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# Summit County Internal Audit Department (IAD)

# Fiscal Year 2006 Annual Report



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



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**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, Boards 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.

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

### **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, 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 Internal Audit Department 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 the Summit County Audit Committee.

The Internal Audit Department 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 to implement and enforce them.

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 its 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 services to all governmental entities 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. A Management Action Plans (MAP) is required by the Audit Committee to address IAD's findings and recommendations. 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 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>June, 2001</i>	<i>2001-2002</i>	<i>July, 2002</i>	<i>January, 2003</i>	<i>June, 2003-present</i>
Internal Audit Department Job Descriptions	Audit Committee Meets	Internal Audit Department Begins Business	Staff Hired and Risk Assessment	Preliminary Audits, Special Projects, Comprehensive Countywide Audits
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 2004-2006	FY04	FY 05	FY 06
Number of preliminary audits completed	14	8	5
Number of follow-up audits completed		12	4

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**

*Preliminary Audit & Follow-Up Performed*

*Preliminary Audit Performed*

*Awaiting Preliminary Audit*

Executive Office - Medical Examiner
Fiscal Office - Real Estate
Human Resource Commission
Fiscal Office - Services
Executive Office – Insurance & Risk Management
Alcohol, Drug Abuse & Mental Health Board
Veterans Services Commission
Summit County Council
Executive Office - General Administrative
Engineer Office
Executive Office - D.O.E.S (2 follow-ups)
Executive Office -Department Of Development (2 follow-ups)
Sheriff Office - Corrections
Clerk Of Courts Office - Legal
Court Of Common Pleas - General

Court of Common Pleas - Probation
Juvenile Court - Operations
Juvenile Court - Detention
Sheriff Office - Operations
MRDD
Clerk Of Courts Office - Title
Prosecutor Office - CSEA
Prosecutor Office - Operations

Childrens Services Board
Domestic Relations Court
Board Of Elections
Fiscal Office - Treasurer
Fiscal Office - Finance
Fiscal Office - Recorder
Fiscal Office - MIS
Executive Office - Jobs & Family Services
Executive Office - Administrative Services
Executive Office - Finance & Budget
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 AUDITS & AUDIT COMMITTEE APPROVAL DATE**

**2004**

- ∞ **Alcohol, Drug Abuse & Mental Health Board (6/23/2004)**
- ∞ **Summit County Council (12/17/2004)**
- ∞ **Engineer Office (12/17/2004)**
- ∞ **Executive Office: Dept of Environmental Services (12/17/2004)**
- ∞ **Executive Office: General Administration (12/17/2004)**
- ∞ **Executive Office: Insurance & Risk Management Dept (12/17/2004)**
- ∞ **Executive Office: Medical Examiner (6/23/2004)**
- ∞ **Executive Office: Office Services (12/17/2004)**
- ∞ **Fiscal Office: Real Estate Department (12/17/2004)**



- ⌘ **Fiscal Office: Services Department (12/17/2004)**
- ⌘ **Human Resource Commission (6/23/2004)**
- ⌘ **Veterans Services Commission (12/17/2004)**

## **2005**

- ⌘ **Clerk of Courts Office: Legal Division (6/22/2005)**
- ⌘ **Common Pleas Court: General Division (6/22/2005)**
- ⌘ **Executive Office: Department Of Development (3/21/2005)**
- ⌘ **Prosecutor Office: Legal Divisions (3/21/2005)**
- ⌘ **Sheriff Office: Administrative/Operations Divisions (12/8/2005)**
- ⌘ **Sheriff Office – Corrections Division (9/28/2005)**

## **2006**

- ⌘ **Clerk of Courts: Title Bureau (3/14/2006)**
- ⌘ **Common Pleas Court Gen'l Division: Adult Probation (3/14/2006)**
- ⌘ **Juvenile Court - Operations and Detention Center (3/14/2006)**
- ⌘ **County of Summit Board of Mental Retardation & Developmental Disabilities (CSBMR/DD) (3/14/2006)**
- ⌘ **Prosecutor Office: Child Support Enforcement Agency (12/19/2006)**

## **PRELIMINARY AUDIT FOLLOW-UPS & AUDIT COMMITTEE APPROVAL DATE**

### **2005**

- ⌘ **Alcohol, Drug Abuse & Mental Health Board (9/28/2005)**
- ⌘ **Council Office (9/28/2005)**
- ⌘ **Engineer Office (9/28/2005)**
- ⌘ **Executive Office: Department Of Development (12/8/2005)**
- ⌘ **Executive Office: Dept of Environmental Services (9/28/2005)**
- ⌘ **Executive Office: Office Services (9/28/2005)**
- ⌘ **Executive Office: Insurance & Risk Management Dept (9/28/2005)**
- ⌘ **Executive Office: Medical Examiner (9/28/2005)**
- ⌘ **Fiscal Office: Real Estate Department (6/22/2005)**

- ⌘ **Fiscal Office: Services Department (9/28/2005)**
- ⌘ **Human Resource Commission (9/28/2005)**
- ⌘ **Veterans Services Commission (12/8/2005)**

## **2006**

- ⌘ **Clerk of Courts Office: Legal Division (12/19/2006)**
- ⌘ **Common Pleas Court General Division (12/19/2006)**
- ⌘ **Executive Office: Dept of Development (2nd) (12/19/2006)**
- ⌘ **Sheriff Office: Corrections Division (12/19/2006)**

## 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.

### **2004**

#### **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.

#### **Engineer Office**

Assisted the Engineer with its purchasing procedures.

#### **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.

#### **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.

**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

**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.

**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.

**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.

**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.

## **2005**

### **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.

### **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.

### **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.

## **2006**

### **Clerk of Courts: Title Bureau**

Cash receipts and petty cash drawer issues were identified during the preliminary audit. IAD provided information on internal controls to assist the department in reducing the risk of fraud.

### **Court of Common Pleas: Adult Probation Department**

IAD worked with Common Pleas Court and Adult Probation management to address the lack of management practices in the areas of policy and procedure update, dissemination, implementation, and monitoring.

### **Prosecutor Office: Child Support Enforcement Agency (CSEA)**

#### **ODJFS Audit**

CSEA was notified of the State of Ohio Department of Jobs and Family Services (ODJFS) audit that would be conducted during the same timeframe that the internal preliminary audit was scheduled. IAD worked with management to test the areas where CSEA had findings in 2001 totaling approximately \$2.4 million. IAD continues to work with the ODJFS, CSEA, and the Executive Office Law Department, and outside counsel to resolve these findings.

Title IV-D issues identification

IAD is working with CSEA, Domestic Relations Court, Fiscal Office, and Clerk of Courts management and ODJFS audit managers to address Title IV-D contract issues raised during the ODJFS audit.

## Countywide Audits

Performance Results 2004-2006	FY04	FY 05	FY 06
Number of Countywide audits completed			1

### Countywide Fleet Management Audit

In its first Countywide audit, the Audit Committee directed its Internal Audit Department to review the County's fleet management operations. IAD collected data on over 700 vehicles, interviewed County staff from the majority of governmental entities owning vehicles (the Board of Elections and the Probate Court chose not to cooperate fully with the audit), sought policies and procedures, and conducted walk-throughs of the maintenance garages. Below are excerpts from the Executive Summary of the report.

As of December 31, 2005, the County fleet consists of approximately 743 vehicles including law enforcement vehicles, emergency management vehicles, light trucks, heavy trucks, trailers, boats, and on-road and off-road heavy equipment with a total purchase price of approximately \$13 million.

Fleet management within the County is decentralized with no centralized fleet management system in place, or standard format for storing data on the County's fleet to ensure accountability and efficiency of operations. Sufficient data is not available to do even the most basic cost benefit evaluation analysis.

There are no countywide formal, written, standardized policies and procedures, forms, or criteria on processes for:

- Vehicle purchase
- Vehicle replacement
- Vehicle disposal
- Fuel card monitoring
- Maintenance and repairs
- Insurance
- Monthly usage logs
- Grant monies used to purchase vehicles
- Safety programs
- Garage inventory
- Warranty work tracking

The Office of Finance and Budget and the Codified Ordinances have defined purchasing and disposal policies and procedures for County officeholders. However, the Courts, and boards and commissions are not required to adhere to them. Countywide, no formal, standardized, written criteria have been defined for any of the areas mentioned above.

There are five (5) maintenance garages run by County governmental units: CSBMR/DD, Engineer, DOES, CSB, and a small garage in Green run by Sheriff's office personnel to install and maintain light bars and radio equipment. The Sheriff, Prosecutor, and CSB, outsource the majority their of maintenance and repair work. DOES provides some maintenance and repair services to some County vehicles and outsources some repairs. Some maintenance and repair work is done in dealership service departments and specialty repair shops. Per the Engineer's office Director of Administration, the office anticipates building a new garage facility sometime in the next few years due to the displacement of its entire main location caused by the expressway renovations of ODOT.



Because of the lack of data stored in a centralized system and centralized management, there is **no** Countywide strategic planning, nor cost of operations analysis and efficiency studies done on:

- Actual number and type of vehicles required by the County to conduct efficient and effective business now and in the future;
- Actual costs to maintain the fleet (e.g. insurance, repairs, infrastructure, personnel, benefits, overhead – electricity, gas, tools, uniforms, parts, gas, oil, hazardous waste disposal)
- Liability to the County (e.g. accidents, compliance with federal and state laws, IRS compliance)
- New energy mandates
- New EPA and OSHA requirements related to fleets
- Purchasing new vehicles vs. maintaining an aging fleet
- Purchase of and maintenance on a County vehicle vs. reimbursement of mileage for personal vehicle use
- Countywide bulk purchasing negotiation ability for fuel, oil, parts, etc.

Based on our review of best practices in other North American fleet service organizations, an effective fleet management structure should provide for ownership and management of all vehicles and equipment with one central internal unit with adequate decision-making authority that provides a focused, structured and systematic approach to Countywide fleet services. A centralized fleet management approach is more efficient through consistent policy implementation and reduced administrative costs because it requires only one organization with fleet expertise and one information technology system to manage fleet assets. Centralized fleet management also achieves economies of scale and reduces duplication of efforts.

## Special Projects

Performance Results 2004-2006	FY 03	FY 04	FY 05	FY 06
Number of special projects completed	4	4	4	7

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.

### 2003

#### **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.

## **2004**

### **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.

## **2005**

### **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.

## **2006**

### **Prosecutor Property and Evidence Inventory**

Based on the request from the Summit County Prosecutor, IAD performed a 100% physical inventory of the Prosecutor's evidence rooms as outlined in an agreed upon procedure.

### **AMPCO Parking Garage Operational Processes and Contract Review**

In conjunction with the Countywide Fleet Management audit, it came to IAD's attention that there were numerous issues with the AMPCO run County parking deck operation. IAD worked closely with the Executive's offices of Administrative Services and Law Department to resolve several issues and initiate a new contract with AMPCO.

### **Indigent Defense/Public Defender Process Review**

Upon the request of the Criminal Justice Advisory Board (CJAB), IAD worked with the Office of the Ohio Public Defender, Fiscal Accounting Department, Summit County Clerk of Courts, City of Akron Clerk of Courts, and Common Pleas Court staff to learn the process and make recommendations to improve the system. IAD met with the Director of Law and her Department of Public Safety staff to provide a workflow and its recommendations in order to transition the program monitoring to the Department of Public Safety.

### **Procurement Card Program Design, Implementation, and Testing**

The Executive Office of Finance and Budget requested IAD to work on the implementation of the procurement card program. IAD attended bank presentations and meetings with the various County entities that would be involved in putting the program into operation. IAD reviewed proposed policies and procedures to provide input and recommendations on internal controls and risk assessment.

### **Court's Case Management System RFP and Implementation Review**

IAD's information technology consultant reviewed and made recommendations on the Request for Proposal (RFP) and reviewed vendor responses to the RFP. IAD staff attended vendor presentations and made recommendations on internal controls for the system.

### **Countywide Wide Area Network (WAN) Project RFP and Responses Review**

IAD provided the same services for this project.

**Countywide Property and Evidence Initiative**

Based on a request by Judge Jane Bond of the Summit County Common Pleas Court and several other County departments, IAD attended meetings regarding the property and evidence processes of the County. IAD made recommendations based on knowledge obtained through the audits of the County’s various evidence rooms and attendance at training from the International Association of Property and Evidence. An IAD staff member is currently seeking certification as a Certified Property and Evidence Officer.

**Disaster Recovery and Business Continuity Initiative**

The Ohio Auditor of State performs the annual financial audit of Summit County through an external audit firm, Rea & Associates, Inc. In its management letter, Rea identified the lack of disaster recovery plans for the majority of County governmental entities. This is a huge risk given the events of 9/11 and other terrorist activities. IAD notified all County MIS departments of the finding and requested management action plans and implementation dates. IAD also brought the matter before the Information Technology Advisory Board for discussion and planning. IAD worked with the Department of Public Safety on its RFP for business continuity planning consultant.

Investigations

Performance Results 2004-2006	FY 03	FY04	FY 05	FY 06
Number of cases investigated to completion where accountability action occurred	1	0	0	0

**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 other 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
- Monitoring of external audits (e.g. ODJFS, Dept of Youth Services, Dept of Corrections)
- Internal Audit Website
- Information Technology Services
- Management Seminars
- Lending Library (e.g. books and materials on various subjects relevant to County operations)
- Newsletter
- Repository of Countywide Information

## Peer Review

Audit departments are mandated by their professional standards to undergo an external peer review. The review evaluates conformance with auditing standards, the efficiency and effectiveness of the internal audit activity, and the use of successful practices. The Institute of Internal Auditors website states, "It also builds stakeholder confidence by documenting management's commitment to quality and successful practices, and the internal auditors' mindset for professionalism. Obtaining an external QA (peer review) provides evidence...that the audit committee and the internal audit activity are concerned about the success of the organization's internal controls, ethics, governance, and risk management processes."

An audit department may request a peer review based on compliance with the U.S. Government Accountability Office's (GAO) Government Auditing Standards (Yellow Book) or a review based on compliance with the International Standards for the Professional Practice of Internal Auditing, adopted by the Institute of Internal Auditing (IIA Red Book.)

The external audit teams of peer reviewers are made up of auditors from all over the United States. The Association of Local Government Auditors (ALGA) and the IIA perform peer reviews. The peer reviewers must have a bachelor's degree, attain the Certified Internal Auditor (CIA) certification, and take a Peer Review course approved by ALGA or IIA in order to participate as a member of a Peer Review team.

IAD encourages its auditors to obtain the CIA certification, take the Peer Review/Quality Assessment courses and participate as a Peer Review team member. Participation on these teams provides exponential gains to IAD's professional knowledgebase and numerous networking opportunities that is tantamount to years of internal audit management experience. It also offers a preview of what to expect for IAD's upcoming peer review, allowing preparation for compliance in all areas of the review.

## Future Plans

- Countywide Payroll Audit (this audit is in progress and should be completed during the second quarter of 2007)
- During its tenure with the County, IAD has become aware of many Countywide functions and processes that require an audit as a whole (e.g. budgeting, purchasing, accounts payable, accounts receivable, grant management, contract management, Banner financial and human resource systems. IAD has identified some of these areas and will continue to review and upgrade its audit population for its comprehensive audits.
- Continue to conduct the remaining preliminary audits as defined the Risk Assessment.
- Continue to perform the follow-up audits.
- Review of Risk Assessment to determine additional auditees.

## Sarbanes-Oxley Act (SOX) in Government

Enron, Arthur Andersen, Global Crossing, Tyco, Worldcom....to name a few of the dominos that fell to create the biggest boon for the accounting profession since Excel was developed. The rapid rise and fall of these companies and the ramifications of their creative accounting practices brought about mandated business accountability. In 2002, President Bush signed into law the Public Company Accounting Reform and Investor Protection Act of 2002 - more affectionately known as the Sarbanes-Oxley Act or SOX.

Discussion of the oversight of government accountability, effectiveness and efficiency soon followed. In June 2003, the stage was set by U.S. Comptroller General David M. Walker for SOX-like compliance measures when he said, "Government should lead by example, we should be as good or better than those we are regulating." New York State, New Jersey, and California have set into motion state legislation and executive orders relating to not-for-profits compliance with SOX-like mandates. In 2005, the Association of Government Accountants (AGA), in conjunction with Association of Local Government Auditors (ALGA), and National Association of State Auditors, Controllers, and Treasurers (NASACT)

conducted a research project sponsored by KPMG. They surveyed local governments regarding internal controls and other areas relating to SOX. The NASACT website states that the full report will be available soon. To view a presentation on some of the results, access the following website.

[www.nasact.org/onlineresources/downloads/2005\\_NASACT/H/cs4\\_valley.pdf](http://www.nasact.org/onlineresources/downloads/2005_NASACT/H/cs4_valley.pdf).

It seems inexorable, based on these events that compliance with some of the tenants of SOX will filter down to local governments in the not too distant future. Funds provided by federal programs may provide the perfect segue for applicable SOX mandates to open up the floodgates to state and local government compliance measures.

Although SOX-like mandates have not trickled down to state and local government as of yet, this seems to be on the horizon. Government is in the service business and as such must provide the best service for its constituents' money. Bringing SOX directives to government is not only prudent, but in this day and age of steeply escalating operating expenses, facilitating state and local government efforts to cooperate in the delivery of services on a broader regional basis is a viable method to reduce taxpayer costs. With the dawning of the reality of the retiring boomer generation accompanied by its erosion of the income tax base coupled with the increase in the needs for that aging population, consolidation of services and efficiency of operations is crucial.

#### The Penalties Of Sox

The penalties of SOX may also filter down to government. Sarbanes-Oxley-101.com states in its FAQs, "Besides lawsuits and negative publicity, a corporate officer who does not comply or submits an inaccurate certification is subject to a fine up to \$1 million and ten years in prison, even if done mistakenly. If a wrong certification was submitted purposely, the fine can be up to \$5 million and twenty years in prison."

#### The "Upside" Of Sox

The governments that implement well-defined management requirements, significant internal control creation and oversight, as well as regional service partnerships will be the survivors. The "upside" of SOX could be far reaching. Positive bond ratings could be affected by statements of assurance. Education could have the funds available to accomplish their goals and consolidation of shared services and management could provide more money for the classrooms. Fiscal and management expertise could become election prerequisites. When a tax measure is brought before the voters, it could be looked upon as a real need. Elections could be decided by an informed constituency.

Government's transparency of operational processes, open for the public's review, is central to bringing about management responsibility. More importantly, requiring skills and training for elected officials and their management team fulfills the expectation that they are responsible for the performance quality of their programs. This could be the opportunity of a lifetime for government to evolve into the more accountable, efficient, and effective environment that we all advocate.

## Conclusion

### 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. To satisfy its objectives and ensure independence, the Summit County Internal Audit Department utilizes auditing standards promulgated by various professional organizations such as the Institute of Internal Auditors (IIA), the American Institute of Certified Public Accountants (AICPA), and the United States Government Accountability Office (GAO.)



### 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.

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. Work performed by the IAD can lead to new revenue, cost recovery, and economic impact well beyond the audit department's annual budget. 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.