

Summit County Prosecutor's Office
Segregated Accounts
Performance Audit General Report

Prepared for:

**Prosecutor Walsh
Audit Committee**

**Approved by Audit Committee
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**Summit County
Internal Audit Department
175 South Main Street
Akron, Ohio 44308**

*Lisa L. Skapura, Director
Meredith Merry, Deputy Director
Jon Keenan, Senior Auditor
Brittney Manfull, Internal Auditor
Brandon Schmidt, Internal Auditor
Jordan Duncan, Internal Auditor*

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EXECUTIVE SUMMARY

Total Number of Issues – 1

Internal Controls

Strong Internal Controls:

Account/Section	# Issues	Issue Description	Page Ref.
CSEA Deposits Held & Due to Others	0	N/A	6
1099 Process	0	N/A	6

Weaknesses in Internal Controls:

Account	# Issues	Issue Description	Page Ref.
Law Enforcement Trust Fund	1	<ul style="list-style-type: none"> • Approval of expenditures not documented 	6
Education Account			
Furtherance of Justice			

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GENERAL BACKGROUND

The Summit County Prosecutor's Office (Prosecutor's Office) administers five (5) segregated bank accounts. The Prosecutor's Office participates in Federal and State Law Enforcement Fund programs which disburse funds generated from seized and forfeited assets.

A description of the segregated accounts deposits and expenditures are represented in the table below:

Account Name (Account Number)	Regulating Authority	Deposits	Expenditures
Law Enforcement Trust Fund (...8595)	State of Ohio	Share of state and local seized assets	Education account, training, Prosecutor's education credits, etc.
Education Account (...8587)	State of Ohio	10% transfer of LETF funds on first \$100,000 received; 20% transfer on funds over \$100,000	Public education purposes (e.g., safety calendars, public awareness events, etc.)
Federal Law Enforcement Trust Fund (...1215)	Federal	Share of federal seized and forfeited assets	Training, Prosecutor's education credits, etc.
Furtherance of Justice (...3721)	State of Ohio	General fund (based on the Prosecutor's salary)	General purchases (e.g., attorney dues, law handbooks, etc.)
CSEA Deposits Held & Due to Others (...3455)	State of Ohio	Child support payments	Daily state Child Support Payment Central (CSPC) disbursements

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AUDIT OBJECTIVE, SCOPE, AND METHODOLOGY

The primary focus of this review was to provide the Prosecutor's Office with reasonable assurance, based on the testing performed, on the adequacy of the system of management control currently in effect for the audit areas.

Management controls include the processes for planning, organizing, directing, and controlling program operations, including systems for measuring, reporting, and monitoring performance. Management is responsible for establishing and maintaining effective controls that, in general, include the plan of organization, as well as methods and procedures to ensure that goals are met. Specific audit objectives include evaluating the policies, procedures, and internal controls related to the Prosecutor.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those 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.

Based on the results of our review, we prepared specific issues and recommendations for improvement that were discussed with management. These recommendations, as well as management's unaltered written response, can be found in the following sections of this report.

Objectives:

- To review the segregated account internal control structure through employee interviews and observations.
- To ensure IRS Form 1099's are processed according to IRS regulations.

Scope:

An overview and evaluation of the existing policies, processes, procedures, contracts and internal control structure utilized by the Prosecutor from January 1, 2014 through June 30, 2014.

The following were the major audit steps performed:

OBJECTIVE 1 – REVIEW OF SEGREGATED ACCOUNT INTERNAL CONTROLS

1. Meet with the appropriate personnel to obtain an understanding of the control environment.
2. Document the existing control procedures in narratives and/or flowcharts.
3. Test procedures for compliance where applicable, noting all exceptions.
4. Investigate discrepancies and summarize results.
5. Make recommendations where appropriate.

OBJECTIVE 2 – IRS FORM 1099 PROCESSING

1. Meet with the appropriate personnel to obtain an understanding of the department's process.
2. Document the existing control procedures in narratives and/or flowcharts.
3. Ensure the 1099 process is performed in accordance with IRS regulations.
4. Investigate discrepancies and summarize results.
5. Make recommendations where appropriate.

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DETAILED COMMENTS

I. Segregated Account Internal Control Testing:

Prosecutor's Office policies and procedures and applicable legislation were reviewed, staff interviews were conducted, and flowcharts were created and approved to gain an understanding of the laws and regulations, deposit and expenditure processes, and internal controls in place for the following segregated accounts:

- Law Enforcement Trust Fund
- Education Account
- Federal Law Enforcement Trust Fund
- Furtherance of Justice
- CSEA Deposits Held and Due to Others

All deposits and expenditures were selected from the Federal Law Enforcement Trust Fund account and samples of deposits and expenditures were selected from the remaining accounts. Detail testing was performed to ensure adequate support was maintained, activity was in compliance with rules and regulations, and proper approval.

The following issues were noted:

1. Issue:

Upon discussion with the Budget/Management Director, IAD noted no formal process for approval payments made out of the segregated accounts. Additionally, upon detail testing of expenditures, IAD noted the following exceptions where approval, independent of the segregated account administrator, was not documented:

- Law Enforcement Trust Fund – four (4) of ten (10)
- Education Account – two (2) of three (3)
- Furtherance of Justice – four (4) of ten (10)

Recommendation:

IAD recommends that the Prosecutor's Office implement a formal approval process for expenditures out of the segregated accounts. This will help to ensure proper documentation of approval and accountability over account transactions.

Management Action Plan:

Prior to the close of this audit, the Prosecutor's Office implemented a formal approval process and the procedure will be updated within 30 days.

No issues were noted with the CSEA Deposits Held and Due to Others account

II. IRS FORM 1099 Process:

Staff interviews were conducted to gain an understanding of the IRS Form 1099 (1099) process for the above-noted accounts. The 1099 process was reviewed to ensure procedures are performed in accordance with IRS regulations.

No issues were noted.