

County of Summit
Fiscal Office – Services Division
Preliminary Audit Report

Prepared for:

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Audit Committee

Approved by Audit Committee
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County of Summit
Fiscal Office – Services Division
Performance Audit General Report

Table of Contents

EXECUTIVE SUMMARY 3

GENERAL BACKGROUND..... 4

AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY 5

DETAILED COMMENTS 7

County of Summit
Fiscal Office – Services Division
Performance Audit General Report

EXECUTIVE SUMMARY

Total Number of Issues – 5

Policies and Procedures

Section	# Issues	Issue Descriptions	Page Ref.
Policies and Procedures	1	<ul style="list-style-type: none"> • Insufficient or no written policies and procedures regarding the process of valuing a manufactured home when ownership is transferred. 	7

Internal Controls

Strong Internal Controls:

Testing Section	# Issues	Issue Description	Page Ref.
Payroll	0	No issues noted.	8
Fringe Benefits	0		9
Weights & Measures	0		10

Weaknesses in Internal Controls:

Testing Section	# Issues	Issue Descriptions	Page Ref.
Revenue	1	<ul style="list-style-type: none"> • Improper segregation of duties over daily cash collection and reconciliation. 	8
Personnel Files	1	<ul style="list-style-type: none"> • Performance evaluations were not performed timely. 	9
Manufactured Homes	1	<ul style="list-style-type: none"> • Tax liens are not being enforced on manufactured homes that are delinquent on their taxes. 	10
Licenses	1	<ul style="list-style-type: none"> • Instances where a Summit County massage permit was not issued to establishments, in absence of a State of Ohio issued license. 	11

County of Summit
Fiscal Office – Services Division
Performance Audit General Report

GENERAL BACKGROUND

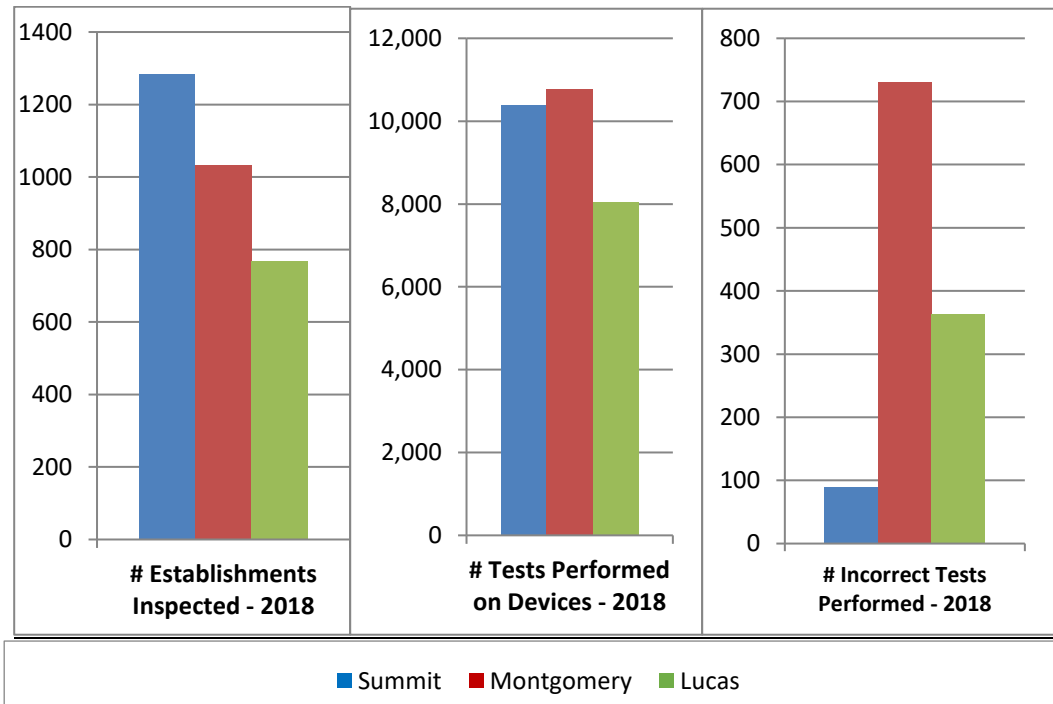
The Summit County Fiscal Officer's Services Division (Services Division) is responsible for the issuance of various licenses. The department also maintains a record of manufactured and mobile homes.

Weights and measures employees are responsible for inspecting and certifying timing devices in Summit County (e.g., scales, gas pumps, tanning beds, etc.). In addition, fuel quality testing is performed, with Summit County being the only county in the state of Ohio to perform this testing, enforced through the County Charter.

The following licenses are issued by the Services Division – cigarette, dog, kennel, vendor, massage, and firewood. Dog licenses encompass the largest number of licenses sold with approximately 40,000 applications mailed to current registered owners in November of each year, with payment due by January 31st of each year.

Owners of manufactured homes are required under State law to register their home with the Summit County Fiscal Officer for tax purposes. The Services Division manages the information utilized to generate tax bills for these homes, and enforces the laws and regulations surrounding the taxing of these homes, with payment due in March and July of each year.

IAD compared the Services Division weights and measures statistics from 2018, including the total number of establishments inspected, total number of tests performed, and total number of incorrect tests performed to Montgomery and Lucas County's weights and measures statistics. The comparisons are represented in the graphs below:



County of Summit
Fiscal Office – Services Division
Performance Audit General Report

AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

The primary focus of this review was to provide the Services 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 Services 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.

Scope:

An overview and evaluation of the existing policies, processes, procedures, contracts and internal control structure utilized by the Services Division from April 1, 2018 through 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.

County of Summit
Fiscal Office – Services Division
Performance Audit General Report

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.

County of Summit
Fiscal Office – Services Division
Performance Audit General Report

DETAILED COMMENTS

Interviews:

To gain an understanding of the Recorder Division, IAD performed interviews with the following positions:

- Deputy Fiscal Officer
- Director of Administration
- Assistant Director of Administration
- Research Analyst
- Clerical Specialist II
- Clerk II
- Administrative Assistant

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

I. Policy and Procedures Review:

Services 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. A sample of employees was haphazardly selected and detail testing was performed to determine if the employees acknowledged receiving and reviewing the Services Division policy and procedure manual. The Services 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 issue was noted:

1. Issue:

Upon review of policies and procedures, IAD noted insufficient policies and procedures over the process of valuing a manufactured home when ownership is transferred.

Recommendation:

IAD recommends that policies and procedures be created/updated, approved, and disseminated over the valuing of a manufactured home when ownership is transferred. This will help to ensure that proper procedures are in place and consistently followed within the department.

Corrective Action Taken Prior to the End of Fieldwork:

IAD obtained policy and procedure addressing the process of valuing a manufactured home when ownership is transferred.

Management Action Plan:

The policies and procedures addressing the process of valuing a manufactured home when ownership is transferred were implemented.

Target Date: 7/1/19

County of Summit
Fiscal Office – Services Division
Performance Audit General Report

II. Internal Control Testing:

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

- Revenue
- Payroll
- Fringe Benefits
- Personnel Files
- Weights & Measures
- Manufactures Homes
- Licenses

REVENUE

Services Division policies and procedures were reviewed, observations were performed, staff interviews were conducted, and flowcharts were created and approved to gain an understanding of the cash receipts cycle, and internal controls in place.

A sample of daily deposits was haphazardly selected for detail testing to ensure proper segregation of duties, and timeliness and accuracy of the deposit. Daily cash collection documentation was obtained and license fees were reviewed to ensure fees charged agree to the advertised fee amount on the Fiscal Office website and agree to the appropriate legislation. Additionally, the department's manual cash receipt book was reviewed to ensure all cash receipts issued during the audit period were accounted for.

The following issue was noted:

2. Issue:

Upon detail testing of deposits, IAD noted three (3) out of twenty-four (24), or 13%, instances where an improper segregation of duties existed when preparing the deposit (e.g., same employee was collecting cash and also preparing the deposit).

Recommendation:

IAD recommends that an employee independent of the cash collection process prepare the deposit. This will help to ensure the cash collection process is properly segregated.

Management Action Plan:

The segregation of the cash collection and deposit process has been implemented. Two employees will always be involved.

Target Date: Completed

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. Additionally, a sample of non-exempt

County of Summit
Fiscal Office – Services Division
Performance Audit General Report

employees was selected and detail testing was performed to ensure employees are compensated for compensatory time/overtime earned in accordance with the Fair Labor Standards Act (FLSA).

No issues were noted.

FRINGE BENEFITS

Detail testing of the following areas was performed, if applicable, to confirm that the Services 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,
- Domestic partnership health insurance.

No issues were noted.

PERSONNEL FILES

Fiscal Office Personnel policy and procedures were obtained 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. Additionally, a sample of weights and measures employees was selected and detail testing was performed to ensure employees have completed the Ohio Weights and Measures training curriculum and have satisfied the continuing education requirement in 2018 in accordance with Ohio Administrative Code (OAC) § 901:6-9.

The following issue was noted:

3. **Issue:**

Upon detail testing of classified employee performance evaluations, IAD noted three (3) out of eight (8) instances, or 38%, where the 2018 performance evaluation was not completed timely, in accordance with Summit County Codified Ordinance §169.17.

Recommendation:

IAD recommends employee performance evaluations be performed timely for each classified employee. This will help to ensure compliance with Summit County Codified Ordinance §169.17.

County of Summit
Fiscal Office – Services Division
Performance Audit General Report

Management Action Plan:

Employee evaluations will be performed in a timely manner.

Target Date: Completed

WEIGHTS & MEASURES

Policies and procedures and applicable Ohio Revised Code (ORC) sections were reviewed, staff interviews were conducted, and a flowchart was created and approved to gain an understanding of the weights and measures inspection process, the laws and regulations that govern it, and internal controls in place. A sample of establishments/devices was haphazardly selected from the RightWeigh system and detail testing was performed to ensure testing of the devices was completed via the placement of a County of Summit Fiscal Office seal on the device. Additionally, a sample of establishments/devices was haphazardly selected and detail testing was performed to verify accuracy of the RightWeigh system.

No issues were noted.

MANUFACTURED HOMES

Services Division policies and procedures and applicable ORC sections were reviewed, interviews were conducted and flowcharts were created and approved to gain an understanding of the manufactured homes process, the laws and regulations that govern it, and internal controls in place. A sample of manufactured homes was haphazardly selected from the Lotus Approach system and detail testing was performed to ensure manufactured homes' tax bills were calculated correctly in accordance with ORC §4503.06. A sample of delinquent manufactured homes was haphazardly selected and detail testing was performed to ensure penalties and interest were charged appropriately in accordance with ORC §4503.06.

Additionally, a sample of conveyance forms was haphazardly selected and detail testing was performed to ensure conveyance fees were properly charged and taxes on the manufactured home were current at the time of the conveyance in accordance with ORC §319.54 and §322.02.

The following issue was noted:

4. Issue:

Upon discussion with Services Division personnel and detail testing, IAD noted a tax lien is not being enforced on manufactured homes that are delinquent on their taxes, in accordance with Ohio Revised Code (ORC) §4503.06(H)(3).

Recommendation:

IAD recommends a tax lien be enforced on delinquent manufactured homes if the delinquent taxes are not paid within sixty (60) days after the manufactured homes delinquent tax list is delivered to the Treasurer's Division. This will help to ensure compliance with ORC §4503.06(H)(3).

Corrective Action Taken Prior to the End of Fieldwork

IAD obtained policy and procedure addressing the enforcement of a tax lien on manufactured homes with delinquent taxes.

County of Summit
Fiscal Office – Services Division
Performance Audit General Report

Management Action Plan:

The policies and procedures addressing the enforcement of a tax lien on manufactured homes with delinquent taxes were implemented.

Target Date: 7/1/19

LICENSES

Policies and procedures and applicable ORC and Summit County Codified sections were reviewed to gain an understanding of the various licenses issued by the Services Division, the processes that surround them, the laws and regulations that govern them, and internal controls in place. A sample of dog license revenue reconciliations was haphazardly selected and detail testing was performed to ensure the reconciliation was performed accurately and all appropriate signatures were obtained. IAD researched and haphazardly selected a sample of firewood dealers in Summit County to ensure the establishment has obtained a Summit County firewood dealer's license in accordance with Summit County Codified Ordinance §733. Additionally, IAD researched and haphazardly selected a sample of massage therapy establishments in Summit County to ensure the establishment has obtained a Summit County Massage Therapy Permit, in absence of a State of Ohio issued license to practice massage therapy services, in accordance with Summit County Codified Ordinance §749.21.

The following issue was noted:

5. Issue:

Upon detail testing of massage establishments, IAD noted ten (10) out of ten (10), or 100%, instances where a Summit County Massage Permit was not issued to establishments practicing massage therapy services in Summit County, in absence of a State of Ohio issued license to practice massage therapy services, in accordance with Summit County Codified Ordinance §749.21.

Recommendation:

IAD recommends the Services Division monitor establishments in Summit County providing massage therapy services to ensure these establishments have obtained the appropriate State of Ohio or Summit County licenses. This will help to ensure compliance with Summit County Codified Ordinance §749.21.

Corrective Action Taken Prior to the End of Fieldwork

IAD obtained a policy and procedure addressing the monitoring of establishments providing massage therapy services in Summit County.

Management Action Plan:

The policies and procedures addressing the monitoring of establishments providing message therapy services in Summit County were implemented.

Target Date: 7/1/19

II. Security:

Security issues noted during fieldwork are addressed under separate cover in the accompanying report in compliance with ORC §149.433.