



SUMMIT COUNTY, OHIO

INTERNAL AUDIT DEPARTMENT

March 4, 2009

The Honorable Daniel Horrigan
Summit County Clerk of Courts
205 S. High St.
Akron, OH 44308

Dear Mr. Horrigan:

Attached are the draft results of the second Follow-up Audit regarding the issues that were identified in the Summit County Clerk of Courts (COC) - Title Division Preliminary Audit report approved March 14, 2006, and the First Follow up Audit report approved March 28, 2007.

Second Follow-up Audit Summary

The primary focus of this follow up was to provide the COC – Title Division with reasonable assurance, based on the testing performed, on the adequacy of the system of management control in effect for the audit areas tested. 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.

Our Follow Up was conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States and accordingly included such tests of records and other auditing procedures as we considered necessary under the circumstances. Our procedures include interviewing staff, reviewing procedures and other information, and testing internal controls as needed to assess compliance with the stated management action plans.

The follow-up process should monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action. Follow-up by internal auditors is defined as a process by which they determine the adequacy, effectiveness, and timeliness of actions taken by management on reported engagement observations.

Factors that should be considered in determining appropriate follow-up procedures are:

- The significance of the reported observation.
- The degree of effort and cost needed to correct the reported condition.
- The impact that may result should the corrective action fail.
- The complexity of the corrective action.
- The time period involved.

We appreciate the cooperation and assistance received during the course of this second Follow-up Audit. If you have any questions about the audit or this report, please feel free to contact me at extension (330) 643-2655.

Sincerely,

Bernard F. Zaucha
Director, Internal Audit

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**Summit County Clerk of Courts Title Division
Second Follow up Audit**

Auditors:

Lisa Skapura, Assistant Director; Mira Pozna, Deputy Director; Meredith Merry, Internal Auditor; Ben Franjesevic, Internal Auditor; and Shirlene Thompson, Intern

Objective:

To determine if management has implemented their management action plans as stated in the previously issued Preliminary and Follow up Audit reports.

Scope:

An overview and evaluation of policies, processes, and procedures implemented by the department/agency because of management actions stated in the management action plans during the Preliminary and Follow up Audit process.

Testing Procedures:

The following were the major audit steps performed:

1. Review the final Preliminary and Follow up Audit reports to gain an understanding of IAD issues, recommendations, and subsequent management action plans completed by the audited department/agency.
2. Review the work papers from the Preliminary and Follow up Audits.
3. Review any departmental/agency response documentation provided to IAD with management action plan responses following the Preliminary Audit and Follow up Audit.
4. Identify management actions through discussions/interviews with appropriate departmental personnel to gain an understanding of the updates/actions taken.
5. Review applicable support to evaluate management actions.
6. Determine implementation status of management action plans.
7. Complete the second Follow-up Audit report noting the status of previously noted management actions.

Summary

Of the ten issues and the corresponding management action plans remaining in the Second Preliminary Follow up Audit Report, the Clerk of Courts - Title Division has fully implemented all ten management action plans.

Based on the above noted information, IAD believes that the COC – Title Division has made a positive effort towards the implementation of their corrective management action plans as stated in response to the issues identified in the preliminary audit.

**Summit County Clerk of Courts Title Division
Second Follow up Audit
Comments**

Listed below is a summary of the remaining issues noted in the first Follow up Audit Report, their status and updated Management Action Plan. Each issue number is in reference to the Preliminary Audit report:

Management Action Plans Fully Implemented:

- **Issue 1** - It was noted that the majority of the COC Employee Manual is outdated. This issue has been identified previously in the COC Legal Division preliminary audit.

Through review of the Summit County Clerk of Courts Title Division Policy and Procedures, IAD noted that it contained Chapter 169 of the Summit County Codified Ordinances and other personnel procedures. IAD selected a sample of six employees and verified that their personnel files contained an acknowledgement of receipt of the manual containing Chapter 169.

- **Issue 2** - IAD noted that the policies and procedures for the COC Title Division were in draft form and did not include procedures for all areas of the Title Division (i.e., branch office functions, natural disaster plans for the branch offices, and functions of the Chief Deputy Clerk).

Through review the Clerk of Courts Operations Manual and updates, IAD noted that procedures are incorporated for all areas of the COC – Title Division. The Chief of Staff informed IAD that the accounting system is currently being rewritten with an estimated implementation date of March 2010 and, as a result, job functions will be changing.

- **Issue 3** - It does not appear that a formal written disaster recovery plan is communicated to the COC Title Division employees. Upon follow up, IAD obtained and reviewed the Title Bureau Main Office Fire and Emergency Evacuation Plan; however, it was not located in the policy and procedure manual.

Through review of a revised copy of the Clerk of Courts Operations Manual, IAD noted that an emergency evacuation plan was present for both Branch Offices as well as the Main Office.

- **Issue 6** - Upon comparison of a listing of personnel file requirements from the Chief Deputy Clerk-Title Division, to the COC Employee Personnel Manual Section 9.1 and to the Personnel File Narrative that took place with the Chief Deputy Clerk-Legal Division from a previous audit, IAD noted several discrepancies between the listings (i.e., Banner forms, Emergency Contact Sheets, I-9's, etc.).

IAD reviewed a revised copy of the Clerk of Courts Operations Manual and noted that a standardized listing of personnel file requirements pertaining to both the Title and the Legal division of the Clerk of Courts was included in the manual.

- **Issue 7** - Upon discussion with the Chief Deputy Clerk-Title Division and review of the draft COC Title policies and procedures, IAD noted that there are no written internal policies and procedures for the COC Title Division expenditure process.

IAD reviewed the COC Operations Manual and updates and noted that the Purchasing policy update references Summit County Codified Ordinance Section 177 regarding the approval process. Additionally, the Ordering Supplies policy update references the Fiscal Office policy regarding Banner functions and voucher payments.

- **Issue 8** - Upon discussion with the Chief Deputy Clerk-Title Division, and review of the internal control questionnaire, it was noted that there is a lack of segregation of duties. The Chief Deputy Clerk-Title Division prepares and approves requisitions in "Banner," approves invoices for payment, and prepares vouchers.

IAD reviewed the Summit County Clerk of Courts Title Division policy and procedures manual and noted that it included a policy and procedure for "Ordering Supplies" within it stating that the Clerk of Courts will review and approve/deny requisitions. Through testing, IAD noted that all twenty nine requisitions tested for 2008 contained an approval by the Clerk of Courts.

- **Issue 9** - Upon discussion with the Clerical Supervisors for the South Branch-Portage Lakes and North Branch-Macedonia offices and review of the draft COC Title policies and procedures manual, there are no formal written policies and procedures in regards to the cash collection/receipting process for the South Branch-Portage Lakes and North Branch-Macedonia offices.

Through review of a revised copy of the Clerk of Courts Operations Manual and updates, IAD noted that the manual contains separate cash collection/receipting procedures for each Branch Office as well as the Main Office.

- **Issue 10** - Upon discussion with the Bookkeeping Account Clerk Supervisor and observation of the cash collection process in the COC Title Division Main office, there is a lack of segregation of duties between the preparation of the daily deposits and performance of the bank reconciliation. The Bookkeeping Account Clerk Supervisor is responsible for preparing the deposits on a daily basis and reconciling the monthly bank statement.

Through review of a revised copy of the Clerk of Courts Operations Manual, IAD noted procedures for performance of the bank reconciliation. This procedure also addressed the final review process and appeared to have a proper segregation of duties.

- **Issue 11** - Upon discussion with the Bookkeeping Account Clerk Supervisor at the Main office and the Clerical Supervisors for the South Branch-Portage Lakes and North Branch-Macedonia offices, it was noted that all of the branches maintain an over/short fund. When the cashiers collect monies exceeding the amount of the Ohio Automated Title Processing System (ATPS), the monies are put into the over/short fund. Per the Chief Deputy Clerk, overages can be caused by bills being stuck together during a transaction or pre-written dealers' checks exceeding the amount owed because of rounding differences in tax calculations between the ATPS system and

the dealer's system. Likewise, shortages that occur are made up from the over/short fund. Upon review of the over/short logs, the balances of the funds and the earliest available beginning dates were as follows:

- a. Main Office: Beginning date: 11/1/99. Ending balance as of 12/6/05: \$775.81.
- b. South Branch-Portage Lakes office: Beginning date: 1/1/00. Ending balance as of 12/7/05: \$185.00.
- c. North Branch-Macedonia office: Beginning date: 7/2/91. Ending balance as of 12/5/05: \$93.99.

Additionally, IAD noted the following:

- a. Upon review of the draft COC Title Policies and Procedures, IAD noted that there is no policy and procedure for when cash is over or short.
- b. Per the Supervisors at each office, when shortages occur, it is the responsibility of the cashiers to make up the difference. However, there appears to be inconsistencies in the threshold amount that must be made up by the cashiers. Per the Chief Deputy Clerk, it is the responsibility of the cashiers to pay shortages exceeding \$100.00. Per the Bookkeeping Account Clerk Supervisor, the cut-off amount for shortages to be paid from the over/short fund is \$20.00. Additionally, per discussion with the Chief Deputy Clerk, the Macedonia office does not require the cashiers to pay back shortages.

Through review of the policies and procedures manual for the COC-Title division, IAD noted that it addresses the treatment of cash overage and shortage. IAD verified that the personnel file contained an acknowledgement of receipt of the overage/short fund policies and procedures within the P&P manual for six out of six employees selected for testing.

- **Issue 12** - Upon review of the monies collected in the over/short fund, which are considered public monies according to O.R.C. §9.39, IAD noted that the monies were not deposited in accordance with O.R.C. §9.38. Additionally, O.R.C. §9.39 states that; "All public officials are liable for all public money received or collected by them or by their subordinates under color of office. All money received or collected by a public official under color of office and not otherwise paid out according to law shall be paid into the treasury of the public office with which he is connected to the credit of a trust fund and shall be retained there until claimed by its lawful owner. If not claimed within a period of five years, the money shall revert to the general fund of the public office."

IAD reviewed the policy on the treatment of cash overage and found that it accurately addresses the transfer of cash overage from COC-Title departments to the Fiscal office, which is in accordance with O.R.C Section 9.39. Through review of the checks and deposit slips relating to the transfer of excess cash overages for four months from COC-Title to the Fiscal Office, audit testing indicated that COC-Title is in accordance with O.R.C Section 9.39

Second Security Follow-Up:

Security follow-up issues noted during fieldwork are addressed under separate cover in the accompanying report in compliance with Ohio Revised Code §149.433²⁴⁸.