



175 South Main Street
Akron, Ohio 44308
330.643.2655

Summit County Internal Audit Department (IAD)

Annual Report



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*Promoting
Accountability,
Efficiency, and
Effectiveness in Summit
County Government*

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**Bernard F. Zaucha, CPA, CIA, MBA
Director, Summit County Internal Audit Department**

Summit County Internal Audit Department (IAD)

IAD = ROI

**IAD Provides a Positive
Return on Summit County's
Investment**

*Internal Audit's economic impact continues to exceed its cost
by a large margin. A well run internal audit function
is an investment that benefits County management and citizens*

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 business 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 properly.

Services

The Internal Audit Department provides audit, investigations, information and research, best practices and advising services to the various Offices, Courts, and Agencies that make up Summit County government.

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 Executive's office. 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 as a whole. 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.

SUMMIT COUNTY CHARTER ARTICLE X - INTERNAL AUDITING

SECTION 10.01 COUNTY AUDIT COMMITTEE.

A County Audit Committee is hereby created to provide internal auditing to assist the County Executive, County Council, County elected offices, departments, institutions, boards, commissions, authorities, organizations, and agencies of Summit County Government funded in whole or in part with county funds, in providing taxpayers of Summit County efficient and effective services. The County Audit Committee shall consist of the County Fiscal Officer, the County Executive, the President of County Council and two residents of Summit County appointed by the Executive and approved by majority of Council. The County Audit Committee shall meet on a quarterly basis and oversee internal as well as external audits. (Amended 11-6-01.)

SECTION 10.02 DEPARTMENT OF INTERNAL AUDITING.

There shall be a Department of Internal Auditing which shall serve under the direction of, and perform such functions on behalf of, the County Audit Committee as the Committee shall prescribe. (Added 11-7-00.)

SECTION 10.03 DIRECTOR OF INTERNAL AUDITING; QUALIFICATIONS.

There shall be a Director of Internal Auditing, who shall be head of the Department of Internal Auditing. The Director of Internal Auditing shall be a Certified Internal Auditor or working towards an Internal Auditor certification, shall be, or after certification shall become, a member of the Institute of Internal Auditors and shall be subject to, and follow at all times, the Code of Ethics for Certified Internal Auditors established by the Institute of Internal Auditors. The County Audit Committee shall recommend the hiring or dismissal of the Director of Internal Auditing, upon approval of the County Council. The Director of Internal Auditing shall interview and make recommendations for the hiring of staff for the Department of Internal Auditing to the County Audit Committee who shall approve or reject such recommendations. (Added 11-7-00.)

SECTION 10.04 AUTHORITY OF DEPARTMENT OF INTERNAL AUDITING.

The Department of Internal Auditing shall have the following powers and duties:

- (1) Preparation of an annual budget and work program;
 - (2) Development of a department audit fee, which shall be billed to each department audited;
 - (3) Guidance of the internal audit process through utilization of;
 - a. Government Auditing Standards, United States General Accounting Office developed by the Comptroller General of the United States; and
 - b. Professional Standards of the Institute of Internal Auditors, American Institute of Certified Public Accountants, generally accepted auditing standards.
 - (4) Preparation of a preliminary financial and performance auditing report for the department being audited; and
 - (5) Any other duties or responsibilities prescribed by the County Audit Committee.
- (Added 11-7-00.)

SECTION 10.05 EFFECTIVE DATE.

This article shall be effective December 15, 2000, for purposes of convening the County Audit Committee.

The County Audit Committee shall adopt rules and regulations for the County Audit Committee and the Department of Internal Auditing, and in conjunction with the Department of Human Resources, shall establish classifications and job descriptions for the Director of Internal Auditing and any necessary staff by May 15, 2001. The County Audit Committee shall submit a recommendation for the position of Director of Internal Auditing by July 1, 2001.

(Added 11-7-00.)

Policy Statement

Internal Audit is an independent appraisal activity that examines and evaluates County activities as a service to management and the Audit Committee. The primary objective of the Internal Audit Department 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, internal auditing 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 Internal Audit Department will have full, free, and unrestricted access to all County activities, records, property, and personnel.

Internal audit is a staff function 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 the Summit County Audit Committee.

Internal audit 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 the Audit Committee at least quarterly; additional meetings may be initiated by the Chairman of the Audit Committee or by the Director of Internal Audit.

Internal audit provides service concerning all phases of Summit County. The following principal responsibilities are assigned to the internal audit department:

- 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 of assets and verify their existence when appropriate.
- Appraise the economy and efficiency with which resources are employed, 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.
- Coordinate audit work with the county's external public accounting firm.
- Provide staff guidance to operating units on matters relating to audit and internal controls.

Reports:

Audit reports, when appropriate, will provide within the scope of the audit work performed a general evaluation of the system of internal control together with detailed findings, comments and recommendations for improvement.

The audit findings will be reviewed at the conclusion of each audit with the appropriate management and as required with executive management. Management is expected to indicate their acknowledgement as to the facts as stated, although not necessarily agreeing with the evaluation, conclusions or recommendations.

It is the responsibility of Summit County management to follow up and ensure that progress is made toward correcting unsatisfactory conditions. It is Internal Audit'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 and the Audit Committee have assumed the risk of inaction.

IAD Timeline

<i>November, 2000</i>	<i>June, 2001</i>	<i>2001-2002</i>	<i>July, 2002</i>	<i>January, 2003</i>	<i>June, 2003-present</i>
Voters Create Audit Committee and Internal Audit Department	Internal Audit Department Job Descriptions	Audit Committee Meets	Internal Audit Department Begins Business	Staff Hired and Risk Assessment	Preliminary Audits and Special Projects
Summit County voters create an Audit Committee and Internal Audit Department as evidenced by Article X of the Charter	Council approves job descriptions for Internal Audit Department management	Audit Committee meets to discuss issues (Bernard Zaucha is appointed to Audit Committee)	Mr. Zaucha is asked to create Internal Audit Department and resigns position on Audit Committee. The Department begins business July 29, 2002	Remainder of staff hired and Risk Assessment begins	Audit Plan is implemented and special projects are addressed

Risk Assessment and Preliminary (Snapshot) Audits

Audit Services

Performance Results 2004-2005	FY04	FY 05
Number of preliminary audits completed	14	8
Number of follow-up audits completed		12

In December, 2002 the County contracted with Bruner-Cox, LLP to work in tandem with its Internal Audit Department:

- To perform a Countywide risk assessment
- To develop a risk assessment model
- To develop a 5-year audit plan and
- To make recommendations on the staffing needs of the Internal Audit Department.

Based on the County Operating Budget, 40 governmental units were identified as the audit population. This population as well as the risk assessment is dynamic and is reviewed from time to time for update

Due to the nature of the many and varied risks identified, time was of the essence. It was decided that the best course of action to ascertain and address the highest risks in the shortest time possible was to perform a high level review of the operations of each governmental unit in the identified audit population. The Audit Committee approved going forward with the preliminary audits.

Preliminary Audit Objectives

- Policies & Procedures review
- Review of Internal Controls
- Security Review

Preliminary Audit Scope

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

Audit Population Identified in the Countywide Risk Assessment

<i>Preliminary Audit and Follow-Up Performed</i>	<i>Preliminary Audit Performed</i>	<i>Awaiting Preliminary Audit</i>
Executive Office - Medical Examiner	Court Of Common Pleas - General	Prosecutor Office - CSEA
Fiscal Office - Real Estate	Court of Common Pleas - Probation	Childrens Services Board
Human Resource Commission	Juvenile Court - Operations	Domestic Relations Court
Fiscal Office - Services	Juvenile Court - Detention	Board Of Elections
Executive Office - Insurance & Risk Management	Sheriff Office - Corrections	Fiscal Office - Treasurer
Alcohol, Drug Abuse & Mental Health Board	Sheriff Office - Operations	Fiscal Office - Finance
Veterans Services Commission	Prosecutor Office - Operations	Fiscal Office - Recorder
Summit County Council	MRDD	Fiscal Office - MIS
Executive Office - General Administrative	Clerk Of Courts Office - Legal	Executive Office - Jobs & Family Services
Engineer Office	Clerk Of Courts Office - Title	Executive Office - Administrative Services
Executive Office - D.O.E.S		Executive Office - Finance & Budget
Executive Office -Department Of Development		Executive Office - Human Resources Dept
		Executive Office - Dept Of Communication
		Executive Office - Department Of Law
		Executive Office - Emergency Management Agency
		Court Of Appeals
		Probate Court

Preliminary Audit Value-Added Services by IAD

During the performance of the preliminary audits, IAD provided additional services to address the many and varied findings. IAD added value to its audits by working with management to assist them in finding solutions to the issues and make the improvements necessary for them to conduct the business of the County more efficiently and effectively. Some of the highlights for the individual audits are listed below.

Fiscal Office - Real Estate

IAD assisted the Fiscal Office Real Estate Division with a system for recording and monitoring of the Homestead loans. The department also recommended a system to monitor travel and time accounting for the appraisers.

Sheriff Office – Administration and Operations

The IAD assisted the Sheriff's fiscal department to strengthen the purchasing approval process. We worked to develop a new procedure for pay-ins to the Fiscal Office. Timely deposits of funds received from the foreclosure division was an external audit management letter item for the past three years. IAD reviewed the fiscal department's procedures and advised management of best practices.

Sheriff Office – Corrections

Accurate tracking of inmate property was an issue identified during the preliminary audit. IAD provided information on proper controls for this area. The reconciliation of the inmate accounts was strengthened by the Sheriff's department in conjunction with the IAD staff.

Executive Office – Insurance & Risk Management

IAD recommended the monitoring of drivers license and background checks for staff using County vehicles. The monitoring and tracking of workers comp claims was an also an area that was identified for improvement.

Engineer Office

Assisted the Engineer with its purchasing procedures.

Clerk of Courts Office – Legal

IAD reviewed the collection and outstanding balances in the Clerk's database system, using the assistance of a Certified Information Systems Auditor hired to provide professional and knowledgeable information relating to internal controls and risk analysis of any County system or network.

Executive Office - D.O.E.S

IAD identified the lack of monitoring of attendance and work completed by maintenance people at treatment plants and recommended implementation of a system to address this issue. IAD recommended a contingency plan for billing system procedures and advised the department in its developing the supervisory review of changes in the billing system and procedures

CSBMR/DD

IAD recommended the update of policies and procedures for all operational areas of the agency.

Executive Office -Department Of Development (DOD)

IAD worked with DOD on several compliance issues identified numerous times in the external audits of the County. They advised the department on its monitoring of CDBG loans and HWAP compliance. Review of its internal controls allowed for recommendations for the efficient use of state monies by monitoring procedures.

Executive Office - Medical Examiner

IAD identified and advised on various security issues

Executive Office -Department Of Development: Building Standards

IAD provided training and recommendations for the proper reconciliation of permits sold to cash collected and assisted with strengthening controls over cash collection. IAD worked with the permit software vendor to implement controls in the system over access levels, data entry, and other internal controls. IAD then assisted with personnel training for the revised system.

Executive Office -Department Of Development: Planning Dept and Community Development Department

IAD reviewed the controls and timely deposits of cash into the Fiscal Office by the DOD and advised on improvement of the controls for tracking and monitoring of enterprise fund payments.

Alcohol, Drug Addiction and Mental Health (ADAMH) Board

IAD reviewed the Policies and Procedures and the Internal Audit function for subrecipient monitoring of the ADAMH Board.

Veterans Services Commission

IAD reviewed and advised on the update and completion of Veterans Services policies and procedures manual. IAD assisted the agency with petty cash reconciliations procedures and with personnel and client file maintenance processes.

Court Of Common Pleas – General Division

IAD identified issues with the Court’s evidence tracking and advised on the proper tracking and monitoring of evidential property and with the policies and procedures relating to same.

Fiscal Office – Services

IAD found that this department was the most efficiently run to date. IAD has used Fiscal Services as a resource for other department policies and procedures. Management is to be commended on its efficiency and effectiveness of operations and performance.

Executive Office Finance and Budget Department: Bureau of Office Services

IAD assisted in the implementation of an inventory tracking system. IAD performed a Client Satisfaction Survey and reported the results to the department to assist them with strategic planning for services. IAD advised the department during its development of policies and procedures for the Records Commission. IAD recommended an updated cost structure and pricing.

Special Projects

Performance Results 2004-2005	FY 2003	FY04	FY 05
Number of special projects completed	4	4	4

In addition to the preliminary reviews and ongoing risk assessment, the Internal Audit Department has completed numerous special projects and audits as requested by departments, agencies, and commissions. The size and timeframes of the special projects are based on the amount of work and the direction received from the requesting entity. Some special projects last a few weeks and others may take months to complete.

➤ **CSB Performance Audit in conjunction with PARC**

In April, 2003, the case of alleged abuse and neglect of six Kenmore children was brought to the attention of Summit County Executive, and in response Mr. McCarthy appointed a blue ribbon panel of citizens to conduct a performance audit of the whole agency. The Audit Committee approved the request for IAD to work with the Performance Audit Review Committee (PARC) to provide an independent performance review of Summit County Children Services addressing the following:

- Assessing the strengths and weaknesses of the Agency
- Addressing the risks, controls and management process associated with the Agency

- Determining efficiency and effectiveness of operations
 - Addressing public questions about the Agency's overall ability to protect children
 - Reviewing the Agency's Table of Organization
 - Determining if the Agency's Policies and Procedures are adequate and being followed
 - Assessing the staffing level, mix and caseloads
 - Reviewing the consistency and follow up of referral reports
 - Reviewing completion time-frame compliance
 - Assessing the level of detail in case plan documentation
- **Insurance and Risk Management Medical Mutual of Ohio third party billing audit**
IAD, upon request by the new Insurance and Risk Management Director, audited the self-insured medical plan of Medical Mutual of Ohio and reviewed the claims processing of Medical Mutual
- **Juvenile Court cash handling audit**
IAD reviewed the Court's cash handling and reconciliation process requested by Judge Teodosio upon the transition of the Court from Judge Hunter's administration.
- **Department of Development HWAP audit**
IAD investigated and assisted with the prosecution of three employees who were suspected of fraudulent activities in the distribution of state and federal funds from this program.
- **CSBMR/DD**
- IAD, upon request by the agency, assisted the agency with its new internal audit function for Medicaid claims processing. IAD worked with the new internal audit staff to develop a tool for adequate sampling of Medicaid claims tested by the department.
 - Payroll special project
Again, upon request of MRDD, IAD worked with payroll staff on the tightening of controls and proper segregation of duties of the payroll department.
- **Human Resource Commission**
IAD reviewed and made recommendations during the re-write of Section 169 of the Codified Ordinances which addresses the Personnel issues of the County.

- **Department of Development compliance matters**
IAD worked with the Department of Development to address the various compliance issues identified in previous external audit management letters and federal programs audit findings.

- **Criminal Justice Advisory Board (CJAB)**
 - Jail overcrowding
IAD worked closely with Luminosity, consulting company hired to address the jail overcrowding issues.
 - Case workflow and timeline
IAD, upon the request of the Criminal Justice Advisory Board (CJAB) and approved by the Audit Committee, worked on a request from Luminosity to develop a report on how a case flows through the criminal justice system. IAD created a timeline for each step of the process, working with the Municipal clerk of courts, Summit County Clerk of Courts, Common Pleas Court, and Adult Probation.
 - Case dismissal
IAD, upon the request of CJAB and approval of the Audit Committee, worked on the tracking of case dismissals through the Court of Common Pleas, obtaining Supreme Court logs and tracking them through the Clerk of Courts case management system to identify the number of cases dismissed.
 - Collection process research
IAD researched collection processes and procedures in use throughout the country.

Investigations

Performance Results 2004-2005	FY 2003	FY04	FY 05
Number of cases investigated to completion where accountability action occurred	1		

Cases: One case investigated to completion. IAD testified at the disciplinary hearings and was prepared to testify in the three cases of fraud by employees of the Home Weatherization program.

Recoveries: \$6,720 in recoveries was identified in the form of anticipated fees due to the County and restitution/disallowed costs resulting from investigative work.

Outcomes: A variety of outcomes resulted from our investigative work: personnel actions (including employee separations), policy changes, improved internal controls to mitigate risk of future violations, improved reporting and integrity, and evidence to support successful prosecution of wrongdoing.

Additional Services

The IAD provides additional services in addition to the audits and special projects. The varied offerings, current and anticipated, are representative of IAD's commitment to addressing the management needs of the County.

- Coordination of External Financial and A-133 Single Audits
- IAD Website
- Information Technology Services
- Management Seminars
- Lending Library
- Newsletter
- Repository of Countywide Information

Future Plans

During its tenure with the County, IAD has become aware of many Countywide functions and processes that require an audit as a whole. IAD has identified some of these areas and will continue to review and upgrade its audit population for its comprehensive audits.

- Countywide Fleet Audit
- Countywide Payroll Audit
- Other audits of Countywide functions and operations such as budgeting, purchasing, accounts receivable, grant management, contract management, contracts and leases, Banner financial and human resource systems
- Review of Risk Assessment to determine additional auditees

Sarbanes-Oxley Act (SOX) in Government

Raising the Bar for All Organizations

Congress enacted the Sarbanes-Oxley Act in 2002 prompted by rampant financial fraudulent activities of corporate accountants (i.e. Enron, WorldCom). The Center for Association Leadership holds that while the Act's provisions are specifically applicable to publicly held companies, Sarbanes-Oxley has clearly raised the bar for the financial and governance practices of all organizations, for-profit and not-for-profit alike.

Strong Internal Audit Function Limits Exposure: Summit County Recognizes Value

Summit County leaders and its citizens have recognized the value of internal controls, accountability, and transparency. They have wisely invested in an independent internal audit function. The Internal Audit Department adheres to the Professional Standards of The Institute of Internal Auditors, ensuring independence.

Organizational Independence

Summit County wisely legislated the creation of an Audit Committee as the reporting body of the IAD to further guarantee the independence of its internal auditors.

SOX in Government

- Federal Office of Management & Budget (OMB) revises Circular No. A-123
- Effective fiscal year 2006
- Updates to the Federal Manager's Financial Integrity Act of 1982
- Strengthens the internal control requirements over financial reporting in Federal agencies
- Provides updated internal control standards
- New specific requirements for management assessment
- Integrates an internal control framework
- New annual report and assurance statement of effectiveness of internal control over financial reporting
- Reportable conditions as a category of deficiency
- www.whitehouse.gov/omb/financial/offm_circulars.html

Conclusion

The Summit County Internal Audit Department serves as the internal auditor and provider of advising services for all Summit County governmental units receiving funds from the taxpayers of Summit County. The mission of IAD is to provide reliable, relevant and objective information to assist leaders with improved decision making. IAD strives to be a vital partner in Summit County government's continual efforts to protect the integrity of its operations and improve the performance and accountability of its staff, and the efficiency of its processes.