

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

Prepared for:

Sheriff Steve Barry
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	Pg Ref.
Furtherance of Justice	0	N/A	6
Prisoner Transportation			
Federal Law Enforcement Trust Fund – Patrol			
Federal Law Enforcement Trust Fund – Drug			
Law Enforcement Trust Fund			
Law Enforcement Trust Fund – Patrol			
Law Enforcement Trust Fund – Drug Unit Project Income			
Drug Unit Escrow			
Civil Account			

Weak Internal Controls:

Area	# Issues	Issue Description	Page Ref.
IRS Form 1099 Process	1	No policies or procedures	6

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GENERAL BACKGROUND

The Summit County Sheriff's Office (Sheriff's Office) administers eleven (11) segregated bank accounts. The Sheriff's Office participates in Federal and State Law Enforcement Fund programs which restrict expenditure activity to law enforcement purposes. Additional operating accounts are utilized for day to day operations within the Sheriff's Office (e.g., Operations and Jail divisions).

A description of deposits and expenditures for each segregated account reviewed is represented in the table below:

Account Name (Account Number)	Regulating Authority	Deposits	Expenditures
Furtherance of Justice (...0254)	State of Ohio	General fund (based on Sheriff's salary)	Travel, retirement parties, promotions, staffing
Prisoner Transportation (...3484)	State of Ohio	General fund	Prisoner transportation costs
Federal Law Enforcement Trust Fund – Patrol (...2951)	Federal	Federally seized and forfeited assets	General law enforcement purposes (e.g., equipment and training)
Federal Law Enforcement Trust Fund – Drug Unit (...3721)	Federal	Federally seized and forfeited assets	Vehicles/repairs, office equipment, confidential funds, meth clean-up
Law Enforcement Trust Fund – Prior Admin NARC Unit (...9383)	State of Ohio	Mandatory drug fines from local cases	Drug-related law enforcement purposes
Law Enforcement Trust Fund – Patrol (...2978)	State of Ohio	State and local seized assets	Equipment, training, ammunition
Law Enforcement Trust Fund – Drug Unit Project Income (...8536)	State of Ohio	State and local seized assets and mandatory drug fines	General law enforcement purposes
Inmate Account (...3468)*	Departmental Procedures	Funds received by/for inmates	Inmate discharge, commissary and telephone vendors, indigent fees
I.D. and Records Admin (...3476)*	Departmental Procedures	CCW and background check fees, sexual predator registration fees	Pay-ins to Summit County
Drug Unit Escrow (...3916)	Contract	This account was closed and deposited into the Drug Unit Federal Forfeiture Account	This account was closed and deposited into the Drug Unit Federal Forfeiture Account
Civil Account (...3441)	Departmental Procedures	Sheriff foreclosure sales, delinquent tax sales, chattel sales, civil costs, fees received	Pay-outs to respective lienholders on the property sold (e.g., banks and lawyers)

*: These accounts will be audited during the Summit County Sheriff's Office Correction Division audit (May 2016).

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AUDIT OBJECTIVE, SCOPE, AND METHODOLOGY

The primary focus of this review was to provide the Sheriff'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 Sheriff's 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 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 Sheriff's 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.

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DETAILED COMMENTS

I. Segregated Account Internal Control Testing:

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:

- Furtherance of Justice
- Prisoner Transportation
- Federal Law Enforcement Trust Fund – Patrol
- Federal Law Enforcement Trust Fund – Drug
- Law Enforcement Trust Fund – Prior Admin NARC
- Law Enforcement Trust Fund – Patrol
- Law Enforcement Trust Fund – Drug Project Income
- Drug Unit Escrow
- Civil Account

All deposits and expenditures were selected from the Federal Law Enforcement Trust Fund accounts (Patrol and Drug) 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.

No issues were noted.

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. All 1099s issued for calendar year 2015 were reviewed to ensure they were sent by the applicable IRS deadline.

1. Issue:

Upon discussion with personnel, IAD noted no formal policies and procedures over the Form 1099 process.

Recommendation:

IAD recommends that the Sheriff's Office create formal policies and procedures over the Form 1099 process. This will help to ensure that proper procedures are in place and consistently followed within the department.

Management Action Plan:

The Sheriff's Fiscal Division received training on the issuance of IRS 1099 forms approximately 2 years ago. All 1099 forms have been issued in a timely manner since the training. Personnel from the Sheriff's Fiscal Division will meet with the Captain responsible for writing policies and procedures and they will collaborate to write a new Sheriff's policy.