and conducted an inventory of certain capital and non-capital assets.

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, accountability of key resources and records has been maintained; however, opportunities exist to improve the design and operation of some control activities related to expenditures, petty cash funds, capital assets, and non-capital assets.

## CLOSE-OUT AUDIT SUMMARY

The table below summarizes the close-out audit results.

CLOSE-OUT AUDIT SUMMARY	
Focus Area	Observation
Expenditures	Some invoices were not properly approved. Further, some invoices were not paid within 21 days of invoice date.
Petty Cash Funds	Petty cash funds agreed to the amounts authorized by Departmental Financial Services. However, safe locks and combinations for the petty cash funds were not periodically changed.
Capital Assets	The Department did not have documented procedures for capital asset inventory management.
Non-Capital Assets	The Department did not have a formal and consistent process for non-capital asset inventory management. Further, some non-capital assets could not be verified.

Observations requiring risk mitigation are discussed in detail in the attached document.

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
- Deputy County Managers
- County Attorney
- Deputy County Attorney
- Board of County Commissioners
- Audit Review Committee

## **BACKGROUND**

The Department of Social Services (the Department) provides oversight for all adult and public assistance programs, such as Food and Nutritional Services, Medicaid, and Work First Family Assistance. The Department's four programmatic divisions are:

- Economic Services—administers federal and State-mandated programs for eligible families requesting food and medical assistance.
- Adult Services—aids older and disabled adults to enhance self-sufficiency and access available resources such as Medicaid, home delivered meals, and transportation.
- Youth and Family Services—provides services and information to help protect children by improving the self-sufficiency of families whose children are at risk.
- Clinical and Contractual Services—provides guidance, knowledge, and expertise related to medical and behavioral healthcare issues to the Youth and Family Services, Adult Services, and Economic Services divisions. In addition, they manage some contracts for the Department and two other County departments—Community Support Services and Criminal Justice Services.

In addition, the Operation, Strategy, and Innovation Division provides organizational support and service delivery for all department programs, e.g., performance management, budget development, compliance, and continuous quality improvement.

Close-out audit testing focused on the following areas:

- Expenditures—982 vendor payments processed (volume \$28,997,336 between July 1, 2018 and June 30, 2020)
- Petty Cash Funds—Four \$500 petty cash funds and two \$1,000 petty cash funds (total \$4,000 as of November 2020)
- Capital Assets—213 capital assets (value \$4,832,262 as of September 2020)
- Non-Capital Assets—1,207 mobile devices and 281 car seats (total as of September 2020)

## OBSERVATIONS AND MITIGATION STRATEGIES

Focus Area
Expenditures

### Observations

- 1.1 Invoice Approval—Three of 79 or 4% of invoices sampled were not approved, or not approved by the appropriate person. Failure to properly approve invoices may subject the Department to inappropriate payments.
- 1.2 Payment Timeliness—The Department had four of 79 or 5% of invoices sampled that took between 40-93 days from the invoice date and the date they were sent to Departmental Financial Services (Finance) for final processing. However, County policy requires invoices to be paid within 21 days of the invoice date, which includes Finance’s processing time.

### Recommendations

- 1.1 Internal Audit recommends management ensure invoices are properly approved before submitting for payment.
- 1.2 Internal Audit recommends management re-emphasize to staff the importance of timely processing within the Department to ensure compliance with County policy.

### Management’s Responses

- 1.1 **Risk Mitigation Strategy:** Reduce **Implementation Date:** October 2021

**Action Plan:** The Department will partner with Finance to provide refresher training to management staff responsible for approving payment for invoices to ensure invoice payment approval is accurate. The Department will also partner with Finance to develop Service Level Agreements that clearly identify service provision and responsibilities.

- 1.2 **Risk Mitigation Strategy:** Reduce **Implementation Date:** October 2021

**Action Plan:** The Department has earned a successful or exemplary status on Measure D (percentage of invoices submitted within 21 days) of the County’s FAST report for the last three years. Continuous improvement is important to help mitigate risks; therefore, the Department will partner with Finance to provide annual refresher training to management staff responsible for approving payment for invoices, reiterating County policy that invoices must be paid within 21 days of the invoice date. Recognizing there are several factors and stakeholders involved in the invoice payment process, the Department will remind staff to compare the invoice date to ensure it is accurate relative to the date received in the Department.

Focus Area
Petty Cash Funds

**Observation**

2.1 Physical Security—Management did not periodically change the safe locks and combinations for petty cash funds, which could result in unauthorized individuals accessing petty cash funds.

**Recommendation**

2.1 Internal Audit recommends management periodically change the safe locks and combinations for petty cash funds.

**Management’s Response**

2.1 **Risk Mitigation Strategy:** Reduce **Implementation Date:** September 2021

**Action Plan:** The Department will change current safe locks and combinations for petty cash funds by 9/30/2021 and create a schedule to change the locks and combinations annually. The responsibility to monitor the petty cash locks will reside within business operations in the Operations, Strategy, and Innovation Division. This process will be documented in the Department’s Petty Cash Policy.

Focus Area
Capital Assets

**Observation**

3.1 Formal Documentation—The Department did not have documented procedures for capital asset inventory management, including tracking and disposal, to provide staff guidance and help management ensure its directives are carried out.

**Recommendation**

3.1 Internal Audit recommends management develop and implement formal, documented capital asset management procedures and train staff accordingly. Procedures should include, at a minimum:

- Capital asset inventory tracking, reconciliation, and disposal
- Documentation requirements, e.g., evidence of asset reconciliations
- Staff roles and responsibilities, including proper segregation of duties
- Periodic reviews and updates

## Management's Response

3.1 **Risk Mitigation Strategy:** Reduce

**Implementation Date:** December 2021

**Action Plan:** The Department will develop written procedures for capital asset inventory management to include the tracking and disposal of capital assets within the department. Staff responsible for business operations within the Operations, Strategy, and Innovation Division will be trained on inventory management best practices for management of capital assets.

Focus Area
Non-Capital Assets

## Observations

4.1 **Car Seat Management**—The Department did not have a formal and consistent process for car seat inventory management, which could result in loss or theft.

- Four of 11 or 36% of car seats observed at the Farm Pond site did not agree to the Department's car seat listing: three were in cars other than the ones indicated on the listing and one was at another department facility.
- Four of 11 or 36% of car seats sampled at the Charlotte East site could not be located.

4.2 **Mobile Device Management**—The Department did not have a formal and consistent process for mobile device inventory management, which could result in unauthorized expenses, theft, or misuse of County resources.

- Some staff could initiate a request for a mobile device without informing the department technology equipment coordinator (DTEC).
- Staff inconsistently returned mobile devices to County Information Technology Services or department management, rather than to the DTEC as required by department policy.
- Management responsible for monitoring mobile device inventory did not consistently track mobile devices' change of custody and could not always provide the location of some devices.
- There was no process in place to ensure the DTEC received the necessary account information from all division coordinators regarding their mobile device inventory as prescribed by department policy. As a result, 306 of 1207 or 25% of the mobile device population could not be located or verified based on information provided by staff assigned the devices.



The mobile device population testing results as of May 27, 2021 are shown in the table below.

Mobile Device Inventory Results		
Exception	Exception Count	Exception Rate
Mobile device identification numbers <sup>1</sup> were not provided or did not agree to the Information Technology Services inventory listing of active mobile devices.	178	15%
Mobile devices could not be located.	115	10%
Staff assigned the mobile devices were on FMLA or other work leave so could not be confirmed.	13	1%

### Recommendations

- 4.1 Internal Audit recommends management develop and implement a formal and consistent process for car seat inventory management. The process should include requirements for an independent, periodic physical inventory count that is reconciled to inventory records and updated as necessary. Discrepancies should be addressed. Reconciliations and actions taken should be documented.
- 4.2 Internal Audit recommends management develop and implement a formal and consistent process to ensure compliance with department policy regarding mobile device inventory management. The process should ensure mobile device acquisition, activation, deactivation, and disposal go through the DTEC. Further, the DTEC should use the Information Technology Services (ITS) monthly mobile device listing to obtain confirmations and/or any changes from all division coordinators for their staff with issued mobile devices. The updated listing should be communicated to ITS and discrepancies should be addressed. In addition, discrepancies, reconciliations, and actions taken should be documented.

### Management's Responses

- 4.1 **Risk Mitigation Strategy:** Reduce                      **Implementation Date:** October 2021

**Action Plan:** Management within the Youth and Family Services (YFS) Division will develop written procedures for the management of the car seat inventory to ensure YFS can account for all car seats. A communication and training plan will also be developed to ensure YFS staff are trained on car seat inventory management.

- 4.2 **Risk Mitigation Strategy:** Reduce                      **Implementation Date:** April 2022

**Action Plan:** The Department is partnering with Information Technology Services (ITS) to understand the roles, responsibilities, and policy related to inventory management of hardware

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<sup>1</sup> International Mobile Equipment Identity (IMEI) is a unique and typically 15- or 17-digit number to facilitate device validity identification. Definition source: Techopedia.com

issued by County ITS. This partnership will help inform department expectations so procedures can be developed for management of the devices. Staff within the Operations, Strategy, and Innovation Division at DSS are currently conducting an inventory of all technology resources for each staff person at DSS, including mobile phones. Written policy will be developed for inventory management of all technology resources for all acquisition, activation, deactivation, and disposal of technology resources, including mobile phones. Inventory management will be included in the Service Level Agreement developed in collaboration with County ITS.

**APPENDIX A—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.