

Summit County Juvenile Court
Segregated Accounts
Performance Audit General Report

Prepared for:

The Honorable Judge Linda Tucci Teodosio
Audit Committee

Approved by Audit Committee
September 16, 2019



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Performance Audit – General Report

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EXECUTIVE SUMMARY

Total Number of Issues – 2

Internal Controls

Strong Internal Controls:

Area	# Issues	Issue Description	Page Ref.
IRS Form 1099 Process	0	N/A	6

Weak Internal Controls:

Area	# Issues	Issue Description	Page Ref.
Juvenile Court Account	2	<ul style="list-style-type: none"> • Instances where the date when the bank reconciliation was reviewed by the supervisor was not documented. • Instances where variances occurred on the monthly reconciliations between the monthly book and bank balances and discrepancies between the monthly book balance on the reconciliation and the monthly book balance in the system. 	5

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GENERAL BACKGROUND

The Summit County Juvenile Court (Juvenile Court) administers one (1) segregated bank account. A description of the segregated account deposits and expenditures are represented in the table below:

Account Name (Account Number)	Regulating Authority	Deposits	Expenditures
Juvenile Court Account (...2217)	ORC	Court fines, fees, restitution payments, etc.	Refunds, restitution, State and County payments, attorney fees, etc.

AUDIT OBJECTIVE, SCOPE, AND METHODOLOGY

The primary focus of this review was to provide the Juvenile Court 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 Juvenile Court.

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.

Scope:

An overview and evaluation of the existing policies, processes, procedures, contracts and internal control structure utilized by the Juvenile Court 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.

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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.

DETAILED COMMENTS

I. Segregated Account Internal Control Testing:

Policies and procedures and applicable legislation were reviewed, staff interviews were conducted, and a flowchart was created and approved to gain an understanding of laws and regulations, deposit and expenditure processes, and internal controls in place for the Juvenile Court Checking 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/documentated. In addition, bank reconciliations were selected for detail testing to ensure a bank reconciliation was performed each month and a supervisor review was performed and documented.

The following issues were noted:

1. Issue:

Upon detail testing of the monthly bank reconciliation, IAD noted twelve (12) out of twelve (12) instances, or 100%, where a 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:

The Supervisor will sign and date the bank reconciliation to ensure a review in a timely manner.

Target Date:
6-1-19

2. Issue:

Upon detail testing and review of the 2018 monthly bank reconciliations, IAD noted the following:

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- An ongoing monthly discrepancy between the Case Management System (CMS) (book) month end balance and the adjusted bank balance (ranging from \$135.82 and -\$264.39).
- An ongoing monthly discrepancy of \$6.00 between the CMS (book) month end balance noted in the system and the CMS (book) month end balance noted on the reconciliation.

Recommendation:

IAD recommends bank reconciliations be reviewed each month by the appropriate personnel and any discrepancies be reviewed and corrected in the month that it occurs. This will help to ensure accountability & accuracy over the bank reconciliation.

Management Action Plan:

Any discrepancies in bank reconciliations will be reviewed by the appropriate personnel in the month that it occurs so that corrections can be made in a timely manner.

Target Date:

6-1-19

II. IRS Form 1099 Process:

Staff interviews were conducted to gain an understanding of the IRS Form 1099 (1099) process. IAD noted that Juvenile Court maintains a Banner account that is used to issue payment to vendors that would require issuance of a Form 1099. Vendor disbursements from this account are captured during the annual 1099 distribution performed by the Summit County Fiscal Office.

No issues were noted.