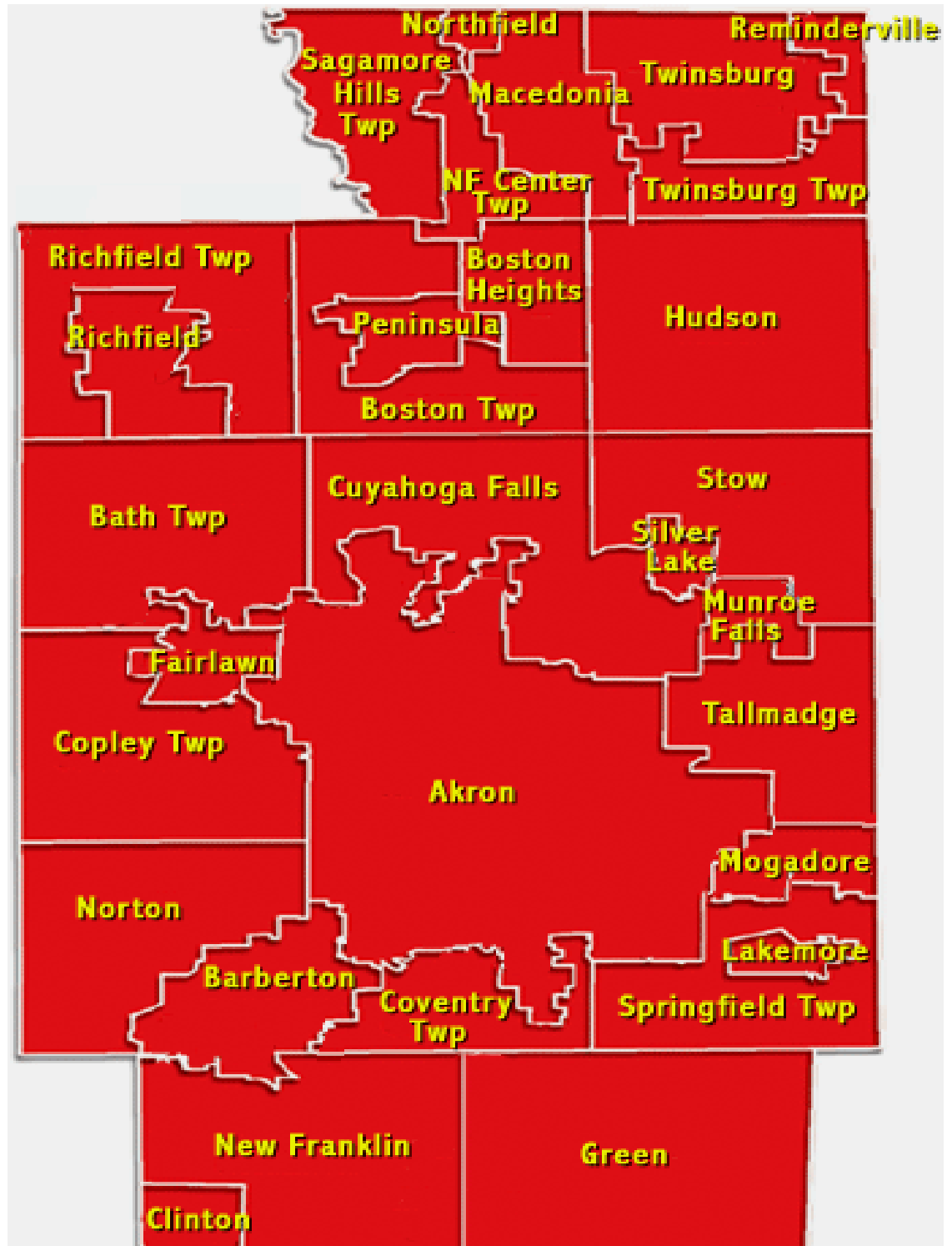


Summit County Internal Audit Department (IAD)

Fiscal Year 2009 Annual Report



Bernard F. Zaucha, CPA, CIA, MBA, CICA
Director

Approved by Summit County Audit Committee March 24, 2010

WHAT IS INTERNAL AUDITING?



“A systemic, objective appraisal by internal auditors of the diverse operations and controls within an organization to determine whether:

- ❖ **Financial and operating information is accurate and reliable,**
- ❖ **Risks to the enterprise are identified and minimized,**
- ❖ **External regulations and acceptable internal policies and procedures are followed,**
- ❖ **Satisfactory standards are met,**
- ❖ **Resources are used efficiently and economically, and**
- ❖ **The organization’s objectives are effectively achieved.”**

~ **Sawyer’s Internal Auditing**

Table of Contents

Mission and Services	4
Audit Standards and Ethics.....	4
Organizational Independence.....	4
Annual Audit Plan	5
Staff Certifications and Professional Training	5
External Audit and Other Services	5
Assistance Provided on External Audits in 2009.....	6
Outsourced Services.....	7
Financial and A-133 Single Audit Coordination.....	8
Ohio Auditor of State Request for Proposals (RFP)	8
Reduction in Audit Costs Due to IAD Involvement	9
A-133 Single Audit Changes.....	9
IAD's National Compliance Officers.....	10
Internal Audit Website.....	10
Summit County Charter: Article X.....	11
Summit County Charter Review Commission	13
Policy Statement	13
Summit County Government Organization Chart	16
Risk Assessment and Preliminary (Snapshot) Audits.....	17
IAD Performance Results	22
Preliminary Audit Value-Added Services by IAD.....	22
Follow-Up Audits.....	23
Countywide Audits.....	25
Special Projects	25
Investigations.....	27
2010 Audit Plan	28
Additional Services.....	28
Future Plans.....	29
Conclusion.....	30





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 appropriately.

Services

The Internal Audit Department provides audit, investigations, information and research, best practices 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 IAD's services to other local Summit County governments and non-profits.

Organizational Independence

The Summit County Internal Audit Department (IAD) reports directly to the Summit County Audit Committee. In 2007, IAD underwent a Peer Review of its operations performed by the Association of Local Government Auditors. The reviewers conveyed to IAD that the structure of the Audit Committee, with its 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.


Annual Audit Plan

IAD prepares an annual audit plan for review and approval by the Summit County Audit Committee, along with all additions, deletions, or deferrals to the annual audit plan.

Staff Certifications and Professional Training

IAD is committed to providing its staff with opportunities to obtain certifications pertinent to their positions. In addition, annual training of 40 hours for each staff member is a requirement to fully develop their expertise and allow them to keep apprised of any changes to auditing standards and methods and fulfill the CPE requirements of any certification obtained by them.

External Audit and Other Services

-  **Audit Oversight**
-  **Audit Preparation**
-  **Audit Assistance**
-  **Audit Rebuttal Process**
-  **Fraud Investigations**
-  **Transition Auditing**
-  **Grant Testing**
-  **Program Consulting**
-  **System Implementation**
-  **Departmental Mergers**
-  **Human Resource Consulting**
-  **Other Local Government Consulting**
-  **Systems Training**
-  **Internal Controls Consulting**

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, invite IAD to the entrance and closing conferences and provide copies of all external audit reports to develop a Countywide audit repository. IAD sent the Audit Committee's Directive 2004-01 to all Summit County officeholders, courts, agencies, boards, and commissions on December 14, 2004.

Various County departments and agencies have found that working with IAD to address anticipated audit testing 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.

Assistance Provided on External Audits in 2009

**Summit County Job and Family Services/Child Support Enforcement Agency –
AUDIT REBUTAL PROCESS**

The Internal Audit Department (IAD) worked with the Summit County Child Support Enforcement Agency, Executive Office of Finance and Budget, Department of Law, Clerk of Courts, and the Domestic Relations Court to prepare a rebuttal to the ODJFS 2000 audit of the respective agencies. IAD was able to present documentation to reduce the audit findings.

Questioned Costs	Approximate Final Finding (to date)	Value Added/ Cost Savings by IAD
\$ 4,111,559	\$ 100,000	\$ 4,011,559

Summit County Child Support Enforcement Agency - AUDIT REBUTAL PROCESS

IAD worked with the Summit County Child Support Enforcement Agency, Executive Office of Finance and Budget, Fiscal Office, Clerk of Courts, and Domestic Relations Court to prepare a rebuttal to the ODJFS 2006 audit of the respective agencies. IAD was able to present documentation to refute the audit findings and to date no charges for questioned costs have been made.

Questioned Costs	Approximate Final Finding (to date)	Value Added/ Cost Savings by IAD
\$ 689,981	-	\$ 689,981

Summit County Department of Finance and Budget - AUDIT REBUTAL PROCESS

IAD researched and advised the Executive Department of Finance and Budget on the lease structure in place at the Department of Jobs and Family Services. IAD provided the research to assist in reduction of the questioned costs.

Questioned Costs	Approximate Final Finding (to date)	Value Added/ Cost Savings by IAD
\$ 42,760	\$ 18,414	\$ 24,346

Additional Information

A recent audit of the Hamilton County DJFS by the ODJFS had findings for adjustment and questioned costs in the amount of \$209 million and \$38 million, respectively, which were not refuted. Of the total findings for adjustment, \$1.8 million negatively impacted the General Fund. The presence of an internal audit department thereby reduces the potential for audit findings as well as an effective tool to assist in the rebuttal process.

American Recovery and Reinvestment Act of 2009 (ARRA)



www.recovery.gov

The new stimulus funds coming from the federal government require close monitoring. IAD participated in a teleconference between the U.S. Government Accountability Office (GAO) and the Association of Local Government Auditors (ALGA) early in the year. The GAO reported that local auditors might be called upon to monitor and report on stimulus funds use. President Obama has provided for strong oversight of the transparency on the use of these funds and the accountability of governments receiving them. The GAO informed ALGA that there would be further direction on how local auditors may be used to monitor the funds.

IAD also attended a workshop sponsored by the Ohio Auditor of State wherein the guidelines at the time were presented to the attendees. IAD has worked with the Summit County Fiscal Office, as designated administrator over ARRA funds, in its creation of grant tracking and reporting policies and procedures for ARRA funds received by Summit County.

Outsourced Services

Merger of the Summit County and City of Akron Building Standards Departments

IAD worked extensively with the following departments to assist in the merger of the City of Akron and Summit County Building Standards Departments:

- ∞ City of Akron MIS Department
- ∞ City of Akron Law Department
- ∞ City of Akron Building Standards Department
- ∞ City of Akron Service Director
- ∞ Summit County Building Standards Department
- ∞ Summit County Department of Development
- ∞ Summit County Department of Finance and Budget
- ∞ Summit County Executive Office
- ∞ Summit County Law Department
- ∞ Summit County MIS Department
- ∞ Summit County Administrative Services
- ∞ Summit County Human Resources Department

IAD provided recommendations on the following areas:

- ∞ Due diligence
- ∞ Data migration
- ∞ Operations
- ∞ Performance
- ∞ Receivables
- ∞ Information technology
- ∞ Contract
- ∞ Financials
- ∞ Security
- ∞ Assets
- ∞ Training
- ∞ Physical location
- ∞ Human resources

IAD's significant work with the City and County MIS departments assisted them with the numerous IT issues that required resolution during the merger process. IAD developed a training manual for use by the Building Standards staff on the BS&A permit system.

In addition to the assignments outlined above, IAD worked with the Summit County Law Department on the merger contract.

Financial and A-133 Single Audit Coordination

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.

Ohio Auditor of State Request for Proposals (RFP)

The Ohio Auditor of State (OAS) is required by the Ohio Revised Code to perform the annual financial and A-133 single audits of Ohio counties. OAS may decide to hire independent audit firms to conduct county audits. Summit County is designated as one of these audits. The contract to perform the Summit County audits expired in 2009 and OAS was required to go out for bid for a new contract. A request for proposal (RFP) was prepared by the OAS with input from IAD and the Fiscal Office. AOS sent the RFP to numerous local audit firms requesting proposals. IAD and the Fiscal Office reviewed the responses, rating them along with the OAS. Based on these ratings, Rea & Associates was awarded the four-year contract to perform the audits for fiscal years 2009, 2010, 2011, and 2012.

Reduction in External Audit Costs Due to IAD Involvement

Rea's quote for services reflected an allocation of hours to IAD, thus reducing the hours spent on the audit by the firm and lowering their bid. IAD will conduct audit testing, upon direction from Rea, to keep Summit County's audit costs minimized.

IAD has strategically planned for this inclusion for a number of years, assisting the external auditors throughout the process and positioning the department as a professional, qualified resource that can be utilized to reduce the County's costs.

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 mitigate 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.

At the September 22, 2009 Audit Committee meeting, Rea's partner Don McIntosh reported on the 2008 audit to the Committee. Below is an excerpt from the meeting minutes where Mr. McIntosh talks to the Audit Committee about IAD's value.

Mr. McIntosh told the Committee that IAD has "reduced risk significantly." He said that the County is a massive government organization with over 85 departments. He said for example, the payroll audit performed by IAD. IAD tested that everyone was paid correctly, checked for ghost employees, and reviewed all payroll functions. He said this helps Rea identify risks and change its procedures. Without IAD's payroll work, they may have had to add an additional 100 hours to their review of payroll. Mr. McIntosh said that these are intangibles that you don't see, but the reduction of waste and fraud are invaluable and incalculable. He told the Committee that they have a "skilled internal audit department." "Your team functions as an internal audit division should."

He said that governments have good audits for two reasons:

"An Internal Audit Department, with enough staff; and
A GAAP (CAFR) team who knows how to put financial statements together."

A-133 Single Audit Changes

IAD was advised that beginning in 2009, performance of the A-133 Single Audit would be transferred from the Ohio Department of Jobs and Family Services (ODJFS) to the Auditor of State. In order to potentially save the County monies and ensure compliance with new audit procedures, the Audit Committee has instructed IAD to become heavily involved in the transition process. IAD has contacted Rea and requested inclusion in the training for the new audit process and has been assured that Rea will keep the department informed as the process goes forward.

IAD's National Compliance Officers

United States Red Book Coordinator

In 2008, the Association of Local Government Auditors (ALGA) named Lisa Skapura, IAD Assistant Director, as the Red Book Coordinator for the entire United States. The "Red Book" is the Institute of Internal Auditors International Professional Practices Framework audit standards. Ms. Skapura has performed Red Book peer reviews and is considered an expert on these standards. This is a position offered to a professional who has shown her dedication to improving audit standards compliance and the ability to communicate skillfully to accomplish a common goal.

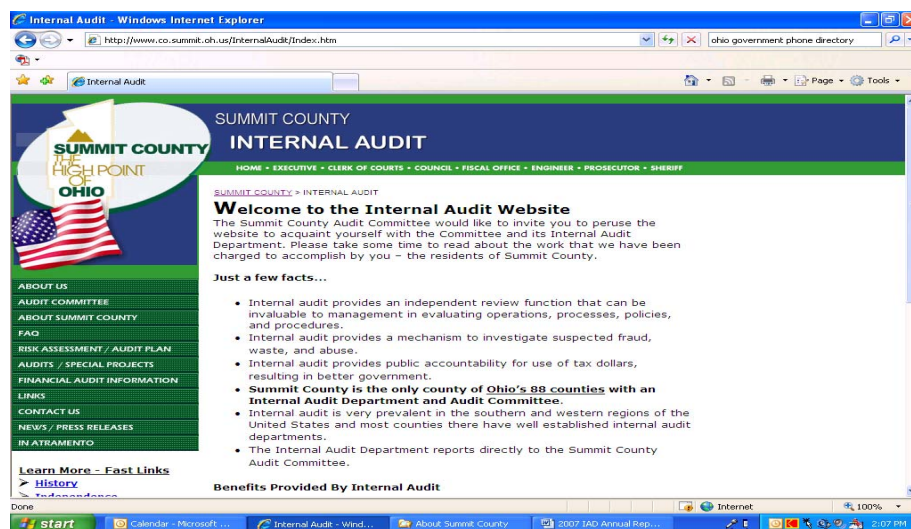
Certified National Peer Reviewers

Lisa Skapura, IAD Assistant Director, and Mira Pozna, IAD Deputy Director are certified as National Peer Reviewers by ALGA. Ms. Skapura has performed numerous Yellow Book and Red Book peer reviews for ALGA and Ms. Pozna performed her first Yellow Book review in 2009. The "Yellow Book" is the Government Accountability Office's (GAO) generally accepted auditing standards.

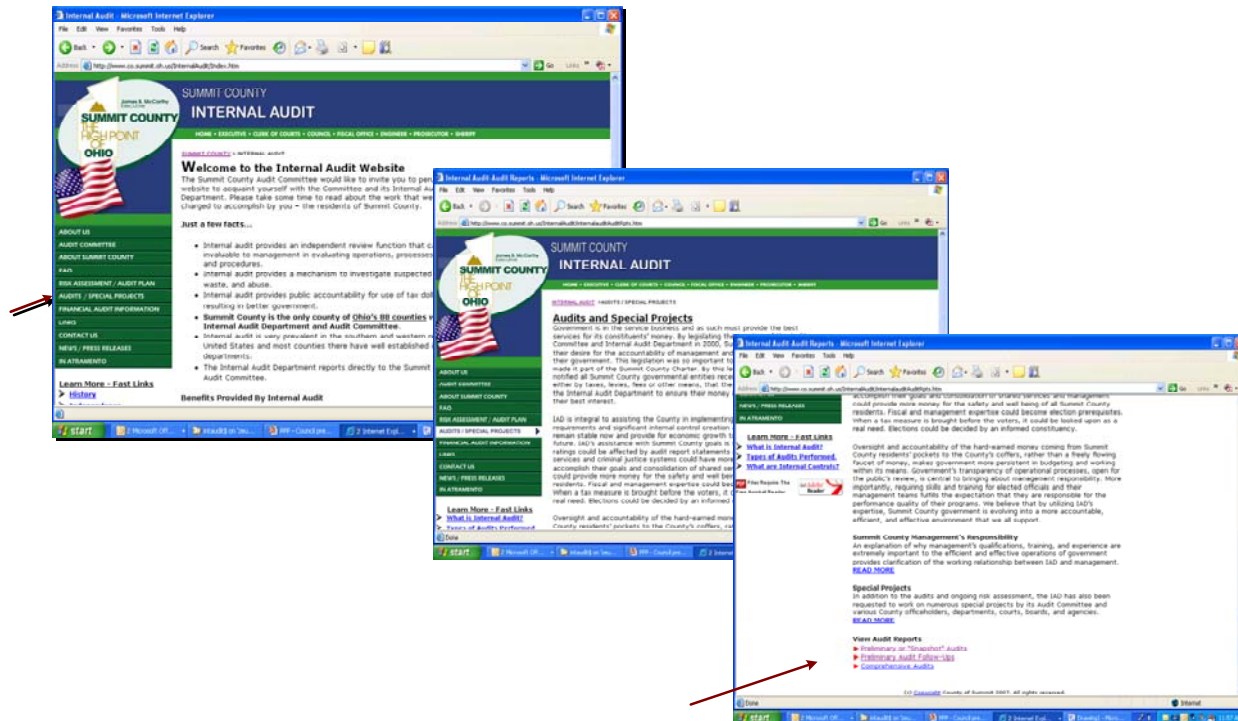
Completing the peer review training and performing peer reviews of other audit departments allows IAD staff to become experts in the standards that govern the audit profession, thereby adding credence to the work of the department here in the County. Acting as reviewers also enhances the reputation of the department nationwide.

IAD would like to thank its Audit Committee for supporting the department's efforts to augment its professional outreach to serve the County better.

IAD Website



The Audit Committee approved the creation of an internal audit website that included the general audit reports and management action plans, approved by the Committee. IAD launched the site on April 2, 2007. Upon approval of its Audit Committee, IAD has posted all general audit reports to the website for review by the public for historical and accountability purposes.



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. 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, providing the taxpayers of Summit County with efficient, effective, and accountable 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.

Summit County Charter Review Commission

As mandated by the Summit County Charter, every five (5) years a Charter Review Commission is formed to recommend changes to the Charter. IAD brought proposed changes to its Audit Committee for review and consideration. The Audit Committee decided, upon counsel from the Executive Law Department and a request from Summit County Council that the minimal changes to Article X of the Charter be accomplished through legislation without a formal change to the Charter.

Policy Statement

Internal Audit 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 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 management and 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 and 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. The Chairman 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 internal audit department 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 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.
- 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.
- 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.

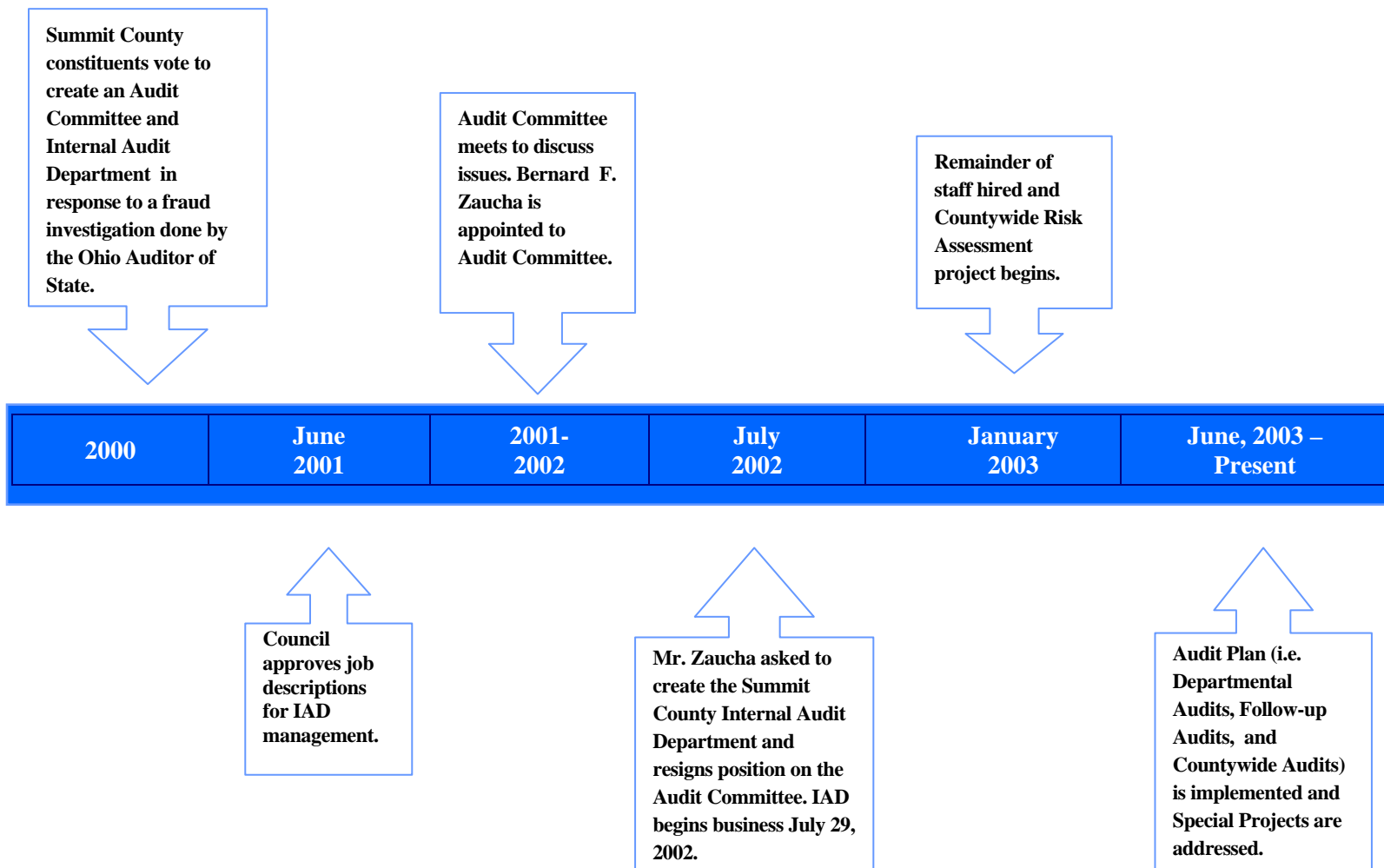
Reports:

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.

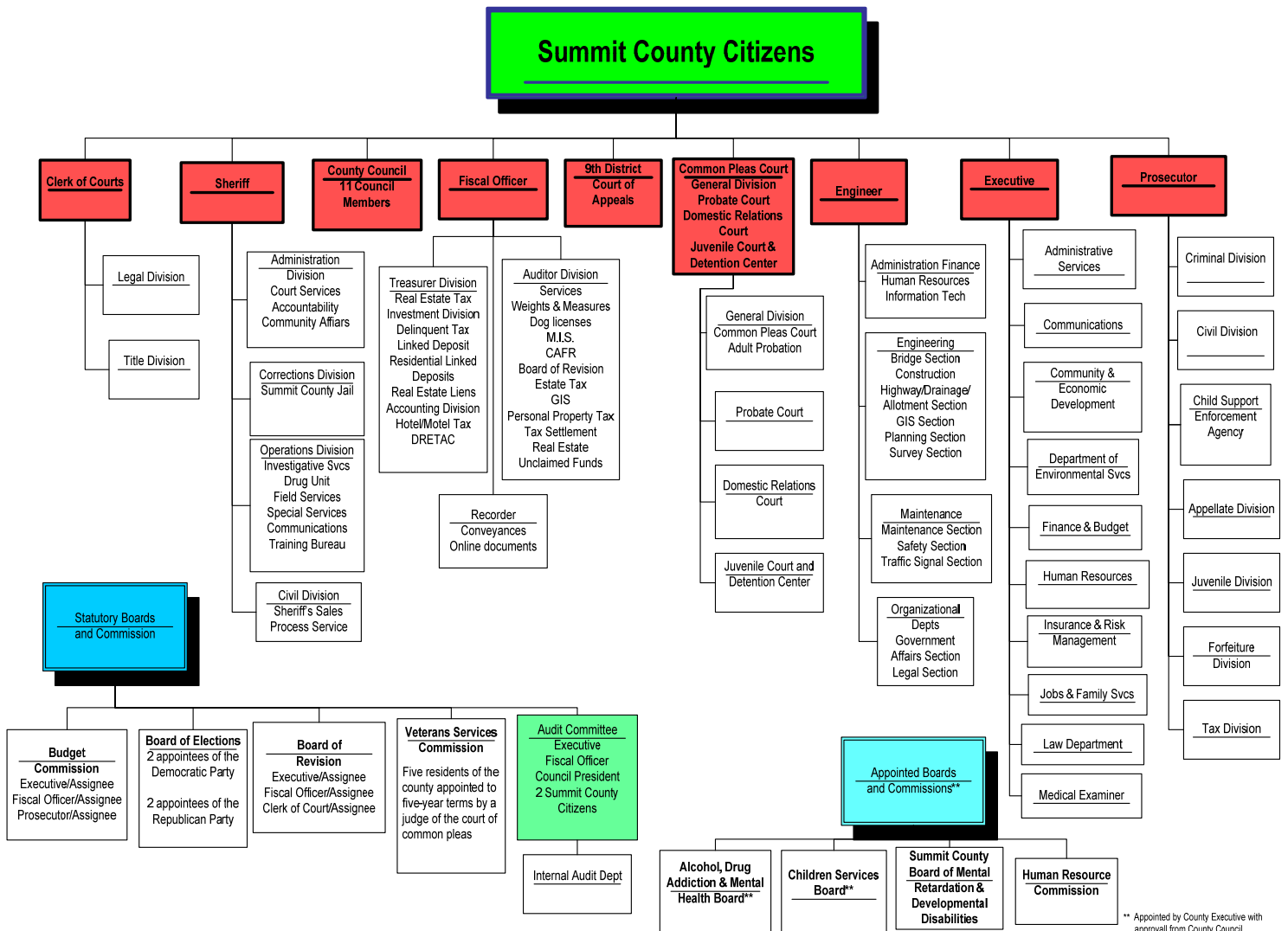
The audit findings are reviewed at the conclusion of each audit with the appropriate management and as required with executive management. Management is expected to indicate their acknowledgement as to the facts as stated, although not necessarily agreeing with the evaluation, conclusions or recommendations. A management action plan (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 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 and the Audit Committee have assumed the risk of inaction.

Audit Committee and IAD Timeline



Summit County Government Organization Chart



** Appointed by County Executive with approval from County Council

Risk Assessment and Preliminary (Snapshot) Audits

Audit Services

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.

Summit County Internal Audit Department
2009 Annual Report

Audit Population Identified in the Countywide Risk Assessment

Preliminary Audit and Follow-Up Performed

Preliminary Audit Performed
Awaiting Follow-up Audit

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 (4th follow-up)
Executive Office -Department Of Development (3rd follow-up)
Court Of Common Pleas - General
Court of Common Pleas - Probation
Juvenile Court - Operations
Juvenile Court - Detention
Sheriff Office - Corrections
Sheriff Office - Administration/Operations (3rd follow-up)
Prosecutor Office -Legal Division (2nd follow-up)
Summit County Developmental Disabilities Board
Clerk Of Courts Office - Legal
Clerk Of Courts Office - Title
Prosecutor Office - CSEA
Executive Office - DJFS
Fiscal Office - Recorder/Conveyance
Executive Office - Dept Of Communication

Domestic Relations Court
Executive Office - Justice Affairs/EMA
Executive Office - Administrative Services
Fiscal Office - Finance

Childrens Services Board
Board Of Elections
Executive Office - Finance & Budget
Executive Office - Human Resources Dept
Executive Office - Department Of Law
Court Of Appeals
Probate Court

Multiple Follow-Up
Audit(s) Required

Prosecutor Office -Legal Division (3rd follow-up)
Executive Office -Department Of Development (3rd follow-up)
Sheriff Office - Administration/Operations Security (4th follow-up)

Audits In Process

Fiscal Office - MIS
Fiscal Office - Treasurer

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)

2007

- ∞ Domestic Relations Court (12/13/07)

2008

- ∞ Executive Office: Department of Jobs and Family Services (3/25/2008)

2009

- ∞ Executive Office: Department of Communications (6/15/2009)
- ∞ Executive Office: Department of Law Justice Affairs Division (6/15/2009)
- ∞ Fiscal Office: Recorder/Conveyance Divisions (6/15/2009)
- ∞ Executive Office: Department of Administrative Services (3/26/2009)
- ∞ Fiscal Office: Finance CAFR Division Preliminary Audit (12/11/2009)
- ∞ Fiscal Office: Finance Accounting Division Preliminary Audit (12/11/2009)
- ∞ Fiscal Office: Finance Payroll Division Preliminary Audit (12/11/2009)
- ∞ Fiscal Office: Finance Tax Settlement Division Preliminary Audit (12/11/2009)
- ∞ Fiscal Office: Investments Division Preliminary Audit (12/11/2009)
- ∞ Fiscal Office: Personnel Division Preliminary Audit (12/11/2009)

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)**
- ∞ **2nd Executive Office: Dept of Development (12/19/2006)**
- ∞ **Sheriff Office: Corrections Division (12/19/2006)**

2007

- ∞ **Clerk of Courts: Title Bureau (3/28/2007)**
- ∞ **Common Pleas Court General Division: Adult Probation (3/28/2007)**
- ∞ **Juvenile Court - Operations and Detention Center (3/28/2007)**
- ∞ **County of Summit Board of Mental Retardation & Developmental Disabilities (CSBMR/DD) (3/28/2007)**
- ∞ **Prosecutor Office: Legal Divisions (3/28/2007)**
- ∞ **Sheriff Office: Administrative/Operations Divisions (3/28/2007)**
- ∞ **2nd Executive Office: Dept of Environmental Services (3/28/2007)**

2008

- ∞ Prosecutor Office: Child Support Enforcement Agency (CSEA) (6/24/2008)
- ∞ 2nd Sheriff Office: Administration Divisions (6/24/2008)
- ∞ 2nd Prosecutor Office: Legal Division Second (12/23/2008)
- ∞ 3rd Executive Office: Department of Environmental Services (12/23/2008)

2009

- ∞ Department of Environmental Services 4th Follow-up Audit (6/15/2009)
- ∞ Clerk of Courts Office: Title Bureau 2nd Follow-up Audit (3/26/2009)
- ∞ Countywide Payroll Follow-up Audit (3/26/2009)
- ∞ Executive Office: Department of Jobs and Family Services Follow-up Audit (3/26/2009)
- ∞ Fiscal Office: Recorder/Conveyance Follow-up Audit (12/11/2009)
- ∞ Executive Office: Communications Department Follow-up Audit (12/11/2009)

COUNTYWIDE AUDITS & AUDIT COMMITTEE APPROVAL DATE

2006

- ∞ Countywide Fleet Management Audit (12/19/2006)

2007

- ∞ Countywide Payroll Audit (9/20/2007)

2008

- ∞ Fiscal Office: Countywide Fringe Benefits Audit (12/23/2008)
- ∞ Countywide Vehicle Logs Audit (12/23/2008)
- ∞ Executive Office: Department of Finance and Budget Procurement Card Audit (12/23/2008)

IAD Performance Results

The table below reflects IAD's work performance from 2003 through 2009. An accounting of each work area follows, highlighting the specific audits or projects wherein the department provided value-added services in 2009. Please see previous years' annual reports for highlighted services. The reports are published on the Internal Audit website.

www.co.summit.oh.us/InternalAudit/internalauditAboutUs.htm.

IAD Performance Results	FY03	FY04	FY 05	FY 06	FY 07	FY 08	FY 09
<i>Number of preliminary audits completed</i>	0	14	8	5	1	1	10
<i>Number of follow-up audits completed</i>	0	0	12	4	7	4	19
<i>Number of Countywide audits completed</i>	0	0	0	1	1	3	0
<i>Number of Special Projects completed</i>	4	4	4	7	12	12	20
<i>Number of Investigations completed</i>	1	0	0	0	2	0	1

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 to make the improvements necessary for them to conduct the business of the County more efficiently and effectively. Listed below are some of the highlights for the individual audits.

Performance Results 2004-2009	FY04	FY 05	FY 06	FY 07	FY 08	FY 09
Number of preliminary audits completed	14	8	5	1	1	10

Executive Office: Department of Communications

IAD worked with the department to update its cash handling process.

Fiscal Office: Recorder/Conveyance Divisions

Working closely with the department, IAD helped them modernize the unclaimed fund system.

Executive Office: Department of Administrative Services

This department oversees a number of different areas within the County: Capital Improvement Projects, Animal Control, and Physical Plants, which includes maintenance and custodial services for the County.

IAD developed an asset-tracking database for the department and trained personnel on its use. IAD also reviewed the department's surplus-inventory auction process and the department implemented recommendations for improving that function.

IAD also made recommendations that prompted management to create a process for its maintenance and custodial functions to track workorders and job performance.

In addition, IAD worked with Animal Control to improve efficiencies in its municipal chargeback processes.

Fiscal Office: Personnel Division Preliminary Audit

IAD staff worked with the department to implement an asset tracking process for the equipment received by employees throughout their tenure with the County.

Follow-Up Audits

As audit best practice stipulates, IAD recommended the performance of follow-up audits 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 follow-up audits until the auditee has met its management corrective action plan.

Responsibility of Management to Implement Audit Recommendations:

Management is responsible for taking timely corrective action to implement the audit recommendations made by internal and external auditors.

Management is responsible for communicating to IAD, on a timely basis, progress made to resolve audit issues.

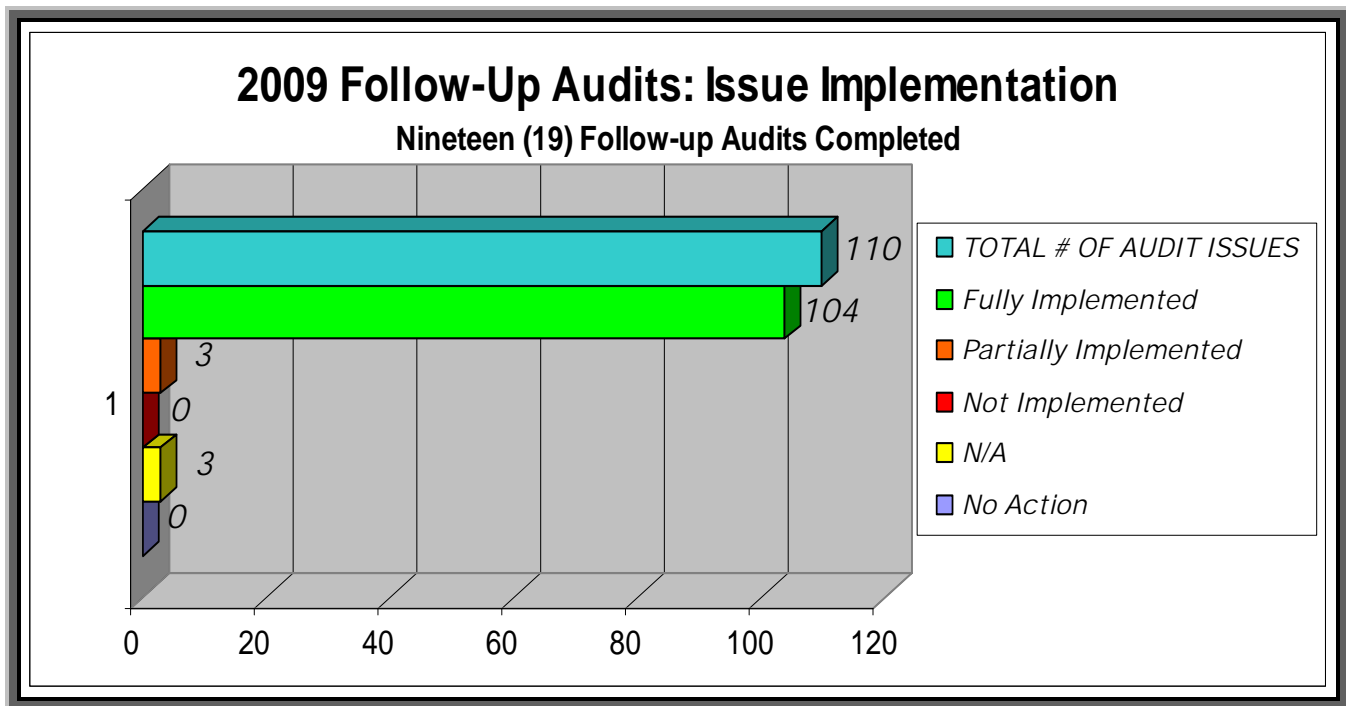
Management shall provide IAD with sufficient documentation to prove fully implemented audit recommendations.

Performance Results 2004-2009	FY05	FY 06	FY 07	FY 08	FY09
Number of follow-up audits completed	12	4	7	4	19

Implementation Status

The follow-up audit consists of examining the documentation received and assessing management’s progress to determine the implementation status to be one of the following conditions:

- **Fully Implemented** – The recommendation has been implemented and no further corrective action is necessary.
- **Partially Implemented** – Some of the corrective actions necessary to fulfill the recommendation have been implemented.
- **Not Implemented** – The recommendation has not been implemented.
- **Not Applicable** – Deferred or audit issue/finding is no longer valid
- **No Action** – No further action necessary



Countywide Payroll Follow-up Audit

In 2009, IAD performed the follow-up of the Countywide Payroll Audit completed in 2008. Because each governmental entity has its own payroll department, IAD conducted 17 individual follow-up audits, one for each unit covered in the original payroll audit, in addition to the Fiscal Office Payroll Department that oversees the function.

Fourth Follow-up Audit Executive Office: Department of Environmental Services (DOES)

IAD commends DOES for implementing two new systems that address the need for policies and procedures and the emergency and safety issues contained in the initial preliminary audit.

Executive Office: Department of Jobs and Family Services Follow-up Audit

After a review of the department's policies and procedures, IAD assisted DJFS with implementing a more accurate inventory and scrap salvage process.

Countywide Audits

IAD has identified the need to perform countywide, comprehensive audits of various operations that are in place in the County as a whole. There were no countywide audits performed in 2009.

Performance Results 2004-2009	FY04	FY 05	FY 06	FY 07	FY 08	FY 09
Number of Countywide audits completed	0	0	1	1	3	0

Special Projects

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, courts, agencies, and commissions, some of which are referenced below. 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.

Performance Results 2004-2009	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09
Number of special projects completed	4	4	4	7	12	12	20

Procurement Card Program Audit

IAD worked with the Executive Office Department of Finance and Budget (DFB), closely monitoring the implementation of the Procurement Card program. IAD reviewed the policies and procedures manual and made recommendations on revisions thereto. IAD attended initial meetings with banks and training sessions on the online system of the chosen bank. Before the program began, DFB issued IAD a card, in order to test the bank and County controls implemented before distributing any additional P-cards throughout the County. IAD identified numerous control issues during testing. IAD worked with DFB and the bank to rectify those issues. IAD continues to monitor the program and annually test the proper evidentiary matter for the purchases.

Clerk of Courts and Domestic Relations Court Case Management System

The implementation of this project is ongoing and scheduled for completion in 2010. IAD staff, accompanied by its information technology auditor, Dave Gordon of MaxQualData, continues to attend the project meetings and security-module design sessions. Mr. Gordon provides opinions on the design of the system, relating to internal controls as well as providing quality control testing of the database.

Summit County Safety Council and Training and Alternate Site Subcommittees

In 2007, Summit County Emergency Management Agency developed a Countywide Continuity of Operations Plan (COOP) in conjunction with an outside consultant. The County realized the need to keep the COOP updated and to provide a forum notifying all County entities of emergency management issues and collaborating to address them. To accomplish this, the County formed a Safety Council. In addition, the Council formed a Training Subcommittee to offer training on various safety issues and to run tests of the COOP for each County entity. The Council also formed an Alternate Site Subcommittee to oversee location assignment, equipment, and resources if a disaster warrants moving any County operations. IAD participates as a member of all three committees.

Summit County HR Review Committee

The Summit County Executive Office Human Resource Department (HRD) identified the need to add or revise numerous sections of Section 169, the personnel policies of the Codified Ordinances. To obtain the best cooperation from all of the officeholders that must comply with Section 169, HRD brought together representatives from the Executive, Fiscal, Engineer, Sheriff, Clerk of Courts, and Prosecutor offices to participate in discussions and draft revisions to the ordinance. IAD received an invitation to participate and worked with the Committee in preparing new sections and revising the current sections of 169.

Engineer Transition Audit

The election of a new Engineer prompted IAD to perform a “transition” audit to assist with inventory tracking and monitoring. In addition, compliance testing of all open contracts as of January 5, 2009 was completed and an analysis of the Ohio Revised Code regarding county funding to the Engineer was conducted.

Psycho Diagnostic Clinic

The Summit County Common Pleas Court requested IAD perform a cost benefit analysis and a financial compilation to determine the current cost of the Psycho-Diagnostic Clinic, which operates under the Court’s direction. IAD also analyzed the alternative of outsourcing the Psycho-Diagnostic function to a third party. The analysis was performed due to the current economic condition in which the Alcohol, Drug, and Mental Health Board’s funding will be capped and the grant and/or levy will not be able to commit additional funding in 2010 to help offset the increased caseload that the Court is experiencing.

Asset Disposal Database

IAD was instrumental in developing a database for utilization by the Department of Administrative Services, the Purchasing Department, and the County Executive’s Office (Executive Orders) to track the disposal, transfer, or auction of all county assets purchased with taxpayer revenue and/or grant money.

American Recovery and Reinvestment Act of 2009 (ARRA)

As part of the Financial Reporting audit, IAD assisted with the initial monitoring of the millions of dollars of ARRA funds that were received in the County and the continuous monitoring of those funds through the State Stimulus Tracker. In addition, IAD will continue to monitor all audits of ARRA funds by the State to help reduce any potential findings for recovery or suspension of ARRA funding.

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.

Performance Results 2004-2009	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09
Number of investigations Completed	1	0	0	0	2	0	1

2010 Audit Plan

At the December 11, 2009 Audit Committee meeting, IAD proposed the below 2010 work program to the Committee for its review and approval. In addition, IAD will assist Rea and Associates with the performance of the Summit County financial and A-133 audits and any special projects as requested throughout the year.

1. Countywide Accounts Payable Audit
2. Fiscal Office: Treasurer Division Preliminary Audit
3. Follow-up Audits
 - a. Executive Office: Department of Administrative Services
 - b. Executive Office: Law Dept - Justice Affairs/EMA
 - c. Sheriff Office: Administration Security (Fourth)
 - d. Prosecutor Office: Legal Division (Third)
4. Children Services Board (CSB) Preliminary Audit
5. Executive Office: Department of Jobs and Family Services A-133 Single Audit
6. Executive Office: Department of Law
7. Executive Office: Department of Finance and Budget
8. Executive Office: Department of Human Resources
9. Court of Appeals
10. Probate Court
11. Board of Elections

Additional Services

The IAD provides other services in addition to the audits, investigations, 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 the County's external financial and A-133 single audits
- Monitoring of external audits and assistance with mitigating audit issues (e.g. HUD, ODJFS, Dept of Youth Services, Dept of Corrections)
- Internal Audit Website
- Information Technology Services
- Lending Library (e.g. books and materials on various subjects relevant to County operations)
- Repository of Countywide Information

Future Plans

- IAD broached the subject of developing a fraud prevention program and implementing a fraud hotline for Summit County employees with its Audit Committee. The Audit Committee is reviewing the logistics of this implementation.
- At its December 11, 2009 meeting, the Audit Committee approved the marketing of IAD's services to other local governments and non-profits in the County. IAD is working on the development of marketing materials, population, and a marketing plan. The department anticipates presenting at local leadership meetings (e.g. Summit County Mayors' Association and Township Association) and sending out its materials to the various governments and non-profits in order to garner interest.
- IAD will review and revise its audit population to include all entities that receive County funds as outlined in the Summit County Charter, Article X.
- During its tenure with the County, IAD has become aware of many Countywide functions and processes that require an audit (e.g. budgeting, purchasing, payroll, flexible benefits, accounts payable, accounts receivable, grant management, contract management, and information and human resource systems.) IAD has audited some of these areas. It will continue to review and update the audit population for its countywide audits.
- Work with Department of Finance and Budget, and Summit County Council to develop a Countywide performance measures program as defined by the Governmental Accounting Standards Board (GASB) http://www.seagov.org/sea_gasb_project/.

Conclusion

Current Economic Condition

The grim economic conditions that grew worse through 2009 brought many County programs to help reduce costs: voluntary furlough days, voluntary separation plan, and mandatory furlough days as well as reductions in programs and budgets.

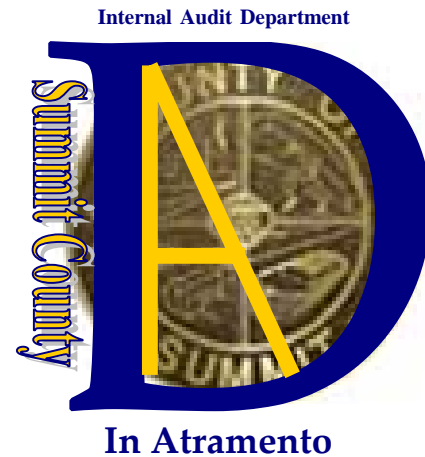
Revenue Decreases	Expense Increases
<ul style="list-style-type: none"> Investment income down Real estate tax collection down Building permit fees down Conveyance fees down Sales taxes down 	<ul style="list-style-type: none"> Salaries Benefits Equipment Maintenance fees Commodities (i.e. salt, asphalt, cement) Independent contractors Number of court cases filed New judges and their staff Jail use Law enforcement services

IAD Service Offerings to Other Local Governments

Offering audit and business management consulting services to other Summit County local governments, non-profits, and school boards could provide the same analysis and counsel on how to best utilize the reduced dollars coming into local coffers.

IAD as a Contributing Partner in the County's Recovery

The County of Summit continues to be served well by a strong Internal Audit Department. IAD audits and advises County management on operational and performance matters to better consolidate services and conserve and maximize its reduced revenue. IAD is an important element in the County's ability to weather the economic downturn and emerge in a condition that allows a speedy recovery.



**Summit County Internal Audit Department
175 South Main Street
Akron, Ohio 44308**

Telephone: 330-643-2504

Facsimile: 330-643-8751

Email: bzaucha@summitoh.net

**Visit our website at:
www.co.summit.oh.us/InternalAudit/Index.htm**