

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

Prepared for:

Sheriff Kandy Fatheree
Audit Committee

Final Report
September 19, 2023



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EXECUTIVE SUMMARY

Total Number of Issues – 9

Internal Controls

Strong Internal Controls:

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

Weak Internal Controls:

| Area | # Issues | Issue Description | Page Ref. |
|---|----------|--|-----------|
| C-Fund Account | 8 | <ul style="list-style-type: none"> • Instances where a supervisor review occurred on the bank reconciliation; however, a date was not documented. (CFund, FOJ, Prisoner Transportation, LETF Patrol, LETF Project Income) • Instances where the deposit was not made timely (I.D. and Records, Inmate Accounts) • Funds have not been utilized since 2009 (LETF – Old Drug Unit Account) • Instances where either a supervisor review did not occur on the bank reconciliation or the bank reconciliation was not approved timely (Civil account) • Instance where Board of Control approval was not obtained for an expenditure between \$5,000 and \$50,000 (LETF – Patrol) • Instances where user access to the Keefe and Proware systems were unreasonable (Civil & Inmate). | 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 | 1 | <ul style="list-style-type: none"> • No policy in place regarding stale dated checks (CFund, FOJ, Prisoner Transportation, LETF Patrol, LETF Drug Old NARC, I.D. & Records, Project Income). Additionally, this issue was also noted in the 2021 Audit. | 10 |
| Unclaimed Funds | | | |

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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:

| 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 |
| 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 forwarded to the Fiscal Office in accordance with the 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, 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. 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

A sample 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.

User access to the Keefe (Inmate Account system) and Proware (Civil Account system) was reviewed to ensure access to the system is reasonable.

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The following issues were noted:

C-fund, FOJ, Prisoner Transportation, LETF (Patrol), I.D. & Records, and LETF (Project Income) Accounts:

1. Issue:

Upon detail testing of the monthly bank reconciliation, IAD noted twelve (12) out of twelve (12) instances, or 100%, where the supervisor review occurred; however, the date was not documented. Therefore, IAD could not determine if the review occurred timely. Additionally, IAD noted a policy is not in place requiring a date on the monthly 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. Additionally, IAD recommends a policy be created to require a date on the monthly reconciliation. This will help to ensure the bank reconciliations are properly monitored and performed timely.

Management Action Plan:

A line will be added to the reconciliation for the date of review.

Target Date: Already done.

Law Enforcement Trust Fund (Patrol) Account:

2. Issue:

Upon detail testing of expenditures, IAD noted one (1) out of one (1), or 100%, instance where the transaction was between \$5,000 and \$50,000 and Board of Control approval was not obtained, in accordance with Summit County Codified Ordinance §177.10.

Recommendation:

IAD recommends expenditures between \$5,000 and \$50,000 receive Board of Control approval. This will help to ensure compliance with Summit County Codified Ordinance §177.10.

Management Action Plan:

Watch closer to ensure we receive the correct Board of Control approvals.

Target Date: Already done.

Law Enforcement Trust Fund (LETF) – Old Drug Unit Account:

3. Issue:

Upon detail testing and discussion with personnel, IAD noted the funds in the LETF – Old Drug Unit account have not been utilized since 2009.

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Recommendation:

IAD recommends that the Sheriff's Office determine what expenditures are allowed to be utilized with these funds and expend the funds out of this account when applicable.

Management Action Plan:

Will determine what expenditures are allowed and utilize the funds.

Target Date: December 31, 2023

ID & Records Administration Account:

4. Issue:

Upon detail testing of deposits, IAD noted four (4) out of ten (10) instances, or 40%, instances where the deposit was not made timely, in accordance with ORC §9.38.

Recommendation:

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

Management Action Plan:

Update policy to include the ORC 9.38 language to allow 3 business on deposits.

Target Date: December 31, 2023

Civil Account:

5. Issue:

Upon detail testing of bank reconciliations, IAD noted the following:

- Four (4) out of twelve (12) instances, or 25%, where supervisor review was not performed/documented on the bank reconciliation.
- Seven (7) out of twelve (12) instances, or 58%, where the bank reconciliation was not approved 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:

Will meet with Rose Debord and Judy Houston to determine the best changes to make to ensure the bank reconciliation is monitored and performed timely.

Target Date: December 31, 2023

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6. Issue:

Upon detail testing of Proware user access, IAD noted ten (10) out of thirty-five (35), or 29%, users with unreasonable access to the system (e.g., terminated employees).

Recommendation:

IAD recommends that Proware user access be reviewed on a routine basis and any unreasonable access be removed. This will help to ensure the security of confidential information and access to the system is reasonable.

Corrective Action Taken Prior to the End of Fieldwork:

IAD noted all ten (10) unreasonable users have been removed.

Management Action Plan:

Action taken already and corrected.

Target Date: Already done.

Inmate Account:

7. Issue:

Upon detail testing of deposits, IAD noted five (5) out of thirteen (13) instances, or 38%, instances where the deposit was not made timely, in accordance with ORC §9.38.

Recommendation:

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

Management Action Plan:

Update policy to include the ORC 9.38 language to allow 3 business on deposits.

Target Date: December 31, 2023

8. Issue:

Upon testing of Keefe user access, IAD noted four (4) out of one hundred and one (101), or 4%, users with unreasonable access to the system (e.g., terminated employees, duplicate user profiles).

Recommendation:

IAD recommends that Keefe user access be reviewed on a routine basis and any unreasonable access be removed. This will help to ensure the security of confidential information and access to the system is reasonable.

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Corrective Action Taken Prior to the End of Fieldwork:

IAD noted all four (4) unreasonable users have been removed.

Management Action Plan:

Action taken already and corrected.

Target Date: Already 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, 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.

No issues were noted.

III. Vendor PEDACKN Forms

2022 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.
- 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:

9. 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

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- I.D. & Records Account
- LETF Drug Unit (Projected Income) Account

This issue was also noted in the 2021 Sheriff's Office Segregated Accounts Audit and a policy has not been created to date.

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:

Update policies and procedures to handle stale dated outstanding checks.

Target Date: December 31, 2023