

**Summit County Children Services
Preliminary Audit Report
For the Year Ended December 31, 2011**

PREPARED FOR:

**John Saros
Audit Committee**

**Approved by Audit Committee
June 25, 2012**

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**Summit County Children Services
Preliminary Audit Report
For the Year Ended December 31, 2011**

Table of Contents

I.	General Background.....	3
II.	Objectives and Methodology.....	3
III.	Scope.....	4
IV.	Detailed Comments.....	6-15

**Summit County Children Services
Preliminary Audit
For the Year Ended December 31, 2011
Background, Objectives and Methodology**

GENERAL BACKGROUND

The mission of Summit County Children Services (SCCS) is to excel in the investigation of reports of child abuse and neglect and in the delivery of culturally, collaborative protective services that provide children with a safe, nurturing and permanent home.¹

To meet the varied and complex needs of Summit County families, SCCS directly provides abuse, neglect and dependency assessments; social work counseling, and case management/service coordination services. It is the objective of agency services to maintain children in their own home or in the least restrictive, appropriate environment while working with family members toward reunification or an alternative permanent plan including relative/kinship caregivers.²

The agency is governed by a 10-member Board of Trustees. Nine members are appointed by the Summit County Executive and the tenth is the chair of Children Services Citizens Advisory Committee.¹

AUDIT OBJECTIVES AND METHODOLOGY

The primary focus of this review was to provide Summit County Children Services (SCCS) 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 SCCS.

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 this risk based audit, 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.

Disclaimer:

We recognize that employees and interns within the Internal Audit Department (IAD) have access to Banner and are included on Banner access reports utilized during testing. Since IAD is unable to audit itself in order to maintain objectivity, Banner access levels for IAD were excluded from testing and review.

¹<http://www.summitkids.org/>

²[https://scene.summitoh.net:444/pdfs/Internet%20PDFs/County%20of%20Summit%202012%20Proposed%20Operating%20Bud
get-final.pdf](https://scene.summitoh.net:444/pdfs/Internet%20PDFs/County%20of%20Summit%202012%20Proposed%20Operating%20Budget-final.pdf)

**Summit County Children Services
Preliminary Audit
For the Year Ended December 31, 2011
Scope**

Objectives:

1. To review the accreditation process and testing performed by the Council on Accreditation (COA).
2. To obtain and review the current policies and procedures.
3. To review the internal control structure through employee interviews, observations and testing.
4. To perform a general overview of the IT and physical environments and the security of the facilities, data, records and departmental personnel.

Report Structure:

Results from testing of internal controls, as noted in objective three (3) above, have been organized to show areas with the highest financial and/or non-financial risk first.

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 – COUNCIL ON ACCREDITATION (COA) REVIEW

1. Obtain an understanding of the COA process and standards followed. Identify the compliance standards for areas audited in a standard Preliminary Audit.
2. Meet with the appropriate personnel to obtain a more detailed understanding of the accreditation process.

OBJECTIVE 2 – POLICY AND PROCEDURES REVIEW

3. Review COA standards regarding applicable policy and procedure manuals.
4. Review documentation provided to COA for policy and procedure review in each respective area under the accreditation process.
5. Obtain and review the current policies and procedures.
6. Summarize results of analysis and determination of testing performed by COA.

OBJECTIVE 3 – REVIEW OF INTERNAL CONTROLS

7. Review COA's assessment of the control environment and verify that a review of the process was performed.
8. Meet with the appropriate personnel to obtain an understanding of the control environment.
9. Document the existing control procedures in narratives and/or flowcharts.
10. Compare existing processes to the policies and procedures manual for consistency.
11. Test procedures for compliance where applicable, noting all exceptions.
12. Investigate discrepancies and summarize results.
13. Make recommendations where appropriate.

**Summit County Children Services
Preliminary Audit
For the Year Ended December 31, 2011
Scope**

OBJECTIVE 4 – REVIEW OF SECURITY (covered in a separate report in compliance with O.R.C. §149.433).

14. Review documentation to determine testing performed by the COA.
15. Perform a general overview of the physical and IT environments and security of the department/ agency being audited.
16. Interview various personnel to determine that confidential information is secure and processed only by appropriate parties.
17. Test security issues where appropriate.
18. Analyze current policies and make recommendations.

**Summit County Children Services
Preliminary Audit
For the Year Ended December 31, 2011
Detailed Comments**

Interviews:

To gain an understanding of SCCS, IAD performed interviews with the following positions throughout the agency:

- a. Deputy Executive Director, General Counsel Administrative and Legal Services Division, Human Resources Director,
- b. Deputy Executive Director, Social Services Division Director,
- c. Fiscal Services Division Director,
- d. Community Relations Division Director,
- e. Director of SACWIS,
- f. Director of Information Technology,
- g. Budget and Financial Reporting Manager,
- h. Fiscal Services Manager,
- i. Office Services/Records Manager.

Any issues noted are addressed in the respective sections of this report.

I. Council on Accreditation (COA) Review:

The Council on Accreditation for Children and Family Services (COA) is an international, independent, not-for-profit, child and family service and behavioral health care accrediting organization. The COA process evaluates an organization against best-practice standards. These standards are continually reviewed and updated, based on up-to-date research findings and practice experience that collectively define high quality organizational practice.³

A meeting was held with the Fiscal Services Division Director and the Quality Improvement Manager to obtain an understanding of the internal steps taken for accreditation and the documentation provided to the COA for review. A detailed review of the COA Standards and information reviewed by the COA was conducted to determine if testing performed by the COA could be relied upon for the preliminary audit, effectively reducing IAD's testing. In addition, a copy of the final accreditation report was reviewed to assess the rating in each respective area.

Any areas where testing was reduced as a result of the COA Accreditation is noted in the respective sections of this report.

II. Policies and Procedures Review:

IAD obtained and reviewed COA policy and procedure review documentation for the following fifteen (15) SCCS areas:

- Administrative and Management,
- Ethical Services,
- Financial Services,
- Human Resources,

³<http://coanet.org/>

**Summit County Children Services
Preliminary Audit Report
For the Year Ended December 31, 2011
Detailed Comments**

- Performance Quality Improvement (CQI),
- Risk Prevention and Management,
- Administrative Service Environment,
- Clients Rights,
- Training and Supervision,
- Adoption Services,
- Child Protective Services (Intake and Protective Services),
- Foster Care Services,
- Kinship Care Services,
- Supportive Community Living (Transitional Housing Services).

Upon review of the Final COA Report for the most recent accreditation period (9/28/09), the COA standards, and the self-study and on-site review documentation provided to the COA, IAD deems the COA review of agency policies and procedures as acceptable and passes on further review; however, policies and procedures for each individual testing section within the audit were reviewed for accuracy and completeness and compared to current processes for consistency.

The following issue was noted during detail testing:

1. Issue:

Upon review of SCCS policies and procedures, IAD noted no written or incomplete policies and procedures for the following functional areas:

- Grant Procurement and Administration,
- Encumbrance change orders,
- Invoice approval,
- Petty Cash,
- Timely deposits,
- Fringe Benefits,
- Documenting and tracking Agency property.

Recommendation:

IAD recommends that the SCCS create or update, approve, and disseminate written policies and procedures for the functional areas within the agency. This will help to ensure that proper procedures are being consistently followed within the agency.

Management Action Plan:

The current existing practices and procedures will be formally documented where necessary by June 30, 2012. Accounting procedures will be included in Fiscal procedure manual and the critical need for monitoring for compliance has been addressed with the appropriate staff.

**Summit County Children Services
Preliminary Audit Report
For the Year Ended December 31, 2011
Detailed Comments**

III. Internal Control Testing:

Risk-based internal control testing and/or observations were performed in the following areas:

- Expenditures,
- Cash,
- Purchasing,
- Grants,
- Fringe Benefits,
- Personnel Files.

EXPENDITURES

SCCS Fiscal Procedures and various Ohio Revised Code (O.R.C.) sections were reviewed and staff interviews were conducted to gain an understanding of the expenditure cycle, the laws and regulations that govern it, and internal controls in place.

Detail expenditure testing was performed to test for the following attributes:

- Proper authorizations,
- Funds were encumbered prior to incurring the expense,
- Amount and vendor in Banner matched the respective invoice,
- Funds did not remain encumbered for prior year encumbrances.

Banner user and Banner Class Form reports were obtained and reviewed to gain an understanding of SCCS employee Banner roles, and to test for proper segregation of duties. It was verified that no SCCS employee has the ability to enter a vendor. WebFOCUS reports were utilized to test for an appropriate segregation of duties between Banner document creation and approval.

The following general recommendation and issues were noted during testing:

Recommendation:

IAD recommends that individuals responsible for receiving purchases sign off on the respective packing slip confirming that the order was accurate and complete. The packing slip should be compared to the respective invoice so that payment is made only for items received. This will help to ensure that SCCS does not pay for items that were not received.

2. **Issue:**

Upon testing of Banner permissions for the Summit County Children Services (SCCS), IAD noted three (3) SCCS users had permission to create and approve encumbrances, encumbrance change orders, journal vouchers, and invoices in Banner, causing an improper segregation of duties.

Recommendation:

IAD recommends that SCCS segregate assigned permissions so that the same employee cannot create and approve an encumbrance, encumbrance change order, journal entry, or invoice. This will help to

**Summit County Children Services
Preliminary Audit Report
For the Year Ended December 31, 2011
Detailed Comments**

ensure that a proper segregation of duties is in place for the purchasing and expenditure functions in Banner, in accordance with Best Practices.

Management Action Plan:

Remove entry and change permission for the three (3) fiscal management users, keeping approval permission only by July 1, 2012. This will segregate the permission to create encumbrances, change orders, journal vouchers and invoices in Banner from the approval of those transactions. This will help to ensure that a proper segregation of duties is in place for the purchasing and expenditure functions in Banner, in accordance with Best Practices.

3. Issue:

Upon review of the SCCS expenditure process and during interviews, IAD noted employees that are responsible for both the ordering and receiving functions within the agency, causing an improper segregation of duties.

Recommendation:

IAD recommends that the SCCS assign the ordering function and the receiving function to separate employees. This will provide for an appropriate segregation of duties and will help to ensure the proper control over and safeguarding of agency assets.

Management Action Plan:

The receiving function is now being performed by an employee separate from the ordering function who compares the items received to the packing slip and signs off as to completeness. Supplies are then distributed to the requesting department.

4. Issue:

During testing of SCCS expenditures, IAD noted eight (8) out of seventy-five (75) instances where the invoice was not properly approved by the respective SCCS Division Director, as required per SCCS Fiscal Procedures.

Recommendation:

IAD recommends that SCCS Fiscal Services review each invoice to confirm that it has been approved to pay by the appropriate personnel prior to payment. This will help to ensure that payment is not made for inappropriate expenditures.

Management Action Plan:

Appropriate Fiscal staff responsible for invoice processing and review have been instructed to monitor compliance and return invoices to the appropriate management level as necessary for required approval.

**Summit County Children Services
Preliminary Audit Report
For the Year Ended December 31, 2011
Detailed Comments**

5. Issue:

Upon review of SCCS expenditures, IAD noted eight (8) out of seventy-five (75) instances where the invoice date was prior to the purchase order date, which is a violation of Ohio Revised Code §5705.41.

Recommendation

IAD recommends that the SCCS encumber funds prior to incurring the expenditure. This will help to ensure compliance with Ohio Revised Code §5705.41.

Management Action Plan:

Improving compliance with ORC 5705.41 is a matter of educating and policing personnel in a position to place orders. We are communicating this rule to the departments and monitoring invoices to ensure that they do not commit to purchases prior to encumbering the funds on a Purchase Order.

CASH

Policies and procedures were obtained, flowcharts were created, and staff interviews and observations were conducted to gain an understanding of the cash flow within the agency. The existing cash accounts include the SCCS General Fund and three segregated accounts (Betterment Account, Childrens' Savings Account, and Investments). It was determined that detail testing of Investments is not necessary as it is tested and confirmed every year during the annual CAFR audit.

Bank statements from the segregated accounts and deposit packets for the SCCS General Fund were randomly selected for detail testing to ensure proper recording into the respective accounting system, timeliness and accuracy of the deposit, and to confirm that receipts were issued. Bank reconciliations for the segregated accounts were randomly selected and reviewed to determine that proper reconciliations are being performed. Disbursements from the segregated accounts were selected for detail testing to confirm proper approval and accuracy.

A walkthrough and observation of the petty cash reimbursement process were separately performed with staff to gain an understanding of the processes. Supporting documentation for randomly selected dates was obtained for detail testing to verify proper approval and accuracy of petty cash reimbursements.

The following issues were noted during testing:

6. Issue:

During the interview process, observations, and detail testing it was noted that there is an improper segregation of duties for the following functions:

- The same individual performs the Cash Receipts and Cash Disbursements functions for the two off CAFR bank accounts,
- Checks are endorsed and deposited by the same individual for the two off CAFR bank accounts,
- On occasion checks and/or cash are delivered to the same individual that is responsible for preparing deposits,

**Summit County Children Services
Preliminary Audit Report
For the Year Ended December 31, 2011
Detailed Comments**

- The individual who prepares bank reconciliations for the two off CAFR bank accounts is also the back up for the Cash Receipts and Cash Disbursements functions.

Recommendation:

It is recommended that no checks or cash be delivered to the individual that prepares the bank deposits until they are logged in as received by the agency and restrictively endorsed, if applicable. In addition, the individual reconciling the bank statements should not be performing any Cash Receipts or Cash Disbursements functions for those respective accounts.

Management Action Plan:

The logging and endorsing function has been separated from the depositing function for the Off CAFR bank accounts. Due to the limited number of staff and software licenses available, and bargaining unit job description constraints, it becomes difficult to segregate duties further. As a mitigating control, the Director of Finance (who signs checks) has been provided with the check register to ensure the completeness of the check series. Also, the Manager of Budget and Finance reviews and signs off on the bank reconciliations.

7. Issue:

Upon detail testing for timely deposits in accordance with O.R.C. § 9.38 the following errors were noted:

- Twenty four (24) of thirty nine (39) deposits made in April 2011, and three (3) of twenty three (23) deposits in July 2011 were not deposited timely into the Trustee Betterment account,
- One (1) of two (2) deposits tested for April 2011 and July 2011 was not deposited timely into the Children's Savings account,
- Six (6) of thirty nine (39) deposits tested for the year ended December 31, 2011 were not deposited timely into the Summit County Treasurer.

Recommendation:

It is recommended that all deposits be made within the time constraints as noted in O.R.C. § 9.38 to help to ensure compliance with state regulations.

Management Action Plan:

The process for depositing checks has been modified, allowing for decreased time necessary to prepare deposits. Checks are now endorsed, batch totals run to ensure accuracy/completeness and also scanned as soon as they are picked up from the mail room. Previously checks for deposit were manually logged. In addition to improving the process, staff have been reminded of the regulations and the importance of compliance stressed.

8. Issue:

Upon detail testing of the Petty Cash disbursements, IAD noted nine (9) instances where the Reimbursement Approval Form was not fully completed and two (2) instances where the

**Summit County Children Services
Preliminary Audit Report
For the Year Ended December 31, 2011
Detailed Comments**

reimbursement amount exceeded the petty cash or employee meal reimbursements threshold, per SCCS policy and procedure.

Recommendation:

IAD recommends that each Reimbursement Approval Form be reviewed for completeness. In addition, reimbursement requests for amounts that exceed the petty cash approved thresholds should be denied for reimbursement through petty cash. This will help to ensure complete documentation and that employee reimbursements do not exceed approved thresholds, in accordance with SCCS policies and procedures.

Management Action Plan:

Management reviewed approval process with staff to ensure the completeness of the Reimbursement Approval Form. The approved threshold for petty cash disbursements (\$10.00) was reviewed and noted that any disbursements in excess of that amount must be approved on the form by a Fiscal Manager or Director of Finance.

PURCHASING

Policies and procedures were obtained, walkthroughs were performed, and flowcharts were created to gain an understanding of the purchasing processes and procedures. A listing of SCCS encumbrances for 2011 was obtained and reviewed to gain an understanding of the amount and number of encumbrances opened during 2011. A sample was judgmentally selected for testing of proper SCCS review and approval.

A contract listing was obtained and reviewed to gain an understanding of contracts executed in 2011. A sample was judgmentally selected for detail testing to verify proper contract execution (quotes, bids, RFP, signed contract, etc.).

A sample of purchases from vendors that exceeded \$25,000 in aggregate was judgmentally selected for detail testing to confirm that a contract was currently in place, in accordance with agency policies and procedures.

A sample was judgmentally selected from the 2011 Encumbrance Change Order Log to verify proper approval in instances where a change increased the encumbrance above an approval threshold.

The following issues were noted during testing:

9. Issue:

Upon testing of SCCS purchase order approvals, four (4) out of fifty-three (53) purchase orders did not contain the appropriate approval as required by the SCCS Fiscal Procedures.

Recommendation:

IAD recommends that all purchase orders be reviewed and approved by the appropriate levels of supervision prior to being entered into Banner. This will help to ensure that purchase orders are approved in accordance with agency procedures.

**Summit County Children Services
Preliminary Audit Report
For the Year Ended December 31, 2011
Detailed Comments**

Management Action Plan:

Fiscal staff assigned to purchase order processing has been instructed to monitor closely for appropriate approval in compliance with agency procedure.

10. Issue:

Upon review of 2011 encumbrance changes, IAD noted three (3) of four (4) instances where the change increased the encumbrance over an approval threshold and did not receive an appropriate approval.

Recommendation:

IAD recommends that the SCCS Fiscal Services Division review encumbrances in Banner to determine if further approval is required, prior to processing the change. This will help to ensure that proper approvals are obtained for encumbrances which exceed respective approval thresholds.

Management Action Plan:

The amount of increases to purchase orders are being subjected to the same approval thresholds as for original Purchase Orders. The Manager of Budget and Finances will monitor at the electronic approval process in Banner.

GRANTS

Policies and procedures, grant listing, and respective grant agreements were obtained and reviewed and interviews were performed to gain an understanding of grant procurement and administrative processes and specific grant requirements.

IAD passed on detail testing of the following grants due to extensive oversight by an outside party or a recent satisfactory review by the granting authority:

- Differential Response R&D Project (AR),
- Homelessness Prevention/Rapid Re-Housing (HPRP),
- Transitional Housing Program 1 (HUD 1).

Detail testing was performed for the following grants to verify compliance with grant provisions:

- Transitional Housing Program 1 (HUD 1 Renewal),
- Transitional Housing Program 2 (HUD 2),
- Casey Foundation Grant.

The following issue was noted during testing:

11. Issue:

Upon review of the Transitional Housing Program 1 Renewal and Transitional Housing Program 2 grant documents and through detail testing, it was noted that there is a discrepancy in the matching

**Summit County Children Services
Preliminary Audit Report
For the Year Ended December 31, 2011
Detailed Comments**

requirements between the grant application, the grant agreement, and the CFR 24 (Code of Federal Regulation).

Recommendation:

It is recommended that the SCCS continue their efforts in obtaining a more definitive answer from HUD as to what the correct matching requirements are for applicable budget line items of the grant. Once obtained it is recommended that preparation of a reconciliation of grant expenditures and grant requests for expenditure reimbursements is performed to help to ensure compliance with grant requirements.

Management Action Plan:

SCCS requested and obtained clarification from HUD with regard to the cash match required under the grants. HUD confirmed that the amount of cash match required is consistent with the grant application and the amount of cash match that SCSS has been meeting. HUD also confirmed that the reason that the CFR was silent as to the amount of match required for Supportive Services is that match for such costs was added separately with the legislation approving these grants. SCCS has requested an amended contract from HUD which is consistent with the above.

FRINGE BENEFITS

Detail testing of the following areas was performed to confirm that SCCS is properly processing fringe benefits in accordance with IRS tax code:

- Travel and meals reimbursement,
- Cash incentives, awards, gift awards and/or bonuses,
- County paid life insurance policies over \$50,000,
- Uniforms and clothing allowances,
- Employment contracts,
- Agency vehicle usage,
- Allowances for firearms or tasers and/or any other non-lethal weapon,
- Tuition assistance and reimbursement,
- Subcontracted employees.

See the Policy and Procedure issue above.

PERSONNEL FILES

Upon review of the Final COA Report for the most recent accreditation period (9/28/09), the COA standards, the self-study and on-site review documentation provided to the COA, IAD deems the COA review of the following as acceptable and passes on further review:

- HR Policies and Procedures,
- Security and access to personnel files,
- Properly performed employee evaluations,
- Employee sign-off on policies and procedures.

**Summit County Children Services
Preliminary Audit Report
For the Year Ended December 31, 2011
Detailed Comments**

An interview was conducted and a personnel file checklist was obtained and reviewed to gain an understanding of the personnel file structure for SCCS. A current SCCS employee report was compared to Banner to confirm a complete and accurate listing of active employees maintained by SCCS.

A sample was randomly selected from Banner and detail testing was performed to verify that personnel files contained the required documentation.

A listing of employees required to maintain an active license through the Ohio Counselor, Social Worker and Marriage and Family Therapist Board (CSWMFT Board), was compared to an active employee report. Applicable employee licensure was confirmed through the online CSWMFT license verification site or through review the respective employee's personnel file.

The following general recommendation and issue were noted during testing:

Recommendation:

Detail testing reflected a one percent (1%) error rate, therefore, IAD recommends that the SCCS Human Resource Department monitor professional licensing of applicable employees to help to ensure that licenses are obtained within six (6) months of their initial hire, and/or renewed prior to their expiration. This will help to ensure that applicable employees are licensed and remain current.

12. Issue:

Upon review of employee personnel files, IAD noted fourteen (14) files that did not contain all of the twenty-two (22) required documents as noted on the HR Personnel Record Checklist.

Recommendation:

IAD recommends that the SCCS HR Department review all employee personnel files to confirm that appropriate documentation is contained within them. This will help to ensure compliance with agency policies and procedures.

Action Taken Prior to the End of Fieldwork:

IAD was provided with complete documentation for twelve (12) of the fourteen (14) personnel files that were missing required documentation.

Management Action Plan:

The Human Resources Assistant reviews personnel files on a monthly basis. The review of the employee's file will ensure that all information in the file is current and accurate.

IV. Security:

Security issues noted during fieldwork are addressed under separate cover in the accompanying report in compliance with O.R.C. §149.433.