The Auditor

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From the Division Manager's Desk

In tight economic times, the importance of strong internal control activities is more important than ever. With the most recent retirements and reduction in revenues, it is imperative that each department review its current control activities looking for opportunities of increased efficiency and effectiveness. This e-newsletter highlights two areas that can benefit each of us: **contract monitoring and the automation of manual processes**. We have also included a summary of our Division's participation in County sponsored charitable activities.

First, let's briefly explain control activities. Control activities are the policies and procedures that help ensure management directives and goals are carried out properly and in a timely manner. Control activities are one of the five standards of an effective internal control structure, and can generally be classified in two types:

Preventative Controls – proactive controls designed to identify potential problems, errors or irregularities **before** they occur and implement procedures to correct them. *(Examples include approvals, authorizations, asset security, segregation of duties and verifications, etc.)*

Detective Controls – detection controls designed to identify problems, errors or irregularities **after** they have occurred and enable management to take corrective action promptly. *(Examples include reconciliations, reviews of operating performances, physical inventories, and audits, etc.)*

Implementing control activities alone will not work, they need to be continuously reviewed to ensure they are properly carried out as intended. As such, while many departments may have control activities in place, this is a great opportunity to evaluate current control activities to ensure all risks are mitigated or maintained at reasonable levels.

Remember, the Internal Audit Division is here to provide our assistance!

Contract Monitoring

Because each department is responsible for managing their own contracts independently, below are some key essentials to good administrative oversight for contract monitoring to ensure contractors do not take advantage of us. These are not all inclusive, but can be used as a baseline in contract monitoring procedures.

1. Written contract monitoring procedures should be developed by each department (based on the types of contracts it administers).

2. Work completion and/or items received should be verified before processing payment requests. The verification should include some measurement of work performed, quantity of items received, and price agreed in the contract. Evidence to support the verification should be maintained.

3. Vendor discount (s) should always be taken, if applicable.

4. Vendor invoices should always be re-calculated to avoid clerical errors.

5. Cost allocation methodology to other departments should be reviewed periodically to ensure accuracy.

6. Gifts of any kind should never be accepted from a vendor. (Please refer to the County's Gift and Gratuities policy)

7. Contract monitoring activities should be periodically rotated among department staff to protect the integrity of the monitoring process.

8. All monitoring activities should be in writing, including changes to the scope of work, pricing, terms, etc. These activities should be reviewed and approved by the appropriate level of authority. If a problem is identified, promptly notify the contractor to resolve the issue.

9. Conduct on-site visits, if applicable.

10. At the conclusion of each contract, an overall assessment should be made to ensure all expectations were fully satisfied. Failure of any aspect of the contract should be documented and forwarded to the Purchasing Department.

Automating Manual Processes

As all departments feel the increasing pressure to keep costs down, improve performance and service delivery, many may look for solutions that automate processes. Considerable efficiencies can be achieved by automating manual business processes. There are still far too many routine manual processes that require:

- Re-keying of data from one system to another.
- Transposing information from paper and faxes to computer applications.
- Extracting, transforming and uploading data from system to system.
- Cutting, pasting, printing and posting.
- Re-writing standard emails and letters.

The automation of manual processes may be the quick way to achieve some efficiency in operations; however, automation alone may not provide the anticipated gains in efficiency if the process is not fully evaluated prior to implementation.

Therefore, in addition to automation, think **redesign** and **improvement**.

Automating Manual Processes, continued…

How can we make the process better? What steps can be eliminated? Is there any redundancy in the process? Improving a business process may achieve as much improvement in efficiency and effectiveness as simple automation. A better process produces lower costs, motivated employees, and happier customers.

Other things to be mindful of when automating and redesigning processes are:

- Be careful to keep vital controls in place.
  - Make sure the automated process has adequate controls to ensure that objectives are met and controls prevent waste, fraud, and abuse.
  - Are all applicable controls currently in place incorporated or compensated in the proposed process?
- Keep the end users in mind.
  - Ask the end users what they need.
  - Seek their guidance during planning.
- Protect confidentiality.
  - It is far easier to inadvertently expose data to a multitude of people when it's in an electronic form than on paper.
  - Ensure safeguards are in place to prevent unintended exposure of confidential employee or citizen data.

Again, great cost and efficiency gains can be achieved from the move from manual to automated processes but ensure that the process has been fully evaluated for improvement; the end user has been included in its development; and adequate controls are in place to achieve objectives and protect against improprieties.

Other Activities

Audit work is consistently detailed but not every day is routine in the Internal Audit Division. Throughout the year, staff members also participate in numerous countywide sponsored activities such as the United Way campaign, Absolutely Incredible Kid's Day (a letter writing campaign providing encouragement to Marietta and Cobb elementary school children) and Read for the Record (a national event where volunteers read to area school children). Internal Audit employees also participate in many charity drives (the Shoebox Collection, School Supply Drive, Support the Troops, etc.) – always showing a willing commitment to support these worthwhile community causes.

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