

**Summit County Clerk of Courts**  
*Title Division*  
**Performance Audit General Report**

**Prepared for:**

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**Audit Committee**

**Approved by Audit Committee**  
**June 30, 2015**



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**EXECUTIVE SUMMARY**

**Total Number of Issues – 8**

**Policies and Procedures**

<b>Section</b>	<b># Issues</b>	<b>Issue Descriptions</b>	<b>Page Ref.</b>
Policies and Procedures Manual	3	<ul style="list-style-type: none"> <li>• No evidence of management review in the past two (2) years</li> <li>• Insufficient policies for tagging and tracking of non-IT assets</li> <li>• Incomplete RC-2</li> </ul>	7

**Internal Controls**

*Strong Internal Controls:*

<b>Testing Section</b>	<b># Issues</b>	<b>Issue Description</b>	<b>Page Ref.</b>
Purchasing	0	N/A	9
Asset Inventory			10
Payroll			11
Fringe Benefits			11
Procurement Card			12

*Weaknesses in Internal Controls:*

<b>Testing Section</b>	<b># Issues</b>	<b>Issue Descriptions</b>	<b>Page Ref.</b>
Revenue	2	<ul style="list-style-type: none"> <li>• Improper segregation of duties over cash drawers at branches</li> <li>• No documentation of supervisor review on voided inventory control reports</li> </ul>	8
Expenditures	2	<ul style="list-style-type: none"> <li>• Improper segregation of duties over ordering and receiving functions</li> <li>• Improper approvals on invoices and prior year purchase orders used</li> </ul>	9
Personnel Files	1	<ul style="list-style-type: none"> <li>• Confidential information not separately maintained</li> </ul>	11

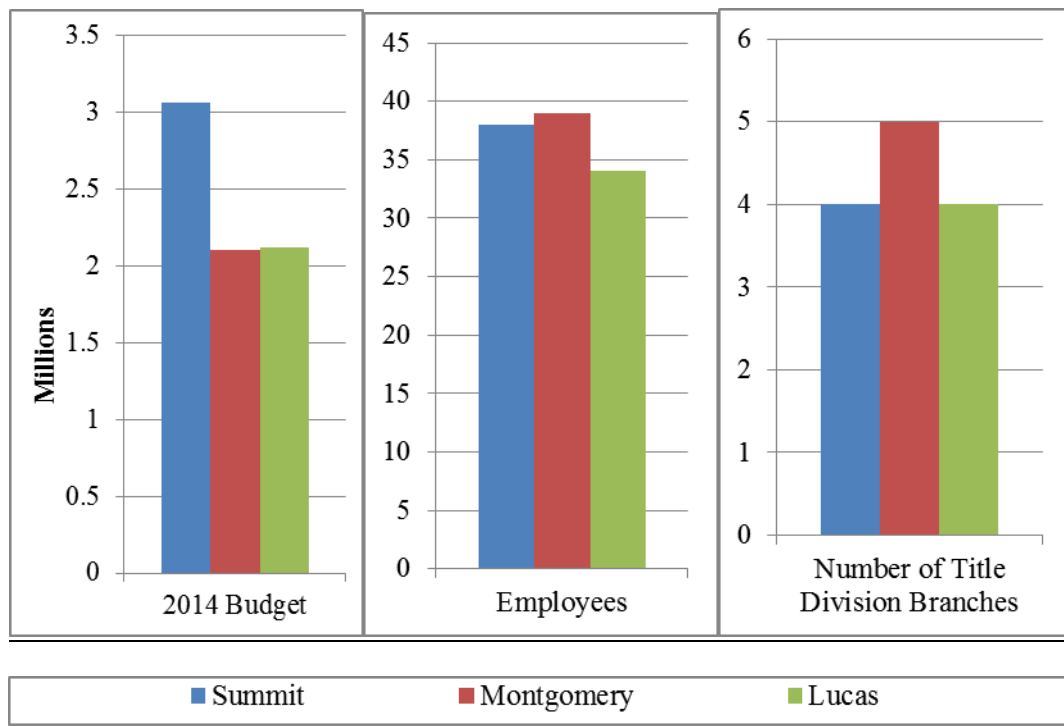
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**GENERAL BACKGROUND**

The Title Division is responsible for the issuance of titles for motor vehicles and watercraft, including automobiles, motorcycles, mobile homes, travel trailers, campers, manufactured homes, boats, boat motors, all-terrain vehicles (ATV's), off-highway motorcycles, wave runners and jet skis. In addition to original Certificates of Title, the Title Division issues duplicate titles, title transfers from out-of-state vehicles or watercraft, and memorandum titles. The Title Division now accepts passport applications at all four (4) of its Title Division offices.

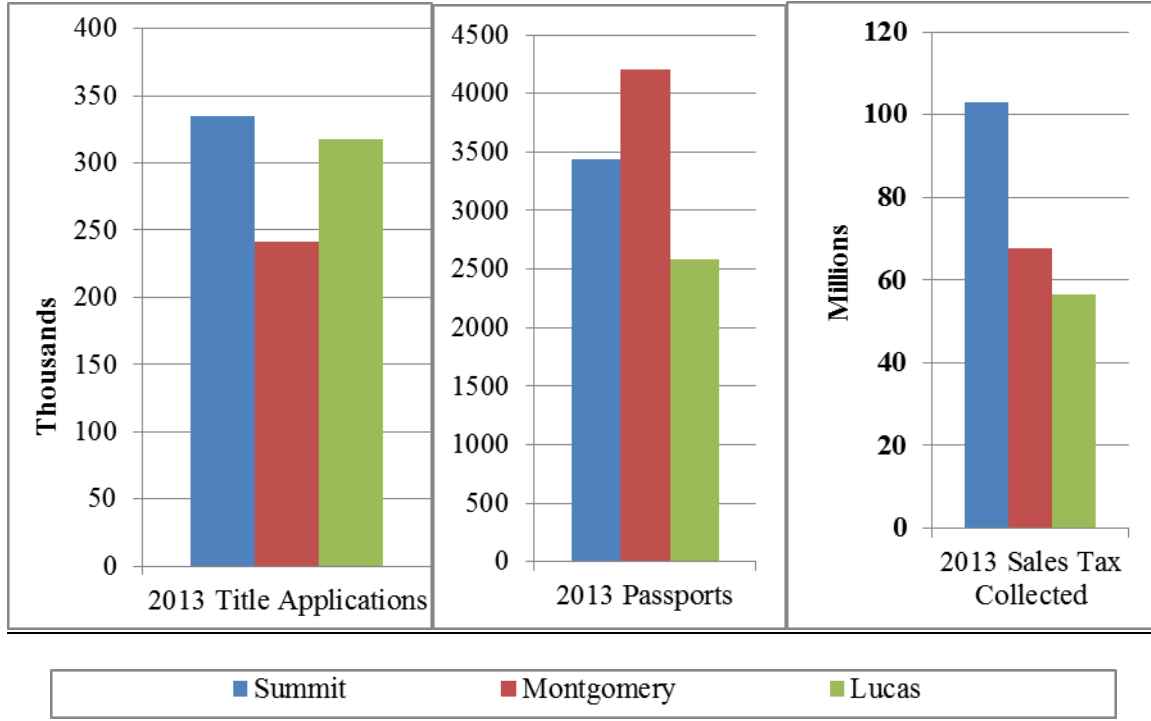
The Title Bureau has four locations to serve customers located in Akron, Northfield, Green and Fairlawn, consisting of thirty-eight (38) full time employees (1% of Summit County employment) comprising of the Chief Deputy Clerk, Director of Administration, Title Division Manager, three (3) Office Managers, two (2) Accountant 1s, three (3) Clerical Supervisors 1s, and twenty-seven (27) Clerk 3s. The Title Division's 2013 and 2014 budget totalled \$2,642,300 and 3,067,100, respectively (1% of the 2013 and 2014 County operating budgets).<sup>1</sup>

IAD compared the Title Division's 2014 operating budget, staffing levels, number of branches, 2013 title applications, 2013 passports, and 2013 sales tax collected from comparably populated counties – Montgomery and Lucas. The comparisons are represented in the graphs below:



<sup>1</sup> <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 Clerk of Courts Title Division (Title Division) 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 Title division.

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 the Title Division from November 1, 2013 through the present.

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**

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).**

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 the Title Division, IAD performed interviews with the following positions:

- Chief Deputy Clerk
- Director of Administration
- Title Division Manager
- Office Manager (2)
- Clerical Supervisor

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

**I. Policy and Procedures Review:**

Title Division 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 Title Division 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 Title Division policies and procedures for completeness and accuracy, IAD noted policies were last dated as of January 1, 2009, indicating no evidence of management review within the last two (2) years.

Recommendation:

IAD recommends that all policies and procedures be updated or reviewed with management approval and employee receipt and acknowledgement of policies and procedures be documented. This will help to ensure that approved policies and procedures are accurate and consistently followed by employees.

Management Action Plan:

Clerk will update policies and procedures as requested. We consider this a constant function. Current updates will be completed and delivered to all employees of both Title and Legal Divisions by Sept 1, 2015

2. Issue:

Upon review of the Title Division policies and procedures, IAD noted insufficient policies regarding the tagging and tracking of non-IT assets.

Recommendation:

IAD recommends that the Title Division update, approve and disseminate sufficient policies regarding the tagging and tracking of non-IT assets. This will help to ensure that proper procedures are being consistently followed within the department.

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Management Action Plan:

Clerk will review policy and perform inventory for both Title and Legal Divisions. To be completed by June 1, 2015.

3. Issue

Upon review of the Records Retention Schedule (RC-2) for Title Division, IAD noted the following records were not included:

- Policies and procedures
- Timesheets
- Leave Forms

Recommendation:

IAD recommends that Title Division 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:

Title Management will perform review of ORC for Title records and present new RC-2 to County Records Commission for approval by Sept 1, 2015.

**II. Internal Control Testing:**

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

- Revenue
- Purchasing
- Expenditures
- Asset Inventory
- Payroll
- Fringe Benefits
- Personnel Files
- Procurement Card

REVENUE

Title Division policies and procedures and applicable ORC sections were reviewed, an observation was performed, staff interviews were conducted, and flowcharts were created and approved to gain an understanding of the revenue cycle, the laws and regulations that govern it, and internal controls in place.

A sample of Banner pay-ins was judgmentally selected for detail testing to ensure proper segregation of duties, appropriate recording into the respective accounting system, and timeliness and accuracy of the deposit. Reconciliations were performed to verify cash.

The following issues were noted:



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4. Issue:

Upon observation of the deposit preparation at the Green and Northfield branch locations, IAD noted the Office Manager balances his/her own cash drawer, creating an improper segregation of duties.

Recommendation:

IAD recommends that another individual be present or balance the cash for the Office Manager's drawer. This will help to ensure a proper segregation of duties and compliance with policies and procedures.

Management Action Plan:

Immediate change and direction has been issued to all Title Divisions. See attached memo regarding balance of cash drawers by managers.

5. Issue:

Upon review of the voided inventory control reports, IAD noted there is no documentation of supervisor review.

Recommendation:

IAD recommends that a supervisor document review of the daily voided inventory control report for reasonableness and accuracy. This will help to ensure accuracy and accountability of Title Division records.

Management Action Plan:

Immediate change and direction has been issued to Title Accounting Staff-see attached.

PURCHASING

Title Division 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

Title Division 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.

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

The following issues were noted:

6. Issue:

Upon discussion with the Director of Administration, IAD noted that the ordering and receiving function is performed by the Title Division Manager, creating an improper segregation of duties.

Recommendation:

IAD recommends that the Title Division assign an employee, other than the Title Division Manager, to receive all items that arrive for their department. This will help to ensure proper segregation of duties within the ordering and receiving function.

Management Action Plan:

The procedure was changed immediately. The Chief Deputy or another Supervisor who has not been involved in the ordering of supplies will review the supply order.

7. Issue:

Upon detail testing of the Title Division's expenditures, IAD noted the following:

- Thirty-three (33) out of thirty-three (33) instances where proper approval for payment of an invoice did not occur.
- Four (4) out of twenty-nine (29) instances where a prior year purchase order was used for payment.

Recommendation:

IAD recommends that proper approval be received for the payment of expenditures and invoices be paid off of current year purchase orders. This will help to ensure proper approval and expenditure of funds and compliance with ORC §5705.41.

Management Action Plan:

The Chief Deputy or Legal Division Manager will note approval on invoices for payment prior to voucher process. Clerk's staff will comply with ORC5705.41 whenever possible.

ASSET INVENTORY

Title Division policies and procedures were reviewed and staff interviews were conducted to gain an understanding of the asset and IT inventory processes and internal controls in place. A sample of asset and IT inventory was judgmentally selected and detail testing was performed to verify the existence of the assets and the accuracy of the asset tracking system.

No issues were noted.

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PAYROLL

An interview was conducted to gain an understanding of the payroll process. A sample of leave forms and time sheets were 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 the Title Division 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

Title Division policies and procedures were reviewed and an interview was conducted to gain an understanding of the personnel files process. A sample of personnel files was selected and reviewed to confirm completeness of records and confidential information is maintained separately.

The following issue was noted:

8. Issue:

During detail testing of personnel files, IAD noted confidential information not separately maintained in eight (8) of eight (8) files.

Recommendation:

IAD recommends that the Title Division perform a review of all personnel files to ensure confidential information is separately maintained. This will help to ensure the confidentiality of Title Division employee information and compliance with Policies and Procedures.

Corrective Action Taken Prior to the End of Fieldwork:

On 12/9/14, IAD haphazardly selected four (4) employees and obtained the personnel files from the Director of Administration to confirm confidential information is maintained separately. No issues were noted.

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Management Action Plan:

The Clerk's Office has already purged the personnel files for all employees and removed the confidential information to a separate file.

PROCUREMENT CARD

Procurement Card (P-Card) policies and procedures were reviewed and interviews were conducted to gain an understanding of the P-Card process. Transactions were reviewed to ensure that they did not exceed established limits, were properly approved, and did not include sales tax.

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.