

County of Summit
County Council
Performance Audit General Report

Prepared for:

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Approved by Audit Committee
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EXECUTIVE SUMMARY

Total Number of Issues – 11

Policies and Procedures

Section	# Issues	Issue Descriptions	Page Ref.
Policies and Procedures Manual	2	<ul style="list-style-type: none"> • Miscellaneous (no effective dates, management approval, etc.) • Insufficient or no written P&P for several areas/processes 	7

Internal Controls

Strong Internal Controls:

Testing Section	# Issues	Issue Description	Page Ref.
Fringe Benefits	0	N/A	12

Weaknesses in Internal Controls:

Testing Section	# Issues	Issue Descriptions	Page Ref.
Purchasing	1	<ul style="list-style-type: none"> • Improper segregation of duties within Banner 	9
Expenditures	2	<ul style="list-style-type: none"> • Improper segregation of duties with ordering and receiving • Incomplete travel reimbursement documents 	10
Payroll	1	<ul style="list-style-type: none"> • Improper approval of payroll 	11
Personnel Files	2	<ul style="list-style-type: none"> • Incomplete personnel files • Files not maintained for members of Council 	12
Legislative Compliance	2	<ul style="list-style-type: none"> • Second motion not obtained for Executive Session • Ordinance notice did not contain complete language 	14
Asset Inventory	1	<ul style="list-style-type: none"> • Disposed assets not tracked 	15

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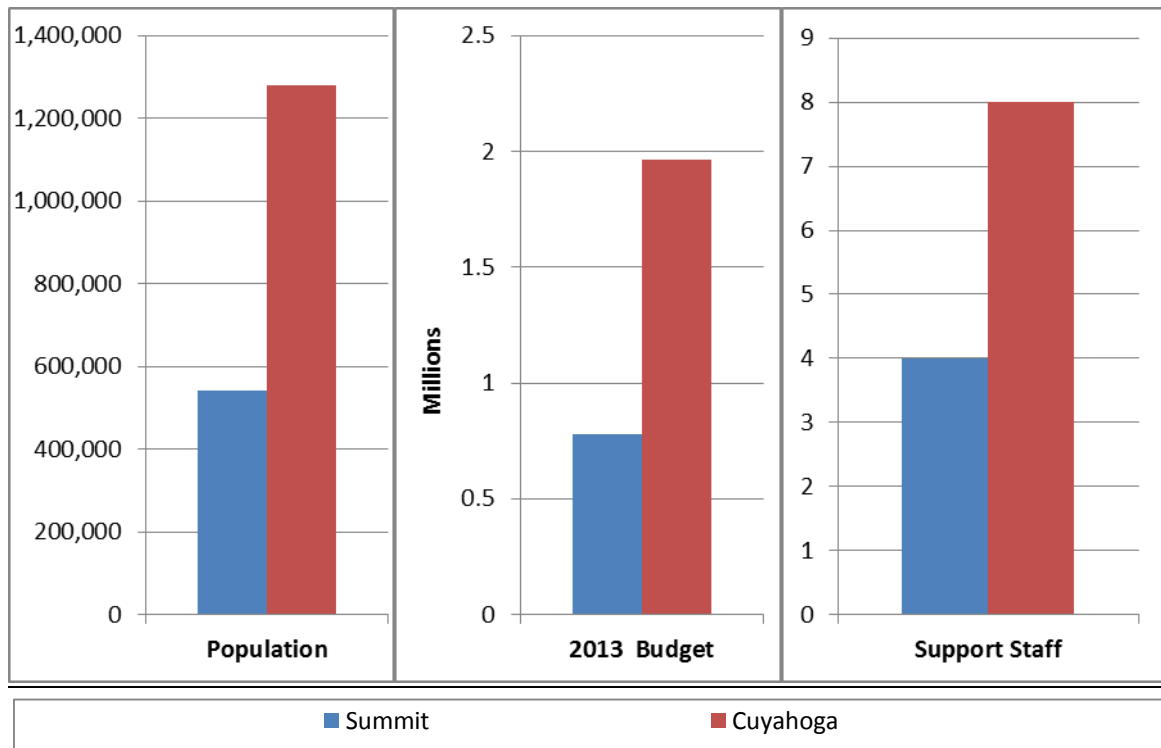
GENERAL BACKGROUND

Summit County Council is the eleven-member legislative authority, taxing authority and policy-making body of the Summit County government. Eight members of the council are elected from individual districts with the remaining three elected at-large.

County Council’s support staff consists of four (4) employees (0.1% of Summit County employment) comprising of a Chief of Staff, Clerk of Council, Senior Research Analyst, and Executive Assistant. Support staff duties include preparing agendas and council meeting packets, performing legislative research, and completing day-to-day operations.

County Council’s 2012 and 2013 budget totalled \$773,100 and \$781,300, respectively (0.2% of the 2012 and 2013 County operating budgets).¹

IAD compared population levels, 2013 operating budgets and support staffing levels to Cuyahoga County, the only other charter county government in Ohio. The comparisons are represented in the graphs below:



¹ <https://co.summitoh.net/images/stories/Finance/pdf/OperatingBudget/2013OperatingBudget.pdf>
<https://co.summitoh.net/images/stories/Finance/pdf/CountyofSummit2012OperatingBudget.pdf>

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AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

The primary focus of this review was to provide County Council 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 County Council.

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 obtain and review the current policies and procedures.
- To review the internal control structure through employee interviews and observations.
- To perform a general overview of the physical environment and security of the facilities, data, records and departmental personnel.

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Scope:

An overview and evaluation of the existing policies, processes, procedures, contracts and internal control structure utilized by County Council from December 1, 2012 through November 30, 2013.

The following were the major audit steps performed:

OBJECTIVE 1 – POLICY AND PROCEDURES REVIEW

1. Obtain and review the current policies and procedures.
2. Meet with the appropriate personnel to obtain an understanding of the current department processes and procedures. Compare those existing processes to the policies and procedures manual for consistency, noting all exceptions.
3. Obtain and review the document retention policy and determine if policies and procedures are currently in place and being followed.
4. Test procedures for mandatory compliance where applicable.
5. Identify audit issues and make recommendations where appropriate.

OBJECTIVE 2 – REVIEW OF 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. Compare existing processes to the policies and procedures manual for consistency.
4. Test procedures for compliance where applicable, noting all exceptions.
5. Investigate discrepancies and summarize results.
6. Make recommendations where appropriate.

OBJECTIVE 3 – REVIEW OF SECURITY (covered in a separate report in compliance with ORC §149.433).

1. Perform a general overview of the physical environment and security of the department/agency being audited.
2. Interview various personnel to determine that confidential information is secure and processed only by appropriate parties.
3. Test security issues where appropriate.
4. Analyze current policies and make recommendations.

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DETAILED COMMENTS

Interviews:

To gain an understanding of County Council, IAD performed interviews with the following positions:

- Four (4) Council members,
- Chief of Staff,
- Clerk of Council,
- Senior Research Analyst.

Any issues noted are addressed in the respective sections of this report.

I. Policies and Procedures Review:

County Council's policies and procedures were reviewed for each of the applicable testing sections within the audit for accuracy and completeness and compared to current processes for consistency. County Council's Records Retention Schedule was also reviewed for completeness and compared to processes throughout the audit to ensure that the schedule contained all relevant documents.

The following issues were noted:

1. Issue:

Upon review of County Council's policies and procedures for completeness and accuracy, IAD noted the following:

Department Policy and Procedure Manual

- Effective dates/dates of revision are not noted,
- The manual has not been revised/updated in the last two (2) years,
- The manual has not been formally approved by management,
- There are no staff sign-offs for the manual,
- There is an incorrect reference to legislation,
- Policies do not appear complete for specifics on employee job functions.

Employee Policy and Procedure Manual

- Effective dates/dates of revision are not noted,
- The manual has not been revised/updated in the last two (2) years,
- The manual has not been formally approved by management.

Recommendation:

IAD recommends that all policies and procedures be updated or reviewed so they are current and note effective and revision dates, management approval of policies and procedures be documented, staff sign-offs on all manuals, references to legislation be reviewed for accuracy and that employee job functions be added to the department policy and procedure manual. This will help to ensure that approved policies and procedures are consistently being followed by employees and that job functions are clearly stated.

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Management Action Plan:

Policies and procedures will be updated with effective dates/dates of revision in the Department and Procedure Manual and Employee Policy and Procedure Manual by March 31, 2014. Staff sign-offs and management approval will be kept on file.

2. Issue:

Upon review of County Council's policies and procedures, no written or insufficient policies and procedures were noted for the following areas:

- Requisitions – employees responsible for entering and approving.
- Vouchering – outdated.
- Cash Receipt and Reconciliation Process.
- Travel Reimbursement – Executive Assistant sign off in lieu of the Council President.
- Payroll Approval Process.
- Personal/Acceptable Use of iPad.
- Constituent Call database.
- Personnel Files – maintaining (checklist of items) and employee review of file (tracking employee review and supervisor present during review)
- Asset Inventory & Disposal

Recommendation:

IAD recommends that County Council create/update, approve, and disseminate written policies and procedures for all functional areas within the department. This will help to ensure that proper procedures are being consistently followed within the department.

Corrective Action Taken Prior to the End of Fieldwork:

IAD noted that the following policies and procedures have been updated:

- Pay-ins,
- Procurement Cards,
- Purchase Orders,
- Invoice Payment,
- Replacement Checks,
- Property Assignment and Exit Interviews.

Management Action Plan:

County Council will create/update, approve, and disseminate written policies and procedures for all highlighted areas within the department by March 31, 2014. The following updates will be included:

- Requisitions “Purchase Orders” and “Paying Invoices”– Update (**complete as of 2/26/14**)
- Vouchering – Delete (**complete as of 2/26/14**) and replaced Updated with “Pay Ins” procedure (**complete as of 2/26/14**)
- Cash Receipt and Reconciliation Process – Update
- Travel Reimbursement – Update (**complete as of 2/26/14**)
- Payroll Approval Process – Update (**complete as of 2/26/14**)

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- Information Technology (IT Security, prevention of processing errors and loss/corruption of data) – Update
- IPAD Personal/Acceptable Use – Update
- Physical Security (Department Security, Asset tracking upon hire) – Update and review with employees
- Employees working for other departments/governmental agencies – Update
- Constituent Call Database – Update
- Personnel Files – Update including creating file for each employee, maintaining checklist of items, employee review of file items
- Asset Inventory & Disposal – Update
- “Property Assignment & Exit Interviews” – Update (**complete as of 2/26/14**)
- Lost Warrants or Replacement Checks – Update (**complete as of 2/26/14**)
- Procurement Cards – Update (**complete as of 2/26/14**)

II. Internal Control Testing:

Risk-based internal control testing and/or observations were performed in the following areas:

- Revenue
- Purchasing
- Expenditures
- Payroll
- Contracts
- Fringe Benefits
- Personnel Files
- Legislative Compliance
- Asset Inventory

REVENUE

Policies and procedures and applicable ORC sections were reviewed and staff interviews were conducted to gain an understanding of the cash receipts cycle, the laws and regulations that govern it, and internal controls in place. Per discussion with staff and review of transactions in Banner, it was confirmed that no cash collections occurred during the audit period; therefore, IAD passed on further review of this process.

PURCHASING

County Council’s policies and procedures were reviewed, interviews were conducted and flowcharts were created and approved to gain an understanding of the purchasing process. Samples of purchase order requisitions, purchase orders and purchase order change orders were judgmentally selected and detail testing was performed to test for proper documentation and approvals.

Additionally, Banner purchasing and procurement permissions were reviewed for reasonableness.

The following issue was noted:

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3. Issue:

Upon testing of banner approval queues, IAD noted one (1) County Council employee with the ability to enter and approve requisitions. Additionally, upon detail testing of purchase order requisition approvals in Banner, IAD noted one (1) out of three (3) instances where the same individual entered and approved the purchase order requisition.

Recommendation:

IAD recommends that the PO requisition entry and approval duties be assigned to separate employees. Additionally, IAD recommends that County Council designate backup employees so that no one person is responsible for both functions. This will help to ensure a proper segregation of duties and approval over the requisition process.

Management Action Plan:

Update purchase requisition policy and procedure including proper segregation of duties, backup employees, and proper approvals by March 31, 2014.

EXPENDITURES

County Council's policies and procedures and applicable ORC sections were reviewed, staff interviews were conducted and flowcharts were created and approved to gain an understanding of the expenditure cycle, the laws and regulations that govern it, and internal controls in place. A sample of expenditures was judgmentally selected and detail expenditure testing was performed to verify that funds do not remain encumbered on prior year purchase orders, confirm proper approval and authorizations, verify that funds were encumbered prior to incurring the expense, and that the appropriate vendor and amount were paid. Expenditures were reviewed in aggregate to ensure compliance with Codified Ordinances. A sample of travel reimbursements was judgmentally selected and detail testing was performed to ensure proper processing and approval.

Banner User and Banner Class Form reports were obtained and reviewed to gain an understanding of employee permissions and detail testing was performed to assess reasonableness and proper segregation of duties.

The following general recommendation and issues were noted:

General Recommendation:

Upon testing of Banner permissions for County Council, IAD noted one (1) employee with the ability to create and approve invoices in Banner. This provides an opportunity for a user to approve an invoice that he/she entered in Banner, creating an improper segregation of duties; however, during detail testing, IAD noted this did not occur and a proper segregation of duties is being exercised.

4. Issue:

Upon discussion with the Chief of Staff and review of the process flow chart, IAD noted (1) employee responsible for ordering and receiving purchases within the department, creating an improper segregation of duty.

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Recommendation:

IAD recommends that County Council assign the ordering and receiving functions to separate individuals and designate back up employees so that no one person is responsible for both functions. This will provide an appropriate segregation of duties and help to ensure proper control over and safeguarding of assets.

Management Action Plan:

Update Purchasing Policy and Procedure so that ordering and receiving functions are assigned to separate individuals and designate back up employees by March 31, 2014.

5. Issue:

Upon review of travel reimbursements, IAD noted the following:

- Seven (7) out of ten (10) instances where the same employee prepared and approved the part 1 form (Request for Estimated Expenses),
- Five (5) out of ten (10) instances were the same employee prepared and approved the part 2 form (Request for Actual Expenses),
- One (1) out of ten (10) instances where department approval was not obtained prior to travel,
- Three (3) out of five (5) instances where Department of Finance and Budget approval was not obtained prior to travel that was estimated to be over \$200,
- Two (2) out of four (4) instances where Department of Finance and Budget approval was not obtained on the part 2 form when actual travel expenses were greater than \$200.

Recommendation:

IAD recommends that County Council assign the travel part 1 and 2 forms preparation and approval functions to separate individuals and designate back up employees so that no one person is responsible for both functions. Also, IAD recommends that County Council ensure that part 1 and 2 forms are approved by the Department of Finance and Budget, when applicable (e.g., over \$200). If extenuating circumstances arise where approval was not obtained prior to travel, documentation should be made on the form.

This will provide an appropriate segregation of duties and help to ensure compliance with the Executive's Travel Reimbursement Policies and Procedures.

Management Action Plan:

Update Travel Policy and Procedure by March 31, 2014 so that Travel Part I and II forms are assigned to separate individuals and designate back up employees. Have Part I and Part II forms approved by the Department of Finance and budget when over \$200.

PAYROLL

An interview was conducted to gain an understanding of the payroll process. A payroll approval report was generated and detail testing was performed to confirm appropriate authorizations and proper segregation of duties.

The following issue was noted:

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6. Issue:

Upon review of payroll approval and sign-off in Kronos for pay periods during the period 12/1/12 – 11/30/13, IAD noted three (3) of eleven (11) pay periods with improper approval (e.g., no approver sign-off, Fiscal Office performing department approval).

Recommendation:

IAD recommends that payroll be approved and signed off by the appropriate parties. Additionally, IAD recommends that County Council designate backup employees so that no one person is responsible for both functions. If extenuating circumstances prevent the appropriate parties from approving and signing off, notification should be sent to the payroll department (e.g., email, letter) indicating the reason of the circumstance. This will help ensure the accuracy and accountability of payroll records.

Management Action Plan:

Update the Payroll Policy and Procedure by March 31, 2014 so that payroll is to be approved and signed off by the appropriate parties. If extenuating circumstances prevent the appropriate parties from signing off, notification should be sent to the Payroll Department indicating the reason of the circumstance.

CONTRACTS

Upon discussion with County Council personnel and review of contracts in DocRecord (County contract database), it was noted that County Council has two (2) open contracts with Walter H. Drane Company for annual codification of legislation and codified ordinance updates and one (1) open contract with Blue Technologies Inc. for copier machine service. IAD deemed this immaterial and passed on further review of this process.

FRINGE BENEFITS

Detail testing of the following areas was performed, if applicable, to confirm that County Council is properly processing fringe benefits in accordance with IRS tax code:

- Travel and meals reimbursement
- Cash incentives, awards, gift awards and/or bonuses
- County paid life insurance policies over \$50,000
- Uniforms and clothing allowances
- Employment contracts
- Agency vehicle usage
- Allowances for firearms or tasers and/or any other non-lethal weapon
- Tuition assistance and reimbursement
- Subcontracted employees

No issues were noted.

PERSONNEL FILES

County Council's Personnel Policy and Procedure Manual was reviewed and staff interviews were conducted to gain an understanding of the personnel file structure. An employee report was generated in Banner and compared to the County Council's organizational chart to ensure all employees are accounted for. All support staff

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employees were selected and detail testing was performed to verify that the personnel files contained the required documentation or documentation considered as best practice. IAD reviewed employee relationships to ensure that an employee is not directly supervised by a relative.

The following issues were noted:

7. Issue:

Upon review of personnel file testing, IAD noted the following:

- One (1) out of four (4) instances where an employee file did not include a sign-off for the personnel policy and procedure manual,
- Four (4) out of four (4) instances where an employee file did not include a sign-off for the department policy and procedure manual,
- One (1) out of four (4) instances where an employee file did not include their resume/application documentation,
- One (1) out of four (4) instances where an employee file did not include a sign-off for the substance abuse policy,
- Three (3) out of four (4) instances where an employee file did not include a sign-off for the County computer and telecommunications policy,
- One (1) out of three (3) instances where an employee file did not include the most recent performance evaluation,
- Two (2) out of four (4) instances where an employee file did not contain a signed declaration regarding material assistance form,
- Four (4) out of four (4) instances where confidential information was not segregated within the employee file.

Recommendation:

IAD recommends that the County Council develop a checklist of specific documentation to be included in each personnel file (department sign-offs, performance evaluations, material assistance forms, etc.) Additionally, IAD recommends that all confidential personnel documentation be maintained in a separate folder within the personnel file. This will help to ensure completeness of employee personnel files, and that confidentiality of sensitive employee documentation is maintained in the event of a public records request.

Management Action Plan:

County Council will develop a checklist of specific documentation to be include in each personnel file and all confidential personnel documentation be maintained in a separate folder within the personnel file. List will be created by April 30, 2014.

8. Issue:

Per discussion with the Chief of Staff, IAD noted that personnel files are not maintained for Council members.

Recommendation:

IAD recommends that the County Council Office prepare and maintain complete personnel files for all employees, including Council members. This will help to ensure compliance with Federal and State regulations as well as best practices.

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Management Action Plan:

Chief of Staff will establish and maintain personnel files for all employees including Council members to comply with Federal and State regulations by April 30, 2014.

LEGISLATIVE COMPLIANCE

Rules of Council were reviewed and attributes were developed to ensure that:

- Council meetings follow the established procedures,
- Special county meetings are solely for the consideration set forth in the written request,
- Codified legislation is arranged in book form and titled correctly,
- The notice following regular compilation and revision of laws contains the required language,
- Committees consists of at least three (3) members,
- A quorum was reached for each Committee meeting.

Codified Ordinance §121 was reviewed and attributes were developed to ensure compensation for Council members and the Council President was calculated correctly and agendas were prepared for all Council and Committee meetings.

The Summit County Charter was reviewed and attributes were developed to ensure Council members are residents of the County of Summit.

The following issues were noted:

9. Issue:

Upon review of County Council Meeting procedures and meeting minutes, IAD noted three (3) of three (3) instances when a second motion was not obtained prior to entering into Executive Session, in accordance with Rules of Council §10.01.

Recommendation:

IAD recommends that a second motion be obtained prior to entering into Executive Session. This will help to ensure compliance with Rules of Council.

Management Action Plan:

Obtain second motion prior to Executive Session to comply with Rules of Council.

10. Issue:

Upon review of the updated ordinance notice maintained on the Codified Ordinance website, IAD noted that the notice does not contain titles of the updated ordinances and other required language (e.g., a complete copy of the Codified Ordinances is on file with the Clerk and the County Law Library and that copies are available at cost), in accordance with Rules of Council §8.09(5).

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Recommendation:

IAD recommends that County Council update the notice to include applicable language. This will help to ensure compliance with Rules of Council.

Management Action Plan:

Update ordinance notice on the Codified Ordinance website with applicable language to comply with Rules of Council by April 30, 2014.

ASSET INVENTORY

County Council's policies and procedures were reviewed and staff interviews were conducted to gain an understanding of the asset inventory process and internal controls in place. A sample of asset inventory was judgmentally selected and detail testing was performed to verify the existence of the assets and the accuracy of the asset tracking spreadsheet.

The following issue was noted:

11. Issue:

Upon discussion with the Chief of Staff, IAD noted that a listing of disposed assets is not maintained by the office, nor are disposed assets maintained on the inventory listing (e.g., marked as disposed).

Recommendation:

IAD recommends that County Council maintain a listing of disposed assets. This will help to ensure accountability over assets and the disposal process.

Management Action Plan:

Designate a location to maintain an electronic listing of disposed assets by March 31, 2014

II. Security:

Security issues noted during fieldwork are addressed under separate cover in the accompanying report in compliance with ORC §149.433.