

Summit County Fiscal Office
Real Estate Division
Performance Audit General Report

Prepared for:

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Approved by Audit Committee
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EXECUTIVE SUMMARY

Total Number of Issues –5

Policies and Procedures

Section	# Issues	Issue Descriptions	Page Ref.
Policies and Procedures Manual	1	<ul style="list-style-type: none"> • No documentation of management approval. 	7

Internal Controls

Strong Internal Controls:

Testing Section	# Issues	Issue Description	Page Ref.
Purchasing	0	N/A	8
Fringe Benefits			8
Payroll			9
Appraisal			11

Weaknesses in Internal Controls:

Testing Section	# Issues	Issue Descriptions	Page Ref.
ORC/OAC Compliance	1	<ul style="list-style-type: none"> • Insufficient advertisement in accordance with ORC §5713.01 (C). 	8
Personnel Files	1	<ul style="list-style-type: none"> • Annual employee performance evaluation not completed. 	9
Exemptions and Reductions	2	<ul style="list-style-type: none"> • Lack of supervisory review for exemptions; exemption status not correctly recorded in the CAMA system. • Proper confirmation of revenue not received for CAUV applicant. 	9

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GENERAL BACKGROUND

There are three departments within the Fiscal Office Real Estate Division (Real Estate) – Appraisal, Real Estate and Homestead. The division consists of a Deputy Fiscal Officer, a Director of Administration, an Assistant Director of Administration, and three (3) supervisory staff. The appraisal, special project and clerical staff in the division consist of thirty-six (36) employees.

Real Estate’s primary duties include locating all taxable property, identifying ownership, maintaining property record cards and tax maps and value all real property within Summit County for tax purposes. Departments within Real Estate additionally administer Special Assessments, Splits and Combines, New Construction and Allotments, Homestead, Real Property Exemption, Tax Increment Financing and Abatement Programs, Current Agricultural Use Value and Farm District Programs, Forest Land Programs, Gas and Oil and Public Utility Properties and the Residential Rental Registry Program.

Real Estate consists of thirty-four (34) full time employees (1% of Summit County employment) comprising of Deputy Fiscal Officers, Appraisal Supervisors, Assistant Director of Administration, Executive Assistant 1, Fiscal Officer 3, Special Projects Appraisal Specialist, Appraisal Technicians, Appraisal Interns, Clerical Specialists, and Clerks. Real Estate’s 2013 and 2014 budget totalled \$5,892,000 and 6,177,200, respectively (1.3% of the 2013 and 2014 County operating budgets).¹

IAD compared Real Estate’s 2014 operating budget, staffing levels, and number of parcels to real estate divisions from comparably populated counties – Montgomery and Lucas. 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/CountyofSummit2014OperatingBudget.pdf>

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AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

The primary focus of this review was to provide the Fiscal Office Real Estate Division (Real Estate) 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 Real Estate.

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 Real Estate for the period January 1, 2014 through December 31, 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.

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OBJECTIVE 2 – REVIEW OF INTERNAL CONTROLS

6. Meet with the appropriate personnel to obtain an understanding of the control environment.
7. Document the existing control procedures in narratives and/or flowcharts.
8. Compare existing processes to the policies and procedures manual for consistency.
9. Test procedures for compliance where applicable, noting all exceptions.
10. Investigate discrepancies and summarize results.
11. Make recommendations where appropriate.

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

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

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DETAILED COMMENTS

Interviews:

To gain an understanding of Real Estate, IAD performed interviews with the following positions:

- Deputy Fiscal Officer (2)
- Assistant Director of Administration
- Appraisal Supervisor (2)
- Executive Assistant 1

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

I. Policy and Procedures Review:

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. Real Estate'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 issue was noted:

1. Issue:

Upon review of Real Estate's policies and procedures and discussion with the Deputy Fiscal Officer, IAD noted no documentation of management approval of the manual.

Recommendation:

IAD recommends that formal management approval of policies and procedures be documented. This will help to ensure that policies and procedures followed by employees are approved and accurate.

Corrective Action Taken Prior to the End of Fieldwork:

On 1/16/15, IAD obtained management approval of the Policy and Procedure Manual.

Management Action Plan:

Revised date and signature sign off space added to front page of Policy and Procedure Manual.
Effective immediately.

II. Internal Control Testing:

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

- Purchasing
- Fringe Benefits
- Payroll
- Personnel Files

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- Exemptions and Reductions
- Appraisal

PURCHASING

Policies and procedures were reviewed and interviews were conducted to gain an understanding of the purchasing process. A sample of purchase order requisitions was 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.

FRINGE BENEFITS

Detail testing of the following areas was performed, if applicable, to confirm that Real Estate 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
- Retiree spousal medical reimbursements

No issues were noted.

ORC/OAC COMPLIANCE

Applicable ORC and OAC sections were reviewed and attributes were developed to ensure compliance with applicable rules and regulations.

The following issue was noted:

2. Issue:

Upon detail testing of applicable ORC sections, IAD noted no advertisement for the completion of the reappraisal in a newspaper of general circulation in the County, in accordance with ORC §5713.01 (C).

Recommendation:

IAD recommends that advertisement for the completion of the reappraisal or value equalization action be made in a newspaper of general circulation in the County once a week for the three consecutive weeks preceding the issuance of the tax bills. This will help to ensure compliance with the Ohio Revised Code.

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Management Action Plan:

Director of Real Estate will ensure proper advertisement is published for the 2017 Triennial Reappraisal.

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.

PERSONNEL FILES

Policies and procedures were reviewed and an interview was conducted to gain an understanding of the procedures in place over personnel files. A sample of employees was judgmentally selected and detail testing was performed to verify that the personnel files contained the required documentation, for which Real Estate is responsible for submitting to the Fiscal Office Personnel Division.

Employee job descriptions were reviewed and detail testing was performed to ensure Real Estates' employees maintain the required training/certifications.

The following issue was noted:

3. Issue:

Upon detail testing and discussion with the Deputy Fiscal Officer, IAD noted one (1) out of ten (10) instances where an annual employee performance evaluation was not performed. It is noted that the exception is for an unclassified employee. Per Summit County Codified Ordinance §169.17, performance evaluations shall be administered annually for all employees.

Recommendation:

IAD recommends that performance evaluations for all employees be conducted and documented annually. This will help to ensure annual reviews are performed in accordance with Summit County Codified Ordinances.

Management Action Plan:

Effective immediately, all employees will receive an annual performance evaluation, as required by Sections 169.01 and 169.17 of the Codified Ordinance of Summit County.

EXEMPTIONS AND REDUCTIONS

Policies and procedures were reviewed and staff interviews were conducted to gain an understanding of the procedures in place over property tax exemptions and reductions.

A sample of exempt properties was randomly selected and detail testing was performed to verify the exemption status agreed to the determination letter received from the State of Ohio and the exemption status was recorded accurately in the Computer Assisted Mass Appraisal System (CAMA).

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A sample of homestead applications was randomly selected and detail testing was performed to verify the applicant was qualified for the homestead reduction, the applications for housing co-ops were filed by May 1st, applicants with physical or mental handicaps submitted supporting documentation of their disability, a copy of the applicant's driver's license was obtained, the homestead reduction was removed from the previous home if the applicant had moved, and the homestead reduction was calculated and recorded correctly in the Public Access Website (PAWS).

A sample of new Commercial Agricultural Use Value (CAUV) Program applicants was randomly selected and detail testing was performed to verify the applicants paid the \$25.00 application fee. A sample of CAUV Program participants in the tax year 2014 were randomly selected and detail testing as performed to confirm a renewal form or application was submitted, confirmation of \$2,500 in revenue was received for parcels under ten (10) acres, and the CAUV status was recorded correctly in PAWS. Additionally, a sample of parcels enrolled in the CAUV program was randomly selected and detail testing was performed to verify the property values are calculated and recorded correctly in CAMA.

A sample of oil and gas property owners in 2014 was randomly selected and detail testing was performed to verify the taxable value of their properties was calculated and recorded correctly in CAMA.

The following issues were noted:

4. Issue:

Upon discussion with the Clerk IV, IAD noted no supervisory review for exemptions. Additionally, upon detail testing of exemption determinations, IAD noted one (1) out of twelve (12) instances where the exemption status was not correctly recorded in the Computer Aided Mass Appraisal (CAMA) system.

Recommendation:

IAD recommends that exemptions be periodically reviewed by management on a sample basis. This will help to ensure accuracy of exemptions and data entered into CAMA.

Corrective Action Taken Prior to the End of Fieldwork:

On 2/4/15, IAD obtained a copy of the Fiscal Office Property Search for the one (1) instance and confirmed the exemption status was corrected. Additionally, on 2/25/15, IAD obtained a copy of the policy regarding supervisory review of exemptions from the Deputy Fiscal Officer.

Management Action Plan:

Effective immediately, the Supervisor in the Real Estate Department will periodically spot check the list of Exemptions, as they are received.

5. Issue:

Upon detail testing of CAUV (Current Agricultural Use Value) applications, IAD noted one (1) out of ten (10) instances where proper confirmation of revenue was not received for an applicant with less than ten (10) acres, in accordance with departmental policies and procedures.

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Recommendation:

IAD recommends proper revenue confirmation be obtained for any applicants with less than ten (10) acres prior to granting the reduction and updating data in CAMA. This will help to ensure compliance with policies and procedures.

Corrective Action Taken Prior to the End of Fieldwork:

On 2/25/15, IAD obtained a copy of a letter from the Special Projects Appraisal Specialist to the owner of the parcel noted as an exception indicating the parcel will be removed from the CAUV program.

Management Action Plan:

Effective immediately, the Appraisal Supervisor after the March 31st deadline will inspect all CAUV applications to insure accuracy.

APPRAISAL

Policies and procedures were reviewed and staff interviews were conducted to gain an understanding of the appraisal process. A sample of field checks was judgmentally selected and detail testing was performed to verify that the appraisal information was accurately entered into the CAMA.

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.