

Summit County Prosecutor's Office
Child Support Enforcement Agency
Performance Audit 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 –2

Policies and Procedures

Section	# Issues	Issue Descriptions	Page Ref.
Policies and Procedures Manual	1	<ul style="list-style-type: none"> Several policies that have not been reviewed/approved by management within the last five (5) years. 	7

Internal Controls

Strong Internal Controls:

Testing Section	# Issues	Issue Description	Page Ref.
Revenue	0	N/A	8
Expenditures			9
Asset Inventory			9
Payroll			9
Fringe Benefits			10
Personnel Files			10
Vehicle Log			10
IV-D Contracts			10
Case Management			11

Weaknesses in Internal Controls:

Testing Section	# Issues	Issue Descriptions	Page Ref.
Purchasing	1	<ul style="list-style-type: none"> Improper segregation of duties with entering/approving purchase order requisitions in Banner; lack of secondary approval. 	8

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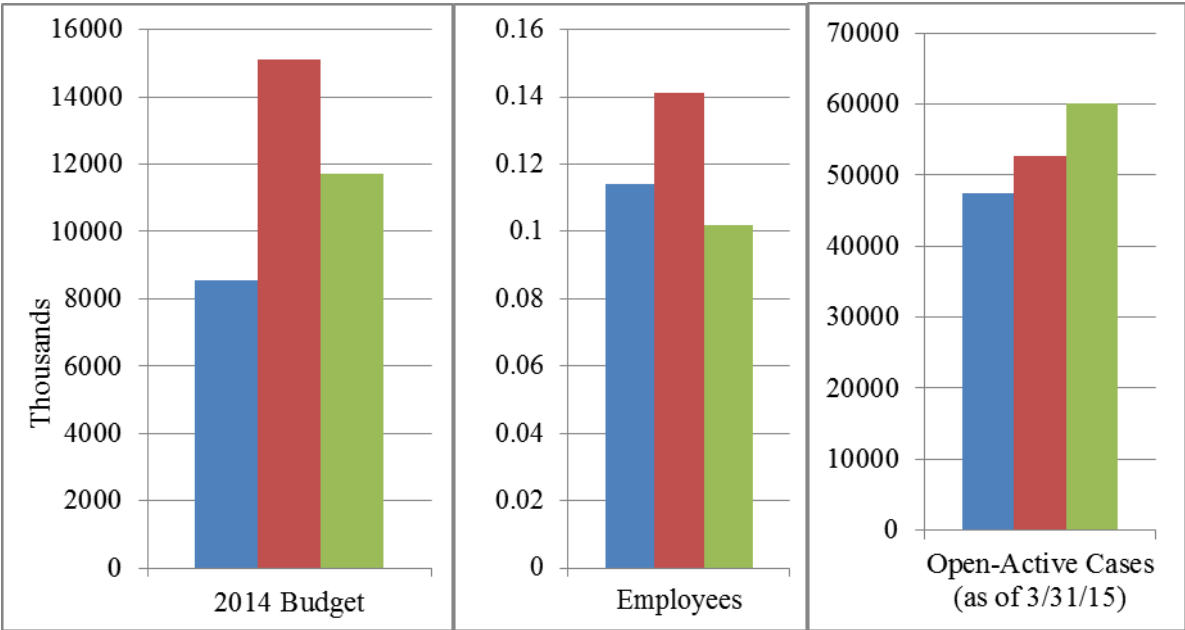
GENERAL BACKGROUND

The Child Support Enforcement Agency (CSEA), under the Prosecutor's Office, is responsible for the enforcement, collection, and distribution of child, medical and spousal support associated with approximately 50,000 cases. CSEA establishes paternity for all children born out of wedlock in Summit County and establishes support orders administratively and judicially, including orders for medical insurance or cash medical orders if health insurance is not available for children in applicable cases.

CSEA works with state and local partners to develop revenue generations ideas through IV-D contracts, memorandums of understanding, and statewide legislation.

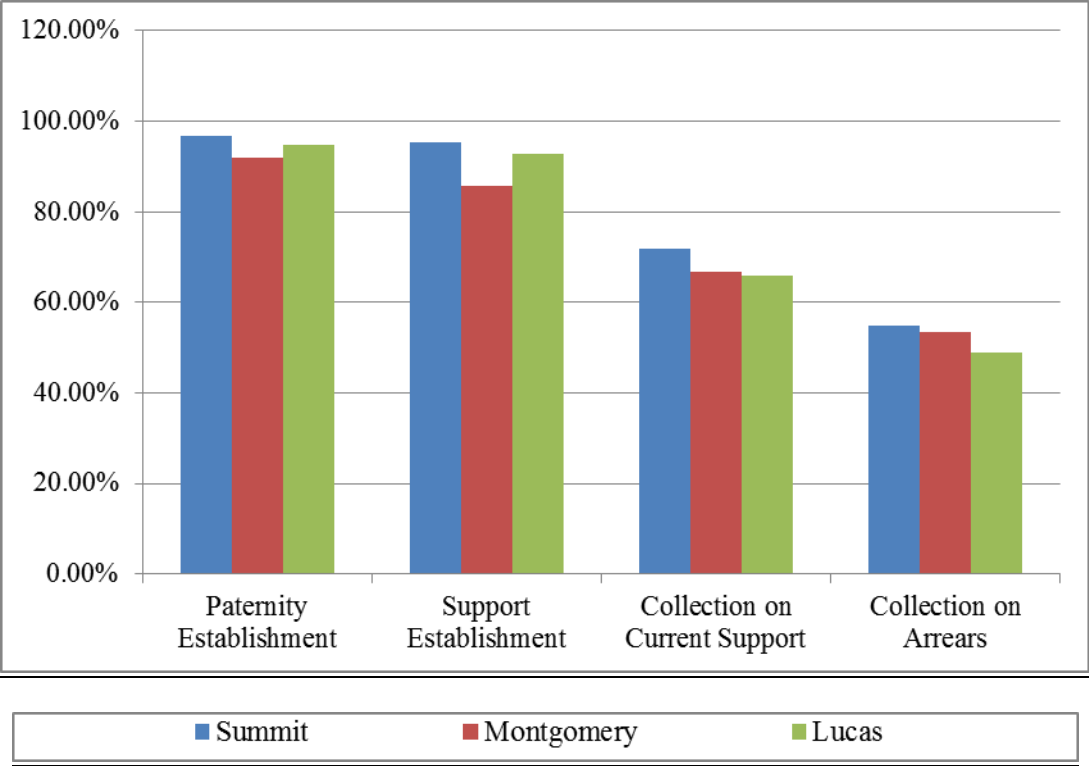
For the 2014 budget year, CSEA has four main sources of revenue generated by the child support program to offset operating costs – Federal Financial Participation (FFP; \$3,936,492), Federal Incentive Funding (\$1,538,727), State Match (\$965,886), and Administrative Fees (\$1,625,000).

IAD compared CSEA's 2014 operating budget, staffing levels, number of open-active cases (as of 3/31/15), paternity and support establishment, and collections on current support and arrears to comparably populated counties – Montgomery and Lucas. The comparisons are represented in the graphs below:



■ Summit ■ Montgomery ■ Lucas

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AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

The primary focus of this review was to provide the Child Support Enforcement Agency (CSEA) 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 CSEA.

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.

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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 CSEA from March 1, 2014 through February 28, 2015.

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 CSEA, IAD performed interviews with the following employees/positions:

- Director
- Director of Administration (2)
- Fiscal Officer 3
- Chief Assistant Prosecutor
- Child Support Supervisor (4)
- Compliance Officer
- Social Program Supervisor

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

I. Policy and Procedures Review:

CSEA 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 CSEA 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 policies and procedures for completeness and accuracy, IAD noted one hundred thirty-one (131) of two hundred twenty-four (224) policies that have not been reviewed/approved by management within the last five (5) years. Per the Director of CSEA, the ODJFS policy for review of the Child Support Program Manual is every five (5) years and CSEA adheres to a similar schedule.

Recommendation:

IAD recommends that all policies and procedures be updated/reviewed and approved by management and employee receipt and acknowledgement of policies and procedures be documented, at least once every five (5) years. This will help to ensure that approved policies and procedures are accurate and consistently followed by employees and compliance with the ODJFS.

Management Action Plan:

Summit CSEA Training/Procedures Department has created a spreadsheet detailing each procedure and its anticipated review date. This spreadsheet will be reviewed monthly by management to ensure compliance with required review dates. A draft copy of the spreadsheet is attached. Please note that this is a work in progress and is not yet finalized.

Target Date: June 1, 2015

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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
- Vehicle Log
- Title IV-D Contracts
- Case Management

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.

No issues were noted.

PURCHASING

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 and purchase 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.

The following issue was noted:

2. Issue:

Upon testing of Banner approval queues, IAD noted two (2) employees with the ability to enter and approve purchase order requisitions. Additionally, upon detail testing IAD noted four (4) out of seven (7) instances where the requisition was entered directly into an approval queue with no secondary approval obtained within the department, creating an improper segregation of duties.

Recommendation:

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

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Management Action Plan:

A CSEA Fiscal Officer will enter the requisition and CSEA Director or his/her designee will approve the requisition.

Target Date: June 1, 2015

EXPENDITURES

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 employee Banner roles and to test for a proper segregation of duties.

The following general recommendation was noted:

General Recommendation:

Upon testing of permissions for the CSEA org code in Banner, 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. IAD recommends that management assess the need for these permissions and contact the Fiscal Office with any changes.

ASSET INVENTORY

An interview was conducted to gain an understanding of the asset inventory process and a sample of inventory was judgmentally selected for detail testing to verify the existence of assets and the accuracy of the asset tracking system.

No issues were noted.

PAYROLL

An interview was conducted to gain an understanding of the payroll process and samples of leave and compensatory time forms were selected and compared to Kronos to ensure accuracy. A payroll approval report was generated and reviewed to verify appropriate authorizations and confirm that a proper segregation of duties is in place.

No issues were noted.

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FRINGE BENEFITS

Detail testing of the following areas was performed, if applicable, to confirm that CSEA 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
- Domestic Partnership health insurance benefits

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 applicable documentation.

No issues were noted.

VEHICLE LOG

Vehicle logs were obtained and reviewed to determine employees operating a County vehicle, and compared to the SambaSafety report (showing employees authorized to operate a County vehicle) to ensure that employees had been properly authorized, in accordance with Codified Ordinance §169.25(i)(3).

No issues were noted.

TITLE IV-D CONTRACTS

Policies and procedures and the ODJFS Child Support Manual were obtained and reviewed, and an interview was conducted to gain an understanding of the process for administering Title IV-D contracts. A sample of contracts was judgmentally selected for detail testing to ensure expenditures occurred during the proper period, were allowable, supporting documentation is maintained, and reimbursements did not exceed the total contract amount.

No issues were noted.

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CASE MANAGEMENT

Policies and procedures and the ODJFS Child Support Manual were obtained and reviewed, interviews were conducted, and flowcharts were developed and approved, to gain an understanding of the CSEA case management process (intake, establishment, and enforcement; and interstate cases).

Samples of cases were judgmentally selected and detail testing was performed to confirm compliance with the ODJFS Child Support Manual.

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.