

# SUMMIT COUNTY, OHIO

BERNARD F. ZAUCHA, CPA, MBA, CIA, DIRECTOR

August 19, 2005

James Oberdorfer  
Director of the Department of Community and Economic Development  
175 S. Main Street, Room 207  
Akron, OH 44308

Dear Mr. Oberdorfer:

Attached are the results of the Follow-up Audit regarding the issues that were identified in the Department of Community and Economic Development Preliminary Audit report dated March 28, 2005.

## **FOLLOW-UP AUDIT SUMMARY**

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 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

cc: Audit Committee  
James B. McCarthy

INTERNAL AUDIT DEPARTMENT  
175 S. MAIN STREET • AKRON, OHIO 44308 – 1308  
VOICE: 330.643.2504 • FAX: 330-643-8751  
[www.co.summit.oh.us](http://www.co.summit.oh.us)

**DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT**  
**Follow-up Audit**  
**(APPROVED BY AUDIT COMMITTEE DECEMBER 8, 2005)**

**Auditor:**

Dan Crews, Senior Auditor

**Objective:**

To determine if management has implemented their corrective management action plans as stated in response to the previously issued Preliminary Audit reports.

**Scope:**

An overview and evaluation of policies, processes, and procedures implemented by the department/agency as a result of management actions stated in the corrective management action plans during the Preliminary Audit process.

**Testing Procedures:**

The following were the major audit steps performed:

1. Review the final preliminary 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 audit, where applicable.
3. Review any departmental/agency response documentation provided to IAD with management action plan responses following the preliminary audit.
4. Identify management actions through discussions/interviews with appropriate departmental personnel to gain an understanding of the updates/actions taken to address the original preliminary audit issues.
5. Review applicable support to evaluate management actions.
6. Determine implementation status of management action plans.
7. Complete follow-up report noting status of previously noted management actions.

**DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT**  
**Follow-up Audit**  
**COMMENTS**

The Internal Audit Department (IAD) conducted a follow-up audit of the Department of Community and Economic Development (DOD) Preliminary Audit. The original Preliminary Audit concluded in November 2004 and was approved by the Summit County Audit Committee on March 21, 2005.

The accompanying follow-up comments to previously stated Preliminary Audit issues present an overall summary of the current status of the corresponding management action plans.

Listed below is a summary of the major issues/management action plans and their current status:

**Management Action Plans fully implemented:**

Department of Development - Ohio Building

- Creation and implementation of Home Weatherization Assistance Program (HWAP) policies and procedures for DOD.
- Management to conduct meetings with the Department of Budget and Management to ensure expenditures for Enterprise Zone reimbursements are not in excess of the line item allocation.

Building Standards – Tallmadge Avenue

- Change of pick-up time with Dunbar Armor to later in the day to help ensure compliance with ORC Section 9.38.
- Having BS&A (*Building Standards software package provider*) provide management and staff with additional training/instruction on BS&A software.
- Completion of BS&A software additions for Building Standards miscellaneous receipts.
- Maintaining of the daily start-up fund and daily cash receipts in the cash register on the cashier's desk during working hours.
- Informing/training permit issuing personnel on usage of BS&A software option which indicates flags in system to the user when any monies are owed prior to issuance of other permits.
- Implementation of procedure whereby an independent person separate from the cash collection process, the Executive Assistant, opens the mail and distributes to the appropriate personnel for processing.

**Management Action Plans partially implemented:**

- Development and implementation of internal policies and procedures by each respective division within DOD to create a master copy for the use by all employees.  
*Per IAD follow-up with the Director and Deputy Director of DOD on 8/1/05:*
  - *Summit County Housing Rehabilitation Program Residential Rehabilitation Standards (RRS) have been created with an effective date of 1/1/05.*
  - *Summit County Housing Rehabilitation Program: Policies and Procedures with adoption dates of 1/1/05 have been created.*
  - *A Summit County Weatherization Policy Manual has been created with an effective date of 4/1/05.*

- *Policies and procedures for the CDGB non-housing portion of the program, First Time Homebuyer program, and policies and procedures otherwise for the entire department are still being developed. Target date for completion is by the end of September 2005.*

Department of Development - Ohio Building

- Creation of a cross-training flowchart that will be distributed to each employee and implementation of employee cross training within the department.  
*Per IAD follow-up with the Director and Deputy Director of DOD on 8/1/05, cross-training has been implemented effective 5/1/05, however, a cross-training flowchart had not been distributed to the employees. Per the Deputy Director, an updated flowchart will be distributed 8/1/05. IAD received a copy of the updated flowchart on 8/9/05.*
- CDBG loans currently being monitored and policies are being created to ensure proper tracking. Creation and implementation of policies and procedures for the Housing Rehabilitation program effective 1/1/05.  
*Per IAD follow-up with the Director and Deputy Director of DOD on 8/1/05, the Housing Rehabilitation program policies and procedures, which contain a Client File Monitoring Checklist, have been implemented. The Monitoring Checklist, which contains a section on loan processing and servicing, has not been utilized as of yet. Per the Deputy Director on 8/18/05, target date to begin the monitoring process is slated for October 1, 2005.*

Building Standards – Tallmadge Avenue

- Implementation of the Deputy Director of Building Standards review and approval of all expenditures/invoices through the Department of Building Standards.  
*Per IAD follow-up with the Deputy Director of Building Standards and the Executive Assistant on 8/2/05, they stated that after the Executive Assistant processes invoices for payment, the Deputy Director of Building Standards approves each Voucher Payment Signature List for payment. However, copies of signed voucher payment signature lists were not on file at Building Standards. IAD performed a review of five various 2005 Voucher Payment Signature Lists on file in Accounting at the Ohio Building. Of the five reviewed, three were noted with the Deputy Director's approval, one was noted with the Executive Assistant signing for a fill-in for the Deputy Director while he was on vacation, and one contained no sign-off indicating approval. Review of individual invoices processed for payment contained the approval of the Executive Assistant.*
- Implementation of the Deputy Director of Building Standards review and approval of all refund, reimbursements, and payments.  
*Per IAD follow-up with the Deputy Director of Building Standards and the Executive Assistant on 8/2/05, implemented process of Deputy Director of Building Standards approving refunds effective 12/15/04. IAD reviewed documentation for three refunds completed in 2005. One refund contained the Deputy Director sign-off approval, one contained sign-off by Executive Assistant for Deputy Director, and one contained sign-off approval of the permit clerk only.*
- Procedure implemented whereby the issuance of a Certificate of Occupancy should be the indication that all monies/fees owed have been collected and procedural infractions have been properly addressed.  
*Per IAD follow-up with the Deputy Director of Building Standards and the Executive Assistant on 8/2/05:*

- *Management stated that a meeting was completed with the Co-technicians, Clerk II-Cashier, and clerks to discuss proper handling of Certificates of Occupancy in March 2005.*
- *Per IAD discussion with a Co-technician and Clerk II-Cashier on 8/2/05, it is still possible system-wise to print a Certificate of Occupancy without final payments or inspections being cleared.*
- *No formal written procedure has been completed; target date slated for completion of written procedure is by the end of the first quarter in 2006 with complete policies and procedures manual.*

**Management Action Plans not implemented:**

Department of Development - Ohio Building

- Proper segregation of duties within the cash collection process in the Planning Division and the Enterprise Zone function to ensure that one person is not responsible for collection, receipt writing, and depositing of fees collected.  
*Per IAD follow-up with the Director and Deputy Director of DOD on 8/1/05:*
  - *A new cash receipting process to segregate the cash/check receiving process has not yet occurred. Per management, it will be in place by the end of August 2005. Formal policies and procedures will be accomplished by the end of September 2005.*
  - *On 8/16/05, IAD received a copy of an e-mail directive dated 8/15/05, detailing the initial process for the Cash/Check Handling Process from the Deputy Director of DOD which was sent to applicable departmental staff members.*
- Completion, implementation, and formalization of departmental directive and policies addressing proper depositing of cash/check collections in accordance with ORC § 9.83.  
*Per IAD follow-up with the Director and Deputy Director of DOD on 8/1/05:*
  - *Appropriate personnel are aware of required process; however, depositing of departmental cash/check collections within 24 hours has not yet been accomplished. Target date to accomplish deposits within 24 hours now slated for completion by the end of August 2005.*
  - *New target date for completion of a formalized directive and policies detailing the requirements of the deposit process will be completed by the end of September 2005.*
  - *On 8/8/05, the Deputy Director of DOD copied IAD on an e-mail directive to the DOD staff, dated 8/8/05, that any cash/checks received by DOD personnel must be deposited to the Fiscal Office within 24 hours.*
- Completion/oversight by the Deputy Director of Planning of a reconciliation process of plan reviews completed to the amount of applicable fees collected. Also management oversight of proper handling/recording of funds collected and deposited.  
*Per IAD follow-up with the Director and Deputy Director of DOD on 8/1/05:*
  - *Reconciliations have not yet been accomplished. Target date for implementing the completion of reviews and reconciliations between deposits and plan reviews is slated for accomplishment by the end of August 2005.*

Building Standards – Tallmadge Avenue

- Performance of daily reconciliations from daily receipts reports to management activity reports derived from the BS&A software system.  
*Per IAD follow-up with the Deputy Director of Building Standards and the Executive Assistant on 8/2/05, reconciliations and monitoring of daily receipts reports to BS&A*

*daily management activity reports have not been completed. Daily management activity reports have not been completed by Building Standards management to enable the reconciliations. Per the Deputy Director, daily reconciliations will commence immediately/beginning August 2005.*

- Reconciliation of all outstanding balances as noted by the 2003 and 2004 Reports on Permits with Monies Due, all balances noted as being reconciled and having a zero balance as of January 1, 2005. The daily reports are to be verified by the Executive Assistant. Also scheduled for completion is the production and review of monthly aging reports by Building Standards management to verify collection of all departmental revenues.

*Per IAD follow-up with the Deputy Director of Building Standards and the Executive Assistant on 8/2/05:*

- *All 2003 and 2004 balances have not been reconciled and are not at zero balance. On 8/2/05, at IAD's request, the Executive Assistant produced a management report of all balances due for permits from 2003 and 2004. Amounts still showing due on the report totaled to \$24,277.93. Building Standards management did not possess any past documentation supporting reconciliation or a balance write-off for these amounts due. Per IAD follow-up on 8/18/05 with Building Standards management, a reconciliation/action will be completed on the 2003 & 2004 balances due by the end of October 2005.*
  - *The Clerk II-Cashier has been giving a daily Cash Receipts report to the Deputy Director, however, no management reports which show Daily Revenue Totals by categories/items have been completed for review and comparison by the Deputy Director. Per management, the target date for completion of daily report comparison/verification is scheduled to commence immediately/beginning of August 2005.*
  - *The running of monthly aging reports and subsequent review has not yet been accomplished. The aging report must be produced by the Executive Assistant. Target date for implementing the production and review of monthly aging reports is slated for the end of August 2005.*
- Action taken to bring the daily cash change fund balance up to the \$150.00 as indicated by Codified Ordinance.

*Per IAD follow-up with the Deputy Director of Building Standards and the Executive Assistant on 8/2/05, and confirmation by the Clerk II-Cashier, correction of the change fund balance has not yet occurred. Per follow-up with Building Standards management on 8/18/05, action will be taken by the end of October 2005 to properly increase start up fund balance to the required \$150.00.*

### **Conclusion:**

Based on the above noted information, IAD believes that the Department of Community and Economic Development has made some progress towards the implementation of their corrective management action plans; however, additional work is needed to fully implement management action plan goals as stated in response to the audit issues identified during the preliminary audit. Internal Audit will conduct another follow-up audit to confirm implementation based on the new target dates.

### **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 §149.433<sup>248</sup>.