

Summit County Sheriff's Office
Segregated Accounts
Performance Audit General Report

Prepared for:

Sheriff Steve Barry
Audit Committee

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

Total Number of Issues – 12

Internal Controls

Strong Internal Controls:

| Area | # Issues | Issue Description | Page Ref. |
|--------------|----------|-------------------|-----------|
| 1099 Process | 0 | N/A | 10 |

Weak Internal Controls:

| Area | # Issues | Issue Description | Page Ref. |
|---|----------|--|-----------|
| Furtherance of Justice | 11 | <ul style="list-style-type: none"> • A signed executed agreement could not be located between the Sheriff's Office and PNC Bank (All accounts). • Instances where the following occurred on the bank reconciliation (All accounts): <ul style="list-style-type: none"> •Supervisor review date was not documented, •No supervisor review occurred, •Supervisor review did not occur timely. • Instances where the deposit was not made timely (I.D. & Records Account). | 6 |
| Prisoner Transportation | | | |
| Law Enforcement Trust Fund – Patrol | | | |
| Federal Law Enforcement Trust Fund – Patrol | | | |
| Law Enforcement Trust Fund (Old Narc) | | | |
| I.D. & Records Account | | | |
| Civil Account | | | |
| Federal Law Enforcement Trust Fund – Drug | | | |
| Law Enforcement Trust Fund – Drug Unit Project Income | | | |
| Vendor PEDACKN Form | 1 | <ul style="list-style-type: none"> • Instances where a PEDACKN form was not completed and the list of independent contractors not being sent annually to the Fiscal Office Accounting Department. | 11 |

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GENERAL BACKGROUND

The Summit County Sheriff's Office (Sheriff's Office) administers ten (10) segregated bank accounts. The Sheriff's Office participates in Federal and State Law Enforcement Fund programs which restrict expenditure activity to law enforcement purposes. Additional operating accounts are utilized for day to day operations within the Sheriff's Office (e.g., Operations and Jail divisions).

A description of deposits and expenditures for each segregated account reviewed is represented in the table below:

| Account Name (Account Number) | Regulating Authority | Deposits | Expenditures |
|---|---------------------------------|--|---|
| Furtherance of Justice (...0254) | State of Ohio | General fund (based on Sheriff's salary) | Travel, retirement parties, promotions, staffing |
| Prisoner Transportation (...3484) | State of Ohio | General fund | Prisoner transportation costs |
| Federal Law Enforcement Trust Fund – Patrol (...2951) | Federal | Federally seized and forfeited assets | General law enforcement purposes (e.g., equipment and training) |
| Federal Law Enforcement Trust Fund – Drug Unit (...3721) | Federal | Federally seized and forfeited assets | Vehicles/repairs, office equipment, confidential funds, meth clean-up |
| Law Enforcement Trust Fund – Prior Admin NARC Unit (...9383) | State of Ohio | Mandatory drug fines from local cases | Drug-related law enforcement purposes |
| Law Enforcement Trust Fund – Patrol (...2978) | State of Ohio | State and local seized assets | Equipment, training, ammunition |
| Law Enforcement Trust Fund – Drug Unit Project Income (...8536) | State of Ohio | State and local seized assets and mandatory drug fines | General law enforcement purposes |
| Inmate Account (...3468)* | Departmental Procedures | Funds received by/for inmates | Inmate discharge, commissary and telephone vendors, indigent fees |
| I.D. and Records Admin (...3476) | Departmental Procedures | CCW and background check fees, sexual predator registration fees | Pay-ins to Summit County |
| Civil Account (...3441) | Departmental Procedures | Sheriff foreclosure sales, delinquent tax sales, chattel sales, civil costs, fees received | Pay-outs to respective lienholders on the property sold (e.g., banks and lawyers) |

*: This account was audited during the Summit County Sheriff's Office Correction Division 2nd follow-up audit (May 2019).

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AUDIT OBJECTIVE, SCOPE, AND METHODOLOGY

The primary focus of this review was to provide the Sheriff's Office 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 Sheriff's Office.

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.
- To ensure vendors that are independent contractors are processed in accordance with OPERS guidelines and ORC §145.38 (B) (6).

Scope:

An overview and evaluation of the existing policies, processes, procedures, contracts and internal control structure utilized by the Sheriff's Office 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 (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.

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OBJECTIVE 3 – Vendor Independent Contractor/Work Acknowledgement (PEDACKN) Forms

1. Meet with the appropriate personnel to obtain an understanding of the department's process.
2. Ensure the process regarding vendors that are independent contractors is performed in accordance with OPERS guidelines and ORC §145.38 (B) (6).
3. Ensure the list of independent contractors paid by the Office is sent to the Fiscal Office Accounting Department annually.
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 flowcharts were created and approved to gain an understanding of the laws and regulations, deposit and expenditure processes, and internal controls in place for the following segregated accounts:

- Furtherance of Justice
- Prisoner Transportation
- Federal Law Enforcement Trust Fund – Patrol
- Federal Law Enforcement Trust Fund – Drug
- Law Enforcement Trust Fund – Prior Admin NARC
- Law Enforcement Trust Fund – Patrol
- Law Enforcement Trust Fund – Drug Project Income
- Civil Account
- I.D. & Records Account

All deposits and expenditures were selected from the Federal Law Enforcement Trust Fund accounts (Patrol and Drug) and samples of deposits and expenditures were selected from the remaining accounts. Detail testing was performed to ensure adequate support was maintained, 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:

All Accounts:

1. Issue:

Upon discussion with Sheriff's Office personnel, IAD noted a signed executed agreement could not be located between PNC Bank and the Sheriff's Office for all of the segregated bank accounts.

Recommendation:

IAD recommends that all agreements be reviewed and signed off by the appropriate parties and executed by the Summit County Executive. This will help to ensure compliance with the Summit County Charter §2.03.

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Management Action Plan:

We have signed signature cards for every account on file however we will contact PNC Bank to complete new signature cards and include an area for the County Executive to approve.

Furtherance of Justice Account:

2. Issue:

Upon detail testing of the monthly bank reconciliation, IAD noted four (4) out of twelve (12) instances, or 33%, where a supervisor review of the bank reconciliation occurred; however, the review was not performed timely (e.g., the following month).

Recommendation:

IAD recommends monthly bank reconciliations be reviewed within the following month and a supervisor signature and date be documented on the bank reconciliation. This will help to ensure the bank reconciliations are properly monitored and performed timely.

Management Action Plan:

All future reviews will have a date of review attached and will occur in a timelier manner.

Prisoner Transportation Account:

3. Issue:

Upon detail testing of bank reconciliations, IAD noted twelve (12) out of twelve (12) instances, or 100%, where a supervisor review was not performed/documented on the bank reconciliation.

Recommendation:

IAD recommends monthly bank reconciliations be reviewed within the following month and a supervisor signature and date be documented on the bank reconciliation. This will help to ensure the bank reconciliations are properly monitored and performed timely.

Management Action Plan:

All future reviews will have a supervisor's signature and date of review attached and will occur monthly prior to sending to Department of Finance and Budget.

Law Enforcement Trust Fund (Patrol) Account:

4. 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.

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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:

All future reviews will have a date of review attached and will occur timely.

Federal Law Enforcement Trust Fund (Patrol) Account:

5. 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:

All future reviews will have a date of review attached and will occur timely.

Law Enforcement Trust Fund (Old NARC) Account:

6. Issue:

Upon detail testing of bank reconciliations, IAD noted twelve (12) out of twelve (12) instances, or 100%, where a supervisor review was not performed/documented on the bank reconciliation.

Recommendation:

IAD recommends monthly bank reconciliations be reviewed within the following month and a supervisor signature and date be documented on the bank reconciliation. This will help to ensure the bank reconciliations are properly monitored and performed timely.

Management Action Plan:

All future reviews will have a date of review attached and will occur timely.

I.D. & Records Account:

7. Issue:

Upon detail testing of bank reconciliations, IAD noted twelve (12) out of twelve (12) instances, or 100%, where a supervisor review was not performed/documented on the bank reconciliation.

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Recommendation:

IAD recommends monthly bank reconciliations be reviewed within the following month and a supervisor signature and date be documented on the bank reconciliation. This will help to ensure the bank reconciliations are properly monitored and performed timely.

Management Action Plan:

All future reviews will have a date of review attached and will occur monthly.

8. Issue:

Upon detail testing of deposits, IAD noted three (3) out of eighteen (18), or 17%, instances where the deposit was not made timely, in accordance with Ohio Revised Code §9.38.

Recommendation:

IAD recommends all funds received be deposited by the next business day or a policy be written to allow up to three (3) days for daily deposits totaling less than \$1,000. This will help to ensure compliance with ORC §9.38.

Management Action Plan:

Policy has been written since this was brought to our attention. (Chapter: Records and Identification Topic: Cash collection #10.3.0) No further action is needed.

Civil Account:

9. Issue:

Upon detail testing of bank reconciliations, IAD noted eight (8) out of twelve (12) instances, or 67%, where a supervisor review of the bank reconciliation occurred; however, the review was not performed timely (e.g., the following month).

Recommendation:

IAD recommends monthly bank reconciliations be reviewed within the following month and a supervisor signature and date be documented on the bank reconciliation. This will help to ensure the bank reconciliations are properly monitored and performed timely.

Management Action Plan:

Since 2015 this account has been reconciled by The Department of Finance and Budget. The Sheriff's Office will resume reconciliation of this account from them in January of 2020 and will review sign and date all reconciliations in a timely manner.

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Federal Law Enforcement Drug Unit Account:

10. Issue:

Upon detail testing of the monthly bank reconciliation, IAD noted eleven (11) out of twelve (12) instances, or 92%, 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 monthly bank reconciliations be reviewed within the following month and a supervisor signature and date be documented on the bank reconciliation. This will help to ensure the bank reconciliations are properly monitored and performed timely.

Management Action Plan:

The Drug Unit Board reviews this account on a quarterly basis. All future reviews will be signed and dated on approval.

Law Enforcement Trust Fund (Project Income) Account:

11. Issue:

Upon detail testing of the monthly bank reconciliation, IAD noted eleven (11) out of twelve (12) instances, or 92%, 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 monthly bank reconciliations be reviewed within the following month and a supervisor signature and date be documented on the bank reconciliation. This will help to ensure the bank reconciliations are properly monitored and performed timely.

Management Action Plan:

All future reviews will have a date of review attached and will occur monthly.

II. 1099 Process:

Staff interviews were conducted to gain an understanding of the 1099 process. The 1099 process was reviewed to ensure procedures are performed in accordance with IRS regulations.

Additionally, 2018 expenditures were obtained to ensure all independent contractors received a 1099. Lastly, All 1099s issued for calendar year 2018 were reviewed to ensure they were sent by the applicable IRS deadline.

No issues were noted.

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III. Vendor PEDACKN Forms

2018 expenditures were obtained and detail testing was performed to ensure the following:

- The Independent Contractor has completed and signed a PEDACKN form in compliance with OPERS guidelines.
- The Independent Contractors status is terminated with the County if the Independent Contract is currently receiving an Ohio Public Employee Retirement System (OPERS) benefits in compliance with ORC §145.38 (B)(6).
- List of all independent contractors was provided to the Fiscal Office Accounting Department annually.

The following issue was noted:

12. Issue:

Upon review of all segregated account expenditures, IAD noted the following:

- One (1) out of one (1) instances, or 100%, where a vendor was determined to be an independent contractor and provided a service; however, a PEDACKN form was not completed by the vendor, in accordance with Ohio Revised Code § 145.038
- One (1) out of twenty-three (23) instances, where a Sheriff's Office appraiser did not complete a PEDACKN form in accordance with Ohio Revised Code § 145.038.

In addition, IAD noted a list of independent contractors paid by the Sheriff's Office is not being forwarded to the Fiscal Office Accounting Department annually.

Recommendation:

IAD recommends the Sheriff's Office require a PEDACKN form to be completed by vendors who are independent contractors and are providing a service. In addition, IAD recommends all independent contractors paid by the Sheriff's Office be sent to the Fiscal Office Accounting Department annually. This will help to ensure compliance with Ohio Revised Code §145.038 and that OPERS is notified of all independent contractors paid by the County.

Management Action Plan:

All w-9's and PEDAKAN forms received are sent to Fiscal Finance at the time they are completed. This has been our practice. One gentleman, Gus Hall became an appraiser and the proper people were not involved with the process therefore a PEDACKN was not completed. The Clerk of Courts office had him fill out a W-9 (but did not do a PEDAKAN). Since then the PEDAKAN has been completed and forwarded to Dennis Mendez who confirmed that Gus Hall is a retired Akron Police Officer and not receiving OPERS benefits.

All future contractors will be processed by the Sheriff's Fiscal Department. All PEDAKAN and W-9 documents will be completed and forwarded to County Fiscal.

At the completion of the fiscal year a complete list will be forwarded to Dennis Mendez.