

Summit County Executive Office
Department of Finance and Budget
Office Services Division
Performance Audit General Report

Prepared for:

Russell M. Pry
Audit Committee

Approved by Audit Committee
March 24, 2014



Summit County
Internal Audit Department
175 South Main Street
Akron, Ohio 44308

Lisa L. Skapura, Director
Meredith Merry, Deputy Director
Jaime Vedrody, Internal Auditor
Brittney Manfull, Internal Auditor

Summit County Executive Office
Department of Finance and Budget
Office Services Division
Performance Audit – General Report

Table of Contents

EXECUTIVE SUMMARY 3

GENERAL BACKGROUND..... 4

AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY 4

DETAILED COMMENTS 6

Summit County Executive Office
 Department of Finance and Budget
Office Services Division
Performance Audit – General Report

EXECUTIVE SUMMARY

Total Number of Issues – 9

I. Policies and Procedures

Section	# Issues	Issue Descriptions	Page Ref.
Policies and Procedures Manual	2	<ul style="list-style-type: none"> • Miscellaneous (no formal approval by management, outdated information, limited references to related manuals) • Insufficient or no written P&P for several areas/processes 	6
Cross-training	1	<ul style="list-style-type: none"> • No backup for the Office Services Administrator 	7
Records Retention	1	<ul style="list-style-type: none"> • Schedule did not include all relevant documents 	7

II. Internal Controls

Strong Internal Controls:

Testing Section	# Issues	Issue Descriptions	Page Ref.
Purchasing	0	N/A	8
Expenditures	0	N/A	9
Payroll	0	N/A	9
Fringe Benefits	0	N/A	9

Weaknesses in Internal Controls:

Testing Section	# Issues	Issue Descriptions	Page Ref.
Personnel Files	1	<ul style="list-style-type: none"> • Incomplete files 	8
Revenue	3	<ul style="list-style-type: none"> • Incorrect billing • No tracking of jobs coded to generic billing code • Prices charged for paper are inaccurate 	10
Asset Inventory	1	<ul style="list-style-type: none"> • No formal process for tracking paper inventory 	11

Summit County Executive Office
Department of Finance and Budget
Office Services Division
Performance Audit – General Report

GENERAL BACKGROUND

Under the Executive Office Department of Finance and Budget, the Office Services Division processes mail for the County and City of Akron. They also provide black/white and color digital photocopying, binding, folding/inserting, scanning, and laminating services. Paper inventory for the County is also maintained under Office Services.

Office Services consists of five employees (four full-time; one part-time) (0.1% of Summit County employment) comprising of the Office Services Administrator, Technical Print System Operator, two (2) Office Machine Operators, and one (1) part-time Records Clerk 1. Office Services' 2012 and 2013 budget totalled \$1,395,500 and \$1,485,300, respectively (.3% of the 2012 and 2013 County operating budgets).

AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

The primary focus of this review was to provide Office Services 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 Office Services.

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.

Scope:

An overview and evaluation of the existing policies, processes, procedures, contracts and internal control structure utilized by Office Services from October 1, 2012 through September 30, 2013.

The following were the major audit steps performed:

Summit County Executive Office
Department of Finance and Budget
Office Services Division
Performance Audit – General Report

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.

Summit County Executive Office
Department of Finance and Budget
Office Services Division
Performance Audit – General Report

DETAILED COMMENTS

Interviews:

To gain an understanding of the Office Services Division, IAD performed interviews with the following employee positions:

- Office Services Administrator,
- Technical Print System Operator,
- Office Machine Operators,
- Records Clerk 1,
- PT Records Clerk 1.

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

I. Policy and Procedures Review:

Office Services' policies and procedures were reviewed for each of the following applicable testing sections within the audit for accuracy and completeness and compared to current processes for consistency. The Office Services' 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 Office Services' policies and procedures for completeness and accuracy, IAD noted the following:

- No formal approval by management,
- Outdated information,
- Limited or no reference to the Department of Finance and Budget and Executive Office Manuals and the Executive Office Employee Policies and Procedures, for shared functions/processes.

Recommendation:

IAD recommends that the policies and procedures manual be formally approved by management and updates be made to reference titles in place of names. IAD also recommends that policies and procedures be updated to include the most current procedures and references to respective manuals for components such as performance evaluation criteria, contingency plan instructions, and internet/email usage guidelines, etc. This will help to ensure approved policies and procedures are updated and consistently followed by employees.

Management Action Plan:

Office Services will update, approve and disseminate formal written policies and procedures to include the most current policy and procedures. Office Services will take out all references to names and reference titles. This will require significant time to properly complete since a number of policies and procedures require extensive updating, so we are projecting this to be done by 12/31/2014.

Summit County Executive Office
Department of Finance and Budget
Office Services Division
Performance Audit – General Report

2. Issue:

Upon review of the Office Services' policies and procedures, no written or insufficient policies and procedures were noted for the following areas:

- Paper ordering
- Contingency planning
- Microfilming
- Binding
- Laminating
- Performance Evaluations

Recommendation:

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

Management Action Plan:

Office Services will create/update, approve and disseminate formal policies and procedures for all functional areas within the agency by 12/31/2014. This will require significant time to properly complete since a number of the policies and procedures were either non-existent or require extensive updating.

3. Issue:

Upon discussion with the Office Services Administrator and DFB Senior Administrator, it was noted that there is currently no backup for the Office Services Administrator functions (e.g., monthly chargebacks, administration, etc.).

Recommendation:

IAD recommends that a backup employee be designated and formally trained on Office Services Administrator duties, so that essential functions can still be performed, in the Administrator's absence.

Management Action Plan:

The Director of Finance and Budget designated the Senior Administrator in the Department of Finance and Budget for backup for the Senior Administrator in Office Services in November 2013. The Senior Administrator was trained by the Senior Administrator in Office Services on the essential functions (e.g., monthly chargebacks, administration, etc.).

4. Issue:

Upon review of the Records Retention Schedule (RC-2) for Office Services, IAD noted that it did not contain all relevant records, including but not limited to:

- Paper Requisitions,
- Printer/Mail Machine reports,
- Binding/Laminating Logs,
- Chargeback/Billing Records,

Summit County Executive Office
Department of Finance and Budget
Office Services Division
Performance Audit – General Report

- Policy and Procedure Manual.

Recommendation:

IAD recommends that Office Services update the RC-2 to include all pertinent records and documents and submit them to the appropriate parties for approval. This will help to ensure record retention is complete and accurate.

Management Action Plan:

Office Services Record Retention Schedule is included on Department of Finance and Budget schedule to include all pertinent records and documents. The Department of Finance and Budget schedule was updated and approved by the Records Commission at their February 18, 2014 meeting. It will not take effect until approved by the State, which usually takes a couple of months.

II. Internal Control Testing:

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

- Personnel Files,
- Purchasing,
- Expenditures,
- Payroll,
- Fringe Benefits,
- Revenue,
- Asset Inventory.

PERSONNEL FILES

Office Services' policies and procedures were reviewed to gain an understanding of personnel files. All Office Services employees were selected and detail testing was performed to test for the required documentation noted in the policies and procedures.

The following issues were noted:

5. Issue:

Upon review of the Office Services' personnel files, IAD noted three (3) out of five (5) personnel files were incomplete.

Recommendation:

IAD recommends that Office Services sends all required personnel file documents to the Executive Human Resources Department. This will help to ensure the completeness and accuracy of the personnel files.

Corrective Action Taken Prior To the End of Fieldwork:

On 12/11/13, IAD confirmed with Ann Snipes, Executive Assistant, that of the three (3) incomplete Office Services personnel files, two (2) have been completed.

Summit County Executive Office
Department of Finance and Budget
Office Services Division
Performance Audit – General Report

Management Action Plan:

The Senior Administrator in Office Services will send all required personnel file documents to the Executive Human Resource Department in the future.

PURCHASING

Office Services' 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 user access levels were reviewed for reasonableness.

No issues were noted.

EXPENDITURES

Office Services' 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 randomly selected and detail expenditure testing was performed to verify that funds do not remain encumbered for prior year purchase orders, confirm proper approval, proper authorizations, funds were encumbered prior to incurring the expense, and that the appropriate vendor and amount were paid.

Banner user and Banner Class Form reports were obtained and reviewed to gain an understanding of Office Services employee Banner roles and to test for a proper segregation of duties.

No issues were noted.

PAYROLL

An interview was conducted to gain an understanding of the payroll process. A sample of leave forms was selected and compared to Kronos to ensure accuracy. A payroll approval report was generated and reviewed to determine appropriate authorizations and to confirm a proper segregation of duties.

No issues were noted.

FRINGE BENEFITS

Detail testing of the following areas was performed, if applicable, to confirm that Office Services 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,

Summit County Executive Office
Department of Finance and Budget
Office Services Division
Performance Audit – General Report

- 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.

REVENUE

Office Services' policies and procedures and applicable legislation were reviewed, an observation was performed, staff interviews were conducted, and flowcharts were created and approved to gain an understanding of the cash receipts cycle, the laws and regulations that govern it, and internal controls in place.

A sample of invoices was selected and detail testing was performed to determine proper documentation, calculation, and reconciliation process in place.

The following general recommendation and issues were noted:

General Recommendation:

Upon review of the chargeback process, it was noted that a large portion of data is manually entered into the chargeback database. It was also noted during detail testing that several data entry errors were made, resulting in incorrect billing (see issue below). IAD recommends that Office Services work with Fiscal MIS to create an online paper requisition site, where departments can enter requisitions and data can be retrieved electronically at month-end for billing and inventory purpose, by Office Services. This will help to ensure a reduction in data entry errors for chargebacks and assistance with paper inventory processes.

6. Issue:

Upon review of the City of Akron billing, IAD noted three (3) out of three (3) months where the billing was incorrect.

Recommendation:

IAD recommends that Office Services implement a process for reviewing the City of Akron billing in detail prior to submitting to the City. This will help to ensure the accuracy of billing.

Management Action Plan:

Office Services will implement a process for reviewing the City of Akron billing in detail prior to submitting to the City. This will be part of the Policy and Procedure update. Department of Finance and Budget staff will review the billing prior to mailing to City of Akron. Office Services Senior Administrator will contact the copier company to see if raw data can be extracted and uploaded to the chargeback system to reduce data entry errors.

Summit County Executive Office
Department of Finance and Budget
Office Services Division
Performance Audit – General Report

7. Issue:

Upon discussion with the Office Services Administrator, IAD noted account 99 (Batch Account) is used to charge print job and machine errors. IAD reviewed activity for the period October 2012 through September 2013 and noted a total of 20,130 prints charged to account 99. Prints charged to account 99 are not tracked or tied to the print jobs which needed to be re-worked; therefore, IAD was unable to reconcile the account.

Recommendation:

IAD recommends that Office Services implement a procedure to document prints charged to account 99, so that a reconciliation is able to be conducted to cross-reference errors charged to the account to the original job. This will help to ensure the proper recording and accountability of print job and machine errors.

Management Action Plan:

Office Services and City of Akron employees will keep a daily log on account #99. The log will then be reconciled to the appropriate reports.

8. Issue:

Upon discussion with Office Services' personnel and review of invoices, IAD noted that the price charged for paper is not based on actual cost plus markup. Per the Office Services' procedures, cost charged for paper should reflect actual cost plus a 10% markup.

Recommendation:

IAD recommends that the paper charges be updated in the chargeback database to accurately reflect the most current cost plus 10% markup. This will help to ensure accurate billing and recovery of costs.

Management Action Plan:

Office Services Senior Administrator will update ten percent markup charge for paper with each paper order shipment.

ASSET INVENTORY

Office Services' policies and procedures were reviewed, staff interviews were conducted, and flowcharts were created and approved to gain an understanding of the asset inventory process.

The following issues were noted:

9. Issue:

Upon discussion with Office Services and Physical Plants Department staff, it was noted that there is currently no formal process for tracking paper inventory, either internally or at the South Street location.

Summit County Executive Office
Department of Finance and Budget
Office Services Division
Performance Audit – General Report

Recommendation:

IAD recommends that paper inventory be monitored and reconciled to the paper requisitions and supply orders. This will help to ensure proper monitoring of inventory and the safeguarding of assets.

Management Action Plan:

Office Services will create a formal process for tracking paper inventory. Office Services Senior Administrator will contact MIS to see if an online paper requisition site is feasible. In the interim a spread sheet log will be kept on paper inventory and updated as paper is purchased and delivered to each department.

II. Security:

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