

**Summit County Clerk of Courts**  
*Segregated Accounts*  
**Performance Audit General Report**

**Prepared for:**

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**Audit Committee**

**Approved by Audit Committee**  
**September 18, 2017**



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**EXECUTIVE SUMMARY**

**Total Number of Issues – 2**

**Internal Controls**

*Strong Internal Controls:*

Type	# Issues	Issue Description	Page Ref.
IRS Form 1099 Process	0	N/A	7

*Weak Internal Controls:*

Type	# Issues	Issue Description	Page Ref.
Title Division Account	2	<ul style="list-style-type: none"> <li>• Supervisory review not obtained/documentated on the bank reconciliation (All accounts)</li> <li>• Incorrect month end adjustments (Criminal Division Account only)</li> </ul>	5
Appeals and Passport Division Acct			
Civil Division Account			
Domestic Relations Account			
Criminal Division Account			

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**GENERAL BACKGROUND**

The Summit County Clerk of Courts administers five (5) 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>
Title Division Account (...0212)	ORC	Title, registration, and passport fees and automobile sales tax	State and County disbursements and refunds
Appeals and Passport Division Account (...8738)	ORC	Court and filing fees	County disbursement, attorney and legal news fees
Civil Division Account (...1785)	ORC	Court costs, seized funds via court order, copy fees and bond payments	Bail refunds, answers of garnishment and County disbursements
Criminal Division Account (...9055)	ORC	Court costs and bond payments	Restitution, bond refunds and County disbursements
Domestic Relations Account (...4727)	ORC	Court costs and child support payments	Attorney fees, State and County disbursements

**AUDIT OBJECTIVE, SCOPE, AND METHODOLOGY**

The primary focus of this review was to provide the Clerk of Courts 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 Clerk of Courts.

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.

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**Scope:**

An overview and evaluation of the existing policies, processes, procedures, contracts and internal control structure utilized by the Clerk of Courts 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.

**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 laws and regulations, deposit and expenditure processes, and internal controls in place for the following segregated accounts:

- Title Division Account
- Appeals and Passport Division Account
- Civil Division Account
- Criminal Division Account
- Domestic Relations Account

Samples of deposits and expenditures were judgmentally selected for detail testing to ensure adequate support was maintained, a PEDACKN (Independent Contractor Acknowledgement) form was completed if the vendor was an independent contractor, 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 supervisory review was performed and documented.

The following issues were noted:

**All Accounts**

1. Issue:

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

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Recommendation:

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

Management Action Plan:

Effective immediately the Accounting Dept. will compile and relay monthly bank reconciliation numbers to Director of Accounting who will review, format into Comparison Report spreadsheets and initial before sending to Chief of Staff. The COS will then also review monthly reports for variances and anomalies before initialing and distributing copies to interested parties.

**Criminal Division Account**

2. Issue:

Upon detail testing of bank reconciliations, IAD noted two (2) instances where an incorrect month end adjustment occurred, resulting in the service charge receivable account being overstated.

Recommendation:

IAD recommends that the errors identified be adjusted to properly state the service charge receivable account. This will help to ensure adjustments are accounted for correctly and the service charge receivable account is properly stated.

Management Action Plan:

The Clerk's Accounting Department staff reviewed the conversion notes for the Criminal Text & Data to Cougar and Great Plains conversion that took place August 2016. It was determined that the data file – outstanding checks that were provided to the assigned agent for Sikich LLP did contain check no. 47107 in the amount of \$39.20 and check no. 48008 in the amount of \$196.00. Both checks were prepared in the old T&D application, but were outstanding at the time of conversion. The assigned Sikich agent failed to import the two checks into the Great Plains Accounting System at the time of conversion. This was verified by Clerk's Office by reviewing the "outstanding check file" that is stored on the Great Plains Smartlist functions.

Check no. 47107 was presented to PNC for payment on 10/14/2016. Check no. 48008 was presented for payment on 12/06/2016.

The Criminal Account Manager was unable at the time to determine how to reconcile the "Bank Transaction" functions in Great Plains. It was decided that an adjustment to GP was needed to complete the reconciliation of the Criminal Account. The staff requested help from the Sikich agent but no assistance was provided. The adjustments made were incorrectly noted as service charges and other expenses which reduced the Criminal Cash Account to allow the account to balance with the bank balance.

Now a year later and more experienced in GP, the staff understands that the adjustments made were not correct. The staff corrected the adjustments that took place in October and December 2016. A "Bank Transaction" entry was prepared and posted for the total of both checks-\$235.20 as a correcting entry to the GP book balance-Criminal Cash Received Account.

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**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 2016 were reviewed to ensure they were sent by the applicable IRS deadline.

No issues were noted.