

Summit County Clerk of Courts
Segregated Accounts
Performance Audit General Report

Prepared for:

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Approved by Audit Committee
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EXECUTIVE SUMMARY

Total Number of Issues – 2

Internal Controls

Strong Internal Controls:

Type	# Issues	Issue Description	Page Ref.
Title Division Account	0	N/A	7
Civil Division Account			
1099 Process			

Weaknesses in Internal Controls:

Account	# Issues	Issue Description	Page Ref.
Appeals and Passport Division Account	1	<ul style="list-style-type: none"> • NSF payments not reversed in system 	6
Criminal Division Account			
Domestic Relations Account	1	<ul style="list-style-type: none"> • Variance between ending book and bank balances 	6

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GENERAL BACKGROUND

The Summit County Clerk of Courts administers five (5) segregated bank accounts. A description of the segregated accounts deposits and expenditures are represented in the table below:

Account Name (Account Number)	Regulating Authority	Deposits	Expenditures
Title Division Account (...0212)	ORC	Title, registration and passport fees and automobile sales tax	State and County disbursements and refunds
Appeals and Passport Division Account (...8738)	ORC	Court and filing fees	County disbursement, attorney and legal news fees
Civil Division Account (...1785)	ORC	Court costs, seized funds via court order, copy fees and bond payments	Bail refunds, answers of garnishment and County disbursements
Criminal Division Account (...9055)	ORC	Court costs and bond payments	Restitution, bond refunds and County disbursements
Domestic Relations Account (...4727)	ORC	Court costs and child support payments	Attorney fees, State and County disbursements

AUDIT OBJECTIVE, SCOPE, AND METHODOLOGY

The primary focus of this review was to provide the Clerk of Courts 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 Clerk of Courts.

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 Clerk of Courts from January 1, 2014 through July 31, 2014.

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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:

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

- Title Division Account
- Appeals and Passport Division Account
- Civil Division Account
- Criminal Division Account
- Domestic Relations Account

Samples of deposits and expenditures were judgmentally selected for detail testing to ensure adequate support was maintained, activity was in compliance with rules and regulations, and proper approval was obtained/documented.

The following general recommendation and issues were noted:

General Recommendation:

IAD noted NSF fees received for copy charges in the Domestic Relations Account cannot be added to the case management system because a case file is not associated with this type of charge. Additionally, IAD noted that an adjustment for the balance is carried forward on the bank reconciliation to account for the non-payment. IAD recommends that the Clerk of Courts determine if a miscellaneous case can be created in the case management system to account for this error, or check payments not be accepted for copy fees.

Management Action Plan:

To minimize the chances of receiving NSF checks for payment of copies, we will run all copy receipts under the case number involved in the transaction or under cases established in each division for receipt of copies that are not associated to cases. The File room will have to write all copy receipts under the Court of Appeals case number – case no. 1000. Attached is a memo directing the changes involved with copy transactions and has been distributed to all staff members.

1. Issue:

Upon discussion with the Assistant Director of Administration and detail testing of the bank reconciliations, IAD noted that payments are not reversed in the respective case management systems when a non-sufficient funds (NSF) check is returned by the bank, creating an overstated cash balance in the system (Text and Data), for the following accounts:

- Appeal and Passport Account
- Criminal Division Account
- Domestic Relations Account

Recommendation:

IAD recommends payments be reversed in the respective case management system when a NSF check is returned by the bank. This will help to ensure completeness and accuracy of financial information in the case management systems.

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Management Action Plan:

In response to our recent Segregated Accounts Audit report, we have implemented the attached policy/procedure regarding notification of NSF checks returned from our accounts. The policy has been distributed to all accounting departments and supervisors.

2. Issue:

Upon detail testing of the April 2014 bank reconciliation for the Domestic Relations Account, IAD noted a \$50.00 variance between the ending book and reconciliation balances.

Recommendation:

IAD recommends that the Clerk of Courts determine the cause and correct the ending book and reconciliation variance. This will help to ensure completeness and accuracy of financial information and monthly bank reconciliations.

Corrective Action Taken Prior to the End of Fieldwork:

Per discussion with the Assistant Director of Administration and review of the Text and Data system, it was noted that the variance was a result of a payment incorrectly applied in the system and not voided by the month-end close date. IAD verified that the receipt was voided in the system, correcting the variance.

Management Action Plan:

April 2014 bank reconciliation in Domestic Relations Account has been corrected as of the September 2014 bank reconciliation.

No issues were noted within the Title and Civil Accounts.

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.