

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

**Prepared for:**

**Prosecutor Sherri Bevan Walsh  
Audit Committee**

**Approved by Audit Committee  
June 30, 2016**



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

*Lisa L. Skapura, Director  
Meredith Merry, Assistant Director  
Jon Keenan, Auditor-in-Charge  
Brittney Quinn, Staff Auditor  
Mario Warren, Staff Auditor  
Taylor Ladouceur, Staff Auditor*

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

**Table of Contents**

EXECUTIVE SUMMARY ..... 3

GENERAL BACKGROUND ..... 4

AUDIT OBJECTIVE, SCOPE, AND METHODOLOGY ..... 5

DETAILED COMMENTS ..... 6

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

**EXECUTIVE SUMMARY**

**Total Number of Issues – 3**

**Internal Controls**

*Strong Internal Controls:*

Account/Section	# Issues	Issue Description	Page Ref.
CSEA Deposits Held & Due to Others	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"> <li>• Bank reconciliations not performed timely and four (4) out of twelve (12) not signed off by management</li> </ul>	6
Education Account			
Federal Law Enforcement Trust Fund			
Furtherance of Justice			
IRS Form 1099 Process	2	<ul style="list-style-type: none"> <li>• Insufficient policies and procedures</li> <li>• Failure to issue required 1099 Forms</li> </ul>	7

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

**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:

<b>Account Name (Account Number)</b>	<b>Regulating Authority</b>	<b>Deposits</b>	<b>Expenditures</b>
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

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

**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'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 Prosecutor'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.

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

**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:

- 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 was obtained/documented.

No issues were noted for CSEA Deposits Held and Due to Others.

The following issue was noted with the remaining four (4) accounts:

1. Issue:

Upon detail testing, IAD noted bank reconciliations were not performed timely (e.g., on a monthly basis, using applicable month-end book balance). Additionally, IAD noted four (4) of twelve (12) bank reconciliations were not signed off by management. Per the policy and procedure, all segregated cash accounts must be reconciled monthly with approval by the Prosecuting Attorney or his/her designee.

Recommendation:

IAD recommends that bank reconciliations be performed each month, for the current month, using the appropriate ending book balance; and be approved by appropriate personnel. This will help to ensure reconciliations are properly performed, transactions are reviewed timely for reasonableness and accuracy, and compliance with policies and procedures.

Corrective Action Taken Prior to End of Fieldwork:

IAD obtained the four (4) previously unapproved bank reconciliations and noted they have been approved.

Management Action Plan:

The Fiscal Officer will reconcile the accounts by the last business day of the month following the receipt of the bank statement for the prior month and in accordance with the Segregated Accounts Policy to ensure timeliness. The Fiscal Officer will give the reconciliations to the Prosecutor's designee for review and approval as soon as the reconciliations are completed.

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

**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.

The following issues were noted:

2. Issue:

Upon discussion with Prosecutor's Office personnel, IAD noted there are no formal policies and procedures over the Form 1099 process.

Recommendation:

IAD recommends that the Prosecutor'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 Prosecutor's Office will create a formal policy/procedure to address the Form 1099 process no later than October 1, 2016.

3. Issue:

Upon detail testing of the Prosecutor's Office 1099 process, IAD noted two (2) out of two (2) instances where a 1099 Form was required but was not completed and sent by the established deadline.

Recommendation:

IAD recommends that the Prosecutor's Office issue 1099 Forms to all vendors with an aggregate annual payment of six hundred dollars (\$600) or more. This will help to ensure compliance with IRS regulations.

Management Action Plan:

The Prosecutor's Fiscal Officer will work with the Internal Audit Department to review the 1099 issuance process and issue the appropriate forms to two vendors as required no later than August 1, 2016.