

Fiscal Year 2013 Annual Report

Summit County Internal Audit Department (IAD)



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Mission

Internal Audit's mission is to recognize and address the risks and vulnerabilities that can impact Summit County in order to assist, coordinate and facilitate positive change and promote sound practices for all Countywide operations while ensuring that the resources entrusted to County offices, courts, boards and commissions, and agencies are used efficiently, effectively, and appropriately.

Services

The Internal Audit Department (IAD) provides auditing services, investigations, information and research, best practices, training, and advisory services to the various offices, courts, boards, and agencies that make up Summit County government. In addition, the Audit Committee has approved marketing the Internal Audit Department's services to other local governments and non-profits, both inside and outside of Summit County.

Organizational Independence

The Summit County Internal Audit Department reports directly to the Summit County Audit Committee. In 2007, 2010 and 2013, IAD underwent a Peer Review of its operations performed by the Association of Local Government Auditors. The reviewers conveyed to IAD that the composition of the Audit Committee, which includes two resident members who must have knowledge and/or expertise in auditing and financial practices, permits independence standards' compliance.

Audit Standards and Ethics

IAD adheres to the standards promulgated by the U.S. Government Accountability Office (GAO) and The Institute of Internal Auditor's code of ethics. IAD expects each member of the department to demonstrate high standards of conduct and ethics as well as appropriate judgment and discretion.

Policy Statement

The Internal Audit Department is an independent appraisal activity that examines and evaluates County activities as a service to management and as directed by the Summit County Audit Committee. The primary objective of the IAD is to assist management and the Audit Committee in the effective discharge of their responsibilities by assessing the adequacy and effectiveness of controls and reviewing the quality of performance in achieving the County's objectives and goals. To this end, IAD will furnish management and the Audit Committee with analysis, recommendations, counsel, and information concerning the activities reviewed. In carrying out their responsibilities, members of the IAD will have full, free, and unrestricted access to all County activities, records, property, and personnel.

Internal audit is a staff function (advisory in nature) and does not have the authority to change operating practices, procedures, or personnel. It is to observe operations as they are, report their findings and make recommendations to management and the Summit County Audit Committee.

The IAD can review and test operations and make recommendations to ensure that the County's resources are safeguarded and used in ways that are consistent with internal policies as well as public laws and regulations. IAD has no authority to implement its recommendations or create policies and procedures or internal controls to correct its findings. Management alone has the authority to make the changes to its operations to address performance,

compliance, efficiency, and accountability to Summit County constituents. It is management's responsibility to establish internal controls and develop policies and procedures and to implement and enforce them.

The IAD has the direct responsibility to apprise management and the Audit Committee of any significant developments that they believe warrant their consideration or action. Internal audit will meet with its Audit Committee at least quarterly. The Chair of the Audit Committee or the Director of Internal Audit may initiate additional meetings.

Internal audit provides services to all governmental entities of Summit County. The IAD is assigned the following principal responsibilities:

- Determine the adequacy and effectiveness of the County's systems of internal accounting and operating controls.
- Review the reliability and integrity of financial and operational information.
- Review established systems to ensure compliance with the policies, plans, procedures, laws and regulations that could have an impact on operations.
- Review the means of safeguarding assets and verify their existence when appropriate.
- Appraise the economy and efficiency of employment of resources, identify opportunities to improve operating performance, and recommend solutions to problems where appropriate.
- Review operations and programs to determine whether results are consistent with established objective and goals and whether the operations or programs are being carried out as planned.
- Provide staff guidance to operating units on matters relating to audit and internal controls.
- Coordinate audit work with the county's external public accounting firm and/or the Ohio Auditor of State.
- Interact with all County governmental units coming under external audit for various Federal and State programs, including initial phase (questionnaire response), entrance and closing conferences, and negotiation stage if applicable.
- Obtain and review all external audit reports.
- Work with County entities during any external audit rebuttal process.

Audit reports, when appropriate, will provide a general evaluation of the system of internal controls together with detailed findings, comments and recommendations for improvement.

The audit findings are reviewed at the conclusion of each audit with the appropriate management and/or elected official. Management is expected to indicate their acknowledgement as to factual content of the report, although not necessarily agreeing with the evaluation, conclusions or recommendations. A management action plan (MAP) is required by the Audit Committee to address IAD's findings and recommendations and is included in the final report. The MAP must provide a timeline for implementation of the corrective actions by management.

It is the responsibility of Summit County management to follow up and ensure that progress is made toward correcting unsatisfactory conditions. It is IAD's responsibility to determine that corrective action is taken toward correcting

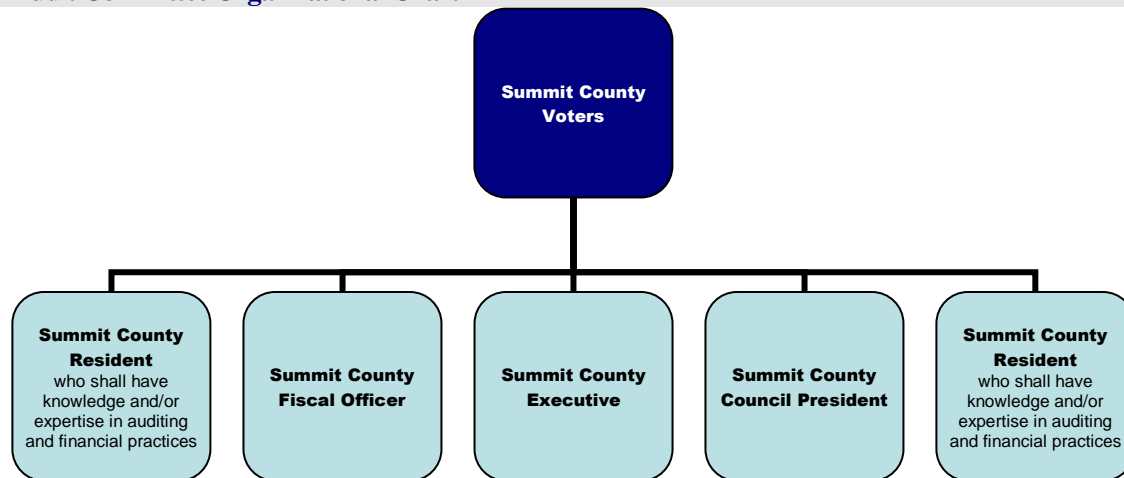
unsatisfactory conditions and that it is having the desired results or that senior management has assumed the risk of not taking corrective action.

Summit County Charter: Article X

In 2000, Summit County underwent a special audit by the State Auditor’s office based on allegations of fraud by employees of the County. The newly elected Executive, James B. McCarthy, sponsored legislation to create an Audit Committee and Internal Audit Department to oversee the operations and performance of the County. The voters, by a resounding majority, approved it. Article X of the Summit County Charter creates the Summit County Audit Committee and Summit County Internal Audit Department (<https://internalaudit.summitoh.net/index.php/charter-article-x>)

The Summit County Charter mandates that all entities receiving County funding are subject to audit by the IAD, providing the taxpayers of Summit County with efficient, effective, and accountable operations and services.

Audit Committee Organizational Chart



Annual Work Program

IAD prepares a quarterly work plan as well as an annual work program for review and approval by the Summit County Audit Committee. All additions, deletions, or deferrals to the annual work program are also reviewed and approved by the Audit Committee.

Staff Certifications and Professional Training

IAD is committed to providing its staff with opportunities to obtain certifications pertinent to their positions. Currently, the staff holds the following certifications.

Certified Internal Auditor (CIA)	2
Certified Fraud Examiner (CFE)	2
Certified Government Audit Professional (CGAP)	2

In addition, annual training of forty (40) hours for each staff member is a requirement to fully develop their expertise and allow the auditors to remain apprised of any changes to auditing standards and methods and to fulfill the CPE requirements of any certification obtained by them.

IAD Peer Review

Internal audit departments are required by government audit standards to undergo a peer review every three years. IAD has undergone three (3) peer reviews since its inception conducted by the Association of Local Government Auditors. Those peer reviews were conducted in 2007, 2010 and 2013. Full compliance opinions were issued and can be found on the IAD website.

<https://internalaudit.summitoh.net/index.php/peer-review>

Receiving a full compliance opinion permits the IAD to cite compliance with Generally Accepted Government Auditing Standards (GAGAS) in their audit reports.

Services Provided by IAD

Some of the services provided by IAD include, but are not limited to the following:

- Conduct audits
- External audit oversight
- Assistance in providing recommendations for improvement
- Audit rebuttal process
- Fraud investigations
- Transition auditing
- Grant testing
- Non-audit services
- Review of system implementations
- Services to other local government and non-profits inside and outside of Summit County
- Training

Audit Committee Directive 2004-01

In 2004, IAD requested its Audit Committee direct all County governmental units that come under external audit by State and Federal agencies to notify IAD of any and all audits, entrance and closing conferences by any outside agencies, and provide copies of all external audit reports to develop a Countywide audit repository. IAD forwarded the Audit Committee's Directive 2004-01 to all Summit County officeholders, courts, agencies, boards, and commissions on December 14, 2004 and again on June 26, 2013.

Various County departments and agencies have found that working with IAD to address potential risk areas that may be tested before an audit by the State or Federal auditors to be of value. Upon receipt of audit reports imposing findings/penalties, IAD provides its audit expertise and works with the involved County entities during the repudiation process. Audit oversight allows various requests for best practice recommendations and testing prior to an audit by departments directly involved to help reduce possible audit penalties.

IAD Coordinates Financial and A-133 Single Audits

Section 10.01 of Article X of the Summit County Charter states that the Audit Committee shall oversee internal as well as external audits. In its capacity as the operational arm of the Audit Committee, IAD works closely with the County's external auditor, hired by the Ohio Auditor of State to perform the financial audit and A-133 single audit of the County.

IAD Reduces Costs for Ohio AOS External Audits

The Ohio Auditor of State (AOS) is required by the Ohio Revised Code to perform the annual financial and A-133 single audits of Ohio counties. AOS may choose to hire independent audit firms to conduct County audits. Summit County is designated as one of these audits. Rea & Associates, Inc., (Rea) was awarded the contract by the AOS to conduct these audits of Summit County.

Rea's quote for services reflected an allocation of audit fieldwork hours to IAD, thus reducing the hours spent on the audit by the firm and lowering the cost to the County each year by \$32,400 in 2012 and 2013, respectively. IAD will assist with audit testing, upon direction from Rea, to keep Summit County's audit costs minimized.

In addition to the actual audit work, IAD will meet on a regular basis with Rea auditors if a problem arises during the audit. IAD will assist in mitigating any audit issues, providing Rea with data or documentation as requested. Rea also provides status updates to IAD as representatives of the Audit Committee during the audit.

Audit Committee Authorizes IAD Services to Other Local Governments and Non-Profits

IAD continues to pursue its efforts in providing internal audit services to other government agencies, boards, and political subdivisions both inside and outside of the County, to help reduce costs to the County. In 2013, the IAD contracted with the following entities to provide audit services:

- Ohio Highway Patrol Retirement System
- City of Akron
- City of Barberton
- Summit County Land Reutilization Corporation

A more detailed description of the services provided is described later in this report.

IAD's National Compliance Officers

Certified National Peer Reviewers

Lisa Skapura, IAD Director, is certified as a National Peer Reviewer to conduct peer reviews on behalf of the Association of Local Government Auditors (ALGA), confirming compliance with the Government Accountability Office (GAO) standards. She has performed several peer reviews on behalf of the organization.

Completing the peer review training and performing peer reviews of other audit departments allows IAD staff to become experts in the standards that govern the audit profession, thereby adding credence to the work of the department in Summit County.

IAD Website – <https://internalaudit.summitoh.net/>

The Audit Committee approved the creation of an internal audit website where the general audit reports and management action plans, approved by the Committee are posted. IAD launched the site on April 2, 2007 and a complete redesign was implemented in 2013. Upon approval of its Audit Committee, IAD has published all general audit reports to the website for review by the public for historical, transparency, and accountability purposes.

IAD Performance

AUDITS

2013 Audits & Audit Committee Approval Date

- Fiscal Office – Board of Revision (3/19/13)
- Executive Office – Department of Community and Economic Development, Building Standards Division (6/25/13)
- County of Summit Alcohol, Drug Addiction and Mental Health Services Board (6/25/13)
- Executive Office – Medical Examiner (12/10/13)

ANNUAL AUDITS

At IAD’s discretion, annual audits of County credit cards and vehicle usage logs are completed.

The County’s Procurement Card program is mandated by Codified Ordinance 198 Procurement Card. Audits of the Procurement Card program are mandated by the Executive’s Department of Finance and Budget Policies and Procedures. Rea and Associates specifically mentioned procurement cards as an area of high risk that should be reviewed regularly.

The vehicle usage logs track the use of the County’s fleet by personnel and are mandated by Codified Ordinance 169.25 Operation of a Vehicle for County of Summit Business.

2013 Procurement Card and Vehicle Log audits were in progress at year-end.

AUDIT FOLLOW-UPS

As audit best practice stipulates, IAD recommended the performance of audit follow-ups to the Audit Committee, approximately six to nine months after an audit is completed to monitor the progress of management’s action plans. IAD continues to schedule audit follow-ups until the auditee has fully implemented its corrective action plan.

Management is responsible for taking timely corrective action to implement the audit recommendations made by internal and external auditors. They are responsible for communicating to IAD, on a timely basis, progress made to resolve audit issues and management shall provide IAD with sufficient documentation to prove fully implemented audit recommendations.

2013 Audit Follow-Ups & Audit Committee Approval Date

- Fiscal Office – Purchasing Department, 1st Audit Follow-Up (9/11/13)
- Executive Office – Department of Finance and Budget, 1st Audit Follow-Up (9/11/13)

- Summit County Children Services, 1st Audit Follow-Up (12/10/13)
- Executive Office – Human Resource Department, 2nd Follow-Up (12/10/13)
- Fiscal Office – Board of Revision, 1st Follow-Up (12/10/13)

ATTESTATION ENGAGEMENTS (Nonaudit Services and Agreed Upon Procedures)

In addition to the preliminary reviews and ongoing risk assessment, the Internal Audit Department has completed numerous projects, agreed upon procedures, and non-audit services as requested by departments, courts, agencies, and commissions, some of which are referenced below. The scope of services is based on the amount of work and the direction received from the requesting entity.

Agreed Upon Procedures

Executive Office – Department of Job and Family Services (DJFS)

Assessments of the control environment for the Family and Adult Services Division and Prevention, Retention, & Contingency (PRC) Hard Services were performed and recommendations were provided for improvement to the Director.

Summit County Probate Court

A transition audit and assessment of the fiscal control environment was performed and recommendations were provided for improvement to the Judge, where applicable.

Summit County Sheriff's Office

A transition audit and assessment of the accounts receivable, accounts payable and grants administration functions was performed and recommendations were provided for improvement to the Sheriff, where applicable.

City of Akron

IAD contracted with the City of Akron to assess the fiscal control environment for the Department of Neighborhood Assistance, Recreation Bureau. Observations were noted and recommendations were made, where applicable.

CONTRACTED SERVICES

Highway Patrol Retirement System (HPRS)

IAD contracted with the Highway Patrol Retirement System (HPRS) to perform internal audit services, in accordance with the Ohio Revised Code (ORC). An audit follow-up was conducted on previous year's audit issues and an audit was performed of the Administration, Benefits, and Investments functions. Issues were noted and recommendations were made, where applicable.

City of Barberton

IAD contracted with the City of Barberton (Barberton) to perform a risk assessment and develop a work plan for auditing services. The risk assessment and audit plan were presented to the Mayor.

Summit County Land Reutilization Corporation (SCLRC)

IAD contracted with the Summit County Land Reutilization Corporation (SCLRC) to provide an internal control assessment and continuous monitoring of fiscal operations associated with the Moving Ohio Forward grant.

INVESTIGATIONS

It is the policy of IAD to investigate specific allegations of employee misconduct or allegations of fraud involving County accounts or operations. IAD will conduct these investigations in accordance with Government Auditing Standards, the Association of Certified Fraud Examiners standards, and in a manner that protects the civil rights of those who may be the subject of allegations. IAD will work in conjunction with the Sheriff or Prosecutor as dictated by its policies.

The County protects employees from retaliation, who in good faith report suspected criminal activity or the disregard of regulations or policy applicable to County activities.

2014 1st Quarter Work Plan

At the December 10, 2013 Audit Committee meeting, IAD proposed the 1st quarter work program to the Committee for its review and approval. In addition, IAD will provide non-audit services and agreed upon procedures as requested throughout the year.

- Off CAFR Federal Funds, continuous monitoring,
- IRS, continuous monitoring,
- CAFR Audit (Rea), assist with fieldwork for the financial audit,
- City of Akron, auditing services,
- Summit County Probate Court, Comprehensive Audit
- Executive Office, Building Standards Department, 1st Audit Follow-Up,
- Alcohol, Drug Addiction, and Mental Health (ADAMH) Board, 1st Audit Follow-Up

Conclusion

Current Economic Condition and Recovery Opportunities

As the County continues to recover from the economic condition that has caused government to review its options to collaborate, merge and downsize services, IAD can assist in providing recommendations to improve operational efficiencies, where applicable.

IAD Service Offerings to Other Local Governments and Agencies

IAD will continue to offer auditing services and special project work to outside agencies to help reduce costs for Summit County, as well as assist with consolidated government services.