

Summit County Clerk of Courts
Segregated Accounts
Performance Audit General Report

Prepared for:

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Audit Committee

Approved by Audit Committee
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Summit County
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175 South Main Street
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EXECUTIVE SUMMARY

Total Number of Issues – 4

Internal Controls

Strong Internal Controls:

Type	# Issues	Issue Description	Page Ref.
IRS Form 1099 Process	0	N/A	7

Weak Internal Controls:

Type	# Issues	Issue Description	Page Ref.
Title Division Account	3	<ul style="list-style-type: none"> • Instances where supervisor review date was not documented on the reconciliation (All accounts) • A signed executed agreement could not be located between the Clerk of Courts and PNC (All accounts) • Bank Balance understated by \$5,645.57 (Domestic Relations) 	5
Appeals Division Acct			
Civil Division Account			
Domestic Relations Account			
Criminal Division Account			
PEDACKN/OPERS	1	<ul style="list-style-type: none"> • List of independent contractors not being sent annually to the Fiscal Office Accounting Department. 	7

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GENERAL BACKGROUND

The Summit County Clerk of Courts administers five (5) segregated bank accounts. A description of the segregated accounts deposits and expenditures are represented in the table below:

Account Name (Account Number)	Regulating Authority	Deposits	Expenditures
Title Division Account (...0212)	ORC	Title, registration, and passport fees and automobile sales tax	State and County disbursements and refunds
Appeals Division Account (...8738)	ORC	Court and filing fees	County disbursement, attorney and legal news fees
Civil Division Account (...1785)	ORC	Court costs, seized funds via court order, copy fees and bond payments	Bail refunds, answers of garnishment and County disbursements
Criminal Division Account (...9055)	ORC	Court costs and bond payments	Restitution, bond refunds and County disbursements
Domestic Relations Account (...4727)	ORC	Court costs and child support payments	Attorney fees, State and County disbursements

AUDIT OBJECTIVE, SCOPE, AND METHODOLOGY

The primary focus of this review was to provide the Clerk of Courts 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 Clerk of Courts.

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 review the segregated account internal control structure through employee interviews and observations.
- To ensure IRS Form 1099s are processed according to IRS regulations.

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Scope:

An overview and evaluation of the existing policies, processes, procedures, contracts and internal control structure utilized by the Clerk of Courts from January 1, 2018 through December 31, 2018.

The following were the major audit steps performed:

OBJECTIVE 1 – REVIEW OF SEGREGATED ACCOUNT 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. Test procedures for compliance where applicable, noting all exceptions.
4. Investigate discrepancies and summarize results.
5. Make recommendations where appropriate.

OBJECTIVE 2 – IRS FORM 1099 PROCESSING

1. Meet with the appropriate personnel to obtain an understanding of the department's process.
2. Document the existing control procedures in narratives and/or flowcharts.
3. Ensure the 1099 process is performed in accordance with IRS regulations.
4. Investigate discrepancies and summarize results.
5. Make recommendations where appropriate.

OBJECTIVE 3 – PEDACKN/OPERS

1. Meet with the appropriate personnel to obtain an understanding of the department's process.
2. Ensure the list of independent contractors paid by the Office is sent to the Fiscal Office Accounting Department annually.
3. Investigate discrepancies and summarize results.
4. Make recommendations where appropriate.

DETAILED COMMENTS

I. Segregated Account Internal Control Testing:

Policies and procedures and applicable legislation were reviewed, staff interviews were conducted, and flowcharts were created and approved to gain an understanding of laws and regulations, deposit and expenditure processes, and internal controls in place for the following segregated accounts:

- Title Division Account
- Appeals Division Account
- Civil Division Account
- Criminal Division Account
- Domestic Relations Account

Samples of deposits and expenditures were judgmentally selected for detail testing to ensure adequate support was maintained, a PEDACKN (Independent Contractor Acknowledgement) form was completed if the vendor was an independent contractor, activity was in compliance with rules and regulations and proper approval was obtained/documented. In addition, bank reconciliations were selected for detail testing to ensure a bank reconciliation was performed each month and a supervisory review was performed and documented.

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The following issues were noted:

1. Issue:

Upon detail testing of monthly bank reconciliations, IAD noted

Domestic, Civil Appeals & Criminal Division Accounts

- Four (4) out of twelve (12) instances, or 33%, where the supervisor review of the bank reconciliation occurred; however, a date was not documented. Therefore, IAD could not determine if the bank reconciliation was reviewed timely.

Title Division Account

- Twelve (12) out of twelve (12) instances, or 100%, where the supervisor review of the bank reconciliation occurred; however, a date was not documented. Therefore, IAD could not determine if the bank reconciliation was reviewed timely.

Recommendation:

IAD recommends the supervisor document the date they reviewed the monthly bank reconciliations. This will help to ensure monthly reconciliations are performed timely.

Management Action Plan:

Legal Asst. Director of Accounting Chuck Weber and Title Director of Administration Lisa Lemmon will date the corresponding monthly bank reconciliations after their monthly review before sending over to the Chief of Staff Scott Feeney for the final sign off.

Domestic Relations Account

2. Issue:

Upon detail testing of the Domestic Relations August 2018 bank reconciliation, IAD noted revenue collected on 8/31/19 was not included in the ending book balance and not included as a deposit-in-transit in the ending bank balance. This caused the ending book and bank balances to be understated by \$5,745.57.

Recommendation:

IAD recommends revenue be accounted for in the month that it was received. This will help to ensure ending book and bank balances are not misstated.

Management Action Plan:

Office Manager of Accounting Shelly Grimm is currently working on a solution to this Microsoft Great Plains Accounting issue with OIT and Sikich to solve the end of the month reconciliation when ending on a Friday and not coming over to GP for 2 days, which results in the next month's date. An example being 8/31/18 fell on a Friday and it came over with 9/2/18 date. This happens about 4 times a year.

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All Accounts

3. Issue:

Upon discussion with Clerk of Courts personnel and review of the PNC Bank Treasury Management Services Pricing Agreement between PNC and the Clerk of Courts, IAD noted a signed executed agreement could not be located for all segregated accounts.

Recommendation:

IAD recommends that all agreements be reviewed and executed by the appropriate parties (e.g., Clerk of Court, Executive, etc.). This will help to ensure compliance with the Summit County Charter Section 2.03.

Management Action Plan:

Asst. Director of Accounting Chuck Weber and Chief of Staff Scott Feeney have begun finalizing the reviewing and executing process for a new contract updating a prior agreement and a Sept. 2018 amended agreement with PNC Bank Treasury Management Services.

II. IRS Form 1099 Process:

Staff interviews were conducted to gain an understanding of the IRS Form 1099 (1099) process for the above-noted accounts. The 1099 process was reviewed to ensure procedures are performed in accordance with IRS regulations. All 1099s issued for calendar year 2018 were reviewed to ensure they were sent by the applicable IRS deadline.

No issues were noted.

III. PEDACKN/OPERS

A list of 2018 Clerk of Court's paid appraisers was obtained and detail testing was performed to ensure a list of all independent contractors was provided to the Fiscal Office Accounting Department annually.

The following issue was noted:

4. Issue:

Upon detail testing of Sheriff's Office appraisers paid by the Clerk of Court's office, IAD noted a list of independent contractors paid by the Clerk of Courts is not being forwarded to the Fiscal Office Accounting Department annually. Additionally, IAD noted a policy is not in place regarding this process.

Recommendation:

IAD recommends all independent contractors paid by the Clerk of Courts be sent to the Fiscal Office Accounting Department annually and a policy be created. This will help to ensure the Ohio Public Employees Retirement System (OPERS) is notified of all independent contractors paid by the County.

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Management Action Plan:

Asst. Director of Accounting Chuck Weber has created a policy and will annually every February send a copy of the 1099 appraiser spreadsheet to Fiscal Office Accounting when reporting to the IRS to detail all independent contractors paid by the Clerk of Courts.