

**Summit County Fiscal Office
Auditor Division; Accounting Department
Preliminary Audit Report**

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**PREPARED FOR:
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Audit Committee**

**Approved by Audit Committee
December 11, 2009**

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Background**

General Background

The Auditor Division Accounting Department (Accounting Department) is responsible for the disbursement of more than \$1 billion in funds that are received by the county each year. The Fiscal Officer is the bookkeeper for all county elected officials and county agencies such as Children Services. The Fiscal Officer also keeps books for outside agencies such as the park district and the county health department.

The Summit County Fiscal Office serves as trustee of the County's unclaimed funds, and processes valid claims upon receipt of a notarized claim form. The Summit County Fiscal Office is responsible for making a list available to residents.

AUDIT OBJECTIVES AND METHODOLOGY

The primary focus of this review was to provide the Summit County Fiscal Office Auditor Division; Accounting Department with reasonable assurance, based on the testing performed, on the adequacy of the system of management control in effect for the audit areas tested for the year ended December 31, 2008 and the seven months ended July 2009, unless otherwise specified in the individual test area. 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 Summit County Fiscal Office Auditor Division; Accounting Department.

Our review 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 policies and procedures.

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.

Specific Objectives:

1. To obtain and review the current policies and procedures.
2. To review the internal control structure through employee interviews and observation.
3. To perform a general overview of the physical environment and security of the facilities, data, records and departmental personnel.

Source: www.co.summit.oh.us/fiscaloffice/index.htm

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Scope

An overview and evaluation of the existing policies, processes, procedures, contracts and internal control structure utilized by each department.

The following were the major audit steps performed:

OBJECTIVE 1 – POLICY AND PROCEDURES REVIEW

1. Obtain and review the current policies and procedures.
2. Meet with the appropriate personnel to obtain an understanding of the current department processes and procedures. Compare those existing processes to the policies and procedures manual for consistency, noting all exceptions.
3. Test procedures for mandatory compliance where applicable.
4. Identify audit issues and make recommendations where appropriate.

OBJECTIVE 2 – REVIEW OF INTERNAL CONTROLS

5. Meet with the appropriate personnel to obtain an understanding of the control environment.
6. Document the existing control procedures in narratives and/or flowcharts.
7. Compare existing processes to the policies and procedures manual for consistency.
8. Test procedures for compliance where applicable, noting all exceptions.
9. Investigate discrepancies and summarize results.
10. Make recommendations where appropriate.

OBJECTIVE 3 – REVIEW OF SECURITY

11. Perform a general overview of the physical environment and security of the department/ agency being audited.
12. Interview various personnel to determine that confidential information is secure and processed only by appropriate parties.
13. Obtain and review the document retention policy and determine if policies and procedures are currently in place and being followed.
14. Test security issues where appropriate.
15. Analyze current policies and make recommendations.

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Interviews:

To gain an understanding of the Accounting Department, IAD interviewed the following positions throughout the organization:

- a. Chief Deputy Fiscal Officer
- b. Support Services Administrator
- c. Clerical Specialist I
- d. Administrative Secretary

No issues were noted.

I. Policies & Procedures Review:

IAD obtained and reviewed the Accounting Department Departmental Procedures Manual and the Fiscal Office Purchasing Department Operations Manual. The following issue was noted:

1. Issue:

Upon review of the Accounting Department policy and procedure manual, IAD noted the following:

- a. Chapter 33-*Security Door Access* is missing from the manual.
- b. There are numerous instances where an employee was referenced by name rather than by title within the manual.
- c. There were no approval signatures contained in the manual by the Fiscal Officer, Chief Deputy Fiscal Officer, or the Support Services Administrator.
- d. Chapter 25-*Balance of Redeemed Warrants* contains language that is unclear making it difficult to determine proper procedures.

Recommendation:

IAD recommends the following with regard to the above issue:

- a. The missing chapter, referenced above, be placed in the policies and procedures manual to help ensure that the manual is complete and that employees are following the most current policies and procedures.
- b. The Fiscal Office Accounting Division review their policy and procedure manual and change any references from employee names to titles. This will help to ensure that processes are performed consistently and accurately, as well as help to ensure that policies and procedures remain current in instances where an employee separates from the County or is no longer performing the specified tasks.
- c. Management review and approve the policies and procedures manual. This will help to ensure that employees are following management approved policies and procedures.
- d. The Fiscal Office Accounting Division review their policy and procedure manual for clarity and revise any procedures that contain misleading language. This will help to ensure that proper procedures are clearly outlined throughout the manual.

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Management Action Plan:

Chapter 33-Security Door Access was added on 9/23/09.

The Accounting manual was revised and all names were replaced by descriptions on 9/23/09.

Management approval signatures, Manager of Accounting and Finance Director, were added to the manual on 9/24/09.

The Accounting manual Chapter 25-Balance of Redeemed Warrants was revised 9/23/09.

II. Internal Control Testing:

Internal control testing and/or observations were performed in the following areas:

- o Revenue
- o Expenditures
- o Indigent defense
- o Unclaimed funds
- o Cash Reconciliation
- o Personnel files

REVENUE

IAD reviewed the following sections of the Auditor Division, Accounting Department, Departmental Procedures Manual to gain an understanding of the policies and procedures that addressed revenue:

- a. Chapter 5 "Posting of Revenue"
- b. Chapter 15 "Estate Tax"
- c. Chapter 21 "Sewer Payback Fees"
- d. Updated Chapter 38 "Wires/ACHs"

IAD met with the Clerical Specialist I to gain an understanding of the job functions and processes regarding county revenue, performed an observation and documented the pay-in process on a flow chart. Additionally, IAD performed a walkthrough of the process performed regarding estate taxes, and confirmed that all Form 6's are reviewed to ensure that the address, taxing district, and state/municipality allocation is correct.

IAD noted that the Accounting Department collects \$1 sewer payback fees for a total of a couple of dollars per month; however, IAD deemed this immaterial and passed on further review.

No issues were noted during testing.

EXPENDITURES

IAD obtained and reviewed the following documents to gain an understanding of the purchasing and expenditure functions within the Fiscal Office:

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- a. Fiscal Office Auditor Division Accounting Departmental Procedures Manual
- b. Summit County Purchasing Procedures Flowchart
- c. Fiscal Office Personnel Policy and Procedures Manual
- d. Fiscal Office Purchasing Department Operating Manual

IAD obtained and reviewed Ohio Revised Code (O.R.C.) § 5705.41(D) (2), to gain an understanding of the requirements for the appropriation of money (<http://codes.ohio.gov/O.R.C./5705.41>). Additionally obtained and reviewed was Summit County Codified Ordinance § 177.23, "Purchases not Exceeding \$1,000," to gain an understanding of any instances where a purchase order would not be needed.

IAD interviewed the Administrative Secretary, utilizing an expenditure questionnaire, to gain an understanding of the expenditure process for the Accounting Department. Through further discussions with the Fiscal Office Purchasing Agent and the Support Services Administrator, IAD noted that the Accounting Department's responsibilities, with regard to purchasing, are limited to submitting a requisition form and receipting the goods/services ordered. IAD recognizes that they are not responsible for requisitions/approval in Banner, placing the order, obtaining the purchase order, or approving the invoice(s) for payment. Therefore, IAD limited the testing to the requisition form signatures on behalf of the Accounting Department.

IAD generated a Banner report of all expenditures from 1/1/09 through 6/25/09, for the fund and organizational accounts utilized by the Accounting Department. Because the Accounting Department expenditures are co-mingled with other Fiscal Office departments/divisions, IAD was unable to determine which expenditures were specific to the Accounting Department. Per the Purchasing Agent, there are only two vendors utilized by the Accounting Department. IAD reviewed and segregated Accounting Department requisitions for those two vendors, and then selected expenditures, utilizing the Banner report previously mentioned, and tested for proper approvals.

In addition, because all Fiscal Office expenditures are co-mingled within the same fund and organizational accounts, as noted above, and follow the same authorization procedures, IAD tested all Fiscal Office departments/divisions expenditures at this time. A listing of all fund and organizational accounts utilized by the Fiscal Office was obtained from the Senior Administrator. IAD generated expenditure reports for the period 1/1/09-7/30/09 for each of the fund and organizational accounts, and judgmentally selected a sample of sixty expenditures, based on dollar amount and number of expenditures, and performed testing.

No issues were noted during testing.

INDIGENT DEFENSE

IAD obtained and reviewed the following documents to gain an understanding of the Indigent Defense expenditure and reimbursement process performed by the Accounting Department:

- a. Fiscal Office Auditor Division Accounting Departmental Procedures Manual, Chapter 12,
- b. The Summit County Internal Audit Department Special Project Public Defender: 06-PublicDefender.spec-45 Fiscal Office Personnel Policy and Procedures Manual,

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- c. Ohio Public Defender Standards and Guidelines for Appointed Counsel Reimbursement (http://www.opd.ohio.gov/Reimbursement/rm_std.pdf).

IAD met with the Clerical Specialist I and the Support Services Administrator to gain an understanding of the review performed of attorney fee applications prior to payment, the tracking of attorney fee applications paid and those rejected, and the reconciliation process. Additionally, IAD obtained and reviewed the following documents:

- d. "Attorney Fee Tracking Expensed 2008.xls", and "Attorney Fee Tracking Expensed 2009.xls,"
- e. Monthly Recap Reports from the Ohio Public Defender Commission for January through December 2008.

IAD obtained and reviewed a sample of State rejected attorney fee applications to determine the reason for rejection and performed an analysis of the returned applications.

The following recommendation is noted:

Recommendation:

IAD recognizes that the Accounting Division is making efforts to ensure that Attorney Fee Applications are provided to the State in a timely manner to request reimbursement; however, IAD noted 18 out of 51 instances of returned applications where cases are submitted past the 90-day limit as required by the O.R.C. § 120.33(A)(4). Additionally, IAD noted 9 out of 51 instances where there was a time gap between the last day in court and the disposed of date listed or the last date billed. This subsequently results in either delayed reimbursement or lack of reimbursement (the time period has exceeded the 90-day limit). These returned applications, along with 14 other returned applications, contributed to the County potentially losing approximately \$4,520.56 in State reimbursements. Therefore, IAD recommends that the Accounting Division continue to increase the awareness of the importance of timely submission to the Court. This will help to improve the potential for reimbursement from the State.

UNCLAIMED FUNDS

IAD obtained and reviewed the following documents to gain an understanding of the data provided to the public regarding Summit County Unclaimed Funds. Additionally reviewed were sections of the O.R.C. to gain an understanding of the requirements imposed by law regarding unclaimed funds:

- a. Auditor Division Accounting Department, Departmental Procedures Manual, Chapter 23 "Unclaimed Funds,
- b. Summit County website (<http://www.co.summit.oh.us/fiscaloffice/index.htm>),
- e. O.R.C. § 9.39 "Liability for public money received or collected-unclaimed money,"
- d. O.R.C. § 2335.34 "Lists of unclaimed costs,"
- e. O.R.C. § 2335.35 "Disposition of unclaimed fees and costs,"
- f. O.R.C. § 2335.36 "Payment to person entitled to money from county treasury,"
- g. O.R.C. § 1907.20 "Powers and duties of county court clerk,"

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- h. O.R.C. § 2113.64 “Investment of unclaimed money,”
- i. O.R.C. § 2113.65 “Disposition of investment,”
- j. O.R.C. § 2113.67 “Money paid to owner.”

IAD obtained and reviewed the 2009 Ohio Compliance Supplement and reviewed the following checklist sections of the supplement to gain an understanding of the O.R.C. sections that the State is guided by when auditing unclaimed funds:

Chapter 7-Checklists; Part 2: Accounting and Reporting; Section B Courts-

- k. 7-11 O.R.C. § 2335:34-.35: Unclaimed costs and fees (court of common pleas and probate court),
- l. 7-13 O.R.C. § 1907.20: Records required of county courts,
- m. 7-19 O.R.C. § 2113.64, § 2113.65: Unclaimed estate money (probate courts).

IAD met with the Assistant Director of Administration to gain an understanding of the process of posting unclaimed funds to the County website, and of the steps the public must take to claim these funds. IAD created a flowchart based of the process. An unclaimed funds database was obtained from the Support Services Administrator, which was used to randomly select a sample of seventeen unclaimed funds for testing. IAD traced and agreed the sample to the information on the Summit County Fiscal Office website. Additionally, IAD randomly selected a sample of twenty-five unclaimed inheritances from the database, and traced and agreed them to the Summit County Fiscal Office website. IAD reviewed the reconciliation process of the balance in the database to the balance in Banner.

The following issues were noted:

2. Issue:

Based upon review of O.R.C. § 9.39, it was unclear whether or not Auditor Division Unclaimed Funds (e.g., Fiscal Officer outstanding checks) can be claimed by the owner after the expiration of the five year time period.

Per O.R.C. § 9.39 “All money received or collected by a public official... shall be paid into the treasury... 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.”

Therefore, the following issue is: Do Unclaimed Funds become the property of the County after it has reverted to the General Fund after the respective time period of five years?

- a. If yes, only five years of unclaimed funds data should be posted on the website.
- b. If no, all unclaimed funds data should be posted on the website.

Recommendation:

IAD recommends that the Accounting Department seek a legal opinion as to the interpretation of O.R.C. § 9.39. This will help to ensure the department is in compliance with O.R.C. § 9.39 as well as help to ensure that the public has access to information regarding all unclaimed fund monies due including \$10 or less.

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Management Action Plan:

Summit County Fiscal Office Chief Deputy Fiscal Officer Legal Counsel is researching the subject and will be writing an opinion upon which new policy and procedure will be based.

3. Issue:

Upon review of the Auditor Division policies and procedures and upon discussion with the Assistant Director of Administration, IAD noted that the County website does not include unclaimed funds prior to approximately year 2000. Additionally, the website does not include a complete listing of unclaimed funds less than \$10. Unclaimed funds from the Court of Common Pleas, Court of Appeals, Probate Court and Sheriff are to be issued upon the certificate of the clerk of the court of common pleas, probate judge or sheriff . Additionally, unclaimed inheritance money is to be paid upon the certificate of the probate judge. IAD noted that no respective time frames were imposed for the funds becoming uncollectible for the respective code sections of the O.R.C.

Recommendation:

IAD recommends that the Accounting Department either include all unclaimed funds on the website or add a disclaimer on the website indicating the limitations of the searches while supplying appropriate contact information to perform a more in-depth search. This will help to ensure that the public has access to all unclaimed fund monies.

Management Action Plan:

On 5/27/09, a helpdesk ticket was placed with Computer System Software Analyst to correct the number format. On 6/18/09, UAD verified that the Fiscal Office Website for unclaimed funds was updated.

Corrective Action Prior to the End of Fieldwork:

On 9/29/09, IAD verified that the Fiscal Office website for unclaimed funds was updated to add a disclaimer stating that unclaimed amounts less than \$10 are not posted on the website.

4. Issue:

Upon comparison of the Unclaimed Funds website to the databases maintained by the Support Services Administrator, IAD noted that the Unclaimed Funds website utilizes rounded amounts rather than actual amounts which may cause a discrepancy when processing payment for unclaimed funds.

Recommendation:

IAD recommends that the Accounting Department begin utilizing actual dollar amounts on the Unclaimed Funds website rather than rounded amounts, or add a disclaimer stating that amounts are rounded. This will help to ensure that accurate data is available to the public researching or requesting unclaimed funds as well as aid in the processing of the payments.

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Corrective Action Prior to the End of Fieldwork:

On 6/18/09, IAD reviewed the Unclaimed Funds website and noted that actual amounts are now posted.

CASH RECONCILIATION

IAD obtained and reviewed the Departmental Procedures Manual for the Summit County Fiscal Office Auditor Division, Accounting Department from the Support Services Administrator, and noted the following policies and procedures:

- a. Transfer Check File to Key Bank for Positive Pay,
- b. Daily Balancing of Control and Cash Accounts,
- c. Daily Balancing of Redeemed Warrants.

IAD performed an observation of the Positive Pay and day's end cash reconciliation process with the Fiscal Officer 3. IAD compared the process observed to the process documented in the policy and procedure manual and confirmed that they agreed.

IAD performed an observation of the daily warrant reconciliation with the Fiscal Officer 3 and the Computer Systems/Software Analyst 3. IAD compared the process observed to the process documented in the policy and procedure manual and confirmed that they agreed.

A walkthrough was performed of the daily payroll warrant reconciliation and the month end reconciliation with the Support Services Administrator. IAD compared the information obtained during the walkthrough to the process documented in the policy and procedure manual and noted language in the written procedures that was unclear making it difficult to determine specific steps in the process (addressed in issue 1).

IAD obtained and reviewed the 4/30/09 and 5/1/09 warrant reconciliations and traced and agreed them to the respective supporting documentation (e.g., reconciliation spreadsheets and SQL reports). In addition, IAD obtained and reviewed the 6/4/09 daily reconciliation and traced and agreed it to the supporting documentation (e.g., Treasurer's Daily Sheet and reconciliation spreadsheets).

No other issues were noted.

PERSONNEL FILES

IAD obtained and reviewed the Fiscal Office Personnel Policies and Procedures to gain an understanding of the policies and procedures for personnel files that are followed by the Accounting Department. IAD obtained and reviewed the Personnel Files interview conducted with the Fiscal Office Personnel Administrator 1 during the Fiscal Office Recorder Division Preliminary Audit, to gain a further understanding of procedures followed regarding personnel files. Because the Fiscal Office has a centralized personnel function, and processes and procedures are similar for all Fiscal Office Divisions/Departments, IAD did not conduct another interview with Fiscal Office Personnel Administrator. Additionally, the only

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forms relating to personnel files that the Accounting Department is responsible for are the departmental policy and procedure sign offs.

IAD generated a Banner report of all active and terminated Accounting Department employees, utilizing WebFocus , and compared it to the organizational chart provided by the Accounting Department. All Accounting Department employees were tested for the presence of appropriate documentation (e.g., policy and procedure sign-off forms).

No issues were noted during testing.

III. Security:

Security issues noted during fieldwork are addressed under separate cover in the accompanying report in compliance with Ohio Revised Code §149.433.