



**Mecklenburg County
Department of Internal Audit**

Department of Social Services
Accounts Payable
Report 2063

June 24, 2020

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

Gewreka Robertson, Auditor-in-Charge

Acknowledgements

**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: Anthony Trotman, Assistant County Manager
Department of Social Services

From: Joanne Prakapas, Director
Department of Internal Audit

Date: June 24, 2020

Subject: Department of Social Services Accounts Payable Report 2063

The Department of Internal Audit has completed its audit of Department of Social Services accounts payable process to determine whether internal controls effectively manage key business risks inherent to the activity. The scope of this audit was limited to an evaluation of process design. Internal Audit interviewed key personnel; reviewed and evaluated policies, procedures, and other documents; and observed operations.

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 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. Policies and Procedures Risk	●	●	N/A ¹
1.1 Formal Documentation			
2. Human Resource Risk	●	●	N/A
2.1 Monitoring			
3. Accounting Risk	●	●	N/A
No risk observations noted			
4. Payment Accuracy Risk	●	●	N/A
No risk observations noted			
5. Payment Timeliness Risk	●	●	N/A
No risk observations noted			
6. Compliance Risk	●	●	N/A
No risk observations noted			
7. Segregation of Duties Risk	●	●	N/A
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.

¹Not applicable (N/A); this audit was limited to process design evaluation.

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

BACKGROUND

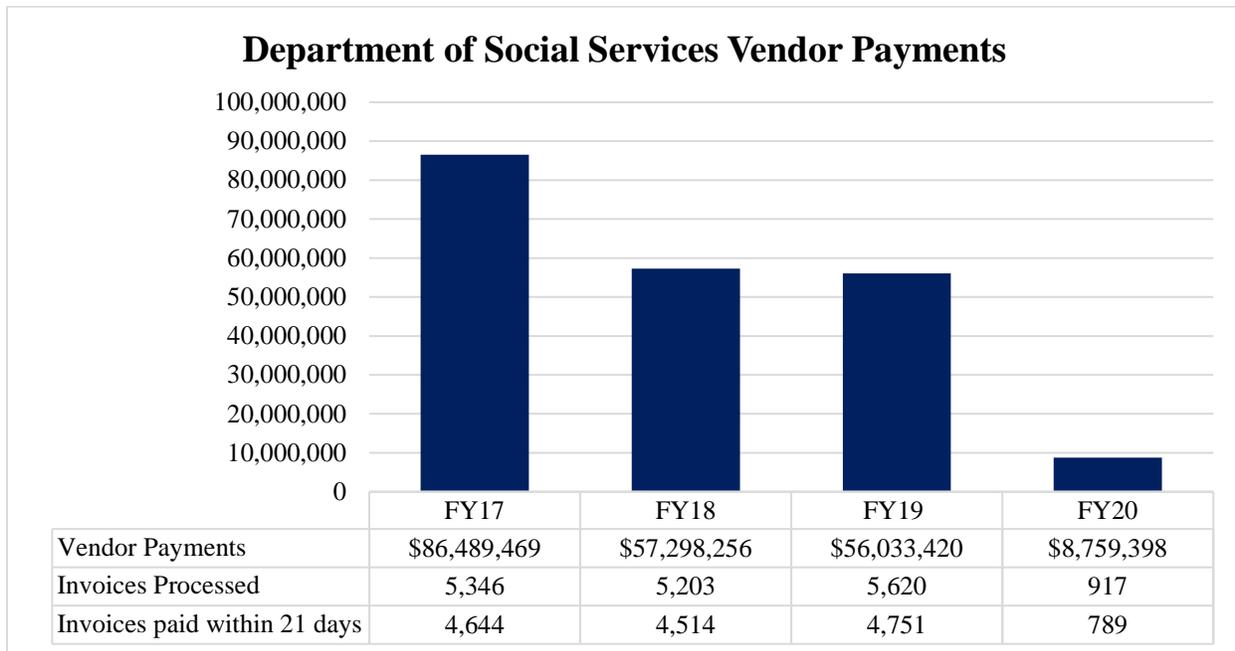
The Department of Social Services (DSS) provides economic and social services to sustain and/or improve the quality of life for its citizens. DSS is comprised of five divisions: Economic Services Division (ESD), Services for Adults (SFA), Youth and Family Services (YFS), Operation, Strategy, and Innovation (OSI), and Clinical and Contractual Services (CCS). Most of the department’s contracts, particularly for YFS, are managed by the CCS division.

Accounts Payable Process

Each of the five divisions has a director and administrative assistant. The administrative assistant or designee orders goods and services for the division. The director or designee verifies the receipt of goods and/or services and provides the initial approval to pay prior to forwarding the invoice to the Departmental Financial Services (DFS) for payment processing.

The DFS staff enter payment requests into Advantage, the County’s financial management system, scans the invoices into OnBase, the County’s electronic filing database and submits final approval for payment.

The chart below shows vendor payments processed between July 1, 2016 and September 30, 2019².



Source: Advantage Financial System, Unaudited

²Fiscal Year 2020 data is for the period July 1, 2019 through September 30, 2019.

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. Policies and Procedures Risk	●	●	N/A

Risk Observation

1.1 Formal Documentation—The Department did not have documented policies and procedures for its accounts payable activities. Yet, policies and procedures are important control activities to help ensure management's directives are carried out while mitigating risks that may prevent the organization from achieving its objectives.

Recommendation

- 1.1 Internal Audit recommends management develop and implement formal accounts payable policies and procedures and train staff accordingly. The procedures should be comprehensive, consistent with applicable County requirements, and include at a minimum:
- Essential operating activities required to process payments, e.g., invoice review, approval, and processing; recordation; supporting documentation maintenance; and monitoring
 - Staff roles and responsibilities
 - Staff training requirements
 - Periodic procedure reviews and update

Management's Response

1.1 **Risk Mitigation Strategy:** Reduce **Implementation Date:** July 2020

Action Plan: While County Finance policies are followed regarding the timely submission of invoices, the DSS policy and procedures will identify the positions responsible for receiving, reviewing, approving and submitting invoices to the Finance Department for payment. The DSS Accounts Payable Policy and Procedures will be drafted, reviewed and approved by DSS Management.

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.
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 adequately execute disbursement processes may result in incorrect or duplicate vendor payments.
Payment Timeliness Risk	Failure to adequately execute the payment 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 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 designs do not appear to be adequate to manage the risk to an acceptable level.	The operation of the process’ risk management capabilities was not consistently effective to manage the risk to an acceptable level.
	The process and system designs 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 was only partially sufficient to manage the risk to an acceptable level.
	The process and system designs appear to be adequate to manage the risk to an acceptable level.	The operation of the process’ risk management capabilities appeared to be sufficient to manage the risk to an acceptable level.

APPENDIX C—Risk Mitigation Strategy Definitions

Risk Mitigation Strategy	Definition
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.