

Summit County Fiscal Office
Services Division
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 – 7

Policies and Procedures

Weaknesses:

Testing Section	# Issues	Issue Descriptions	Page Ref.
Policy and Procedures	2	<ul style="list-style-type: none"> • Incorrect ORC references in manual • Incomplete RC-2 	7

Internal Controls

Strong Internal Controls:

Testing Section	# Issues	Issue Descriptions	Page Ref.
Purchasing	0	N/A	9
Asset Inventory	0	N/A	10
Payroll	0	N/A	10
Fringe Benefits	0	N/A	10
Vehicle Logs	0	N/A	10
Weights and Measures	0	N/A	12

Weaknesses in Internal Controls:

Testing Section	# Issues	Issue Descriptions	Page Ref.
Revenue	2	<ul style="list-style-type: none"> • Improper segregation of duties for cash collection and cash reconciliation • Limited reporting capabilities in Kanine 	8
Personnel Files	1	<ul style="list-style-type: none"> • One employee did not obtain all required CPE hours in accordance with OAC §901.6-9 	10
Manufactured Homes	2	<ul style="list-style-type: none"> • No invoice date on manufactured home tax bills • Lack of cross-training for manufactured home taxes 	11

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GENERAL BACKGROUND

The Fiscal Office Services Division (Fiscal Services) consists of weights and measures, licensing, and manufactured homes. Employees verify timing devices, issue various licenses and generate and issue tax bills for manufactured homes within Summit County.

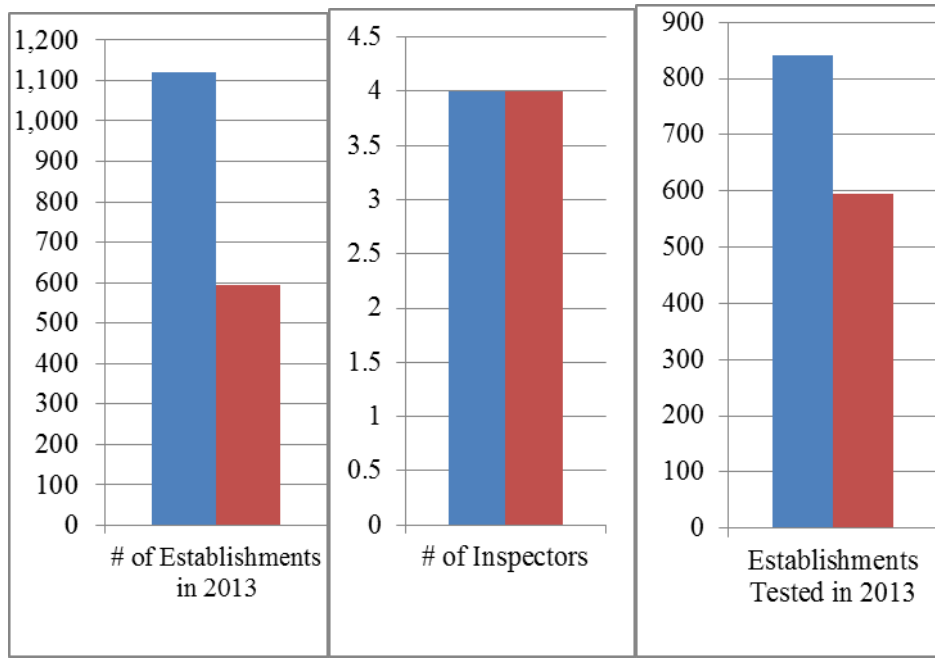
Weights and measures is responsible for inspecting and certifying timing devices in Summit County (e.g., scales, cash registers, gas pumps, tanning booths, etc.). In addition, fuel quality testing is performed, with Summit County being the only County in the state of Ohio to perform this testing, enforced through the County Charter.

The following types of licenses are issued out of Fiscal Services – cigarette, dog, kennel, vendor, and firewood. Dog licenses encompass the largest number of licenses sold with approximately 40,000 applications mailed to current registered owners in November of each year, with payment due by January 31st of each year.

Owners of manufactured homes are required under State law to register their home with the Summit County Fiscal Officer for tax purposes. Fiscal Services manages the information utilized to generate tax bills for these homes, with payment due in March and July of each year.

Fiscal Services consists of a Deputy Fiscal Officer, Weights and Measures Supervisor, Director of Administration, three (3) inspectors, and three (3) support staff, consisting of Clerical Specialists and an Administrative Assistant (0.3% of Summit County employment).

IAD compared the population of establishments and number of establishments tested in 2013, and number of weights and measures’ inspectors in Summit County to the Lucas County Weights and Measures Department (a comparably populated county). The comparisons are represented in the graphs below:



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AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

The primary focus of this review was to provide Fiscal 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 Fiscal 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 Fiscal Services from July 1, 2013 through June 30, 2014.

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.

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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 Fiscal Services, IAD performed interviews with the following positions:

- Deputy Fiscal Officer
- Director of Administration
- Weights and Measures Supervisor
- Weights and Measures Inspector III
- Clerk III

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

I. Policy and Procedure:

Fiscal Services' Policies and Procedures Manual was reviewed for each of the following applicable testing sections within the audit for accuracy and completeness and compared to current processes for consistency. The Fiscal Services' Records Retention Schedule (RC-2) 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 Fiscal Services' Policies and Procedures Manual for accuracy and completeness, IAD noted incorrect references made within the manual to ORC sections.

Recommendation:

IAD recommends that the Policies and Procedures Manual be reviewed for completeness and accuracy with updates made as necessary. This will help to ensure that policies and procedures are accurate and consistently followed by employees.

Corrective Action Taken Prior to the End of Fieldwork:

On 7/18/14, IAD reviewed the updated Fiscal Services' Policies and Procedures Manual and confirmed ORC references were corrected.

Management Action Plan:

Corrections were made on July 18, 2014. Will continue to monitor changes to ORC and keep Manual updated.

2. Issue:

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

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Recommendation:

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

Management Action Plan:

Request was made to have document added to RC2. The change will be implemented with the next Records Commission Meeting that is scheduled for September.

Target Implementation Date: October 2014

II. Internal Control Testing:

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

- Revenue
- Purchasing
- Asset Inventory
- Payroll
- Fringe Benefits
- Vehicle Logs
- Personnel Files
- Manufactured Homes
- Weights and Measures

REVENUE

Fiscal 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.

Samples of cigarette and vendor licenses were judgmentally selected for detail testing to ensure a proper segregation of duties, appropriate recording into the respective accounting system, and timeliness and accuracy of the deposit. A sample of dog license sales was also selected and detail testing was performed to determine a reconciliation process is in place. Fiscal Services' fees were compared to applicable legislation to ensure accuracy of fees being charged.

The following issues were noted:

3. Issue:

Upon detail testing and review of the daily cash-out forms, IAD noted two (2) out of six (6) instances where the same employee collected and reconciled daily cash receipts, creating an improper segregation of duties.

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Recommendation:

IAD recommends that daily collection and reconciliation functions be assigned to separate individuals, with designated backups, so that no one person is responsible for both functions. This will help to ensure a proper segregation of duties and approval over the daily collection and reconciliation processes.

Corrective Action Taken Prior To the End of Fieldwork:

On 7/16/14, IAD observed the deposit preparation process and noted the Clerical Specialist II balanced the cash box, prepared the deposit, and it was reviewed and signed-off by the Deputy Fiscal Officer. Additionally, on 7/18/14, IAD obtained a policy regarding obtaining an additional signature on the daily cash-out sheet in the event the same employee balances a cashbox and prepares the deposit.

Management Action Plan:

Formal policy was put into place on 7-18-14 via memo to obtain an additional signature on the daily cash out sheet.

4. Issue:

Upon discussion with the Deputy Fiscal Officer and review of the Kanine system, IAD noted limited reporting capabilities within the system; therefore, IAD was unable to perform detail testing of dog license revenue (e.g., accuracy of deposit, timely deposit, reconciliation, etc.).

Recommendation:

IAD recommends that Fiscal Services work with the Fiscal MIS to develop additional reporting functions within the Kanine system, which would allow for proper reconciliation of dog license revenue. This will help to ensure the accountability and accuracy of cash receipts.

Management Action Plan:

An email was obtained from the MIS Department explaining that it would take a re-engineering of the business process, and a re-write of the software. Current workloads and staff limitations prevent allocating the necessary resources at this time.

PURCHASING

Fiscal Services' Policies and Procedures Manual was reviewed and interviews were conducted to gain an understanding of the purchasing process. A sample of purchase order requisitions were haphazardly selected and detail testing was performed to test for proper documentation and approvals in Sharepoint.

Additionally, banner purchasing and procurement user access levels were reviewed for reasonableness.

No issues were noted.

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ASSET INVENTORY

Fiscal Services' Policies and Procedures Manual was reviewed and an interview was conducted to gain an understanding of asset inventory. A sample of equipment lists was judgmentally selected and reviewed to verify the existence of the equipment and accuracy of the equipment tracking system.

No issues were noted.

PAYROLL

An interview was conducted to gain an understanding of the payroll process. 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 Fiscal 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
- 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.

VEHICLE LOGS

An interview was conducted to gain an understanding of the vehicle log process. The SambaSafety report (showing employees authorized to operate a County vehicle) was obtained and reviewed to ensure employees operating County vehicles have been properly authorized.

No issues were noted.

PERSONNEL FILES

Fiscal Services' Policies and Procedures Manual was reviewed and an interview was conducted to gain an understanding of personnel files. All Fiscal Services employees were selected and detail testing was performed to test for the required documentation noted in the policies and procedures. Additionally, applicable sections of the Ohio Administrative Code (OAC) were reviewed and detail testing was performed to confirm employees had documentation of required certifications/continuing education, where applicable.

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The following issue was noted:

5. Issue:

Upon review of employee personnel files and discussion with the Deputy Fiscal Officer, IAD noted one (1) of two (2) instances where an employee did not obtain all required CPE training hours in 2013 (e.g., fourteen (14) of the eighteen (18) hours obtained), in accordance with the OAC §901.6-9.

Recommendation:

IAD recommends that Fiscal Services monitor CPE training for employees. This will help to ensure compliance with Ohio Administrative Code.

Management Action Plan:

Monitoring processes are in place. The required hours must be obtained from the State of Ohio Dept of Ag. In 2013, they only offered a total of 18 hours credit. On one of the days when four (4) hours was offered, said employee was out of the office that day. The state offered no makeup dates. This year they are offering more than 18 hours so there should not be a problem.

MANUFACTURED HOMES

Fiscal Services' Policies and Procedures Manual and applicable ORC sections were reviewed, interviews were conducted and flowcharts were created and approved to gain an understanding of the manufactured homes processes. A sample of manufactured homes was haphazardly selected from the system (Lotus Approach) and detail testing was performed to verify taxes and penalties on delinquent taxes were properly billed.

Additionally, a sample of conveyance forms was haphazardly selected and detail testing was performed to confirm conveyance fees were properly charged, paid, and taxes on the property were current at the time of conveyance.

The following issues were noted:

6. Issue:

Upon discussion with the Director of Administration and observation of the manufactured home tax bills, IAD noted the tax bills did not contain an invoice/billing date (e.g., date indicating when they are generated); therefore, IAD was unable to verify tax bills were generated at least twenty (20) days prior to the tax due date in accordance with ORC §4503.06 (D)(6)(a).

Recommendation:

IAD recommends that a billing date be added to the manufactured home tax bills. This will help to ensure compliance with ORC §4503.06 (D)(6)(a) can be verified.

Management Action Plan:

A date was added to the bill on August 13, 2014.

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7. Issue:

Upon discussion with the Deputy Fiscal Officer and Director of Administration, IAD noted one (1) employee designated as the administrator of the manufactured homes database, with limited cross-training in place.

Recommendation:

IAD recommends that Fiscal Services designate a backup, cross-training at least one employee to perform the administrative functions of the manufactured home database, in the event the administrator is out or on extended leave. This will help to ensure proper cross-training is in place and continuity of operations.

Management Action Plan:

We are in the beginning stages of moving to the Tyler Technologies Manufactured Home Module. As MIS creates the database for our staff, we will most likely be entering the data manually. At this point in time and moving forward all staff will be trained on all aspects of the Manufactured Home processes. We do not anticipate having a fully functioning system for the tax year 2015 due to previous commitments of the MIS staff and allocation of space of the servers.

We are anticipating a start date for our staff of October 2014.

WEIGHTS AND MEASURES

Fiscal Services' Policies and Procedures Manual was reviewed, an interview was conducted and a flowchart was created and approved to gain an understanding of the weights and measures process. A sample of establishments/devices was haphazardly selected from the system (RightWeigh) and detail testing was performed to confirm testing of devices was completed, via a County of Summit Fiscal Office sticker. Additionally, a sample of establishments/devices was randomly selected and detail testing was performed to verify accuracy of system data.

Additionally, the Ohio Department of Agriculture website was reviewed to verify that the most recent annual report was submitted for the Summit County Fiscal Office (weights and measures).

No issues were noted.

II. Security:

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