

Summit County Clerk of Courts
Segregated Accounts
Performance Audit General Report

Prepared for:

Sandra Kurt
Audit Committee

Approved by Audit Committee
December 7, 2021



Summit County
Internal Audit Department
175 South Main Street
Akron, Ohio 44308

Lisa L. Skapura, Director
Jon, Keenan, Assistant Director
Brandon Schmidt, Senior Lead Auditor
Amanda Winkelman, Senior Auditor

Summit County Clerk of Courts
Segregated Accounts
Performance Audit General Report

Table of Contents

EXECUTIVE SUMMARY 3

GENERAL BACKGROUND 4

AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY 4

DETAILED COMMENTS 6

Summit County Clerk of Courts
Segregated Accounts
 Performance Audit General Report

EXECUTIVE SUMMARY

Total Number of Issues – 2

Internal Controls

Strong Internal Controls:

Type	# Issues	Issue Description	Page Ref.
Title Division Account	0	N/A	6
Appeals Division Acct	0	N/A	6
Civil Division Account	0	N/A	6
Criminal Division Account	0	N/A	6
Domestic Relations Account	0	N/A	6
PEDAKN/OPERS	0	N/A	7
Unclaimed Funds	0	N/A	7

Weak Internal Controls:

Type	# Issues	Issue Description	Page Ref.
1099 Process	2	<ul style="list-style-type: none"> • 1099's were not sent by the established IRS deadline and outdated policy and procedure. • Instances where a 1099 was not completed or was filed for an incorrect amount. 	6

Summit County Clerk of Courts
Segregated Accounts
 Performance Audit General Report

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.
- To ensure vendors that are independent contractors are processed in accordance with OPERS guidelines and ORC §145.38 (B) (6).
- To ensure unclaimed funds are paid to the Fiscal Office according to policies and procedures.

Summit County Clerk of Courts
Segregated Accounts
Performance Audit General Report

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, 2020 through December 31, 2020.

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.

OBJECTIVE 4 – UNCLAIMED FUNDS

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 unclaimed funds process is performed in accordance with applicable guidelines.
4. Investigate discrepancies and summarize results.
5. Make recommendations where appropriate.

Summit County Clerk of Courts
Segregated Accounts
Performance Audit General Report

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, and 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.

No issues were noted.

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 1099's issued for calendar year 2020 were reviewed to ensure they were sent by the applicable IRS deadline. Additionally, a sample of expenditures was selected from the Criminal and Domestic Relations segregated accounts to ensure a 1099 was filed, if applicable.

The following issues were noted:

1. Issue:

Upon detail testing of 1099's filed by the Clerk of Court's Office, IAD noted 1099's were filed after the established deadline per the IRS. Additionally, upon review of Clerk of Court's policies and procedures, IAD noted an outdated policy regarding the 1099 filing form requirements and deadlines.

Recommendation:

IAD recommends that 1099 filing deadlines be met in accordance with IRS guidelines. In addition, IAD recommends the 1099 policy be updated to coincide with revised IRS guidelines. This will help to ensure compliance with IRS reporting requirements.

Management Action Plan:

The Clerk of Courts has updated the Policy and Procedures Manual to reflect the change in filing deadline of 1099's to the IRS. We will electronically report all 1099 information to the IRS by the 31st of January of every year.

Target Date: 11/23/2021

Summit County Clerk of Courts
Segregated Accounts
Performance Audit General Report

2. Issue:

Upon detail testing of the Domestic Relations segregated account 1099's, IAD noted the following:

- Two (2) out of five (5), or 40%, instances where a 1099 was required, however, a 1099 was never sent.
- Three (3) out of five (5), or 60%, instances where the 1099 did not include all of payments that were made to the vendor. IAD noted the variance amounted to \$15,248.67 in unreported income.

Recommendation:

IAD recommends that the Clerk of Courts issue 1099's to all vendors for the total amount each vendor received for services performed. Additionally, IAD recommends that the Clerk of Courts review access to the vendor file to determine that the users with update access are reasonable. This will help to ensure compliance with IRS regulations and that the vendor file is accessed and updated by the appropriate individuals.

Management Action Plan:

The Clerk of Courts Office will request an updated copy of the Guardian ad Litem list from the Domestic Relations Court Administrator on a quarterly basis. In the event any new GAL's have been added to that list, the Clerk of Courts will mail a blank W9 to those listed parties to be completed and returned. This will ensure that an accurate vendor card will be maintained in the clerk's accounting system. This procedure has been added to the Clerk of Courts Policy and Procedure Manual on 10/27/2021.

Target Date: 10/27/2021

III. PEDACKN/OPERS

Policies and procedures and applicable legislation were reviewed to gain an understanding of laws and regulations and internal controls in place for the Clerk of Courts PEDACKN process. IAD selected all 2020 expenditures from the Criminal and Domestic Relations segregated accounts and detail testing was performed to ensure the following:

- The Independent Contractor has completed and signed a PEDACKN (Independent Contractor Acknowledgment) 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.

No issues were noted.

IV. Unclaimed Funds

Policies and procedures and applicable legislation were reviewed to gain an understanding of laws and regulations and internal controls in place for the Clerk of Courts unclaimed funds process. Unclaimed fund checks sent to the Fiscal Office were reviewed to ensure all applicable outstanding checks were escheated.

No issues were noted.