

**SUMMIT COUNTY  
CLERK OF COURTS: TITLE DIVISION  
PRELIMINARY AUDIT FINAL REPORT**

**05-TitleBureau.COC-42**

**Approved by Audit Committee  
March 14, 2006**

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**SUMMIT COUNTY CLERK OF COURTS: TITLE DIVISION  
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BACKGROUND**

**Auditors:** Lisa Skapura, Joseph George, Jennifer Cuenot, and Anthony Boston (Intern)

**Background:**

The Summit County Clerk of Courts Title Division is responsible for the issuance of automobile and watercraft Certificates of Title. The Title Division has three offices: the Main Office, the North Branch-Macedonia, and the South Branch-Portage Lakes. Effective March 4, 2002, the State of Ohio passed the Cross-County Titling law, (S.B. 59). This allows Ohio residents to obtain a title in any county regardless of where they reside. The Title Bureau issues approximately 300,000 titles a year. Money that is generated through the collections of sales tax and the collection of title fees supports the Title Divisions operations. A percentage of the sales tax and title fees are retained by the division and the remainder is submitted to the State of Ohio.

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**AUDIT OBJECTIVES AND METHODOLOGY**

The primary focus of this review was to provide the Summit County Clerk of Courts: Title Division (COC Title Division) with reasonable assurance, based on the testing performed, on the adequacy of the system of management control in effect for the audit areas tested. 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 COC Title Division.

Our review was conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States and accordingly included such tests of records and other auditing procedures as we considered necessary under the circumstances. Our procedures include interviewing staff, reviewing procedures and other information and testing internal controls as needed to assess compliance with policies and procedures.

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 written response, can be found in the following sections of this report.

**Specific Objectives:**

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

**Scope:**

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

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. Test procedures for mandatory compliance where applicable.
4. Identify audit issues and make recommendations where appropriate.

## OBJECTIVE 2 – REVIEW OF INTERNAL CONTROLS

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

## OBJECTIVE 3 – REVIEW OF SECURITY

11. Perform a general overview of the physical environment and security of the department/ agency being audited.
12. Interview various personnel to determine that confidential information is secure and processed only by appropriate parties.
13. Obtain and review the document retention policy and determine if policies and procedures are currently in place and being followed.
14. Test security issues where appropriate.
15. Analyze current policies and make recommendations.

**SUMMIT COUNTY CLERK OF COURTS: TITLE DIVISION  
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DETAILED COMMENTS**

**I. Policies & Procedures Review:**

The Internal Audit Department (IAD) obtained and reviewed the draft COC Title Division policies and procedures from the Chief Deputy Clerk. Per an email from the Chief Deputy Clerk, even though the manual is in draft form, these procedures have been in place for the last five years. Additionally, "The Summit County Title Bureau Main Office Fire and Emergency Evacuation Plan" was obtained and reviewed; however, it was not included in the draft manual and is not for the Clerk of Courts as a whole but for the Main Office. The COC Employee Manual was also obtained and reviewed. The Title Division uses the same employee manual as the Legal Division and it has not changed since the Legal Division preliminary audit.

1) Issue

It was noted that the majority of the COC Employee Manual is outdated. This issue has been identified previously in the COC Legal Division preliminary audit.

Recommendation

IAD recommends that the COC review and update the employee manual to ensure that is in line with management objectives as well as local, state, and federal regulations. This will ensure that the COC employees are aware of the most current personnel procedures.

Management Action Plan

The Clerk of Courts will amend and update the current written version of the personnel manual and incorporate Summit County Ordinance 169 into it. This will be completed and distributed to all employees by June 30, 2006. The employees will acknowledge, in writing, the receipt of the manual and a copy of the acknowledgment will be kept in their personnel file.

2) Issue

IAD noted that the policies and procedures for the COC Title Division were in draft form and did not include procedures for all areas of the Title Division (i.e.; branch office functions, natural disaster plans for the branch offices, and functions of the Chief Deputy Clerk).

Recommendation

IAD recommends that the COC Title Division develop, implement, and update formal operating procedures for all functional areas and branch locations. IAD recommends that the COC Title Division thoroughly review and communicate these policies and procedures to ensure that they are consistent with the mission and goals of the current administration. These policies and procedures should include dates of creation/revision and should be reviewed and signed off by the personnel in their respective departments. The sign off sheet

should indicate that the employee accepts, agrees to comply, and understands the specific manual with the date of revision of the manual. This will ensure that procedures are in place to achieve these goals as well as ensuring that they are being performed consistently.

#### Management Action Plan

The Clerk of Courts Title Division will review the policies and procedures for the main and branch offices, ensuring that it is complete and includes all functions. It will also include an updated disaster plan for each office and it will be reviewed with all of the employees. The employees will acknowledge, in writing, the receipt of the policies and a copy of the acknowledgment will be kept in their personnel file. This will be accomplished by June 30, 2006.

## **II. Internal Control Testing:**

Internal control testing and/or observations were performed in the following areas:

- Interviews
- Personnel Files
- Expenditures
- Cash Receipts

### INTERVIEWS

To gain an understanding of the COC Title Division, IAD interviewed the following positions throughout the division:

1. Chief Deputy Clerk
2. Division Manager
3. Bookkeeping Supervisor
4. Clerical Supervisor 1, Casual Department
5. Clerical Supervisor 1, Dealer Department
6. Clerical Supervisor 1, Mail Department

The following issues were noted:

#### 3) Issue

It does not appear that a formal written disaster recovery plan is communicated to the COC Title Division employees. Upon follow up, IAD obtained and reviewed the Title Bureau Main Office Fire and Emergency Evacuation Plan; however, it was not located in the policy and procedure manual.

#### Recommendation

IAD recommends that COC Title Division include the Title Bureau Main Office Fire and Emergency Evacuation Plan in the finalized policies and procedures manual. This will ensure that the plan is properly communicated and that all employees are aware of the plan.

### Management Action Plan

The Clerk of Courts Title Bureau employees were given a copy of the Main Office Fire and Emergency Evacuation plan on May 10, 2004. There was a fire drill and a hands on fire extinguisher practice on May 17, 2004. This plan will be included in the final policy & procedure manual and will be implemented as stated in Issue 2.

The Title offices are on a statewide computer system, should there be a disaster that involves these systems, the Chief Deputy would contact the Title Division of the Bureau of Motor Vehicles for direction. This will also be included in the policy & procedure manual as stated in Issue 2.

#### 4) Issue

There is no formal interaction with the press policy for the COC Title Division.

### Recommendation

IAD recommends that the COC Title Division create a formal interaction with the press policy and include it in the finalized policies and procedures manual. This will ensure that communications with the press are handled in a consistent manner in line with the expectations of the Clerk of Courts.

### Management Action Plan

The Chief Deputy of the Title Division currently handles all inter-action with the press. This will be formalized and will be implemented as stated in Issue 2.

## PERSONNEL FILES

IAD obtained and reviewed 15 employee personnel files maintained by the COC Title Division to ensure that personnel file documentation is maintained in accordance with procedures and appeared reasonable. The COC Employee Personnel Manual was obtained and reviewed. A memo from the Chief Deputy Clerk-Title Division, which contained a listing of the COC Title Division personnel file requirements, was also obtained and reviewed. A narrative that took place with the Chief Deputy Clerk-Legal Division, from a prior audit, was also obtained, and reviewed for a listing of the documentation customarily contained in the COC Legal Division personnel files. IAD obtained this to compare it against the expectations of the Chief Deputy Clerk-Title Division since they are under the same elected official and their expectations should be consistent. The Chief Deputy Clerk-Title Divisions expectations were also compared to the employee personnel manual Section 9.1 "Personnel Records".

The following issues were noted:

#### 5) Issue

Upon review of the personnel files selected for detailed testing and based on what the Chief Deputy Clerk-Title Division felt should be in a personnel file, the following issues were noted:



- a. Two of 15 personnel files did not contain a sign off sheet acknowledging the receipt of the Clerk of Court's Employee Personnel Manual.
- b. Eight of 15 personnel files did not contain a sign-off on the receipt of the Ohio Ethics Law and related statutes.
- c. One of 15 personnel files did not contain an Ohio Public Employees Retirement System (O.P.E.R.S.) Form. IAD verified in the County payroll system, Banner, that a P.E.R.S. deduction was being taken from the employee's pay.

#### Recommendation

IAD recommends that the COC bring all HR personnel files up to the current COC file expectations, where applicable.

#### Management Action Plan

The Clerk of Courts Title Division located the signatures for both item a & b after the audit was completed. They were on a sheet with five other employee signatures and had not been copied to all files. Copies have been made and put in the proper personnel files. In the future only one signature will be on an acknowledgment statement.

#### 6) Issue

Upon comparison of a listing of personnel file requirements from the Chief Deputy Clerk-Title Division, to the COC Employee Personnel Manual Section 9.1 and to the Personnel File Narrative that took place with the Chief Deputy Clerk-Legal Division from a previous audit, IAD noted several discrepancies between the listings (i.e. Banner forms, Emergency Contact Sheets, I-9's, etc.).

#### Recommendation

IAD recommends that the COC review the personnel file requirements between the two divisions of the COC to ensure consistency and update the personnel manual to reflect the current personnel file expectations. Furthermore, IAD recommends that the COC establish/create a detailed checklist of all required forms/documents that are to be maintained in the personnel files. A detailed checklist will ensure that the documentation contained in the personnel files is consistent and complete.

#### Management Action Plan

The Clerk of Courts and the chief deputies of both divisions will meet to discuss what documents will be maintained in the personnel files for both divisions. A checklist will be developed to ensure consistency. This will be accomplished by April 30, 2006 and will be put in to the policy and procedure manual.

### EXPENDITURES

Twenty-five expenditures from 2005 were judgmentally selected to ensure that proper authorization, approvals, and accuracy were in place. IAD met with the Chief Deputy Clerk-Title Division and utilized an internal control questionnaire to gain an understanding of the expenditure process for the

COC Title Division. The Chief Deputy Clerk-Title Division reviewed and approved the questionnaire. An internal control questionnaire was utilized because the COC Title Division did not have documented policies and procedures for the expenditures process. The following issues were noted:

7) Issue

Upon discussion with the Chief Deputy Clerk-Title Division and review of the draft COC Title policies and procedures, IAD noted that there are no written internal policies and procedures for the COC Title Division expenditure process.

Recommendation

IAD recommends that the COC develop and implement formal policies and procedures for the expenditure process. This will ensure that the current processes are being performed appropriately and consistently.

Management Action Plan

The Clerk of Courts Title Division will include the written policy on the expenditure process in the policies and procedure manual, which will be completed by June 30, 2006.

8) Issue

Upon discussion with the Chief Deputy Clerk-Title Division, and review of the internal control questionnaire, it was noted that there is a lack of segregation of duties. The Chief Deputy Clerk-Title Division prepares and approves requisitions in "Banner," approves invoices for payment, and prepares vouchers.

Recommendation

IAD recommends that the COC Title review the process of preparing and approving of requisitions in "Banner," approving invoices for payment, and preparing vouchers to ensure there is a proper segregation of duties. This will ensure that no one individual can control all phases of any transaction.

Management Action Plan

The Clerk of Courts is currently working on revising the purchasing procedures for both divisions. At this time the officeholder will approve the requisitions in Banner. This will be accomplished by March 31, 2006 and will be included in the policy and procedure manual as stated in Issue 2.

CASH RECEIPTS

August 2005 was judgmentally selected for the testing of cash receipts. The draft COC Title policies and procedures were obtained and reviewed to gain an understanding of the cash collection process. IAD utilized an internal control questionnaire with the Bookkeeping Account Clerk Supervisor, Clerical Supervisor for the North Branch-Macedonia office and the Clerical Supervisor for the South Branch-

Portage Lakes office to gain a further understanding of the cash collection process. An observation of the cash collection process was also performed with the same individuals at their respective locations. IAD also obtained and reviewed the cash over/short logs for the Main Office, North Branch-Macedonia office, and the South Branch-Portage Lakes office.

The following issues were noted:

9) Issue

Upon discussion with the Clerical Supervisors for the South Branch-Portage Lakes and North Branch-Macedonia offices and review of the draft COC Title policies and procedures manual, there are no formal written policies and procedures in regards to the cash collection/receipting process for the South Branch-Portage Lakes and North Branch-Macedonia offices.

Recommendation

IAD recommends that the COC Title Division develop and implement formal policies and procedures in regards to the cash collections process for the South Branch-Portage Lakes and North Branch-Macedonia offices. This will ensure that procedures are being consistently performed which are in line with the goals of the administration.

Management Action Plan

The Clerk of Courts Title Division's policy and procedure manual is only in draft form for the main office. The branch office procedures will be developed and be included in the finalized version. This policy will be implemented as stated in Issue 2.

10) Issue

Upon discussion with the Bookkeeping Account Clerk Supervisor and observation of the cash collection process in the COC Title Division Main office, there is a lack of segregation of duties between the preparation of the daily deposits and performance of the bank reconciliation. The Bookkeeping Account Clerk Supervisor is responsible for preparing the deposits on a daily basis and reconciling the monthly bank statement.

Recommendation

IAD recommends that the COC Title Division review the cash receipting, depositing, and reconciliation process to ensure that there is a proper segregation of duties. This will ensure that no one individual can control all phases of any transaction.

Management Action Plan

The Clerk of Courts Title Division separated these duties with the January statement. The Account Clerk Supervisor performs the daily deposits and the Accountant 1 performs the bank reconciliation. A copy of the reconciliation is given to the Clerk of Courts and the Title Chief Deputy each month for review. Both parties will keep a copy of the reconciliation and will initial and date it after reviewing. At this time the staff was verbally informed of the change. This will be put in the policy and procedure and distributed as stated in Issue 2.

11) Issue

Upon discussion with the Bookkeeping Account Clerk Supervisor at the Main office and the Clerical Supervisors for the South Branch-Portage Lakes and North Branch-Macedonia offices, it was noted that all of the branches maintain an over/short fund. When the cashiers collect monies exceeding the amount of the Ohio Automated Title Processing System (ATPS), the monies are put into the over/short fund. Per the Chief Deputy Clerk, overages can be caused by bills being stuck together during a transaction or pre-written dealers' checks exceeding the amount owed because of rounding differences in tax calculations between the ATPS system and the dealer's system. Likewise, shortages that occur are made up from the over/short fund. Upon review of the over/short logs, the balances of the funds and the earliest available beginning dates were as follows:

- a. Main Office: Beginning date: 11/1/99. Ending balance as of 12/6/05: \$775.81.
- b. South Branch-Portage Lakes office: Beginning date: 1/1/00. Ending balance as of 12/7/05: \$185.00.
- c. North Branch-Macedonia office: Beginning date: 7/2/91. Ending balance as of 12/5/05: \$93.99.

Additionally, IAD noted the following:

- a. Upon review of the draft COC Title Policies and Procedures, IAD noted that there is no policy and procedure for when cash is over or short.
- b. Per the Supervisors at each office, when shortages occur, it is the responsibility of the cashiers to make up the difference. However, there appears to be inconsistencies in the threshold amount that must be made up by the cashiers. Per the Chief Deputy Clerk, it is the responsibility of the cashiers to pay shortages exceeding \$100.00. Per the Bookkeeping Account Clerk Supervisor, the cut-off amount for shortages to be paid from the over/short fund is \$20.00. Additionally, per discussion with the Chief Deputy Clerk, the Macedonia office does not require the cashiers to pay back shortages.

Recommendation

IAD recommends that the COC Title Division create and implement formal policies and procedures in regards to cash over and short and include them in the policy and procedures manual. The shortage/overage policy should include, but not be limited to, the following:

- a. If the COC Title Division chooses to maintain an over/short fund, the policy should include how the fund will be accounted for, tracked, and monitored.
- b. If the COC Title Division chooses to hold cashiers responsible, then a reasonable threshold amount should be determined for holding the cashiers responsible for any shortages.
- c. If the over or short amounts exceed an established threshold amount, the proper documentation of the situation with an explanation of the reason for the difference and the corrective action plan should be included with the daily transaction documentation and the employee's personnel file.
- d. The policy should also ensure compliance with O.R.C. §9.38.

### Management Action Plan

The Clerk of Courts Title Division is in the process of developing policies and procedures for the overage/short fund. In December it was established that the overage/short fund for the main office would be maintained at \$100.00 and the branch office would carry a balance not exceeding \$50.00. These policies should be completed by March 1, 2006. A copy will be given to each cashier at all title offices and will also be placed in the policy and procedure manual.

#### 12) Issue

Upon review of the monies collected in the over/short fund, which are considered public monies according to O.R.C. §9.39, IAD noted that the monies were not deposited in accordance with O.R.C. §9.38. Additionally, O.R.C. §9.39 states that; "All public officials are liable for all public money received or collected by them or by their subordinates under color of office. All money received or collected by a public official under color of office and not otherwise paid out according to law shall be paid into the treasury of the public office with which he is connected to the credit of a trust fund and shall be retained there until claimed by its lawful owner. If not claimed within a period of five years, the money shall revert to the general fund of the public office."

#### Recommendation

If the COC Title Division chooses to maintain an over/short fund, IAD recommends that a maximum amount to be maintained in the fund be established and any monies exceeding that amount should be deposited into an unclaimed fees account in accordance with O.R.C. §9.38, regarding depositing public funds, and O.R.C. §9.39 in regards to unclaimed funds. This should be included in an over/short fund policy as stated in Issue #11. This will ensure that the COC Title Division complies with O.R.C. §9.38 and O.R.C. §9.39. Per discussion with the Chief Deputy Clerk on 12/15/05, the COC Title Division wrote a check to the Summit County Fiscal Officer on 12/15/05, for \$687.24 from the over/short fund maintained at the Main office, to be deposited into an unclaimed funds account. The remaining balance of the fund was \$100.00. As of 12/15/05, IAD was unaware of funds being deposited into the unclaimed funds account for the branch offices.

### Management Action Plan

The Clerk of Courts Title Division has established the amounts for the overage/shortage funds. As noted, the excess money for the main office was deposited to the unclaimed funds account on December 15, 2005. A check was written to the Fiscal Office on December 29, 2005 in the amount of \$173.65. This was to deposit \$129.44, the funds in excess of \$50.00, for the Portage Lakes office and \$44.21, the funds in excess of \$50.00 for the Macedonia Office. This will be included in the policy and procedure manual as stated in Issue 2.

#### 13) Issue

Upon review of the deposit slips and bank receipts for August 2005, it was noted that the following deposits were not made on a timely basis:

- a. Three of 48 deposits from the South Branch-Portage Lakes office (two business days).
- b. Eight of 23 deposits from the North Branch-Macedonia office (two business days).

This is a violation of O.R.C. §9.38 which states that: “A person who is a state officer, employee, or agent shall pay to the treasurer of state all public moneys received by that person as required by rule of the treasurer of state adopted pursuant to section 113.09 of the Revised Code. A person who is a public official other than a state officer, employee, or agent shall deposit all public moneys received by that person with the treasurer of the public office or properly designated depository on the business day next following the day of receipt, if the total amount of such moneys received exceeds one thousand dollars. If the total amount of the public moneys so received does not exceed one thousand dollars, the person shall deposit the moneys on the business day next following the day of receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the moneys until such time as the moneys are deposited. The policy shall include provisions and procedures to safeguard the public moneys until they are deposited. If the public office of which the person is a public official is governed by a legislative authority, only the legislative authority may adopt such a policy; in the case of a board of county commissioners, the board may adopt such a policy with respect to public offices under the board's direct supervision and the offices of the prosecuting attorney, sheriff, coroner, county engineer, county recorder, county auditor, county treasurer, or clerk of the court of common pleas. If a person who is a public official receives public moneys for a public office of which that person is not a public official, that person shall, during the first business day of the next week, pay to the proper public official of the proper public office the moneys so received during the current week.”

#### Recommendation

IAD recommends the COC Title Division deposit funds in accordance with O.R.C. §9.38. This will ensure that the COC Title Division complies with the O.R.C.

#### Management Action Plan

The branch office had made their deposits for the previous days work after the bank had closed the next day. They are no longer making any deposits after 3:00pm. This will be included in the policy and procedure manual as stated in Issue 2.

#### 14) Issue

Upon discussion with the Bookkeeping Account Clerk Supervisor for the Main office and the Clerical Supervisors for the South Branch and North Branch offices, IAD noted that the process followed by the supervisors for recounting the cashiers’ daily cash collections did not include dating and initialing the cash count sheets/worksheets. Dating and initialing would indicate who recounted the funds and that it agreed to the amount counted and documented by the cashiers.

### Recommendation

IAD recommends that the supervisors initial and date the cash count sheets/worksheets to indicate who recounted the monies. This will provide an audit trail of all individuals who came in contact with the daily collections.

### Management Action Plan

Beginning February 15, 2006, the supervisors or the Accountant 1 will initial and date the cash control slips when they recount the monies. This procedure will be implemented as stated in Issue 2.

### **III. Security:**

Security issues noted during fieldwork are addressed under separate cover in the accompanying report in compliance with Ohio Revised Code §149.433<sup>248</sup>.