



**Mecklenburg County
Department of Internal Audit**

Community Support Services Department
Shelter Plus Care Follow-Up Audit
Report 2106

February 22, 2021

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

Shakeyla White, 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
County Manager's Office

From: Joanne Prakapas, Director
Department of Internal Audit

Date: February 22, 2021

Subject: Community Support Services Shelter Plus Care Follow-Up Audit Report 2106

The Department of Internal Audit completed a follow-up audit on reported issues from the Community Support Services Department Shelter Plus Care Audit Report 1962 issued June 26, 2019. 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 twenty-five recommendations in the Community Support Services Department Shelter Plus Care Audit Report 1962. 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Fiscal Year	Audit Report	Implemented	Open	Not Implemented¹	Withdrawn	Total Carryforward
2019	1962 ²	N/A				25
2021	2106	18	5		2	5

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 Community Support Services Department staff are recognized and appreciated.

- c: Deputy County Managers
- County Attorney
- Deputy County Attorney
- Board of County Commissioners
- Audit Review Committee
- Director, Community Support Services Department

Follow-Up Results
CSS Shelter Plus Care Program Audit 1962

- **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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				Implementation Status	
Risk Observation	Recommendation	Management's Risk Mitigation Strategy	Original Implementation Date	Current Status	Comments
1.1	Internal Audit recommends management partner with Finance to update the program's accounts payable and cash receipts policies and procedures and train staff accordingly. The updates should be comprehensive, consistent with applicable County requirements, and include at a minimum: <ul style="list-style-type: none"> • Essential operating activities for cash receipts and payment requests, e.g., initial cash receipt recordation and reconciliation; payment request creation, processing and approval; and supervisory oversight and monitoring • Staff roles and responsibilities, including proper segregation of duties • Staff training requirements • Periodic procedure reviews and updates • Internal and external communication requirements 	The Department agrees with the feedback regarding the need to update the program's accounts payable and cash receipts policies and procedures to maintain and monitor proper controls. The Department will partner with Departmental Financial Services to update the current policies and procedures and ensure that the policies and procedures outline the essential roles and responsibilities of both Departmental Financial Services and Shelter Plus Care staff for cash receipt and reconciliation; payment request creation, processing and approval; and supervisory oversight. Shelter Plus Care program staff will be trained on payment processes annually and it will be documented in a training manual kept by the Program Supervisor.	10/2019	P (3)	Management indicated the recommendation is partially implemented due to change in program management and focus on the development and implementation of virtual operations during the pandemic.
1.2	Internal Audit recommends management establish and implement a process to ensure its program accounts payable and cash handling procedures are periodically	The Department agrees with the feedback to implement a process to ensure the program's accounts payable and cash handling procedures	10/2019	I (7)	

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	reviewed, updated, and approved. Evidence of the approval should be documented.	are periodically reviewed to implement needed updates. The program will establish and implement a process to ensure program accounts payable and cash handling procedures are periodically reviewed. Shelter Plus Care’s policies and procedures will be reviewed annually or more often if needed, i.e., if any changes per HUD or County policy needs to be incorporated by the Community Support Services’ Performance Improvement Council. This committee meets monthly and reviews policies and procedures across the department to make recommendations of any updates that need to be made. The Performance Improvement Council will also follow up with the program to ensure the updates are implemented.			
2.1	Internal Audit recommends management separate incompatible duties or implement appropriate compensating controls.	The Department agrees with the feedback regarding the need to separate incompatible duties in the payment process to ensure proper controls are in place. Shelter Plus Care will ensure segregation of duties	7/2019	I	

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		by having one staff member (Admin III, Sr. Case Coordinator or Program Supervisor) prepare the invoice for payment. For rental payments, this includes ensuring the payment amounts in the program's database match the rent calculation and printing out the invoice and supporting documentation. For utility payments, this includes ensuring the amounts paid toward utility bills are less than or equal to the calculated utility allowance and only include fees that can be paid per HUD guidelines. For inspection payments, this includes reconciling the invoices submitted by the vendors with inspection reports on file. Invoices will be reviewed for accuracy and approved by either the Senior Case Coordinator or the Program Supervisor before they are sent to Departmental Financial Services for payment processing. The same person will not prepare and approve an invoice.			

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		All client repayments and vendor refunds will be sent directly to Departmental Financial Services. For client repayments, Finance staff will record the payment received on the client repayment spreadsheet, mail a receipt to the client, make the deposit, record the cash receipt in Advantage and reconcile the repayments to the general ledger. Program Supervisor will review and approve the reconciliation monthly. For vendor refunds, Finance staff will record the refund on the vendor refund spreadsheet, make the deposit, record the cash receipt in Advantage and reconcile the refunds to the general ledger. Program Supervisor will review and approve the reconciliation monthly.			
3.1	Internal Audit recommends management partner with Finance to ensure cash receipts are reconciled monthly to the general ledger. The reconciliations should evidence the preparer; preparation date; support for reconciling items; any related corrective actions taken; and	The Department agrees with the feedback that the program should partner with Finance to ensure cash receipts are reconciled monthly to the general ledger in order to ensure proper controls. Finance will complete the reconciliation against	7/2019	I (2)	

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	management’s review and approval of the reconciliation.	the general ledger monthly for client repayments and vendor refunds. Program Supervisor will review and sign off on the reconciliation monthly.			
4.1	Internal Audit recommends management provide appropriate oversight to ensure required signatures are present on lease addendums. We further recommend management consult with County Legal to determine whether the landlord and participant signatures should still be required on the lease addendums. Procedures should be updated as necessary and staff should be trained accordingly.	The Department agrees with the feedback about the lease addendum document. As recommended by County Legal, the program will create a document that will include the tenant’s name, program client ID, unit address, base contract rent, tenant portion of rent (as calculated based on the tenant’s income), program’s portion of the rent, utility allowance, utility reimbursement (if applicable), security deposit amount and how it will be paid (for new moves), the effective date of the payment amounts and any notes related to the payments. The purpose of the document is to notify both the landlord and the tenant of the rent payment breakdown. The lease is between the landlord and the tenant. The program makes rent and utility payments on behalf of the tenant if	10/2019	I (4)	

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		<p>the tenant is in good standing with the program.</p> <p>Program staff will email or fax the document to the landlord and will include documentation of sending it to the landlord in the client’s program file. Program staff will mail the document to the client or fax it to the client’s payee and will document this using the mailed stamp. Clients sign the participant responsibilities agreeing to pay their portion of the rent as calculated by the program in accordance with HUD’s regulation 24 CFR 578.77.</p> <p>Program staff will be trained to complete the new document in September 2019 in order to implement the document by 10/1/19 and the training will be documented in the program’s training manual.</p>			
4.2	Internal Audit recommends management designate a backup staff person to prepare the deposit when necessary. In addition, management should reemphasize to staff the importance of	The Department agrees with the feedback that the program should designate a backup person to prepare the deposit when necessary in order to ensure County policy is followed. All client repayments and vendor	7/2019	W (2)	

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	ensuring deposits are made in accordance with County policy.	refunds will be sent directly to Departmental Financial Services. For client repayments, Finance staff will record the payment received on the client repayment spreadsheet, mail a receipt to the client, make the deposit, record the cash receipt in Advantage and reconcile the repayments to the general ledger. Program Supervisor will review and approve the reconciliation monthly. For vendor refunds, Finance staff will record the refund on the vendor refund spreadsheet, make the deposit, record the cash receipt in Advantage and reconcile the refunds to the general ledger. Program Supervisor will review and approve the reconciliation monthly.			
5.1	Internal Audit recommends management review and approve payment requests created for utility and rental assistance payments.	The Department agrees with the feedback about having management review and approve payment requests for utility and rental assistance payments to ensure payments are appropriate and in compliance with County policy. The Department partnered with Departmental	7/2019	I (2)	

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		Financial Services to update the current policies and procedures. Invoices will be reviewed for accuracy and approved by either the Senior Case Coordinator or the Program Supervisor before they are sent to Departmental Financial Services for payment processing.			
6.1	Internal Audit recommends management ensure staff properly documents all vendor cash receipt dates.	The Department agrees with the feedback that management should ensure staff properly documents all vendor cash receipt dates to ensure compliance with County policy. All vendor refunds will be sent directly to Departmental Financial Services. For client repayments, Finance staff will record the payment received on the client repayment spreadsheet, mail a receipt to the client, make the deposit, record the cash receipt in Advantage and reconcile the repayments to the general ledger. The Program Supervisor will review and approve the reconciliation monthly. For vendor refunds, Finance staff will record the refund on the vendor refund spreadsheet, make the deposit,	7/2019	I	

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		record the cash receipt in Advantage and reconcile the refunds to the general ledger. The Program Supervisor will review and approve the reconciliation monthly.			
7.1	Internal Audit recommends management train all program staff on its accounts payable	Staff will be trained on payment process annually and it will be documented in a training manual kept by the Program Supervisor. Program staff will be trained annually on the process developed with DFS and Cash Receipts policy.	10/2019	P (2)	Management indicated the recommendation is partially implemented due to focusing on the cash handling training.
	and cash handling activities. Training documentation should be retained.			I	