

**Summit County Children Services**  
*Segregated Accounts*  
Performance Audit General Report

**Prepared for:**

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**Audit Committee**

**Approved by Audit Committee**  
**December 29, 2014**



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**EXECUTIVE SUMMARY**

**Total Issues – 0**

**Internal Controls**

*Strong Internal Controls:*

<b>Area</b>	<b># Issues</b>	<b>Issue Description</b>	<b>Page Ref.</b>
Children’s Savings Acct	0	N/A	5
Betterment Account	0	N/A	5
IRS Form 1099 Processing	0	N/A	5

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**GENERAL BACKGROUND**

Summit County Children Services (SCCS) administers two (2) segregated bank accounts. The Children’s Savings Account was established to provide a savings account for each child and fund the Independent Living Program. Disbursements are made to adolescents who have completed the Independent Living Program. The Betterment Account was established to provide financial support to children in the custody of SCCS. Disbursements include summer camp attendance, holiday gifts, utility expenses, and other various expenses to support the children.

**AUDIT OBJECTIVE, SCOPE, AND METHODOLOGY**

The primary focus of this review was to provide SCCS 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 SCCS.

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 1099s 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 Court from January 1, 2014 through August 31, 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.

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**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.

**DETAILED COMMENTS**

**I. Internal Control Testing**

SCCS’ 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:

- Children’s Savings Account – PNC (...5761)
- Betterment Account – PNC (...6076)

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.

No issues noted.

**II. IRS FORM 1099 Process**

Staff interviews were conducted to gain an understanding of the IRS Form 1099 (1099) process. IAD noted that SCCS annually sends the Summit County Fiscal Office a list of vendors there were paid from the segregated accounts. The vendor disbursements from these accounts are captured during the annual 1099 distribution performed by the Summit County Fiscal Office.

No issues noted.