

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

**Prepared for:**

**Julie Barnes**  
**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*  
*Taylor Ladouceur, Staff Auditor*

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

**Table of Contents**

EXECUTIVE SUMMARY ..... 3

GENERAL BACKGROUND ..... 4

AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY ..... 4

DETAILED COMMENTS ..... 5

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

**EXECUTIVE SUMMARY**

**Total Issues – 1**

**Internal Controls**

*Strong Internal Controls:*

Area	# Issues	Issue Description	Page Ref.
Children’s Savings Account	0	N/A	5
Betterment Account			

*Weak Internal Controls:*

Area	# Issues	Issue Description	Page Ref.
IRS Form 1099 Process	1	No policies or procedures	5

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

**GENERAL BACKGROUND**

Summit County Children Services (SCCS) administers two (2) segregated bank accounts. 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>
Children’s Savings (...5761)	ORC	Banner transfers to fund the account.	Payment to adolescent upon completion of the Independent Living Program.
Betterment (...6076)	ORC	Banner transfers, donations, etc.	Summer camp attendance, holiday gifts, utility expenses, etc.

**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 SCCS from January 1, 2015 through December 31, 2015.

The following were the major audit steps performed:

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

**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. 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:

- Children’s Savings Account
- Betterment 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.

No issues were noted.

**II. IRS Form 1099 Process**

Staff interviews were conducted to gain an understanding of the IRS Form 1099 (1099) process. 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 SCCS create, approve, and disseminate formal policies and procedures over the Form 1099 process. This will help to ensure proper procedures are in place and consistently followed within the department.

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

Management Action Plan:

Summit County Children Services (SCCS) follows a process to create IRS Form 1099s for expenditures from its segregated bank account. SCCS will create a formal Policy/Procedure that will document the process. This will be approved and disseminated in accordance with existing agency policy/procedure guidelines. This will be completed by 8/1/16.