

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

**Prepared for:**

**Prosecutor Sherri Bevan Walsh**  
**Audit Committee**

**Approved by Audit Committee**  
**June 20, 2023**



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

*Lisa L. Skapura, Director*  
*Jon Keenan, Assistant Director*  
*Brittney Quinn, Senior Lead Auditor*  
*Amanda Winkelman, Senior Auditor*

**Summit County Prosecutor’s Office**  
*Segregated Accounts*  
Performance Audit – General Report

**Table of Contents**

EXECUTIVE SUMMARY ..... 3

GENERAL BACKGROUND ..... 4

AUDIT OBJECTIVE, SCOPE, AND METHODOLOGY..... 4

DETAILED COMMENTS ..... 6

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

**EXECUTIVE SUMMARY**

**Total Number of Issues – 4**

**Internal Controls**

*Strong Internal Controls:*

<b>Account/Section</b>	<b># Issues</b>	<b>Issue Description</b>	<b>Page Ref.</b>
Education Account	0	N/A	6
CSEA Deposits Held & Due to Others			7
Unclaimed Funds			8

*Weak Internal Controls:*

<b>Account/Section</b>	<b># Issues</b>	<b>Issue Description</b>	<b>Page Ref.</b>
Law Enforcement Trust Fund Account (LETF)	1	<ul style="list-style-type: none"> <li>• Instances where IAD could not determine proper segregation of duties when preparing the bank deposit and one instance where IAD could not determine that a receipt was deposited timely.</li> </ul>	6
Furtherance of Justice Account (FOJ)	1	<ul style="list-style-type: none"> <li>• Instance where Board of Control approval was not obtained for an expenditure between \$5,000 and \$50,000.</li> </ul>	7
1099 Process	1	<ul style="list-style-type: none"> <li>• Instances where a Form 1099 was required; however, was not sent to the IRS.</li> </ul>	7
Vendor PEDACKN Forms	1	<ul style="list-style-type: none"> <li>• Instance where a PEDACKN form was not completed and independent contractor information was not forwarded to Fiscal Accounting.</li> </ul>	8

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

**GENERAL BACKGROUND**

The Summit County Prosecutor's Office (Prosecutor's Office) administers four (4) segregated bank accounts. The Prosecutor's Office participates in Federal and State Law Enforcement Fund programs which disburse funds generated from seized and forfeited assets.

A description of the segregated accounts deposits and expenditures are represented in the table below:

<b>Account Name (Account Number)</b>	<b>Regulating Authority</b>	<b>Deposits</b>	<b>Expenditures</b>
Law Enforcement Trust Fund (...8595)	State of Ohio	Share of state and local seized assets	Education account, training, Prosecutor's education credits, etc.
Education Account (...8587)	State of Ohio	10% transfer of LETF funds on first \$100,000 received; 20% transfer on funds over \$100,000	Public education purposes (e.g., safety calendars, public awareness events, etc.)
Furtherance of Justice (...3721)	State of Ohio	General fund (based on the Prosecutor's salary)	General purchases (e.g., attorney dues, law handbooks, etc.)
CSEA Deposits Held & Due to Others (...3455)	State of Ohio	Child support payments	Daily state Child Support Payment Central (CSPC) disbursements

**AUDIT OBJECTIVE, SCOPE, AND METHODOLOGY**

The primary focus of this review was to provide the Prosecutor'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 Prosecutor'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.

**Summit County Prosecutor's Office**  
*Segregated Accounts*  
Performance Audit – General 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.

**Scope:**

An overview and evaluation of the existing policies, processes, procedures, contracts and internal control structure utilized by the Prosecutor's Office from January 1, 2022 through December 31, 2022.

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. Review policies and procedures and develop attributes. Perform testing where applicable.
5. Investigate discrepancies and summarize results.
6. 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.

**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.

**Summit County Prosecutor's Office**  
*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 the laws and regulations, deposit and expenditure processes, and internal controls in place for the following segregated accounts:

- Law Enforcement Trust Fund
- Education Account
- Furtherance of Justice
- CSEA Deposits Held and Due to Others

Samples of deposits and expenditures were selected from all accounts. Detail testing was performed to ensure adequate support was maintained, 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 supervisor review was performed and documented.

The following issues were noted:

LETF ACCOUNT

1. Issue:

Upon detail testing of LETF deposits, IAD noted the following:

- Three (3) out of ten (10) instances, or 30%, where IAD could not confirm if a proper segregation of duties exists over preparing the deposit in accordance with policies and procedures (e.g., no signature on deposit slip to document who prepared the deposit).
- One (1) out of ten (10) instances, or 10%, where the cash receipt was not deposited timely in accordance with ORC §9.38 (e.g., date the funds were received was not documented on the receipt).

Recommendation:

IAD recommends that the Prosecutor's Office ensure that the signature of the person preparing the deposit is documented on the deposit slip and the date the funds were received is documented on the receipt. This will help to ensure proper segregation of duties and compliance with internal policies and ORC §9.38.

Management Action Plan:

Prosecutor's Office will ensure that all deposit slips are completed properly moving forward. These instances were an unintentional oversight by a new hire.

Target Date: Immediately.

EDUCATION ACCOUNT

No issues were noted.

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

FURTHERANCE OF JUSTICE ACCOUNT

2. Issue:

IAD noted one (1) out of two (2) instances, or 50%, where Board of Control approval was not obtained for an expenditure between \$5,000 and \$50,000, in accordance with Summit County Codified Ordinance 177.10.

Recommendation:

IAD recommends that the Prosecutor's Office ensure that Board of Control approval be obtained for expenditures between \$5,000 and \$50,000. This will help to ensure compliance with Codified Ordinance 177.10.

Management Action Plan:

Procedures have been updated to reflect that any expense over \$5,000 needs BOC approval, regardless of the account funds are drawn from. This was not submitted to BOC due to funds not having been from the general fund.

Target Date: Immediately

CSEA ACCOUNT

No issues were noted.

**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, 2022 expenditures were obtained to ensure all independent contractors received a 1099. Lastly, all 1099s issued for calendar year 2022 were reviewed to ensure they were sent by the applicable IRS deadline.

The following issue was noted:

3. Issue:

Upon detail testing of IRS Form 1099s, IAD noted two (2) out of eight (8) instances, or 8%, where a Form 1099 was required but was not completed and sent by the established deadline.

Recommendation:

IAD recommends the Prosecutor's Office issue Form 1099's to all vendors by the established deadlines, when applicable. This will help to ensure compliance with IRS regulations.

Management Action Plan:

Procedures have been updated to include court room reporters as independent contractors to ensure they receive the proper tax documentation moving forward. Court reporters are County employees and there was an impression that due to that employment a 1099 was not necessary.

Target Date: Immediately.

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

### III. Vendor PEDACKN Forms

IAD obtained the 2022 expenditures for all the Prosecutor's Office 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.
- List of all independent contractors was provided to the Fiscal Office Accounting Department annually.

#### 4. Issue:

Upon detail testing of expenditures, IAD noted one (1) out of seven (7) instances, or 14%, where a vendor was determined to be an independent contractor and provided a service; however, a PEDACKN form was not completed by the vendor providing the service, in accordance with Ohio Revised Code § 145.038. Additionally, the independent contractor was not forwarded to the Fiscal Office Accounting Department.

#### Recommendation:

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

#### Management Action Plan:

Procedures have been updated to include court room reporters as independent contractors to ensure they receive the proper tax documentation moving forward. Court reporters are County employees and there was an impression that due to that employment a 1099 was not necessary.

Target Date: Immediately.

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

No issues were noted.