

Summit County Children Services
Segregated Accounts
Performance Audit General Report

Prepared for:

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Audit Committee

Approved by Audit Committee
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EXECUTIVE SUMMARY

Total Issues – 6

Internal Controls

Strong Internal Controls:

Area	# Issues	Issue Description	Page Ref.
IRS Form 1099 Process	0	N/A	9
PEDAKN/OPERS	0	N/A	9

Weak Internal Controls:

Area	# Issues	Issue Description	Page Ref.
Children’s Savings Account	3	<ul style="list-style-type: none"> • Instances where funds were not timely deposited. • Instances where proper approval of expenditures were not obtained. • Instances where supervisor review date was not documented on the reconciliation and the reconciliation was not performed timely. 	6
Betterment Account	2	<ul style="list-style-type: none"> • Instances where proper approval of expenditures were not obtained. • Instances where supervisor review date was not documented on the reconciliation and the reconciliation was not performed timely. 	8
Unclaimed Funds	1	<ul style="list-style-type: none"> • Insufficient policy and procedure. 	10

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GENERAL BACKGROUND

Summit County Children Services (SCCS) administers two (2) 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
Children’s Savings (...5761)	ORC	Banner transfers to fund the account.	Payment to adolescent upon completion of the Independent Living Program.
Betterment (...6076)	ORC	Banner transfers, donations, etc.	Summer camp attendance, holiday gifts, utility expenses, etc.

AUDIT OBJECTIVE, SCOPE, AND METHODOLOGY

The primary focus of this review was to provide SCCS 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 SCCS.

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.

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Scope

An overview and evaluation of the existing policies, processes, procedures, contracts and internal control structure utilized by the SCCS 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 – 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 applicable guidelines.
4. Investigate discrepancies and summarize results.
5. Make recommendations where appropriate.

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DETAILED COMMENTS

I. 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 Children Savings and Betterment Accounts.

Samples of deposits and expenditures were judgmentally selected for detail testing 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:

Children Savings Account

1. Issue:

Upon detail testing of Children’s Saving Account deposits, IAD noted three (3) of ten (10), or 30%, instances where funds were not timely deposited in accordance with ORC §9.38.

Recommendation:

IAD recommends that all funds received be deposited by the next business day or adopt a policy permitting a different time period, not to exceed three business days next following the day of receipt, as long as the total amount of funds received does not exceed \$1,000.00. This will help to ensure compliance with ORC §9.38.

Management Action Plan:

SCCS will review ORC §9.38 with all applicable staff and follow the deposit guidelines established therein.

Note: It is important to mention that these irregularities took place during the Covid shutdown/remote work period which began in March of 2020 and continued until June of 2021. During the timeframe mentioned, SCCS had limited staff in the Fiscal Department and we made a limited number of “runs” to the County Fiscal Office/Treasurer each week. The “runs” corresponded with the days on which we were able to pick up checks from the County Fiscal Office but were not made on every day which the County Fiscal Office was open. Deposits became dependent upon the combination of the availability of SCCS Fiscal staff and the check pick-up days at the County Fiscal Office.

Target Date: Complete

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2. Issue:

Upon detail testing of Children’s Savings Account expenditures, IAD noted two (2) out of ten (10) instances, or 20%, where only one (1) signature was obtained on the check instead of two (2), in accordance with policies and procedures.

Recommendation:

IAD recommends that SCCS ensures all expenditures are signed off and approved by the appropriate parties. This will help to ensure proper approval and expenditure of funds in accordance with current policies and procedures.

Management Action Plan:

We have reviewed the Children’s Savings Account check issuance process with all applicable SCCS Fiscal Office staff and emphasized that under no circumstances can a Children’s Savings check be issued/mailed which does not have 2 authorized (Executive Team member) signatures affixed.

Note: It is important to mention that these irregularities took place during the Covid shutdown/remote work period which began in March of 2020 and continued until June of 2021. During the timeframe mentioned, SCCS had limited staff in the building including Executive Team members (5 in total) who are the only individuals authorized to sign checks issued from the Children’s Savings Account. While this issue, checks not being properly authorized, should not have occurred, it is possible that these checks were issued with only one signature due to an emergent situation such as needing funds to secure housing for an emancipating youth.

Target Date: Complete

3. Issue:

Upon detail testing of the Children’s Savings Account monthly bank reconciliations, IAD noted the following:

- Five (5) out of twelve (12) instances, or 42%, where the monthly bank reconciliation was not performed timely (e.g., the following month).
- One (1) out of twelve (12) instances, or 8%, where the reconciliation could not be located; therefore, IAD could not determine if a reconciliation was completed timely.

Recommendation:

IAD recommends the supervisor perform the monthly bank reconciliation timely (e.g., by the end of the following month) and document the date the review occurred. This will help to ensure monthly reconciliations are performed timely.

Management Action Plan:

The practice at SCCS is to have reconciliations completed on a monthly basis. SCCS recognizes this as a best practice. Due to turnover in the position and the Covid shutdown/remote work period which began in March of 2020 and continued until June of 2021, during which SCCS had limited staff in the building, reconciliations did fall behind. We have again experienced turnover in the position and the new employee has been trained to the best practice standard of monthly completion of reconciliations. In addition, the Deputy Executive Director will also review completed reconciliations to ensure timely completion thereof.

SCCS does not argue that one (1) reconciliation could not be located. We would point out that the Children’s Savings account was reconciled in the month(s) following which would indicate that the missing month held no

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issue. We will make every effort to ensure that all documentation is maintained in an orderly fashion and make the same available for audit upon request.

Target Date: Complete

Betterment Account

4. Issue:

Upon detail testing of Betterment Account expenditures, IAD noted the following:

- Four (4) out of twenty-one (21) instances, or 19%, where only one (1) signature was obtained on the check instead of two (2), in accordance with policies and procedures.
- Four (4) out of twelve (12), or 33%, where the Department Director's approval was not obtained on the check, in accordance with policies and procedures.
- Two (2) out of three (3), or 67%, where Executive Director's approval was not obtained on the check, in accordance with policies and procedures.

Recommendation:

IAD recommends that SCCS ensures all expenditures are signed off and approved by the appropriate parties. This will help to ensure proper approval and expenditure of funds in accordance with current policies and procedures.

Management Action Plan:

We have reviewed the Betterment Account check issuance process with all applicable SCCS Fiscal Office staff and emphasized that under no circumstances can a Betterment check be issued/mailed which does not have 2 authorized (Executive Team member) signatures affixed.

The SCCS Fiscal Office executes all PayPal transactions and as part of the practice we will ensure each transaction has appropriate authorization.

Approvals for Betterment Account checks cross the desk of the Deputy Executive Director – Fiscal Services. As part of the approval process, the Deputy Executive Director will review each request and forward those which require Executive Director approval. Please note, there are emergent situations which require that a Betterment Account check be issued immediately. Should the criteria (\$3,000 or above) be met but the Executive Director is not immediately available, the check will be issued, and Executive Director approval will be obtained thereafter.

Note: It is important to mention that these irregularities took place during the Covid shutdown/remote work period which began in March of 2020 and continued until June of 2021. During the timeframe mentioned, SCCS had limited staff in the building including Executive Team members (5 in total) who are the only individuals authorized to sign checks issued from the Betterment Account. While this issue, checks not being properly authorized, should not have occurred, it is possible that these checks were issued with only one signature due to an emergent situation.

Target Date: Complete as of 2/16/2022

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5. Issue:

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

- Five (5) out of twelve (12) instances, or 42%, where the monthly bank reconciliation was not performed timely (e.g., the following month).
- One (1) out of twelve (12) instances, or 8%, where the supervisor review was not documented; therefore, IAD could not determine if a reconciliation was completed timely.

Recommendation:

IAD recommends the supervisor perform the monthly bank reconciliation timely (e.g., by the end of the following month) and document the date the review occurred. This will help to ensure monthly reconciliations are performed timely.

Management Action Plan:

The practice at SCCS is to have reconciliations completed on a monthly basis. SCCS recognizes this as a best practice. Due to turnover in the position and the Covid shutdown/remote work period which began in March of 2020 and continued until June of 2021, during which SCCS had limited staff in the building, reconciliations did fall behind. We have again experienced turnover in the position and the new employee has been trained to the best practice standard of monthly completion of reconciliations. In addition, the Deputy Executive Director will also review completed reconciliations to ensure timely completion thereof.

Target Date: Complete

II. 1099 Process:

Staff interviews were conducted to gain an understanding of the IRS Form 1099 (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 Form 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 (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.

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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 SCCS 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:

6. Issue:

Upon discussion with personnel, IAD noted no formal policy in place over the unclaimed funds process.

Recommendation:

IAD recommends that a policy be created regarding the unclaimed funds process. This will help to ensure accountability and accuracy over unclaimed funds.

Management Action Plan:

The SCCS Fiscal Office has worked with the Independent Living department (Social Services) staff and as youths emancipate from SCCS custody, Independent Living staff now contact the SCCS Fiscal Office, as part of the emancipation checklist, and ensure all Children’s Savings funds are disbursed timely.

Betterment Account checks, which are issued to reimburse or pay a specific expense such as rent, utilities, sports participation fees, school pictures, summer camp fees, etc, are rarely if ever returned or found to be stale dated. Should we identify a stale dated check, we reach out to the social worker, or the entity to whom the check was issued to determine why the check was not cashed. Upon determining the reason, SCCS will either reissue the check or void it from the system. Additionally, if a check is returned, the SCCS Fiscal Office will void the check and the funds will remain in the Betterment Account. If it is determined that a check was issued for items or services delivered, but it has not been cashed, this will be tracked in the accounting software for a period of three years and then escheated to the state.

Upon emancipation of a child for whom a Children’s Savings account is held; the funds will be disbursed to the child. If the emancipated child cannot be located the funds will be held for three years after which they will be escheated to the state as unclaimed funds as per the Client Funds policy.

In order to track such funds, the SCCS Fiscal Office will establish a sub-account within QuickBooks, entitled “Unclaimed Funds” which will be further segregated by the name of the child to whom the funds belong, and SCCS will maintain the unclaimed funds in that sub-account for 3 years, during which time the SCCS Fiscal Office and Independent Living department will attempt to locate the emancipated child and disburse the funds.

Target Date: August 31, 2022 for the establishment of the sub-account within QuickBooks.