

Summit County Sheriff's 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 – 3

Internal Controls

Strong Internal Controls:

Area	# Issues	Issue Description	Page Ref.
Civil Account	0	N/A	6

Weak Internal Controls:

Area	# Issues	Issue Description	Page Ref.
Furtherance of Justice	1	<ul style="list-style-type: none"> • Supervisory review not obtained/documentated on the bank reconciliation. 	6
Prisoner Transportation			
Law Enforcement Trust Fund – Patrol			
Federal Law Enforcement Trust Fund – Patrol			
Law Enforcement Trust Fund (Old Narc)			
Federal Law Enforcement Trust Fund – Drug			
Law Enforcement Trust Fund – Drug Unit Project Income			
IRS Form 1099 Process	1	<ul style="list-style-type: none"> • Inadequate Form 1099 process 	7
Vendor PEDACKN Form	1	<ul style="list-style-type: none"> • No policies and procedures 	7

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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:

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
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 were 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 1099s are processed according to IRS regulations.
- To ensure vendors 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, 2016 through December 31, 2016.

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:

- 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
- 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 was obtained/documented. 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.

The following issue was noted:

All Accounts (with the exception of the Civil account):

1. Issue:

Upon detail testing of bank reconciliations, IAD noted twelve (12) of twelve (12) instances where a supervisor review was not performed/documented on the bank reconciliation.

Recommendation:

IAD recommends monthly bank reconciliations be reviewed and a supervisor signature be documented on the bank reconciliation. This will help to ensure the bank reconciliations are properly monitored.

Management Action Plan:

- Monthly bank reconciliation's will be reviewed and approved by signature on all accounts within the Sheriff's Office by a Supervisor in administration.
- The implementation date will begin with the August 2017, bank statements.

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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, 2016 expenditures were obtained to ensure all independent contractors, exceeding \$600 in the calendar year, received a Form 1099. Lastly, All 1099s issued for calendar year 2016 were reviewed to ensure they were sent by the applicable IRS deadline.

The following issues were noted:

2. Issue:

Upon detail testing of Form 1099s, IAD noted the Sheriff sends a Form 1099 to all applicable vendors for payments exceeding six hundred dollars (\$600) cumulatively; however, the policy does not take into account that the IRS views all departments within Summit County as one tax ID. This could cause a vendor being paid by two separate County departments not to receive a Form 1099 when cumulative payments may exceed the six hundred dollar (\$600) threshold.

Recommendation:

IAD recommends that the Sheriff's Office follow the Summit County Fiscal Office's Form 1099 policy and issue a Form 1099 for every vendor receiving a payment over \$.01. This will help to ensure compliance with IRS Form 1099 guidelines.

Management Action Plan:

- The fiscal and civil personnel assigned to perform the tasks of monitoring Form 1099, will issue a Form 1099 for every vendor receiving a payment over \$.01 and submit a compiled list for review and signature by an administration supervisor at the conclusion of each year.
- Policy & Procedure 3:9.0 Chapter: Fiscal, Topic I.R.S. 1099 has been revised to reflect the new language.
- All personnel in Fiscal and Civil accounting, will receive training on the new procedures to be completed by September 15, 2017.
- All personnel in Fiscal and Civil accounting, will receive yearly review of policy and procedures referencing the 1099 policy with signatures to be placed in their training files.

III. Vendor PEDACKN Forms

2016 and 2017 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).

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The following issue was noted:

3. Issue:

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

Recommendation:

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

Management Action Plan:

- The Sheriff's office Policy & Procedure 3:9.0 Chapter: Fiscal, Topic PEDACKN has been created to reflect the new language concerning the Vendor PEDACKN Form process.
- All personnel in Fiscal will receive training on the new procedures to be completed by September 15, 2017.