

Summit County Internal Audit Department (IAD)

Fiscal Year 2010 Annual Report



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

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**

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Mission

Internal Audit's mission is to recognize and address the risks and vulnerabilities that can impact Summit County in order to assist, coordinate and facilitate positive change and promote sound 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, training, and advisory services to the various offices, courts, boards, and agencies that make up Summit County government. In addition, the Audit Committee has approved marketing 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.

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 Chair of the Audit Committee or the Director of Internal Audit may initiate additional meetings.

Internal audit provides services to all governmental entities of Summit County. The 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 assets and verify their existence when appropriate.

- Appraise the economy and efficiency of employment of resources, identify opportunities to improve operating performance, and recommend solutions to problems where appropriate.
- Review operations and programs to determine whether results are consistent with established objective and goals and whether the operations or programs are being carried out as planned.
- Provide staff guidance to operating units on matters relating to audit and internal controls.
- Coordinate audit work with the county's external public accounting firm and/or the Ohio Auditor of State.
- Interact with all County governmental units coming under external audit for various Federal and State programs, including initial phase (questionnaire response), entrance and closing conferences, and negotiation stage if applicable.
- Obtain and review all external audit reports.
- Work with County entities during any external audit rebuttal process.

Reports:

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

The audit findings are reviewed at the conclusion of each audit with the appropriate management and 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.

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:

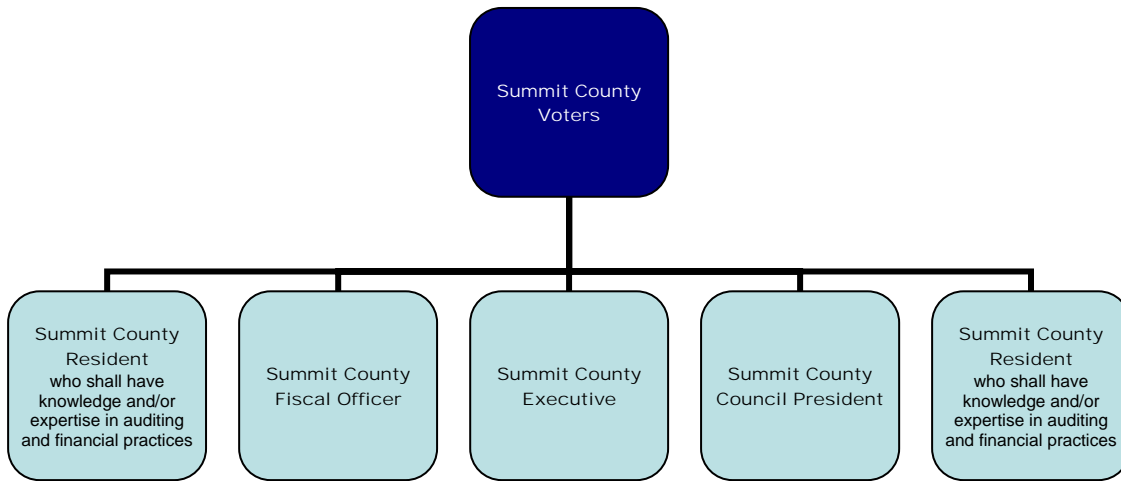
- (1) Preparation of an annual budget and work program;
- (2) Development of a department audit fee, which shall be billed to each department audited;
- (3) Guidance of the internal audit process through utilization of;
 - a. Government Auditing Standards, United States General Accounting Office developed 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.)

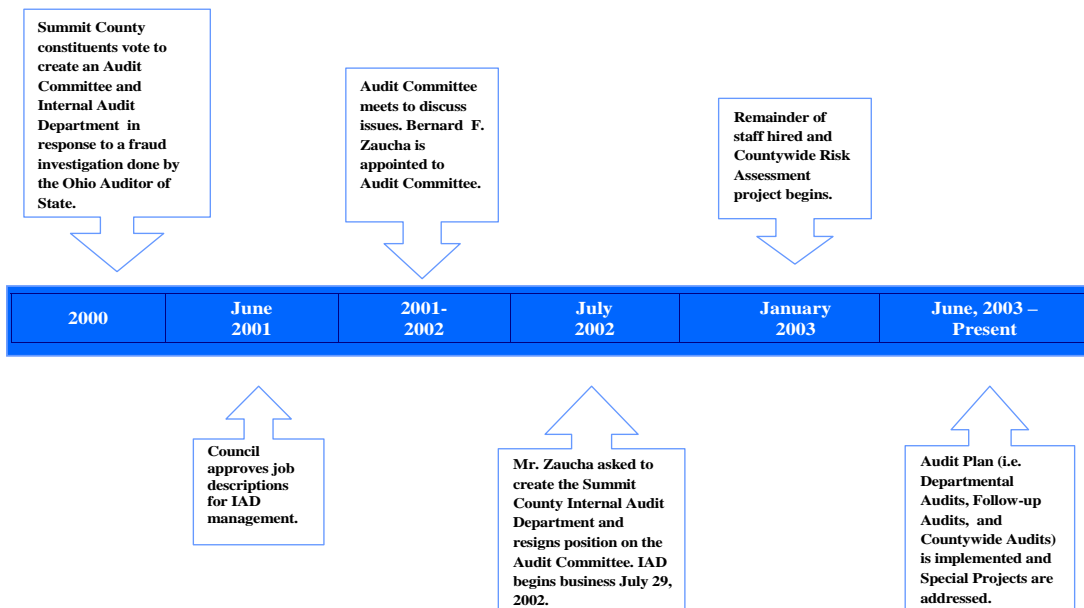
SECTION 10.05 EFFECTIVE DATE.

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

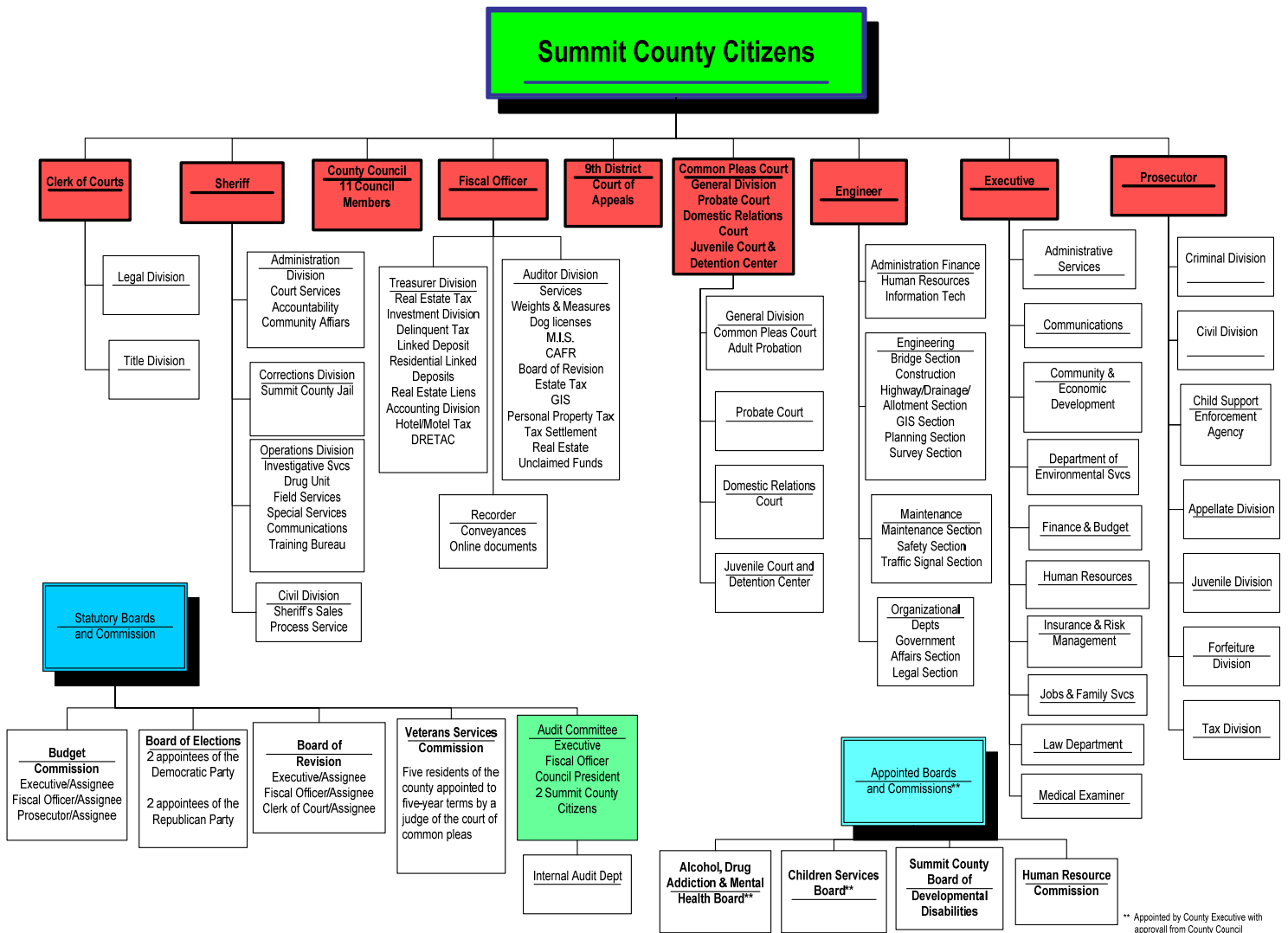
Audit Committee Organizational Chart



Audit Committee and IAD Timeline



Summit County Government Organization Chart



** Appointed by County Executive with approval from County Council

Annual Work Program

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

Staff Certifications and Professional Training

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

| | |
|--|---|
| Certified Public Accountant (CPA) | 1 |
| Certified Internal Auditor (CIA) | 6 |
| Certified Fraud Examiner (CFE) | 1 |
| Certified Internal Control Auditor (CICA) | 5 |
| Certified Government Audit Professional (CGAP) | 2 |

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

2010 IAD Peer Review

Internal audit departments are required by government audit standards to undergo peer reviews every three years. These reviews are conducted in accordance with guidelines promulgated by the Association of Local Government Auditors. In October, a team of auditors came to IAD's offices. They started the review with an entrance meeting, attended by IAD staff and Chair of the Audit Committee, Russell M. Pry. Mr. Pry told the review team that Summit County is "very pleased to have an internal audit department." He said that it gives a "huge advantage to Summit County as Summit is the only county in Ohio to have one." He also said, "...the external auditors have sung our praises and we can't measure IAD's value in dollar terms."

The team chose a sample of audits performed by IAD during the defined audit period. The peer review team reviewed and tested all of the documentation pertaining to those audits and interviewed the auditors and management. In addition, IAD's policies and procedures, forms, continuing education, independence, and interaction with the Audit Committee was also reviewed.

Full compliance (unqualified opinion) permits the issuance of audits by the County of Summit Internal Audit Department in accordance with United States Government Accountability Office's Generally Accepted Government Auditing Standards. IAD received an unqualified opinion as well as commendations for the thoroughness of its follow-up audits, and the quality control system of its workpapers from the peer review team.

External Audit and Other Services

- ✚ **Audit Oversight**
- ✚ **Audit Preparation**
- ✚ **Audit Assistance**
- ✚ **Audit Rebuttal Process**
- ✚ **Fraud Investigations**
- ✚ **Transition Auditing**
- ✚ **Grant Testing**
- ✚ **Program Non-Audit Services**
- ✚ **System Implementation**
- ✚ **Departmental Mergers**
- ✚ **Human Resource Non-Audit Services**
- ✚ **Services to Other Local Government and Non-Profits**
- ✚ **Training**
- ✚ **Internal Controls Non-Audit Services**

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 forwarded 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 2010

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 in collaboration with the respective departments, to reduce potential 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 continues to be involved in the ongoing negotiations with ODJFS.

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

Additional Information

An 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 effectively reduces the potential for audit findings and acts as a professional resource to assist in the rebuttal process.

American Recovery and Reinvestment Act of 2009 (ARRA)



www.recovery.gov

The stimulus funds coming from the federal government require close monitoring as stiff penalties are mandated for the misappropriation of these federal funds. IAD has reviewed the funds received by various County departments and will continue to monitor the spending and accounting of ARRA monies throughout the fund cycles.

IAD Obtains Refund of Unused County Grant Monies

Pastoral Counseling

County Council President and the Executive requested IAD audit the grant funds received from the County by Pastoral Counseling. IAD performed the audit and found the County was due a refund of unused monies. The non-profit agency returned the funds identified by IAD and the department received recognition by the President of Council and the Executive at its 3rd quarter Audit Committee meeting.

| Summit County Services Grant | Refund Received Due to IAD Review |
|---------------------------------|--------------------------------------|
| \$ 60,000 | \$49,217.25 |

IAD Services Outsourced to Area Icon

Soap Box Derby

The All-American Soap Box Derby approached the County, asking for IAD's assistance with an in-depth audit of the All-American Soap Box Derby, the first since 2005. The County provided IAD's services as an in-kind donation to the Derby to assist the financially strapped Akron icon. IAD services were outsourced to CBIZ and its work turned over to the company as the firm performing the audit.

IAD Coordinates Financial and A-133 Single Audits

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

IAD Reduces Costs for Ohio AOS External Audits

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

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 28, 2010 Audit Committee meeting, Rea's partner Don McIntosh reported on the 2009 audit to the Committee. Below is an excerpt from the meeting minutes where Mr. McIntosh talks to the Audit Committee about IAD's commitment to reducing audit costs.

Mr. McIntosh informed the Committee that there was a difference in the audit this year in that IAD staff was included in the audit process, performing testing that reduced the audit costs by \$20,000 for 200 hours of work. He said it was a good experience for Rea. Mr. Zaucha said it was a mutually beneficial experience for both entities. He said it was a very valuable relationship because it saved the County money.

At the September 22, 2009 Audit Committee meeting, Mr. McIntosh reported on IAD's value to the County as referenced in the below excerpt from the meeting minutes.

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."

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

At its December 9, 2010 meeting, the Audit Committee passed a Resolution authorizing its Internal Audit Department to perform work for other governments, institutions, boards, agencies, non-profits, Ohio Auditor of State, and any other entities approved by the Audit Committee.

IAD Seeks Ohio Auditor of State Registration

In 2010, IAD applied to the Ohio Auditor of State's (AOS) office for registration to perform local government audits on behalf of the AOS.

O.R.C. §115.56(B) provides for the following:

ORC §115.56 Independent certified public accountant to perform required audit in lieu of auditor of state.

(A) The auditor of state shall adopt rules in accordance with Chapter 119. of the Revised Code under which any public office, other than a state agency, may request, and participate in the selection of, an independent certified public accountant to perform any required audit of the public office, in lieu of the auditor of state.

(B) Except as provided in division (A) of this section, when the auditor of state determines that the auditor's office will not audit a public office other than a state agency, the auditor shall contract with a certified public accountant, public accountant, or an official governmental audit organization to perform this audit on behalf of the auditor of state's office.

In response, the AOS asked that IAD provide a legal analysis completed by the County that demonstrates that IAD has the legal authority under the County Charter to complete this work outside of the County entity.

As instructed by the AOS, a Prosecutor's Opinion on the matter was requested by IAD on behalf of its Audit Committee. In response, the Summit County Prosecutor Opinion #10-138 opined that the Audit Committee has the legal authority under the County Charter to prescribe other duties and responsibilities to its Internal Audit Department to perform work for other governmental entities, nonprofit organizations, and the Ohio Auditor of State, subject to other requirements of the County Charter and the Ohio Revised Code.

IAD is awaiting further instruction or resolution from the new AOS office on this matter.

Cuyahoga County Transition Committee Asks for Counsel of IAD Director

In 2010, Cuyahoga County voters approved changing its government to a Charter form, doing away with the three (3) Commissioners system of the past that was rife with fraud investigations, court decisions, and felony convictions of staff.

The transition team contacted Mr. Zaucha for his counsel on forming an internal audit department and on other management issues.

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.

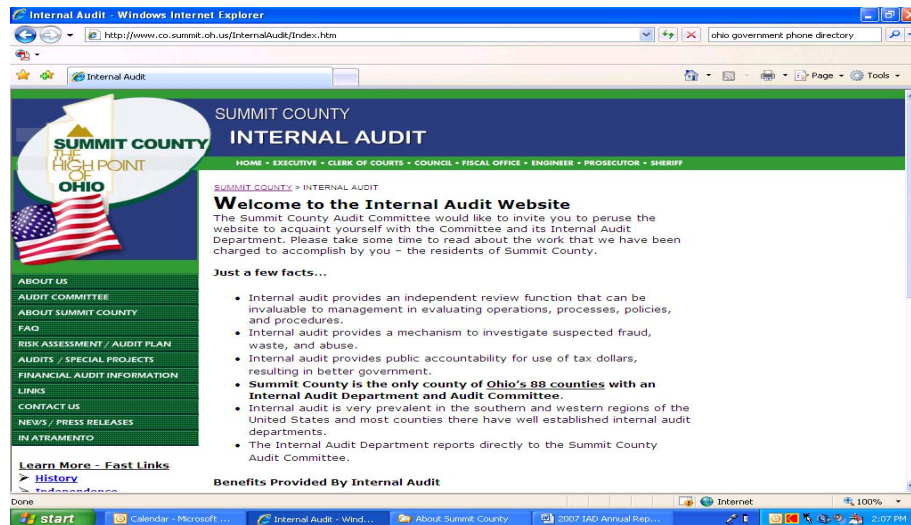
Certified National Peer Reviewers

Lisa Skapura, IAD Assistant Director, and Mira Pozna, IAD Deputy Director, are certified as National Peer Reviewers by ALGA. They have performed several peer reviews for the organization.

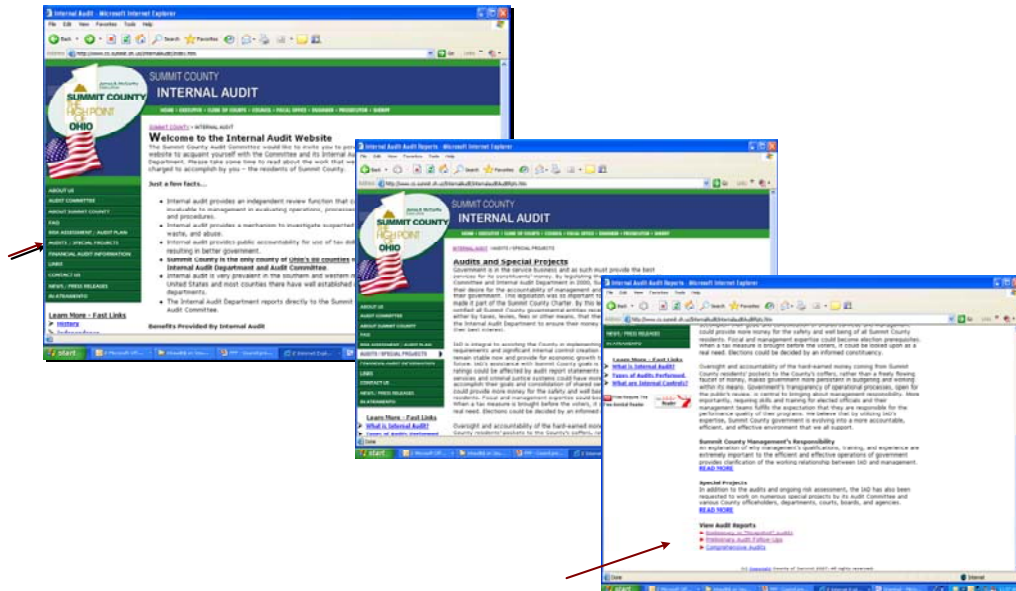
Completing the peer review training and performing peer reviews of other audit departments allows IAD staff to become experts in the standards that govern the audit profession, thereby adding credence to the work of the department here in the County. Acting as reviewers also enhances the reputation of 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 where the general audit reports and management action plans, approved by the Committee are posted. IAD launched the site on April 2, 2007. Upon approval of its Audit Committee, IAD has published all general audit reports to the website for review by the public for historical, transparency, and accountability purposes.



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.

| <i>Audit Population Identified in the 2003 Countywide Risk Assessment</i> | | | |
|---|---|--|-------------------------------------|
| <i>Preliminary Audits and Follow-Up Completed</i> | <i>Preliminary Audits Completed</i> | | |
| | <i>Awaiting Follow-Up</i> | | <i>Awaiting Preliminary Audit</i> |
| Alcohol, Drug Addiction, Mental Health Board | | | |
| Clerk of Courts Office - Title Bureau | | | Childrens Services Board |
| Clerk of Courts Office - Legal Division | Fiscal Office - Finance | | Executive Office - Finance & Budget |
| Common Pleas Court - Adult Probation | Fiscal Office - Treasurer | | Probate Court |
| Common Pleas Court - General Division | Executive Office - Administrative Services | | Board Of Elections |
| County Council | | | |
| DD Board | | | |
| Domestic Relations Court | | | |
| Engineer Office | Multiple Follow-up Audit(s) Required | | Audits in Process |
| | Sheriff Office - Administration (4th Security Follow-up) | | Fiscal Office - MIS |
| Executive Office - Department Of Law | | | |
| Executive Office - Dept Of Communication | | | |
| Executive Office - Emergency Management Agency | | | |
| Executive Office - Human Resources Dept | | | |
| Executive Office - Jobs & Family Services | | | |
| Executive Office - Department of Development | | | |
| Executive Office - Administration General | | | |
| Executive Office - DOES | | | |
| Executive Office - Insurance & Risk Mgmt | | | |
| Executive Office - Medical Examiner | | | |
| Executive Office - Office Services | | | |
| Fiscal Office - Recorder | | | |
| Fiscal Office - Real Estate | | | |
| Fiscal Office - Services | | | |
| Human Resource Commission | | | |
| Juvenile Court & Detention Center | | | |
| Prosecutor Office - Legal Divisions | | | |
| Prosecutor Office - CSEA | | | |
| Sheriff Office - Administration | | | |
| Sheriff Office - Corrections Division | | | |
| Veterans Services Commission | | | |

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)

2010

- ∞ Executive Office: Department of Human Resources (6/14/2010)
- ∞ Executive Office: Department of Law (6/14/2010)
- ∞ Fiscal Office Treasurer Division (3/24/10)

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)

2010

- ∞ Prosecutor Office: Legal Division 3rd Follow-up Audit (12/9/2010)
- ∞ Executive Office: Department of Human Resources 1st Follow-up Audit (12/9/2010)
- ∞ Children Services Board Countywide Payroll Second Follow-up Audit (9/28/2010)
- ∞ Executive Office: Department of Law Public Safety Division Follow-up Audit (6/14/2010)
- ∞ Developmental Disabilities Board 2nd Payroll Follow-up Audit (6/14/2010)
- ∞ Developmental Disabilities Board Payroll Follow-up Audit (3/24/10)
- ∞ Domestic Relations Court Follow-up Audit (3/24/10)

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 2010. An accounting of each work area follows, highlighting the specific audits or projects wherein the department provided value-added services in 2010. 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 | FY 10 |
|---|------|------|-------|-------|-------|-------|-------|-------|
| <i>Number of preliminary audits completed</i> | 0 | 14 | 8 | 5 | 1 | 1 | 10 | 3 |
| <i>Number of follow-up audits completed</i> | 0 | 0 | 12 | 4 | 7 | 4 | 19 | 7 |
| <i>Number of Countywide audits completed</i> | 0 | 0 | 0 | 1 | 1 | 3 | 0 | 0 |
| <i>Number of Non-Audit/Agreed Upon Procedures completed</i> | 4 | 4 | 4 | 7 | 12 | 12 | 20 | 11 |
| <i>Number of Investigations completed</i> | 1 | 0 | 0 | 0 | 2 | 0 | 1 | 2 |

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.

| <i>Performance Results 2004-2010</i> | <i>FY04</i> | <i>FY 05</i> | <i>FY 06</i> | <i>FY 07</i> | <i>FY 08</i> | <i>FY 09</i> | <i>FY 10</i> |
|---|-------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <i>Number of preliminary audits completed</i> | 14 | 8 | 5 | 1 | 1 | 10 | 3 |

Executive Office: Department of Human Resources (6/14/2010)

The scope of this audit included the review of the new NEOGOV hiring system that was in the planning and implementation stages. IAD reviewed the internal controls and security of the new system and made recommendations, given the confidential information that will be housed in the database and the many compliance mandates of human resources.

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.

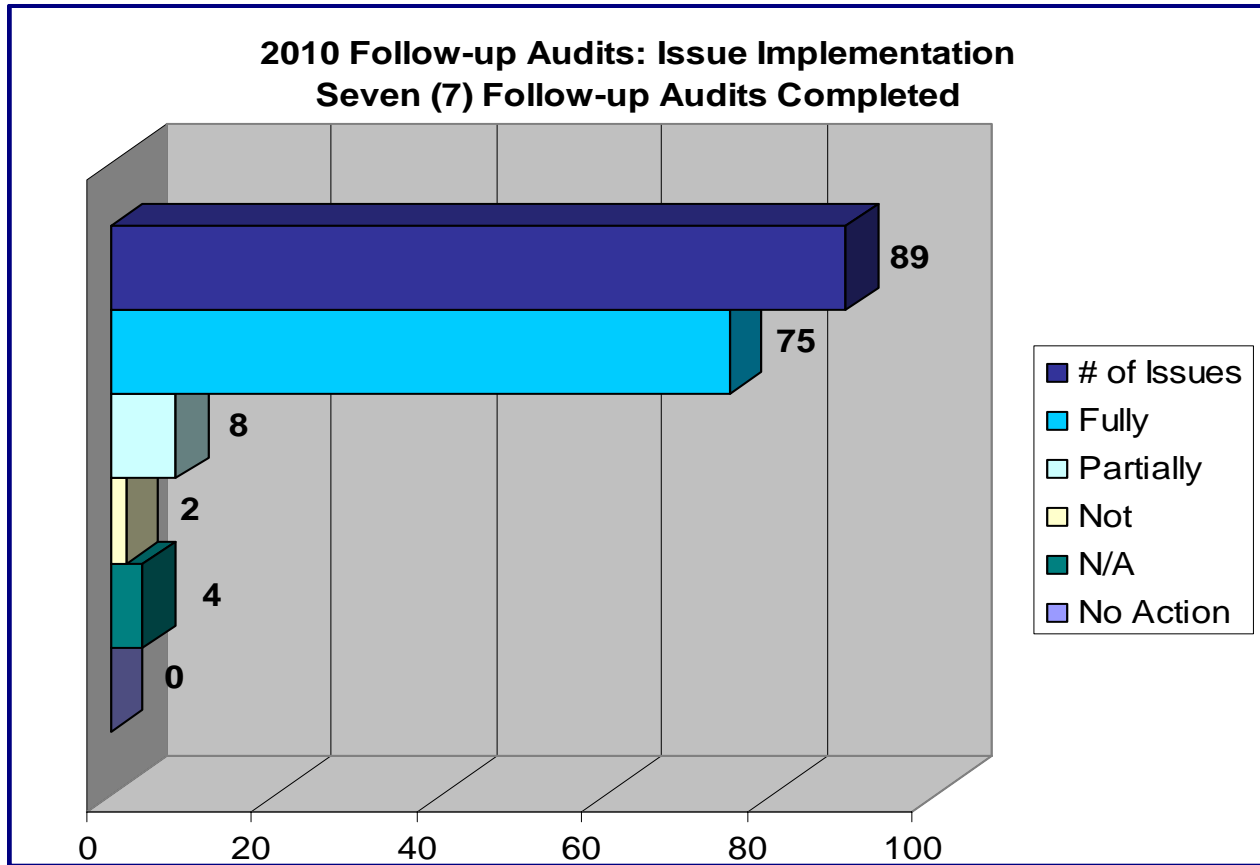
Management shall provide IAD with sufficient documentation to prove fully implemented audit recommendations.

| <i>Performance Results 2004-2010</i> | <i>FY05</i> | <i>FY 06</i> | <i>FY 07</i> | <i>FY 08</i> | <i>FY09</i> | <i>FY10</i> |
|---|-------------|--------------|--------------|--------------|-------------|-------------|
| <i>Number of follow-up audits completed</i> | 12 | 4 | 7 | 4 | 19 | 7 |

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:

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



Executive Office: Department of Human Resources 1st Follow-up Audit (12/9/2010)

IAD continued its review of the new NEOGOV hiring system implementation and made recommendations that addressed internal controls, segregation of duties, compliance, and security issues.

Children Services Board Countywide Payroll Second Follow-up Audit (9/28/2010)

IAD provided guidance on proper payroll processing and reporting procedures during the agency's management transition period.

Developmental Disabilities Board 2nd Payroll Follow-up Audit (6/14/2010)

During the follow-up, IAD assisted with the implementation of the KRONOS timekeeping system at the agency. The auditors worked with management to review the internal controls and security settings of the system. IAD also reviewed the agency's policies and procedures and made recommendations to address any compliance and segregation of duties issues.

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.

| <i>Performance Results 2004-2010</i> | <i>FY04</i> | <i>FY 05</i> | <i>FY 06</i> | <i>FY 07</i> | <i>FY 08</i> | <i>FY 09</i> | <i>FY 10</i> |
|--|-------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <i>Number of Countywide audits completed</i> | 0 | 0 | 1 | 1 | 3 | 0 | 0 |

Countywide Accounts Payable

The Countywide Accounts Payable audit began in 2010. Upon review of the Fiscal Office Accounting Department, IAD identified numerous issues. The Fiscal Office chose to purchase a new Banner module to address them. The audit was placed on hold to allow for the Fiscal Office's implementation of the new system and procedures that was completed in December 2010. IAD reviewed the Extender module and its policies and procedures with the Fiscal Accounting Department staff and made recommendations thereof.

IAD anticipates completion of the final report for review by the Audit Committee in the first quarter of 2011.

Countywide Procurement Cards and Vehicle Usage Logs Audits

At IAD's discretion, annual audits of County credit cards and vehicle usage logs will be completed.

The County's Procurement Card program is mandated by Codified Ordinance: **Chapter 198 Procurement Card**. Audits of the Procurement Card process are mandated by the Executive's Department of Finance and Budget Policies and Procedures. During its audit closing conference, Rea and Associates specifically mentioned these cards as an area of high risk that should be reviewed regularly.

The vehicle usage logs track the use of the County's fleet by personnel and are mandated by Codified Ordinance: **169.25 Operation Of A Vehicle For County Of Summit Business**.

Non-Audit Services and Agreed Upon Procedures

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

| <i>Performance Results 2003-2010</i> | <i>FY 03</i> | <i>FY 04</i> | <i>FY 05</i> | <i>FY 06</i> | <i>FY 07</i> | <i>FY 08</i> | <i>FY 09</i> | <i>FY10</i> |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|
| <i>Number of projects completed</i> | 4 | 4 | 4 | 7 | 12 | 12 | 20 | 11 |

Executive Office Department of Jobs and Family Services Agreed Upon Procedure

Child Care Services can help find the right caregiver for children whether a day care center, home-care provider or care from a relative is chosen. The Division can help eligible families pay part of the cost. The Objectives of these agreed upon procedures were to perform an analysis of the Home Care Program to include detailed testing of state reimbursements, review of the internal control structure and processes for state reimbursements, and to provide recommendations for improvement of the effectiveness of the Home Care Program internal controls. IAD found a variety of issues, made recommendations to address them, and provided tools to monitor the information and funds.

Summit County DD Board Agreed Upon Procedure

At the request of the Summit County Developmental Disabilities Board (DD), IAD agreed to perform procedures to review the function of Individual Service Plan (ISP) monitoring by the DD Board. IAD also reviewed the required supporting documentation on file at one of the DD Board’s providers for approximately 135 County of Summit DD Board clients. The review was conducted for a 12 month period within a 16 month scope. IAD found numerous issues and made several recommendations. IAD also provided an electronic monitoring tool for the agency's use.

Summit County DD Board Trainings

As a result of the work performed by IAD for the DD Board, the agency requested that IAD conduct trainings for its staff and its providers. These trainings are ongoing and provide information on the accurate and proper monitoring and reporting of client expenses and receipts for the developmentally disabled population of the County.

American Recovery and Reinvestment Act of 2009 (ARRA)

IAD reviewed the initial monitoring of the millions of dollars of ARRA funds that were received by the County. IAD continues to monitor those funds through the State Stimulus Tracker to help reduce any potential findings for recovery or suspension of ARRA funding.

DOES - GPS Vehicle Log

The Audit Committee requested that IAD review the Executive Office’s Department of Environmental Services’ (DOES) GPS implementation to determine if the system will allow reports that can replace the vehicle logs currently in use and include the information required by the Insurance and Risk Management Department to track the use of County vehicles as mandated by the County Codified Ordinances. This would minimize the duplication of efforts and staff time and streamline the process for DOES.

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.

| <i>Performance Results 2003-2010</i> | <i>FY 03</i> | <i>FY 04</i> | <i>FY 05</i> | <i>FY 06</i> | <i>FY 07</i> | <i>FY 08</i> | <i>FY 09</i> | <i>FY 10</i> |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <i>Number of investigations Completed</i> | 1 | 0 | 0 | 0 | 2 | 0 | 1 | 2 |

2011 Work Program

At the December 9, 2010 Audit Committee meeting, IAD proposed the below 2011 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 provide any non-audit services and agreed upon procedures as requested throughout the year.

- A. ADAMH Board audit of Interval Brotherhood Home (tentative)
- B. Children Services Board (CSB) Preliminary Audit
- C. ARRA Stimulus Funds Review - DJFS
- D. Countywide Accounts Payable Audit
- E. Fiscal Office: MIS Preliminary Audit
- F. Executive Office: Department of Finance & Budget
- G. Board of Elections
- H. Probate Court
- I. Clerk of Courts/DR Court Case Management System Implementation
- J. ODJFS CSEA Audits
- K. DD Board trainings
- L. Follow-up Audits
 - 1. Executive Office: Department of Administrative Services
 - 2. Sheriff Office: Fourth Administration Security
 - 3. Executive Office: Department of Community & Economic Development
 - 4. Fiscal Office: Personnel

5. Fiscal Office: CAFR
6. Fiscal Office: Investments
7. Fiscal Office: Treasurer
8. Fiscal Office: Tax Settlement
9. Fiscal Office: Accounting
10. Executive Office: Department of Law
11. Countywide Fringe Benefits
12. Countywide Vehicle Logs
13. Countywide Procurement Cards

Additional Services

The IAD provides other services in addition to the audits, investigations, and agreed upon procedures. These 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
- Training

Future Plans

- 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.
- Upon Audit Committee review and approval, IAD will 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 and Recovery Opportunities

As the County continues to recover from the economic condition that has caused government in general to review its options to collaborate, merge and downsize services, IAD can assist in providing viable recommendations, test the possibilities of economies of scale, work with entities to explore efficiencies and act as a neutral professional party at the negotiations table.

IAD Service Offerings to Other Local Governments

IAD's audit and professional business management advisory services offered to other Summit County local governments, non-profits, and school boards will provide 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.



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