

Summit County Executive Office
Segregated Accounts
Performance Audit General Report

Prepared for:

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Audit Committee

Approved by Audit Committee
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EXECUTIVE SUMMARY

Total Number of Issues – 1

Internal Controls

Strong Internal Controls:

Area	# Issues	Issue Description	Page Ref.
Building Standards Checking Account	0	N/A	5
IRS Form 1099 Process			

Weak Internal Controls:

Area	# Issues	Issue Description	Page Ref.
Animal Control Checking Account	1	Eight (8) out of twenty-five (25) instances where funds were not transferred into the correct Banner account.	5

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GENERAL BACKGROUND

The Summit County Executive Office (Executive Office) administers two (2) segregated bank accounts. A description of the segregated accounts deposits and expenditures are represented in the table below:

Account Name (Account Number)	Deposits	Expenditures
Animal Control Checking Account (...9933)	Credit card payments for dog licenses, penalties, impounding, euthanasia, and donations	Holding account – deposits are transferred to Banner accounts
Building Standards Checking Account (...9925)	Credit card payments for building permits	Holding account – deposits are transferred to Banner accounts

AUDIT OBJECTIVE, SCOPE, AND METHODOLOGY

The primary focus of this review was to provide the Executive 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 Executive Office.

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.

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Scope:

An overview and evaluation of the existing policies, processes, procedures, contracts and internal control structure utilized by the Executive Office from January 1, 2015 through December 31, 2015.

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.

DETAILED COMMENTS

I. Segregated Account Internal Control Testing:

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

- Animal Control Checking Account
- Building Standards Checking Account

Samples of expenditures were judgmentally selected for detail testing and reconciled to Banner to ensure completeness and accuracy of the fund transfer.

1. Issue:

Upon detail testing of Animal Control checking account expenditures, IAD noted eight (8) out of twenty-five (25) instances where the funds were not transferred to the correct Banner account.

Recommendation:

IAD recommends that the Executive Office transfer funds into the correct accounts for the errors noted above and reconcile the credit card reconciliation spreadsheet to Banner after deposits have been made. This will help to ensure accounts are not over/understated and funds are posted to the correct Banner accounts.

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Management Action Plan:

Upon reviewing the testing of IAD, there were amounts posted to the wrong accounts. The original transfers were missing a few receipt sheets for the spreadsheet and the dollars to be transfer were put into the wrong account. Once the receipt sheets were received, the spreadsheet was updated, but no changes were made to the banner accounts. The fund and org were correct.

Since the errors occurred in a prior period, no corrections will be made to the accounts noted by IAD. The cash balance in the fund and org are correct.

In the future when receipt sheets are received after the transfer has been made, we will show changes on the spreadsheet and correct the banner accounts to reflect the spreadsheet changes.

II. IRS Form 1099 Process:

Staff interviews were conducted to gain an understanding of the IRS Form 1099 (1099) process. IAD noted that the Executive Office Segregated Accounts are holding accounts; credit card payments received (e.g., fees) are transferred and recorded to an account in Banner. Vendors are not paid out of these accounts; therefore, there is no 1099 process to review.