

Summit County Executive's Office
Department of Law, Insurance and Risk Management
Consumer Affairs Division
Preliminary Audit General Report

Prepared for:

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Audit Committee

Approved by Audit Committee
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EXECUTIVE SUMMARY

Total Number of Issues –5

Policies and Procedures

Section	# Issues	Issue Descriptions	Page Ref.
Policies and Procedures	2	<ul style="list-style-type: none"> • No evidence of management review within the last 2 years • Insufficient policies for purchasing and expenditures 	6

Internal Controls

Strong Internal Controls:

Testing Section	# Issues	Issue Description	Page Ref.
Consumer Complaints	0	N/A	8
Fringe Benefits			8
Payroll			9

Weaknesses in Internal Controls:

Testing Section	# Issues	Issue Descriptions	Page Ref.
Purchasing/ Expenditures	1	<ul style="list-style-type: none"> • Requisitions and invoices not properly approved 	7
Codified Compliance	1	<ul style="list-style-type: none"> • Chair and Vice Chair not elected to Consumer Affairs Advisory Board 	8
Board Meetings	1	<ul style="list-style-type: none"> • Approval of prior meeting minutes was not recorded in current meeting minutes 	9

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GENERAL BACKGROUND

The Office of Consumer Affairs (Consumer Affairs), under the direction and jurisdiction of the Summit County Executive's Office is responsible for educating and protecting the citizens of Summit County and those visitors to the county from unfair, deceptive or unconscionable consumer sales practices through education, complaint mediation and investigation. The office works with local, county, state and federal agencies, non-profit and community based organizations along with local business leaders to ensure an honest, safe and informed marketplace. The office is committed to consumer education through consumer alerts and presentations to civic, church, school, community, and business groups. In addition, they offer consumer tips covering a wide variety of topics including home improvements, repairs, automotive, online shopping, prizes and sweepstakes, etc.

Consumer Affairs consists of one full time employee (0.02% of Summit County employment) with 2013 and 2014 budgets totalling \$196,800 and 199,700, respectively (0.05% of the 2013 and 2014 County operating budgets).¹

AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

The primary focus of this review was to provide the Consumer Affairs with reasonable assurance, based on the testing performed, on the adequacy of the system of management control currently in effect for the audit areas.

Management controls include the processes for planning, organizing, directing, and controlling program operations, including systems for measuring, reporting, and monitoring performance. Management is responsible for establishing and maintaining effective controls that, in general, include the plan of organization, as well as methods and procedures to ensure that goals are met. Specific audit objectives include evaluating the policies, procedures, and internal controls related to Consumer Affairs.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Based on the results of our review, we prepared specific issues and recommendations for improvement that were discussed with management. These recommendations, as well as management's unaltered written response, can be found in the following sections of this report.

Objectives:

- To obtain and review the current policies and procedures.
- To review the internal control structure through employee interviews and observations.
- To perform a general overview of the physical environment and security of the facilities, data, records and departmental personnel.

¹ <https://co.summitoh.net/images/stories/Finance/pdf/OperatingBudget/2014OperatingBudget.pdf>
<https://co.summitoh.net/images/stories/Finance/pdf/CountyofSummit2013OperatingBudget.pdf>

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Scope:

An overview and evaluation of the existing policies, processes, procedures, contracts and internal control structure utilized by Consumer Affairs from December 1, 2013 through November 30, 2014.

The following were the major audit steps performed:

OBJECTIVE 1 – POLICY AND PROCEDURES REVIEW

1. Obtain and review the current policies and procedures.
2. Meet with the appropriate personnel to obtain an understanding of the current department processes and procedures. Compare those existing processes to the policies and procedures manual for consistency, noting all exceptions.
3. Obtain and review the document retention policy and determine if policies and procedures are currently in place and being followed.
4. Test procedures for mandatory compliance where applicable.
5. Identify audit issues and make recommendations where appropriate.

OBJECTIVE 2 – REVIEW OF INTERNAL CONTROLS

6. Meet with the appropriate personnel to obtain an understanding of the control environment.
7. Document the existing control procedures in narratives and/or flowcharts.
8. Compare existing processes to the policies and procedures manual for consistency.
9. Test procedures for compliance where applicable, noting all exceptions.
10. Investigate discrepancies and summarize results.
11. Make recommendations where appropriate.

OBJECTIVE 3 – REVIEW OF SECURITY (covered in a separate report in compliance with ORC §149.433).

1. Perform a general overview of the physical environment and security of the department/agency being audited.
2. Interview various personnel to determine that confidential information is secure and processed only by appropriate parties.
3. Test security issues where appropriate.
4. Analyze current policies and make recommendations.

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DETAILED COMMENTS

Interviews:

To gain an understanding of Consumer Affairs, IAD conducted an interview with the one (1) employee (i.e., Deputy Director).

Any issues noted are addressed in the respective sections of this report.

I. Policy and Procedures Review:

Consumer Affairs' policies and procedures were reviewed for each of the following applicable testing sections within the audit for accuracy and completeness and compared to current processes for consistency. The Consumer Affairs' Records Retention Schedule was also reviewed for completeness and compared to processes throughout the audit to ensure that the schedule contained all relevant documents.

The following issues were noted:

1. Issue:

Upon review of Consumer Affairs' policies and procedures for completeness and accuracy, IAD noted policies were last dated as of September 18, 2009, indicating no evidence of management review and approval within the last two (2) years.

Recommendation:

IAD recommends that all policies and procedures be updated or reviewed with management approval on a regular basis. This will help to ensure that approved policies and procedures are accurate and current.

Management Action Plan:

The Director and Deputy Director will review department policies and procedures and update them. The updated policies and procedures will be vetted through the advisory board, which meets quarterly. The updated P/P should be prepared by the second quarter board meeting. Anticipated completion date is 7/1/15.

2. Issue:

Upon review of Consumer Affairs' policies and procedures, no written or insufficient policies and procedures were noted for the purchasing and expenditure functions.

Recommendation:

IAD recommends that Consumer Affairs create/update, approve, and disseminate written policies and procedures for the purchasing and expenditure functions within the department. This will help to ensure that proper procedures are being consistently followed within the department.

Management Action Plan:

In completing the Issue 1 review, policies and procedures will be written to encompass financial functions. This should also be complete by 7/1/15.

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Internal Control Testing:

Risk-based internal control testing and/or observations were performed in the following areas:

- Purchasing and Expenditures
- Consumer Complaints
- Fringe Benefits
- Codified Compliance
- Board Meetings
- Payroll

PURCHASING AND EXPENDITURES

Consumer Affairs' policies and procedures and applicable ORC sections were reviewed and staff interviews were conducted to gain an understanding of the purchasing and expenditures cycle, the laws and regulations that govern it, and internal controls in place.

Samples of purchase order requisitions and purchase orders were judgmentally selected and detail testing was performed to test for proper documentation and approvals. A sample of expenditures was randomly selected and detail expenditure testing was performed to verify that funds do not remain encumbered for prior year purchase orders, confirm proper approval, proper authorizations, funds were encumbered prior to incurring the expense, and that the appropriate vendor and amount were paid.

Banner user and Banner Class Form reports were obtained and reviewed to gain an understanding of Consumer Affairs' employee Banner roles and to test for a proper segregation of duties.

Additionally, banner purchasing and procurement user access levels were reviewed for reasonableness.

The following issue was noted:

3. Issue:

Upon detail testing of purchasing and expenditure transactions in Banner, IAD noted thirteen (13) out of thirteen (13) and fifteen (15) out of seventeen (17) instances where the requisition and invoice, respectively, were not properly approved (e.g., same person entering and approving).

Recommendation:

IAD recommends that the approval function for purchase order requisitions and invoices in Banner be assigned to a separate individual within the department (e.g., Director). This will help to ensure proper segregation of duties and proper approval of transactions.

Management Action Plan:

The Director has been added to the department Banner approval process in order to assure segregation of duties. The approval process which involves the Director will be incorporated into the policies and procedures. The P/P will be complete by 7/1/15.

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CONSUMER COMPLAINTS

Consumer Affairs' policies and procedures were reviewed and an observation of the Consumer Affairs database was conducted to gain an understanding of the consumer complaints process. A list of consumer complaints entered in the database during the audit scope was obtained and all complaints were reviewed to ensure they were closed or were receiving action.

No issues were noted.

FRINGE BENEFITS

Detail testing of the following areas was performed, if applicable, to confirm that Consumer Affairs is properly processing fringe benefits in accordance with IRS tax code:

- Travel and meals reimbursement
- Cash incentives, awards, gift awards and/or bonuses
- County paid life insurance policies over \$50,000
- Uniforms and clothing allowances
- Employment contracts
- Agency vehicle usage
- Allowances for firearms or tasers and/or any other non-lethal weapon
- Tuition assistance and reimbursement
- Subcontracted employees

No issues were noted.

CODIFIED COMPLIANCE

Applicable Codified Ordinance sections were reviewed and attributes were developed to ensure compliance with applicable rules and regulations.

The following issue was noted:

4. Issue:

Upon review of the Consumer Affairs Advisory Board meeting minutes and discussion with the Deputy Director, IAD noted the Advisory Board has not elected a Chair and Vice Chair, in accordance with Codified Ordinance 201.06(c).

Recommendation:

IAD recommends that a Chair and Vice Chair be elected to the Consumer Affairs Advisory Board. This will help to ensure compliance with the Codified Ordinance.

Management Action Plan:

Officers were elected at the March meeting, which occurred 3/4/15.

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PAYROLL

An interview was conducted to gain an understanding of the payroll process. A payroll approval report was generated and reviewed to determine appropriate authorizations and to confirm a proper segregation of duties.

No issues were noted.

BOARD MEETINGS

Consumer Affairs' policies and procedures, Codified Ordinance, and Robert's Rules of Order were reviewed to gain an understanding of Consumer Affairs Advisory Board meetings and the rules and legislation that govern it. All Consumer Affairs Advisory Board meeting minutes from the audit scope were selected and detail testing was performed to determine compliance with applicable legislation and policies.

The following issue was noted:

5. Issue:

Upon review of the Consumer Affairs Advisory Board meeting minutes, IAD noted two (2) out of two (2) instances where approval of prior meeting minutes was not recorded in the current meeting minutes, in accordance with Robert's Rules of Order.

Recommendation:

IAD recommends that approval of the prior meetings minutes be recorded in the minutes for every Board meeting. This will help to ensure proper compliance with Robert's Rules of Order.

Management Action Plan:

Starting with the March 2015 Board meeting, the minutes will reflect approval of the prior meeting's minutes.

II. Security:

Security issues noted during fieldwork are addressed under separate cover in the accompanying report in compliance with ORC §149.433.