



**Mecklenburg County
Department of Internal Audit**

Department of Financial Services
Procurement Contract Approvals Follow-Up Audit
Report 2205

February 15, 2022

Internal Audit's Mission To support key stakeholders in cultivating an environment of accountability, transparency, and good governance.

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Staff Acknowledgements Gewreka Robertson, 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 15, 2022

Subject: Procurement Contract Approvals Follow-Up Audit Report 2205

The Department of Internal Audit completed a follow-up audit on reported issues from the Department of Financial Services¹ Procurement Division Procurement Contract Approvals Report 1961 issued December 11, 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 seven recommendations in the Department of Financial Services Procurement Division Procurement Contract Approvals Report 1961. 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Fiscal Year	Audit Report	Implemented	Open	Not Implemented²	Withdrawn	Total Carryforward
2020	1961 ²	N/A				7
2022	2205	1	6			6

¹ Formerly known as the Finance Department

² Management assuming risk for not taking corrective action

³ Initial report

Details regarding the most recent follow-up audit are noted in the attached **Follow-Up Results** matrix. Internal Audit will review any carryforward issues later to verify recommendations are fully implemented and working as intended. Recommendations considered implemented will be excluded from further review.

The cooperation and assistance of the Department of Financial Services staff are recognized and appreciated.

- c: Deputy County Managers
- County Attorney
- Deputy County Attorney
- Board of County Commissioners
- Audit Review Committee
- David Boyd, Director

Follow-Up Results
Department of Financial Services Procurement Contract Approvals 1961

- **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**)
- **Not Implemented** – Audit issue not addressed and management has assumed the risk of not taking corrective action (**NI**)
- **Withdrawn** – Audit issue no longer exist due to operational changes (**W**)

				Implementation Status	
Risk Observation	Recommendation	Management’s Risk Mitigation Strategy	Original Implementation Date	Current Status	Comments
1.1	Internal Audit recommends management develop and implement policies and procedures for the contract approval process. All staff involved in the contract approval process should be trained accordingly. Policies and procedures should, at a minimum, include: <ul style="list-style-type: none"> • Roles, responsibilities, and training requirements for all staff involved in the approval process • Documentation standards • Communication protocols for issue follow-up and escalation • Supervisory oversight and monitoring • Frequency of policy and procedure reviews and updates 	The Financial Services Department agrees with the recommendation and is already taking actions to address gaps in policy, procedure, and training consistent with the Strategic Business Plan goal to realize the value of Procurement. The Department is currently engaged in an independent review of County procurement policies, procedures, and practices with the National Institute of Government Procurement. The final report should be available in November 2019, so the Department will immediately begin work on defining roles, responsibilities, training requirements, documentation standards reflecting input from the independent review, and will include frequency of policy and procedure reviews and updates early in calendar year 2020. Communication protocols and supervisory oversight and monitoring will be defined and implemented by the target completion deadline.	04/2020	P (2)	Management indicated the recommendation is partially implemented due to changes in NC General Statutes. As a result, Procurement must revise their policies and training accordingly.
2.1	Internal Audit recommends management develop a training and monitoring process for appropriate County staff to help ensure contracts are timely and properly approved prior to the County receiving goods	It is incumbent on the Department procuring the goods or services to ensure that they do not accept goods or services prior to contract approval. The Finance Department is already taking steps to help reduce the risk of accepting goods or services starting prior to contract	03/2020	P (2)	Management indicated the recommendation is partially implemented due to changes in NC General Statutes. As a result, Procurement must revise their policies and training accordingly.

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Department of Financial Services Procurement Contract Approvals 1961

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				Implementation Status	
Risk Observation	Recommendation	Management’s Risk Mitigation Strategy	Original Implementation Date	Current Status	Comments
	or services. Staff should be trained accordingly.	execution by moving to multi-year contracts where appropriate, overlapping terms to account for the fiscal year closing process and including non-appropriations language in all contracts. The Department agrees with the finding and will develop a training and monitoring process for County staff to mitigate the risk that the County receives goods or services prior to contract approval. The Department anticipates developing and implementing training and monitoring to reduce the risk of County staff accepting goods or services before contract approval in the third quarter of fiscal year 2020.			
2.2	Internal Audit recommends management include an independent internal review in its contract approval monitoring process and provide staff training as necessary.	The Finance Department will include an independent internal review in its contract approval monitoring process that includes staff training as necessary to address inconsistencies. With recommendations from the National Institute of Government Procurement anticipated in November 2019, the implementation date reflects first work to define and refine roles and responsibilities within the Procurement Division, establishing the appropriate internal controls, and monitoring procedures to identify where additional training is needed to ensure consistency.	04/2020	I	

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				Implementation Status	
Risk Observation	Recommendation	Management’s Risk Mitigation Strategy	Original Implementation Date	Current Status	Comments
3.1	Internal Audit recommends management provide formal training on the contract approval process for all staff that may be involved in the process. Training content should be periodically reviewed and updated as necessary.	The Financial Services Department agrees with the recommendation and is already taking actions to address gaps in policy, procedure, and training consistent with the Strategic Business Plan goal to realize the value of Procurement. This timeline will include identifying the appropriate formal training requirements for all involved staff, developing targeted training that includes a high-level overview of the contract approval process and targeted training for staff relevant to their respective role in the process. The timelines and triggers for regular review and update of materials will be defined as part of the Strategic Business Plan goals to increase operational efficiency.	04/2020	P (2)	Management indicated the recommendation is partially implemented due to changes in NC General Statutes. As a result, Procurement must revise their policies and training accordingly.