

Summit County Executive Office
Department of Community & Economic Development
Preliminary Audit Report

Prepared for:

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Audit Committee

Approved by Audit Committee
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EXECUTIVE SUMMARY

Total Number of Issues –19

Policies and Procedures

Section	# Issues	Issue Descriptions	Page Ref.
Policies and Procedures Manual	2	<ul style="list-style-type: none"> • Manual not updated/revised within the last two (2) years and not formally approved by management. • Insufficient or outdated policies. 	7

Internal Controls

Strong Internal Controls:

Testing Section	# Issues	Issue Description	Page Ref.
GIS Addressing	0	N/A	20

Weaknesses in Internal Controls:

Testing Section	# Issues	Issue Descriptions	Page Ref.
Revenue	2	<ul style="list-style-type: none"> • Untimely deposits. • Incorrect final plat fee. 	9
Purchasing	1	<ul style="list-style-type: none"> • Supply order form and packing slip not utilized. 	10
Expenditures	1	<ul style="list-style-type: none"> • Funds were not properly encumbered prior to incurring the expense. 	11
Personnel Files	3	<ul style="list-style-type: none"> • One (1) employee who does not have a required certification. • Job description was not updated to include updated certification. • Performance evaluations were not performed. 	11
HOME Grant	5	<ul style="list-style-type: none"> • Quarterly reports and conflicts of interest statements not obtained from the Awardee. • Instances where construction did not start within the established deadlines and an instance where income eligibility could not be determined. • Instances where incorrect prevailing wage rates were used. • Inadequate Awardee insurance coverages. • Performance bonds were not obtained. 	13
Payroll	1	<ul style="list-style-type: none"> • Instances where overtime and compensatory time forms could not be located. 	16
HWAP	1	<ul style="list-style-type: none"> • Negative fund balance. 	16
Fringe Benefits	1	<ul style="list-style-type: none"> • Incorrect county car reimbursement payroll deduction. 	17
CDBG	1	<ul style="list-style-type: none"> • Instances of non-compliance with policies and procedures and contractual terms. 	18
HSTS Grant	1	<ul style="list-style-type: none"> • Instances of non-compliance with policies and procedures. 	20

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GENERAL BACKGROUND

The Summit County Department of Community and Economic Development (DOD) offer various programs that assist in increasing the quality of life within our community.

COMMUNITY DEVELOPMENT

Community Development Block Grants (CDBG)

Low to moderate income home owners and eligible community areas are assisted by using Housing and Urban Development (HUD) funds. Eligible community projects, senior citizen programs, and housing repair and modification programs are administered through the DOD. Each funding year, communities and non-profits submit projects which are evaluated for HUD eligibility and benefits low to moderate income citizens and home owners.

HOME Investment Partnerships Program

To be eligible for HOME funds, local non-profit organizations must conduct activities that build or rehabilitate affordable housing for rent or homeownership or provide direct rental or homeownership assistance to low-to-moderate income individuals (those whose total, annual, gross household income is at or below 80% of the Area Median Income). Projects located within the Cities of Akron, Barberton and Cuyahoga Falls, are not eligible.

Home Weatherization Assistance Program (HWAP)

The HWAP serves low or fixed-income individuals. HWAP is designed to help lower heating bills by correcting energy deficiencies. Studies show when weatherization is combined with educating clients on home energy efficiency, residents can save up to 25% on their home heating bills. HWAP provides weatherization of homes, safety inspections, and tune-ups of heating units.

Household Sewage Treatment Systems (HSTS) Program

The DOD receives funding from the Ohio Environmental Protection Agency to assist low to moderate income homeowners in replacing failing septic systems.

Fuel Fund (delinquent electric bill assistance)

The DOD assists FirstEnergy by administering a part of their Fuel Fund Program. Assistance is available for individuals receiving First Energy services and who are delinquent on their electric bill. Individuals must be at or below 200% of the current poverty level.

Lead Abatement Program

This program supplies funding for the removal of lead in parts of the house such as windows, doors, porch floors, porch walls, steps, siding, etc.

ECONOMIC DEVELOPMENT

The County of Summit, through its economic development efforts, seeks to encourage regional job growth and business development in an effort to increase economic opportunity for all Summit County residents.

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Tax Incentives and Enterprise Zones

Certain areas of Summit County are designated Enterprise Zones, as allowed by state law and consented to by local communities. This allows incentive agreements to be negotiated between the county, local communities and businesses seeking to expand or relocate within the zone areas. The DOD administers this state program and acts as the central point of contact and assists businesses with expansion, relocation or start-up questions on how best to maximize their business investment.

Enterprise Zones are designated areas of land in which businesses can receive tax incentives in the form of tax exemptions on eligible new investments. Enterprise Zones are not part of the traditional zoning program -- which limits the use of land -- instead they allow local officials to negotiate with businesses to encourage new business investment in the zone.

Revolving Loan Fund

The Revolving Loan Fund was established to carry out economic development activities in Summit County. The fund is used to assist start-up and existing businesses to help ensure their success.

PLANNING & GEOGRAPHIC INFORMATION SYSTEMS (GIS)

Coordinating development and growth throughout Summit County and planning for future development and answering questions from the public about development concerns is the function of the Planning Office. The Summit County Planning Commission reviews and approves major and minor subdivisions via the Summit County Subdivision Regulations within the unincorporated areas of Summit County and also provides zoning reviews.

AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

The primary focus of this review was to provide the Department of Community & Economic Development (DOD) 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 DOD.

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.

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- 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 DOD from August 1, 2016 through July 31, 2017.

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 Ohio Revised Code (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 DOD, IAD performed interviews with the following positions:

- Director of Community & Economic Development,
- Deputy Director of Community & Economic Development,
- Deputy Director Planning/GIS,
- Senior Administrator of Community Development.

Additionally, IAD performed section interviews over the following areas:

- Economic Development
- Planning/GIS

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

I. Policy and Procedures Review:

DOD 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. A sample of employees was haphazardly selected and detail testing was performed to determine if the employees acknowledged receiving and reviewing the DOD policy and procedure manual. The DOD 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 the Department of Development Policy and Procedure Manual for completeness and accuracy, IAD noted the following:

- The manual has not been updated/revised within the last two (2) years.
- The manual has not been formally approved by management.

Recommendation:

IAD recommends that policies and procedures be updated/reviewed and approved by management on a routine basis. This will help ensure that approved policies and procedures are accurate and consistently followed by employees.

Management Action Plan:

Policies and procedures manual will be updated and approved by management. In progress.

Target Date: 4/30/18

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2. Issue:

Upon review of policies and procedures, IAD noted insufficient policies and procedures in the following areas:

- Loan collection processes
- Household Sewage Treatment Systems (HSTS) grant policy (e.g., bidding process outdated, EPA quarterly reports no longer required, etc.)
- Lead grant policy (e.g., bidding process outdated)
- The process of notifying applicable agencies (e.g., police, fire, etc.) of address changes
- Equitable distribution of Home Weatherization Assistance Program (HWAP) contract work
- Scoring of Community Development Block Grant (CDBG) applications by DOD staff (e.g., no longer a procedure)
- Home Grant Policies (e.g., First Home First Loan program outdated)

Recommendation:

IAD recommends that Policy and Procedures are created/updated, approved, and disseminated for all functional areas within the department. This will help to ensure that proper procedures are in place and consistently followed within the department.

Management Action Plan:

Policies and procedures will be updated to reflect the current requirements set forth in the state and federal regulations. Internal policies and procedures will also be created guide internal processes.

Target Date: 4/30/18

II. Internal Control Testing:

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

- Revenue
- Purchasing
- Expenditures
- Personnel Files
- HOME Grant
- Payroll
- HWAP
- Fringe Benefits
- CDBG Grant
- Septic Grant
- GIS Addressing

REVENUE

DOD 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 cash receipts cycle, the laws and regulations that govern it, and internal controls in place.

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A sample of mortgage payments and cash receipts was haphazardly selected for detail testing to ensure proper segregation of duties, appropriate recording into the respective accounting system and timeliness and accuracy of the deposit. Manual receipts were reviewed to ensure completeness and they were issued in sequential order. The DOD Planning Commission Filing Fee Schedule was reconciled to Subdivision Regulations to ensure accuracy. IAD selected all projects that were approved by the Summit County Planning Commission from the period of 8/1/16 through 7/31/17 and performed detail testing to ensure the appropriate fees were collected.

The following general recommendation and issues were noted:

General Recommendation:

Upon review of the GIS cash receipt book, IAD noted two (2) manual receipts removed and stapled to copies of a Banner pay-in. IAD recommends that manual receipts be retained in the cash receipt book at all times. This will help to ensure accuracy and completeness of manual receipts in the cash receipt book.

3. Issue:

Upon detail testing of GIS cash receipts, IAD noted two (2) of eight (8), or 25%, instances where funds were not timely deposited in accordance with ORC §9.38.

Recommendation:

IAD recommends that all funds received be deposited by the next business day or reference County Codified Ordinance §195.03 which allows up to three (3) days for deposits less than \$1,000 as long as a policy has been created for safeguarding funds until such time as they are deposited. This will help to ensure compliance with ORC §9.38.

Management Action Plan:

GIS staff will contact the executive assistant prior to holidays or extended leave to ensure all checks are secured prior to the end of their shift and all checks or cash will be deposited in a timely manner in accordance with ORC 9.38.

Target Date: Completed

4. Issue:

Upon reconciliation of Summit County Planning Commission (SCPC) Project Filing Fee Schedule to the Summit County Subdivision Regulations, IAD noted the final plat fee listed on the Filing Fee Schedule (\$300) did not agree to the Summit County Subdivision Regulations (\$500), a variance of \$200. Additionally, upon detail testing of SCPC approved project fees, IAD noted two (2) of nine (9), or 22%, instances where the incorrect amount was collected for the final plat fee.

Recommendation:

IAD recommends that DOD update the SCPC Project Filing Fee Schedule to include the correct final plat fee and ensure staff is aware of the updated fee to be collected. This will help to ensure the correct fees are collected in accordance with the Summit County Subdivision Regulations.

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Management Action Plan:

The fee schedule error was placed on the agenda of the October 19, 2017 Summit County Planning Commission. The Planning Commission voted to approve the change, and staff updated the subdivision regulations, the application and the website to reflect the appropriate fee schedule for final plats from \$300 to \$500 and staff was trained on the change.

Target Date: Completed

PURCHASING

DOD policies and procedures and applicable ORC sections 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. A sample of merchandise purchases was judgmentally selected and detail testing was performed to ensure a supply order form was completed and approved and a packing slip was initialed in accordance with policies and procedures.

The following issue was noted:

5. Issue:

Upon detail testing of purchases, IAD noted five (5) of five (5) instances, or 100%, where a supply order form and packing slip were not being utilized, in accordance with policy and procedure.

Recommendation:

IAD recommends the DOD utilize a supply order form and have it approved by the Director or Deputy Director. In addition, IAD recommends that an employee independent of the employee who placed the order, reconcile the items received to the packing slip and initial the slip. This will help to ensure compliance with policies and procedures.

Management Action Plan:

A file has been created for supply order forms and packing slips and personnel have been advised to make certain they maintain those copies.

Target Date: Completed

EXPENDITURES

DOD 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 haphazardly 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.

The following issue was noted:

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6. Issue:

Upon detail testing of Banner expenditures, IAD noted twenty-seven (27) of one hundred and two (102), or 26%, instances where funds were not properly encumbered prior to incurring the expense (e.g., requisition approval date after the invoice date).

Per ORC §5705.41, no order involving the expenditure of money shall be made without a certificate of the Fiscal Office (purchase order).

Recommendation:

IAD recommends that funds be encumbered prior to incurring the expense/liability. This will help to ensure proper expenditure of funds, and compliance with ORC §5705.41.

Management Action Plan:

Jobs will not be released until the funds have been certified by the Fiscal Office from the correct Funds Org and Account for that specific job. The date the requisition was requested will be written on the bottom of the purchase order request form along with the date the funds are certified by the Fiscal Office.

Target Date: Complete

PERSONNEL FILES

An interview was conducted to gain an understanding of the personnel file process. A sample of classified employees was haphazardly selected and detail testing was performed to ensure an annual performance evaluation was performed, in accordance with Summit County Codified Ordinance § 169.17. Employee job descriptions were obtained and reviewed for positions that require professional licensures or certifications and detail testing was performed to ensure the professional licensures or certifications were obtained, when applicable.

The following issues were noted:

7. Issue:

Upon review of professional licensure, IAD noted one (1) of seven (7) employees, or 14%, who do not have the required certification/license, as required by their respective job description.

Recommendation:

IAD recommends all employees obtain appropriate license/certification, as required by their respective job description. This will help to ensure appropriate licenses/certifications are held by employees.

Management Action Plan:

The employee will be required to get the certification outlined in the job description.

Target Date: 7/31/18

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8. Issue:

Upon detail testing of professional licensures, IAD noted the Home Weatherization Assistance Program (HWAP) certification was replaced with the Quality Control Inspector certificate; however, the employee job description was not updated to reflect the same.

Recommendation:

IAD recommends the DOD update their job description to reflect the most current certification. This will help to ensure employees possess the appropriate licenses per their respective job description.

Management Action Plan:

The job descriptions for HWAP staff will be updated to include the correct professional licensures required. We will work with Human Resources to make the changes.

Target Date: 3/31/18

9. Issue:

Upon detail testing of performance evaluations, IAD noted six (6) of six (6) instances, or 100%, where an annual performance evaluation was not performed for classified employees, in accordance with Summit County Codified Ordinance §169.17.

Recommendation:

IAD recommends performance evaluations be performed annually for all classified employees. This will help to ensure compliance with Summit County Codified Ordinance §169.17.

Management Action Plan:

All classified personnel will have performance reviews annually by the end of the first quarter of the year.

Target Date: 3/31/18

HOME GRANT

DOD policies and procedures and applicable ORC, Code of Federal Regulations (CFR) and HUD sections were reviewed, interviews were conducted, and flowcharts were created and approved to gain an understanding of the HOME grant processes. HUD regulations and the sub-recipient contract was reviewed, testing attributes were developed and all HOME grant projects utilizing program year 2015 funds were selected for detail testing to ensure the following:

HOME Grant Construction Process:

- The contract with the non-profit was properly executed.
- The project was eligible for HOME funds per regulations.
- The property was identified prior to execution of the contract.
- The project was approved by County Council.
- Payments disbursed were properly supported.
- Request for payments were properly approved.
- The total amount paid to the contractor did not exceed the contractual amount.

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- The awardee provided a detailed project manual or scope of work to DOD for review and approval.
- Construction of all units started within twelve (12) months from date of contract execution.
- Three (3) or more competitive bids were received and the lowest bidder was selected.
- The contracted employees were paid prevailing wage, where applicable.
- The awardee submitted quarterly reports.
- The awardee's staff signed a conflict of interest policy and sent a copy of their internal conflict of interest policy to the DOD.
- The awardee carried the required insurance policies in accordance with the contract.

HOME Grant Applicant Placement Process:

- Application completed by potential homeowner.
- The applicant was income eligible.
- The applicant attended a homebuyer education course.
- A mortgage affordability sheet was prepared.
- DOD funded no more than \$40,000 for the mortgage subsidy.
- The mortgage documents were prepared/signed by Summit County Legal Department.
- The mortgage subsidy was documented on the forgivable loan/deferred loan spreadsheet.
- The unit was occupied within nine (9) months of construction completion.
- Summit County was named as an additional insured on the homeowner's insurance policy.
- Project was closed in HUD's Integrated Disbursement and Information System (IDIS)

The following general recommendation and issues were noted:

General Recommendation:

Upon detail testing of HOME grant funded projects, IAD noted the applicant's mortgage subsidy cannot exceed \$40,000; however, the calculation to determine how much of the subsidy the applicant should receive is not documented in the contract. IAD recommends language be added to the contract dictating the calculation to be used in determining the mortgage subsidy. This will help to ensure the mortgage subsidy is calculated on a consistent basis.

10. Issue:

Upon review of the contract between the awardee (non-profit) and the County of Summit, IAD noted quarterly reports and conflicts of interest sign-offs and policies are not being obtained from the awardee, in accordance with the contract.

Recommendation:

IAD recommends DOD obtain quarterly reports and conflicts of interest sign-offs and policies from the awardee. This will help to ensure compliance with the contract.

Management Action Plan:

DOD will obtain quarterly reports for all current HOME projects and obtain the current conflicts of interest sign-offs and policies and procedures from the awardee.

Target Date: Quarterly report 4/30/18, conflict of interest sign-offs by 3/31/18

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11. Issue:

Upon detail testing of HOME grant funded projects, IAD noted the following:

- Two (2) out of five (5) instances, or 40%, where construction did not start within twelve (12) months of the execution date of the contract and support for an extension could not be located, in accordance with the contract.
- One (1) out of four (4) instances, or 25%, where income eligibility could not be determined (e.g., applicant was married but filed their tax returns separately and no legal document indicating the applicant was legally separated from the spouse), in accordance with HUD regulations.

Recommendation:

IAD recommends DOD require the awardee to formally request an extension when construction will not begin within twelve (12) months of the execution date of the contract. Additionally, IAD recommends that all adult family members' income be used in the income eligibility determination or proper supporting documentation be obtained to support why it was not included. This will help to ensure the extensions are properly documented and compliance with HUD regulations and the contract.

Management Action Plan:

Going forward all extension requests will be in writing on the awardees letterhead with responses from DOD on letterhead. All requests and responses will be placed in the file. No legal document was completed for the file of the person who was separated, however a notarized letter from the applicant was provided during field work that she was separated. This is acceptable to HUD since it is a notarized document.

Target Date: Complete

12. Issue:

Upon detail testing of contractor's payroll documentation, IAD noted three (3) out of fifteen (15) instances, or 20%, where the contractor's employee was not paid the correct prevailing wage rate, in accordance with the Davis-Bacon Act.

Recommendation:

IAD recommends DOD review all contractor's payroll documentation to ensure the contractor's employees are being paid the correct prevailing wage and document the corrective action taken by the contractor when an error occurs. This will help to ensure compliance with the Davis-Bacon Act.

Management Action Plan:

All Davis Bacon payroll reports (WH347) will be reviewed to ensure the correct wage rates and classifications are being paid. Any errors will be corrected by the sub recipient and contractor and Corrected WH347 will be placed in the file.

Target Date: Complete

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13. Issue:

Upon detail testing of the awardee's insurance requirements, IAD could not determine if the following insurance policies were obtained or insured for the correct amount by the awardee, in accordance with the contract:

- Habitat for Humanity:
 - Employers Liability Ohio Stop Gap
 - Fidelity Bond
- Neighborhood Development Services (NDS):
 - Employers Liability Ohio Stop Gap

Recommendation:

IAD recommends DOD obtain and review the awardee's insurance policies annually to ensure the required policies are obtained. This will help to ensure compliance with the awardee's contract.

Management Action Plan:

All insurance documentation will be requested from current HOME awardees. Going forward insurance requirements will be reviewed prior to agreement execution with awardees.

Target Date: 3/31/18

14. Issue:

Upon detail testing of the awardee's contracted work, IAD noted ten (10) out of ten (10) instances, or 100%, where a performance bond for 100% of the contracted amount was not obtained, in accordance with the contract.

Recommendation:

IAD recommends DOD obtain and review the awardee's insurance policies annually to ensure the required policies are obtained. This will help to ensure compliance with the awardee's contract.

Management Action Plan:

Performance bonds will be received for contractors working with the awardees. Copies of the performance bonds will be kept in our files.

Target Date: 1/1/18

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. A sample of employees that received compensatory time was haphazardly selected and detail testing was performed to ensure the compensatory time reconciled to Kronos and contained proper approval.

The following issue was noted:

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15. Issue:

Upon detail testing of overtime and compensatory time forms, IAD noted eleven (11) of twenty-nine (29) instances, or 38%, where a form could not be located; therefore, IAD was unable to determine that the overtime/compensatory time reconciled to Kronos (payroll system) and the form was properly approved.

Recommendation:

IAD recommends the DOD maintain all overtime and compensatory forms or begin to utilize the supervisor electronic approval within Kronos. Once approved in Kronos, the respective employee's time card is automatically updated.

Management Action Plan:

All compensatory time and overtime will be done in Kronos through supervisor electronic approval.

Target Date: 3/1/18

HOME WEATHERIZATION ASSISTANCE PROGRAM (HWAP)

DOD policies and procedures and applicable ORC and HWAP rules and regulations were reviewed and interviews were conducted to gain an understanding of the HWAP grant processes. The contractor selection process was reviewed to ensure equitable distribution of contracted work. Additionally, an analysis of the HWAP Banner accounts was performed to determine if a negative fund balance occurred.

The following issue was noted:

16. Issue:

Upon discussion with personnel, it was noted that the HWAP contract is not fully executed at the start of the program year; therefore, funds are not able to be reimbursed timely. As a result, and upon review of the HWAP Banner account, funds were not encumbered prior to incurring expenditures, causing a negative fund balance to occur. Per ORC §5705(I), money paid into any fund shall be used only for the purposes for which such fund is established. A fund with a negative account balance signifies that monies from other funds were used to meet their obligations.

Recommendation:

IAD recommends DOD utilize interfund transfers and/or advances, as permitted by law, to eliminate the negative account balance. This will help to ensure compliance with ORC §5705(I).

Management Action Plan:

The HWAP program is funded on a reimbursement basis only. We are unable to receive an advancement from the State for HWAP funds. Budget and Finance provides the funding rules for the grant program.

Target Date: Complete

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FRINGE BENEFITS

Detail testing of the following areas was performed, if applicable, to confirm that DOD 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.

The following issue was noted:

17. Issue:

Upon detail testing of designated vehicle payroll deductions, IAD noted three (3) of four (4), or 75%, pay periods where the incorrect County car reimbursement payroll deduction occurred for one (1) employee, totaling \$6.00 net under-charged.

Recommendation:

IAD recommends the DOD utilize SharePoint to generate Vehicle Log Mileage Reports to determine the number of days a vehicle was taken home. This will help to improve accuracy of the County car reimbursement payroll deduction and compliance with IRS Publication 15-B.

Management Action Plan:

Sharepoint is now being utilized for Vehicle Log Mileage Reports for car reimbursement payroll deduction.

Target Date: Complete

COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)

DOD policies and procedures and applicable ORC, Code of Federal Regulations (CFR) and HUD sections were reviewed, interviews were conducted, and flowcharts were created and approved to gain an understanding of the CDBG grant processes. HUD regulations and the sub-recipient contract was reviewed, testing attributes were developed, a sample of CDBG projects was selected and detail testing was performed to ensure the following:

- Application was complete.
- Application was time-stamped upon receipt.
- Application was scored.
- Checklist placed in the front of sub-recipient's folder.
- CDBG review committee approved the project.
- Contract reviewed by the Summit County Legal Department.
- Contract executed by the County Executive.

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- Project activity entered into IDIS.
- Funds were leveraged, where applicable.
- Bids were obtained from sub-recipient.
- Performance bond obtained from contractor for 100% of project.
- Payment bond obtained from contractor for 100% of project.
- Sufficient insurance coverage documentation was provided.
- Expenses were eligible in accordance with HUD regulations.
- Contracts over \$5,000 were approved by Board of Control prior to creating a purchase order or payment.
- Individual purchase order created for each sub-recipient contract.
- Correct amount paid to the sub-recipient.
- Beneficiary form was submitted to the DOD.
- Request for payment form submitted to the DOD.
- Total reimbursement did not exceed the contractual amount.
- Reimbursement of funds requested and received from HUD.

IAD reconciled the sub-recipient contract language to applicable CFR requirements to ensure all applicable terms are included. Additionally, IAD performed detail testing to ensure the Consolidated Five Year Plan was submitted to the Federal Budget Office within the applicable deadline.

A sample of approved CDBG projects was haphazardly selected and detail testing was performed to ensure compliance with the Davis-Bacon Act (prevailing wage).

An analysis of 2016 CDBG program year funding was performed to ensure a minimum of seventy percent (70%) of the funding amount was allocated to serve low to moderate income individuals and to ensure a maximum of twenty percent (20%) of the funding amount was allocated for administrative costs.

The following general recommendation and issues were noted:

General Recommendation:

Upon discussion with DOD personnel, IAD noted the same Banner Fund/Org/Account is utilized for each Community Development Block Grant (CDBG) program year. IAD recommends that the DOD increment the account number by one (1) each program year. This will help to ensure CDBG program year activities can be easily discernable within the Banner accounting system.

18. Issue:

Upon detail testing of approved CDBG applicants, IAD noted the following:

- Five (5) out of six (6) instances where the sub-recipient's application was not time stamped upon receipt, in accordance with DOD policies and procedures.
- Three (3) out of six (6) instances where a checklist was not placed in the front of the sub-recipient's folder, in accordance with DOD policies and procedures.
- Two (2) out of three (3) instances where a performance bond was not obtained from the contractor for one hundred percent (100%) of the project, in accordance with the contract.
- One (1) out of two (2) instances where a payment bond was not obtained from the contractor for one hundred percent (100%) of the project, in accordance with the contract.

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Recommendation:

IAD recommends that the DOD ensure all CDBG applications are time-stamped upon receipt, a checklist is placed in the front of each sub-recipient's folder and a performance bond and/or payment bond is obtained from the contractor for one hundred percent (100%) of the project. This will help to ensure compliance with DOD policies and procedures and the contract.

Management Action Plan:

All applications will be time stamped upon being received by a potential sub recipient
Checklists will be placed in the front of each CDBG sub recipient folder
Performance Bonds will be obtained by the contractor(s) hired by the sub recipient and a copy kept in our files.
Payment bonds will be obtained by the contractor(s) hired by the sub recipient and a copy kept in our files.

Target Date: Complete

HOUSEHOLD SEWAGE TREATMENT SYSTEM (HSTS) GRANT

DOD policies and procedures and applicable grant documents were reviewed, interviews were conducted, and flowcharts were created and approved to gain an understanding of the purchasing process. Policy and procedure, grant requirements and the sub-recipient contract was reviewed, testing attributes were developed, a sample of HSTS projects was selected and detail testing was performed to ensure the following:

- Client was entered in SharePoint.
- Homeowner received a citation from the Health Department documenting the HSTS has failed.
- Application is complete.
- Home is owner occupied.
- Current on homeowner's insurance.
- Current on property taxes.
- The HSTS application is time-stamped upon receipt.
- Documented verification of household size and income.
- Income eligibility requirements met.
- Scope of septic work written by Summit County Public Health personnel and reviewed and approved by DOD personnel.
- Lowest and most responsible bidder selected and notified by Senior Administrator.
- HSTS project contracts presented to Board of Control prior to creation of purchase order.
- Contract submitted and approved by Ohio Environmental Protection Agency (EPA) prior to the execution of the contract.
- Contract prepared and reviewed by the Summit County Law Department.
- Individual purchase order created for each HSTS contract.
- Expenditures appear reasonable and were made timely.
- Homeowner obtained a service agreement for the applicable timeframe.
- Payments were processed to the correct contractor and for the correct amount.
- Final inspection received from the Health Department and lien release and prevailing wage documents received from the contractor prior to the payment.
- Payment request forms were submitted to the Ohio EPA for payment of the HSTS installations.

IAD reconciled the income requirements from the EPA regulations to the HSTS application form to ensure the correct income limits were used. Additionally, IAD reviewed the Water Pollution Control Loan Fund (WPCLF)

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HSTS nomination/application form to ensure it contained all of the required information and was approved by County Council.

IAD reviewed DOD's Records Retention Schedule (RC-2) to ensure HSTS documentation is retained for a minimum of five (5) years.

The following issue was noted:

19. Issue:

Upon review of policies and procedures and detail testing of approved Household Sewage Treatment System (HSTS) grant projects, IAD noted three (3) of seven (7) projects with the following exceptions:

- One (1) project where the applicant was not entered into SharePoint (in accordance with current processes).
- One (1) project where the application was not time-stamped upon receipt (in accordance with policies and procedures).
- One (1) project where the application was not time-stamped upon receipt, the home was not owner-occupied and the applicant did not have current homeowner's insurance (in accordance with policies and procedures and HSTS program criteria).

Recommendation:

IAD recommends that the DOD ensure all applicants are entered into SharePoint, the home receiving HSTS grant funding is owner-occupied and has current homeowner's insurance, and the application is time-stamped upon receipt. This will help to ensure compliance with DOD policies and procedures and program criteria.

Management Action Plan:

Staff will enter all applicants into SharePoint, all applications will be time-stamped, and all units will be owner-occupied with current home owners insurance.

Target Date: Complete

GIS ADDRESSING

DOD policies and procedures and staff interviews were conducted to gain an understanding of the structure addressing process. A sample of approved address changes were haphazardly selected and detail testing was performed to ensure all applicable agencies (e.g., police, fire, etc.) were notified of the change in address.

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.