

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

**Prepared for:**

**Sheriff Kandy Fatheree**  
**Audit Committee**

**Approved by Audit Committee**  
**March 29, 2022**



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

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**EXECUTIVE SUMMARY**

**Total Number of Issues – 13**

**Internal Controls**

*Strong Internal Controls:*

Area	# Issues	Issue Description	Page Ref.
1099 Process	0	N/A	12
Vendor PEDACKN Form			12

*Weak Internal Controls:*

Area	# Issues	Issue Description	Page Ref.
C-Fund Account	12	<ul style="list-style-type: none"> <li>• A signed executed agreement could not be located between the Sheriff's Office and PNC Bank (all accounts).</li> <li>• Instances where the following occurred on the bank reconciliation (CFund, FOJ, Prisoner Transportation, LETF Patrol, LETF Project Income):               <ul style="list-style-type: none"> <li>•Supervisor review date was not documented,</li> <li>•Supervisor review did not occur timely.</li> </ul> </li> <li>• Instances where the deposit was not made timely (Civil Account &amp; LETF Project Income).</li> <li>• Instances where no supervisor review occurred on the bank reconciliation (LETF – Old Narc, I.D. And Records Account, Inmate Accounts)</li> <li>• Instance where a bank fee was deducted from the bank account and was not reimbursed (Civil Account)</li> </ul>	6
Furtherance of Justice			
Prisoner Transportation			
Law Enforcement Trust Fund – Patrol			
Law Enforcement Trust Fund (Old Narc)			
I.D. & Records Account			
Civil Account			
Inmate Accounts			
Law Enforcement Trust Fund – Drug Unit Project Income			
Unclaimed Funds	1	<ul style="list-style-type: none"> <li>• No policy over stale dated checks/unclaimed funds for several segregated accounts.</li> </ul>	13

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**GENERAL BACKGROUND**

The Summit County Sheriff's Office (Sheriff's Office) administers nine (9) 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:

<b>Account Name (Account Number)</b>	<b>Regulating Authority</b>	<b>Deposits</b>	<b>Expenditures</b>
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
C-Fund (...2951)	Departmental Procedures	Federally seized and forfeited assets	General law enforcement purposes (e.g., equipment and training)
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)

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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 Ohio Revised Code (ORC) §145.38 (B) (6).
- To ensure Unclaimed funds are paid to the Fiscal Office according to Ohio Revised Code.

**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, 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 (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.

**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 ORC.
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:

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

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.

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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 Section 2.03.

Corrective Action Prior to the End of Fieldwork:

IAD obtained a Business Checking Account Agreement that details the fees charged to the Sheriff's Office checking accounts by PNC. IAD noted the agreement was signed off by the Sheriff and County Executive.

Management Action Plan:

IAD obtained a Business Checking Account Agreement that details the fees charged to the Sheriff's Office checking accounts by PNC. The agreement was signed by the Sheriff and County Executive.

Target Date: Done

**Cfund Account:**

2. Issue:

Upon detail testing of the monthly bank reconciliation, IAD noted the following:

- Three (3) out of twelve (12) instances, or 25%, where the bank reconciliation was not approved timely (e.g., the following month),
- Seven (7) out of twelve (12) instances, or 58%, where the supervisor review occurred; however, the date was not documented. Therefore, IAD could not determine if the review occurred 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:

Monthly bank reconciliations are reviewed within the following month and a Supervisor signature and date are documented on the bank reconciliation.

Target Date: Currently being done

**Furtherance of Justice Account:**

3. Issue:

Upon detail testing of the monthly bank reconciliation, IAD noted the following:

- Five (5) out of twelve (12) instances, or 42%, where the bank reconciliation was not approved timely (e.g., the following month),

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- Five (5) out of twelve (12) instances, or 42%, where the supervisor review occurred; however, the date was not documented. Therefore, IAD could not determine if the review occurred 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:

Monthly bank reconciliations are reviewed within the following month and a Supervisor signature and date are documented on the bank reconciliation.

Target Date: Currently being done

**Prisoner Transportation Account:**

4. Issue:

Upon detail testing of the monthly bank reconciliation, IAD noted the following:

- Five (5) out of twelve (12) instances, or 42%, where the bank reconciliation was not approved timely (e.g., the following month),
- Five (5) out of twelve (12) instances, or 42%, where the supervisor review occurred; however, the date was not documented. Therefore, IAD could not determine if the review occurred 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:

Monthly bank reconciliations are reviewed within the following month and a Supervisor signature and date are documented on the bank reconciliation.

Target Date: Currently being done

**Law Enforcement Trust Fund (Patrol) Account:**

5. Issue:

Upon detail testing of the monthly bank reconciliation, IAD noted the following:

- One (1) out of twelve (12) instances, or 8%, where the bank reconciliation was not approved timely (e.g., the following month),
- Nine (9) out of twelve (12) instances, or 75%, where the supervisor review occurred; however, the date was not documented. Therefore, IAD could not determine if the review occurred 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:

The Supervisor documents the date they reviewed the monthly bank reconciliation.

Target Date: Currently being done

**Law Enforcement Trust Fund (Old Drug Unit) 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/documentated 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:

Monthly bank reconciliations are reviewed within the following month and a Supervisor signature and date are documented on the bank reconciliation.

Target Date: Currently being done

**ID & Records Administration 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/documentated 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:

Monthly bank reconciliations are reviewed within the following month and a Supervisor signature and date are documented on the bank reconciliation.

Target Date: Currently being done

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**Civil Account:**

8. **Issue:**

Upon detail testing of deposits, IAD noted four (4) out of sixteen (16), or 25%, instances where the deposit was not made timely, in accordance with ORC §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:**

A policy is being written to allow up to three (3) days for daily deposits totaling less than \$1,000.

Target Date: May 2022

9. **Issue:**

Upon detail testing of 2020 bank fees, IAD noted one (1) out of three (3), or 33%, instances where a bank fee was deducted from the bank account; however the account was not reimbursed. In addition, IAD noted that no policy is in place detailing the process of reimbursing the civil account by deducting bank fees from the monthly check that is disbursed to the county.

**Recommendation:**

IAD recommends all bank fees listed on the civil account bank statement be deducted from the monthly check that is disbursed to the county. In addition, IAD recommends a policy and procedure be created detailing the process. This will help to ensure that only eligible fees are deducted from the account and policies are consistently followed.

**Management Action Plan:**

A policy and procedure are being written to reflect all bank fees listed on the civil account bank statement be deducted from the monthly check that is disbursed to the county.

Target Date: May 2022

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**Inmate Account:**

10. Issue:

Upon detail testing of bank reconciliations, IAD noted the 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:

Monthly bank reconciliations are reviewed within the following month and a Supervisor signature and date are documented on the bank reconciliation.

Target Date: Currently being done

**Law Enforcement Trust Fund (Project Income) Account:**

11. Issue:

Upon detail testing of deposits, IAD noted one (1) out of eight (8), or 13%, instances where the deposit was not made timely, in accordance with ORC §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:

A policy is being written to allow up to three (3) days for daily deposits totaling less than \$1,000.

Target Date: May 2022

12. Issue:

Upon detail testing of the monthly bank reconciliation, IAD noted the following:

- One (1) out of twelve (12) instances, or 8%, where the bank reconciliation was not approved timely (e.g., the following month),
- Nine (9) out of twelve (12) instances, or 75%, where the supervisor review occurred; however, the date was not documented. Therefore, IAD could not determine if the review occurred timely.

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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:

Monthly bank reconciliations are reviewed within the following month and a Supervisor signature and date are documented on the bank reconciliation.

Target Date: Currently being done

**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, 2020 expenditures were obtained to ensure all independent contractors received a 1099. Lastly, All 1099s issued for calendar year 2020 were reviewed to ensure they were sent by the applicable IRS deadline.

No issues were noted.

**III. Vendor PEDACKN Forms**

2020 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.

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 Sheriff's Office unclaimed funds process. Unclaimed funds checks sent to the Fiscal Office were reviewed to ensure all applicable outstanding checks were escheated.

The following issue was noted:

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13. Issue:

Upon discussion with Sheriff's Office personnel, IAD noted there is no policy in place regarding stale dated outstanding checks and unclaimed funds (e.g. time elapsed before sending outstanding check to unclaimed funds, process of sending unclaimed funds to Fiscal Office, etc.) for the following accounts:

- Cfund Account
- Furtherance of Justice Account
- Prisoner Transportation Account
- LETF Patrol
- LETF Drug Old NARC
- I.D. & Records Account
- LETF Drug Unit (Projected Income) Account

Recommendation:

IAD recommends a policy and procedure be created to handle stale dated outstanding checks and the process of sending the stale dated checks to unclaimed funds. This will help to ensure stale dated checks are forwarded to unclaimed funds.

Management Action Plan:

A policy and procedure are being written to handle stale dated, outstanding checks to unclaimed funds.

Target Date: May 2022