



**Mecklenburg County
Department of Internal Audit**

Department of Financial Services
Procurement Contract Approval Follow-Up Audit
Report 2302

October 7, 2022

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: Dena Diorio, County Manager
County Manager's Office

From: Terry Thompson, Director
Department of Internal Audit

Date: October 7, 2022

Subject: Department of Financial Services Procurement Contract Approval Follow-Up Audit Report 2302

The Department of Internal Audit completed a follow-up audit on reported issues from the Department of Financial Services Procurement Contract Approval Audit 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 6 recommendations in the Department of Financial Services Procurement Contract Approval Audit Report 1961. The following table provides the original number of recommendations in Audit Report 1961 and summarizes the results of the current follow-up audit. As reflected in the table below, results of the current follow-up audit indicate that management has implemented corrective actions to address all issues associated with prior recommendations.

Fiscal Year	Audit Report	Implemented	Open	Not Implemented¹	Withdrawn	Total Carryforward
2019	1961 ²	N/A				6
2023	2302	6				0

¹ Management assuming risk for not taking corrective action

² Initial report

Details regarding the most recent follow-up audit are noted in the attached **Follow-up Results** matrix. 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
- Director, Department of Financial Services

Follow-Up Results
Department of Financial Services, Procurement Contract Approvals Report 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	<p>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:</p> <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 	<p>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.</p> <p>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.</p>	04/2020	I	
2.1	<p>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</p>	<p>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</p>	03/2020	I	

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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.	services starting prior to contract 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	I	