

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

**Prepared for:**

**Sheriff Steve Barry**  
**Audit Committee**

**Approved by Audit Committee**  
**March 28, 2018**



**Summit County**  
**Internal Audit Department**  
**175 South Main Street**  
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**Summit County Sheriff's Office**  
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**EXECUTIVE SUMMARY**

**Total Number of Issues – 0**

**Internal Controls**

*Strong Internal Controls:*

| <b>Area</b>                                 | <b># Issues</b> | <b>Issue Description</b> | <b>Page Ref.</b> |
|---------------------------------------------|-----------------|--------------------------|------------------|
| Federal Law Enforcement Trust Fund – Patrol | 0               | N/A                      | 6                |
| Federal Law Enforcement Trust Fund - Drug   |                 |                          |                  |
| IRS Form 1099 Process                       |                 |                          |                  |
| Vendor PEDACKN Form                         |                 |                          |                  |

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**GENERAL BACKGROUND**

The Summit County Sheriff's Office (Sheriff's Office) administers ten (10) 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:

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

\*: These accounts were not audited due to minimal issues noted in the 2017 segregated accounts audit.

^: Per the Department of Justice Equitable Sharing Guidelines all Federal Law Enforcement Trust Fund revenue and expenditures are required to be audited annually.

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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 Federal Law Enforcement Trust Fund (FLETFF) Patrol and Drug segregated accounts internal control structure through employee interviews and observations.
- To ensure IRS Form 1099s are processed according to IRS regulations.
- To ensure vendors, paid from the FLETFF (Patrol and Drug) segregated accounts, that are independent contractors are processed in accordance with OPERS guidelines and ORC §145.38 (B) (6).

**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, 2017 through December 31, 2017.

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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OBJECTIVE 3 – Vendor PEDACKN Forms

1. Meet with the appropriate personnel to obtain an understanding of the department's process.
2. Ensure the process regarding vendors that are independent contractors is performed in accordance with OPERS guidelines and ORC §145.38 (B) (6).
3. Investigate discrepancies and summarize results.
4. Make recommendations where appropriate.

**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:

- Federal Law Enforcement Trust Fund – Patrol
- Federal Law Enforcement Trust Fund – Drug

All deposits and expenditures were selected from the Federal Law Enforcement Trust Fund accounts (Patrol and Drug). Detail testing was performed to ensure adequate support was maintained, activity was in compliance with rules and regulations, and proper approval was obtained/documentated. In addition, bank reconciliations were selected for detail testing to ensure a bank reconciliation was performed each month and a supervisor review was performed and documented.

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.

Additionally, 2017 FLETF (Patrol and Drug) expenditures were obtained to ensure all independent contractors, exceeding \$.01 in the calendar year, was sent a Form 1099.

No issues were noted.

**III. Vendor PEDACKN Forms**

2017 FLTEF (Patrol and Drug) expenditures were obtained and detail testing was performed to ensure the following:

- The Independent Contractor has completed and signed a PEDACKN (Independent Contractor Acknowledgment) form in compliance with OPERS guidelines.
- The Independent Contractors status is terminated with the County if the Independent Contract is currently receiving an Ohio Public Employee Retirement System (OPERS) benefits in compliance with ORC §145.38 (B)(6).

No issues were noted.