



**Mecklenburg County  
Department of Internal Audit**

Department of Financial Services  
Closeout Audit  
Report 2115

April 7, 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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**Internal Audit Contacts**

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**Staff  
Acknowledgements**

Rebecca Testin, CPA, Auditor-in-Charge

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**Obtaining Copies of  
Internal Audit Reports**

This report can be found in electronic format at  
<http://www.mecknc.gov/audit/reports/pages/default.aspx?redirect=charmeck>



**MECKLENBURG COUNTY**  
**Department of Internal Audit**

**To:** Patricia Gibson, Interim Director, Department of Financial Services

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

**Date:** April 7, 2021

**Subject:** Department of Financial Services Closeout Audit 2115

The Department of Internal Audit has completed a close-out audit of the Department of Financial Services to assess whether the department has maintained accountability of key resources and records and to assist in the succeeding director's transition to the office. Internal Audit staff interviewed key personnel and tested various cash receipts between July 1, 2019 to November 30, 2020. Staff also verified change funds, cash equivalents, and check stock controls.

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 cash receipts.

## CLOSE-OUT AUDIT SUMMARY

The table below summarizes the close-out audit results.

CLOSE-OUT AUDIT SUMMARY	
Focus Area	Observation
Cash Receipts	Processed checks were not shredded after 30 days.
Change Funds	No concerns were noted. Cash funds on hand totaling \$500 were counted and agreed to the amount authorized by County Finance.
Cash Equivalents	Cash equivalent balances, as of June 30, 2020, were verified by the external auditors, Cherry Bekaert, LLP.
Check Stock	Check stock on hand was properly secured.

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

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

## **BACKGROUND**

The Department of Financial Services (the Department) is responsible for the administration of County finances in accordance with State laws and budget ordinances established by the Mecklenburg Board of County Commissioners. These administrative activities include, but are not limited to, investments of County money; financial reporting; cash flow and banking debt management; budgetary compliance; payroll; and accounts payable.

The Department of Financial Services includes three divisions: Central Finance, Departmental Financial Services, and Procurement. Central Finance performs Countywide accounting functions; manages capital investments and debt; supervises the Tax Accounting Unit; administers grants; and performs financial reporting. Departmental Financial Services (DFS), formerly Human Services Finance, was created to provide strong financial oversight and compliance with regulations. The DFS currently provides fiscal support services; develops contracts; records revenue and processes invoices; reimbursement reporting; compliance auditing; budget development and monitoring; managing patient accounts and claims; and procurement services for ten offices and departments. Procurement performs Countywide purchasing functions; manages solicitations and contract development; manages IT purchasing, and vendor management.

### **Cash Receipts**

County cash receipts are received and processed in both Central Finance and Departmental Financial Services. Specifically, Central Finance receives miscellaneous checks through the mail, e.g., employee travel reimbursements, sales tax revenue, insurance claims, invoice overpayments, and other similar checks. Central Finance deposits and records these miscellaneous checks.

Further, while the Tax Accounting Unit does not directly receive cash for the Office of the Tax Collector (OTC), it prepares deposits, and records them in Advantage, the County's accounting system. The Tax Accounting Unit also reconciles cash receipts between the Advantage and OTC accounting systems.

The Departmental Financial Services' collects cash receipts, prepares deposits, and records cash receipts for ten different departments. All cash receipts are deposited and recorded into Advantage, the County's accounting software.

### **Change Funds**

Departmental Financial Services collects cash, checks, money orders or cashier's checks and prepare deposits at the Wallace H. Kuralt Centre for the Department of Social Services. The change fund is used for making change for customer payments. Change funds amounted to \$500.

## **Cash Deposits and Cash Equivalents**

The Department of Financial Services' investment officer manages all aspects of the County's investment portfolio in compliance with applicable North Carolina statutes. Furthermore, the investment manager is responsible for ensuring cash flow needs are met while earning a reasonable return or interest on invested funds, e.g., certificates of deposits, regular savings, and demand deposits. As of June 30, 2020, the County's cash balance and North Carolina Capital Management Trust (NCCMT) Government and Term portfolios totaled \$849,108,237.<sup>1</sup>

## **Check Stock**

Central Finance securely maintains check stock for printing vendor payments and employee reimbursement checks. Advantage prints the essential check information onto the blank check stock, such as the County watermark, check number, check date, banking information, vendor, check amount, and authorizing electronic signatures.

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<sup>1</sup> As of June 30, 2020, the NCCMT Term Portfolio has a duration of .15 years. The NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days. (Source: CAFR FY2020)

## OBSERVATIONS AND RECOMMENDATIONS

Risk Observation
Cash Receipts

### Risk Observation

- 1.1 Remote Deposit Capture—The Tax Accounting Unit and Departmental Financial Services did not shred processed checks in 30 days as required by the County’s Cash Handling, Receipts, and Deposits Policy. Failure to timely shred processed checks could increase the risk of fraud and potential damage to the County’s reputation.

### Recommendation

- 1.1 Internal Audit recommends management ensure staff shred the Department’s current inventory of processed checks over 30 days old and develop and maintain a check-shredding schedule going forward.