

SUMMIT COUNTY, OHIO

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

October 20, 2005

David Marquard, P.E., P.S.
Director - Department of Environmental Services
2525 State Road
Cuyahoga Falls, OH 44223

Dear Mr. Marquard:

Attached is the final Follow-up Audit report regarding the issues that were identified in the Executive Office: Department of Environmental Services (DOES) Preliminary Audit report dated February 1, 2005. The follow-up report was approved by the Audit Committee on September 28, 2005 at which time it became public record. We appreciate the cooperation and assistance received during the course of this follow-up audit.

FOLLOW-UP AUDIT SUMMARY

The follow-up process monitors and ensures 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 are considered in determining appropriate follow-up procedures:

- 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.

Sincerely,

Bernard F. Zaucha

cc: Audit Committee
James B. McCarthy
Mike Weant, Deputy Director Administration

INTERNAL AUDIT DEPARTMENT
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**EXECUTIVE OFFICE:
DEPARTMENT OF ENVIRONMENTAL SERVICES
Follow-up Audit**

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.

**EXECUTIVE OFFICE:
DEPARTMENT OF ENVIRONMENTAL SERVICES
Follow-up Audit
COMMENTS**

The Internal Audit Department (IAD) conducted a follow-up audit of the Department of Environmental Services (DOES) Preliminary Audit. The original Preliminary Audit concluded in August 2004 and was approved by the Summit County Audit Committee on December 17, 2004.

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.

During our follow-up audit, IAD noted through discussion with the Deputy Director – Administration on 7/14/05, that DOES has undergone several upper management changes/vacancies (*Engineering Department*) and staff supervisory changes since the conclusion of the Preliminary Audit in August 2004. Per the Deputy Director, the culmination of these changes have resulted in delays in the implementation of previously stated management action plans.

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

Management Action Plans fully implemented:

- Deployment of a new billing system and training of additional personnel in the operational and technical aspects of the billing software to enable completion of the monthly utility billing procedure.
- Review of position duties and primary functions in the Billing Department with the purpose of fulfilling the objective of increased segregation. Production and review of an exception report from the billing application that identifies instances whereby account data from outside entities does not have a one-to-one relationship with the customer account master file. Requirement of Office Manager and Deputy Director of Administration sign off as final approval on customer account adjustments.
- Engineering, Operations, and Administration to formulate and implement an audit procedure whereby Commercial and Industrial accounts will be surveyed/audited on an annual basis. Administration to review and make necessary changes to the customer accounts.

Management Action Plans partially implemented:

- Identification and creation of internal operational procedures for DOES to exist electronically and in hard copy. Acknowledgement signatures will be obtained from applicable employees recognizing proper receipt of procedures and will subsequently be included in the employee's personnel file. Process to be ongoing throughout 2005.
Per IAD follow-up with the Deputy Director – Administration on 7/14/05, no formal documented manual is yet in place, however, a format has been determined for the new operational procedures. Also, the actual writing of some policies and procedures has commenced for select areas. Target date for starting to issue formal polices and procedures is by the end of the third quarter of 2005.

- 1) Review and updating of various policy and procedure manuals to include: The existing Policies and Procedures Manual, the Safety Policies Manual, SCADA Alarm manual, and Laboratory Standard Operating Procedures sheets. Review and updating to be completed by the end of the second quarter of 2005.
- 2) Engineering to review and update various policy and procedure manuals to include: Construction Inspection Manual, Public Project Manual, Private Project Manual, DOES Construction Standards Manual, various Sewer Maintenance manuals. To be completed by the end of 2005.
- 3) Operations to review and update all Laboratory Standard Operating Procedures (SOP) sheets by the second quarter of 2005.
- 4) Update or completion of a new SCADA manual.

Per IAD follow-up with the Deputy Director – Administration on 7/14/05, the following were noted:

- *The existing policies and procedures manual has been thrown away, to be re-developed.*
 - *A review of the Safety Policies manual is currently in progress with a new target date of completion for the end of the third quarter 2005.*
 - *The updating of the various Engineering manuals has not been started; the new Public Works Manager is now in charge of formulating/updating manuals. The various Sewer Maintenance manuals will be worked on by the Public Works Manager and the Deputy Director of Operations. Target dates for completion are still by the end of 2005.*
 - *The Safety Coordinator is currently involved in the review and updating of the Laboratory Standard Operating Procedures (SOP) which are in progress. New target date set for the end of the third quarter 2005.*
 - *A new manual for the SCADA system will be completed with the system upgrade by the end of 2005.*
- Develop and provide initial training programs to satisfy mandatory requirements, reduce liability, and indoctrinate new employees. Undertake an initiative to cross-train employees in various DOES departments. Complete mandatory OSHA training and certification for employees. Update and teach engineering procedures and techniques to employees involved in system design, construction, and inspection.
Per IAD follow-up on 7/14/05, department management stated that the majority of training programs completed so far this year have involved mandatory safety training and is up to date. Various billing and finance areas have been cross-trained. Access issues for the outside billing software vendor (SSI) have been addressed to ensure the viability of SSI assisting in monthly billing cycle functions if key DOES employees are not available. Teaching/training in engineering procedures and techniques has not occurred but is still targeted for completion by year's end.
 - Review of the Executive's conflict of interest and media policies with DOES employees through departmental meetings and distribution of the policies/procedures to new employees. Obtain acknowledgement of the receipt of these policies and procedures upon distribution to new employees.
Per IAD follow-up with the Deputy Director – Administration and the Human Resource Manager on 7/27/05, departmental meetings concerning the review of conflict of interest and media policies did not occur. However, IAD obtained and reviewed employee sign off sheets evidencing acknowledgement of new employee receipt of the Executive's Office Personnel Policy and Procedures manual. Target date for review of Conflict of interest and media policies with all employees is slated for completion by the end of August 2005.

- Administration to develop, distribute, and acquire acknowledgement receipt of a billing and collections policy/procedure indicating that employees within Billing/Collections are not to access his or her own accounts to perform adjustments. Also, creation of an electronic transaction log to record all changes to an account by date, time, user, and activity. In addition, Administration to utilize transaction log to perform periodic audits on noted adjustments.

Per IAD follow-up with the Deputy Director – Administration on 7/14/05, Administration has not yet developed, distributed, and acquired acknowledgement of receipt of a policy to/from the appropriate personnel. Target date for completion of billing and collections policy/procedure is slated for the end of the third quarter 2005. However, DOES billing and collections is now running a daily report (UB Adjustment Journal) which is reviewed by the Office Manager and compared to the approved adjustment forms that should be completed prior to making customer account adjustments. A directive was reviewed by IAD which was sent out from the Billing and Collections department requiring that the UB Adjustment Journal be ran daily.
- Development/implementation of a procedure for the reconciliation of adjustments between the number (or dollar amount) of adjustments to customer bills in the billing software system and the forms that authorize those adjustments.

Per IAD follow-up with the Deputy Director – Administration on 7/14/05, a reconciliation process has been implemented effective May 2005 which compares authorized adjustment forms to the UB Adjustment Journal ran from the billing system, however, no policies and procedures have yet been written for the process. Target date for completion is scheduled for the end of the third quarter of 2005.
- Initiation of a detailed review of the Utility Billing Clerks creation of new customer accounts, with the initial focus on Industrial and Commercial accounts. Completion of procedures by Administration that address assigning account numbers, setting up new customer accounts, and the methodology for determining the type of customer accounts.

Per IAD follow-up with the Deputy Director – Administration on 7/14/05, no formal procedures for setting up a new customer and creating account numbers are yet written, however, an initial review has been completed. Per the Deputy Director, DOES now requires that a questionnaire/application be filled out by new customers to determine proper classification (residential, commercial, or industrial). The completed questionnaires/applications are then sent to the Industrial Pre-treatment staff at the Fishcreek plant for review and determination of customer set-up. Customer information is utilized to determine the assessed benefits charged in accordance with applicable codified ordinance. IAD was also provided with a listing of account prefixes, community codes, and water/sewer codes that is available to the billing department personnel for reference in setting up new customer accounts. Newly stated target date for completion of formal policies and procedures is by the end of the third quarter of 2005.
- Creation of a checklist of common items contained in DOES personnel files for use by the DOES Human Resource department for new employee hires. Also, the implementation of an audit of all current personnel files located at the DOES offices to assist in the identification and acquisition of missing file documentation.

Per IAD follow-up with the Deputy Director – Administration and the Human Resource Manager on 7/14/05, some updating has been completed on some of the newer personnel file copies kept at DOES, however, a complete audit of all of the files maintained at DOES has not occurred, nor is management planning to complete. Per the Deputy Director and HR Manager, the “official” personnel file is the one being maintained at the Executive’s Human Resource Department (HRD), therefore, reliance will be placed on HRD’s personnel file for compliance. DOES will continue to maintain their personnel

file as a convenience copy only. IAD noted that a New Hire Check Sheet has been developed and is being utilized. Per the Deputy Director, began using check sheet in January 2005.

- Procedures implemented by Administration to ensure that receiving slips are properly collected and signed.

Per IAD follow-up with the Deputy Director – Administration on 7/14/05, a process was implemented in the fall of 2004 in which invoices are sent back to the receiver if the packing slip is not attached. However, no written procedures have yet been completed. Target date for completion of written procedures is by the end of the third quarter 2005.

- Development and implementation of a reconciliation procedure to be performed by members of the Permitting department to ensure that the C10 assessments are placed on the property owner's tax bill. Development of additional procedures that will result in the production and maintenance of a listing, or possible database, of C10 assessments.

Per IAD follow-up with the Deputy Director – Administration on 7/14/05, DOES has begun a process of logging the C10's that are sent down to the Fiscal Office for tax bill updating into the "C10 Maintenance Certification Report" and a DOES Accountant 2 is currently checking the Real Estate system to ensure Fiscal Office is entering assessment updates into the system. Per the Deputy Director, this process began in the fall of 2004. However, no written policies and procedures have been completed for the reconciliation process. Target date for completion of policies and procedures is slated for the end of the third quarter 2005.

- Development and testing of an electronic work order system with the field personnel to help ensure the location, direction, and efficiency of assigned mobile employees. Relocation of all employees assigned to Pump Station 6 (*Pump Station Operators, Maintenance Mechanics, Electricians and Electronic Instrument Technicians*) to the Fishcreek Plant.

Per IAD follow-up with the Deputy Director – Administration on 7/14/05, Plant 6 has been abandoned and all personnel have been moved to the Fishcreek Plant location and Sewer maintenance personnel are now under the direction of Operations. Per the Deputy Director, an electronic work order system for pump station work was implemented at the end of 2004. Per additional follow-up on 8/4/05, the Deputy Director stated that an additional electronic work order system is available for testing with the sewer maintenance personnel. Target date for testing with sewer maintenance is slated for the end of August 2005.

- Operations to revise and improve the pump station logs in order to improve recording and accounting of maintenance tasks performed in the pump stations. Assessments of the effectiveness of the revisions to be completed by Operations through random audits of pump station logs. Audits to include a comparison/reconciliation with time sheet information as well as with the tasks assigned through the work order system.

Per IAD follow-up with the Deputy Director – Administration on 7/14/05, three supervisors are periodically checking logs effective the fall of 2004. Two disciplinary actions have occurred as a result of the review of the pump station logs. Per the Deputy Director on 8/11/05, the pump station logs have not yet been revised or improved. However, management will add a departure time on the pump station logs or require personnel to indicate a departure time under "special remarks" on the existing log sheets. The target date for completion of change to logs is slated for the end of August 2005. The Deputy Director stated that he has been performing occasional comparisons/reviews between timesheets and logs to payroll records.

- Development of a shared database application for the central repository for DOES construction contracts subject to competitive bidding and for intergovernmental agreements. Engineering to be responsible for update and maintenance of data.
Per IAD follow-up with the Deputy Director – Administration on 7/14/05, a service/intergovernmental agreements database has been developed internally, began using in April 2005. However, contracts are not yet on database listing. Target date for inclusion of contracts on database is by the end of the third quarter 2005. Per the Deputy Director, hard copies of agreements are being maintained in the Engineering Department.

Management Action Plans not implemented:

- Engineering department update, review, finalization, and implementation of the “Public Project Manual”.
Per IAD follow-up with department management on 7/14/05, no action has yet been taken. A new Public Works Manager has recently been hired in the Engineering department which will finalize and complete the implementation of this manual. New target date for completion is by the end of the third quarter of 2005.
- Development and completion of written policies and procedures for the billing and collections processes.
Per IAD follow-up with department management on 7/14/05, the software for the Billing department was just updated in May 2005 and training was completed. However, internal policies and procedures have not yet been developed. Target date for completion is now by the end of the third quarter of 2005.
- Re-issuing the policy regarding the use of county vehicles and obtaining documented employee acknowledgement. Implementation of procedures and a reporting form to track employee use of assigned county vehicles to be completed by Operations and Engineering, in association with a periodic review of those employees with assigned vehicles.
Per IAD follow-up with department management on 7/14/05, policy regarding the use of county vehicles will be re-issued by Administration by the end of September 2005. Operations and Engineering departments have recently undergone employee reporting changes shifting a majority of oversight of vehicle usage and tracking to Operations. Target date for completion of procedures and reporting form to track employee use of county assigned vehicles is now scheduled for the end of 2005. A periodic review of a representative sample of those employees with assigned vehicles will be accomplished once the procedures are completed. Target date also scheduled for end of 2005.

Conclusion:

Based on the above noted information, IAD believes that the Department of Environmental Services 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 §149.433²⁴⁸.