

# SUMMIT COUNTY, OHIO

BERNARD F. ZAUCHA, CPA, MBA, CIA, DIRECTOR

March 28, 2005

Joseph Migliorini  
Director of Department of Community and Economic Development  
175 S. Main Street, Room 207  
Akron, OH 44308

**Re: Final Report of the County of Summit Department of Community and Economic Development's Preliminary Audit**

Dear Mr. Migliorini

Attached is the final report of the County of Summit Department of Community and Economic Development's (DOD) Preliminary Audit which was discussed with members of senior management on December 15, 2004. In addition, please note that the DOD's management action plan was incorporated into the final report.

**The report was approved by the Audit Committee at its March 21, 2005 meeting at which time it became public record.**

We appreciate the cooperation and assistance received during the course of this audit. If you have any questions about the audit or this report, please feel free to contact me at extension (330) 643-2655.

Sincerely,

Bernard F. Zaucha  
Director, Internal Audit

cc: Audit Committee

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**COUNTY OF SUMMIT  
EXECUTIVE OFFICE:  
DEPARTMENT OF COMMUNITY  
AND ECONOMIC DEVELOPMENT**

**Preliminary Audit  
04-DOD.prelim.Exec-26  
November, 2004**

**Approved by Audit Committee  
March 21, 2005**

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

*Bernard F. Zaucha, Director  
Lisa L. Skapura, Assistant Director  
Joseph P. George, Senior Auditor In-Charge  
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Jennifer Cuenot, Auditor Intern*

**COUNTY OF SUMMIT EXECUTIVE'S OFFICE:  
DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT  
PRELIMINARY AUDIT**

**TABLE OF CONTENTS**

I.	Executive Summary.....	3
II.	Value-Added Scorecard.....	5
III.	Background.....	6
II.	Objectives.....	8
III.	Scope.....	8
IV.	Detailed Comments.....	10





**COUNTY OF SUMMIT EXECUTIVE'S OFFICE:  
DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT  
PRELIMINARY AUDIT**

**INTERNAL AUDIT VALUE ADDED SCORECARD DETAIL**

<b>Risk</b>	<b>Description</b>	<b>Value</b>
Lack of Segregation of Duties for Cash Collection in Building Standards, Planning and the Economic Development Departments.	Observation identified instances where the same person is responsible for receiving, recording, and depositing all monies	Audit testing revealed the importance of developing internal procedures for cash collection to ensure the receipt of all revenue.
Daily Reconciliation of permits sold to cash collected – Building Standards	IAD, with the assistance of the Executive Assistant and BS&A Software personnel, produced reports for 2003 and 2004 indicating balances due for permits and other charges associated with the permit process (i.e. miscellaneous charges/fees which are incurred after the permit has been issued such as re-inspection fees, penalties, etc.). The total amounts due for each year are \$16,508.95 for 2003 and \$14,860.80 for 2004 as of 11/8/04.	IAD monitored the accounting software update of BS&A Software to reconcile permits sold to cash collected. IAD also attended the training session of the cashier, back up cashier and executive assistant to confirm that they had been properly trained on the reconciliation process.
<b>Risk</b>	<b>Description</b>	<b>Value</b>
Lack of Policies & Procedures for all functional areas of the Department of Development.	Through observation and inquiry, it was noted that no procedural policies exist for the majority of the departments as well as programs funded by federal, state, and grant money.	IAD
Timely deposits for Building Standards, Planning, and the Economic Development Departments.	Deposits are not made with the Fiscal Treasurer's office on a timely basis for the Enterprise Zone, Planning and Building Standards Departments in accordance with ORC §9.38.	IAD worked with each individual department to ensure that the Fiscal Treasurer's office receives timely deposits.
E & Y Management Representative Letter Findings have not been corrected for Building Standards, Enterprise Zone and Home Weatherization Program	Inquiry and observation revealed that Ernst & Young audit findings have not been corrected by the various departments.	IAD recommended corrective follow up procedures to management to ensure that the same audit issues are not identified next year

**COUNTY OF SUMMIT EXECUTIVE'S OFFICE:  
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PRELIMINARY AUDIT**

**BACKGROUND**

**Auditors:** Lisa Skapura, Joseph George, Dan Crews, and Jennifer Cuenot (Intern)

**Background:**

The Summit County Department of Community & Economic Development offers various programs that assist in increasing the quality of life within our community. Through the Home Weatherization Program (HWAP) and the HOME program, they are able to identify and assist those qualified individuals in completing much needed home improvement. The CDBG program assists communities and various non-profit organizations in completing local projects that otherwise may have been postponed.

Through Economic Development programs, they have assisted hundreds of businesses with tax incentives, which resulted in retaining and creating thousands of jobs. Issue 2 funds support road and bridge projects throughout Summit County and the Issue 1 funds help support our Clean Ohio endeavor. In an effort to assist companies in new technology, they developed a technology-training grant so that companies may obtain skills for their employees to better compete in today's economy.

**Tax Incentives and Enterprise Zones**

Certain areas of Summit County are designated Enterprise Zones, as allowed by state law and consented to by local communities. This allows incentive agreements to be negotiated between the county, local communities and businesses seeking to expand or relocate within the zone areas. The Department of Development administers this state program, acts as the central point of contact, and assists businesses with expansion, relocation, or start-up questions on how best to maximize their business investment.

**Planning Department**

Coordinating development and growth throughout Summit County and planning for future development and answering questions from the public about development concerns is the function of the Planning Office. The Summit County Planning Commission reviews and approves major and minor subdivisions via the Summit County Subdivision Regulations within the unincorporated areas of Summit County and provides zoning reviews.

**Building Standards**

Their primary mission is to insure the health, safety, and welfare of the residents of Summit County. The County of Summit Department of Building Standards regulates the construction, condemnation, and occupancy of buildings and structures within the Summit County jurisdiction. In doing, so they have performed the following number of inspections (this includes reinspections):

Month	2003	2004
January	823	726
February	671	757
March	903	995
April	1,132	1,126
May	1,158	1,157
June	1,108	1,264
July	1,241	1,178
August	1,011	1,117
September	1,246	1,137
October	1,213	1,100
November	876	929
December	910	
<i>Total</i>	<i>12,292</i>	<i>11,486</i> *

Source: Building Standards Executive Assistant

\*Note: The 2004 total amount does not include December 2004.

They review, approve, and issue all permits required by code for the new construction, repair, alteration, or addition to all public and private buildings and structures, as well as annually register all construction contractors including general trades, plumbing, mechanical, and electrical. Building Standards has issued the following number of permits (all types of permits):

Month	2003	2004
January	1,885	2,102
February	1,821	1,968
March	2,373	2,369
April	2,665	2,531
May	2,575	2,558
June	2,881	3,101
July	2,900	3,059
August	2,809	3,036
September	2,879	2,516
October	3,137	2,755
November	2,380	2,390
December	2,413	
<i>Total</i>	<i>30,718</i>	<i>28,385</i> *

Source: Building Standards Executive Assistant

\*Note: The 2004 total amount does not include December 2004.



**COUNTY OF SUMMIT EXECUTIVE'S OFFICE:  
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PRELIMINARY AUDIT**

**OBJECTIVES**

**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.

**Testing Procedures:**

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.

**COUNTY OF SUMMIT EXECUTIVE'S OFFICE:  
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**DETAILED COMMENTS**

**I. Policies & Procedures Review:**

The following issue was noted:

1) Issue

It was determined there are no internal policy and procedure manuals for the Department of Development. The Planning function utilizes the "Summit County 2002 Subdivision Regulations" and the Economic Development function utilizes ORC 5709. It was also noted that there are other federal and state regulations that guide the Home Weatherization Assistance Program, Community Development Block Grant, and Home Investment Partnership programs. However, these regulations do not contain internal procedures that are followed to comply with these documents.

Recommendation

IAD recommends that the DOD develop and implement formal operating procedures for all of the functional areas of this department. IAD recommends that the DOD 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, 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. IAD provided the DOD with the following books electronically on November 16, 2004: 7 Steps to Better Written Policies and Procedures, Achieving 100% Compliance of Policies and Procedures, Best Practices in Policies and Procedures, and Establishing a System of Policies and Procedures.

Management Action Plan

*HWAP and the CDBG/HOME Housing Rehabilitation Program have both implemented policies and procedures that follow the state and federal guidelines while providing instructions for the day-to-day program operations. These policies and procedures merge state and federal regulations with County and departmental policies. Policies and procedures for the CDBG non-housing portion of the program and the First Time Homebuyer program will be developed before the end of 2005. Policies and procedures are being developed within the entire department by each respective division so that a master copy can be created and adopted for the use of all Department of Development employees.*

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

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

### *Department of Development – Ohio Building Location*

- Interviews
- Ernst & Young Management Letter Follow Up
- Planning Division
- Enterprise Zone

### *Building Standards – Tallmadge Avenue Location*

- Interviews
- Expenditures
- Certifications
- Refunds
- Inspector Observation
- Cash Process/E&Y Management Follow Up

### Department of Development – Ohio Building Location

## **INTERVIEWS**

To gain an understanding of the DOD, IAD interviewed the following positions throughout the department:

### **I. Building Standards**

- 1) Clerk II Electrical
- 2) Executive Assistant
- 3) Inspector Building/Electrical
- 4) Inspector Building/HVAC
- 5) Deputy Director/Chief Building Official
- 6) Clerk II Cashier
- 7) Plans Examiner Commercial/Industrial
- 8) Engineer

### **II. Planning**

- 1) Deputy Director of Planning

### **III. Economic Development**

- 1) Assistant Director of Administration of Enterprise Zone
- 2) Deputy Director

### **IV. HWAP**

- 1) Energy Coordinator

The following issues were noted:

2) Issue

There is no formal training/cross training or orientation program for the DOD.

Recommendation

IAD recommends that DOD implement a formal training/orientation program to ensure that employees are aware of procedures that are specific to DOD. IAD also recommends developing a customer service standard, applicable to all DOD employees whose job responsibilities include contact/interaction with customers. Staff should be informed of the standard and a sign-off form used to verify that all staff have been informed and understand the policy. This standard can then be applied during staff performance evaluations. The City of Akron, in conjunction with Summit County Human Resources Department, offers a customer service training course. IAD suggests that the DOD contact, Roger Johnson (ext. 2404) to discuss this course for its employees. Based on information received from Mr. Johnson, the only cost associated with this course is for the materials.

Management Action Plan

*A cross-training flowchart has been created and will be distributed to each employee along with a timeframe for having the cross-training completed (attached). Cross Training will be fully implemented by May 1, 2005.*

ERNST & YOUNG MANAGEMENT LETTER FOLLOW UP

IAD interviewed the Assistant Director of Administration - CDBG/HOME, Energy Coordinator, and the Assistant Director of Administration – Economic Development. This was done to determine that all Ernst & Young Management Letter comments and audit findings for the CDBG, Home Weatherization Program, and Enterprise Fund have been or are currently being addressed by management. The following issues were noted:

3) Issue

The only corrective action that has currently been made regarding the proper accounting and recording of CDGB loans is that the 2003 loans have been reviewed to make sure they are included in the appropriate year. The department plans to implement policies & procedures in January 2005 to correct the other issues identified.

Recommendation

IAD recommends that the DOD create and implement the mentioned policies and procedures to prevent further audit issues.

#### Management Action Plan

*CDBG loans are currently being monitored and policies are being created to ensure proper tracking. Policies and Procedures have been created for the Housing Rehabilitation program and implemented January 1, 2005.*

#### 4) Issue

Policies & procedures should be completed and implemented for HWAP. It was noted by IAD that these are currently being worked on and should be completed in three to six months. Most items have been corrected with regard to the fraud and abuse issues in the HWAP program that were identified.

#### Recommendation

IAD recommends that the DOD create and implement the mentioned policies and procedures to ensure compliance with program funding.

#### Management Action Plan

*The HWAP program is regulated by three (3) manuals that are provided by the State Department of Energy; however, supplemental policies and procedures were created by the Energy Coordinator and have been implemented.*

#### 5) Issue

Through discussion with the Assistant Director of Administration - Enterprise Zone and the Executive Assistant to the Director of DOD, they were not informed, per the OBM response to the E&Y Management Representation Letter, to stop paying for reimbursements to municipalities for their share of revenue out of the Enterprise Zone Fund revenue line item. The Expenditures in Excess of Appropriations issue was discussed with the Executive Assistant for the Director of DOD who IAD believes will have the duty to pay expenditures from the Enterprise Zone fund. This was done to ensure that she is aware of this situation and was advised to speak with her direct supervisor or the Office of Budget and Management.

#### Recommendation

IAD recommends that the DOD review their Enterprise Zone Fund expenditures to ensure that they are not being expensed from a revenue line item but from an expenditure line item. This will ensure that funds are accurately posted and will prevent expenditures from exceeding appropriations.

#### Management Action Plan

*Management has conducted meetings with the Department of Budget and Management to ensure that these expenditures are not in excess of the line item allocation.*

## PLANNING

IAD met with the Deputy Director of Planning Division, Assistant Director of Administration – Subdivision Administrator, and the GIS Administrator to gain an understanding of the Planning Division and the cash receipts process within this area. Due to the absence of a formal policies and procedures manual, IAD developed a narrative of the cash receipts process, which was reviewed by Deputy Director of Planning Division and the Assistant Director of Administration. The cash receipts process was reviewed to ensure that cash receipts are properly documented, accounted for, and reconciled to services provided for a sample from 2003. The following issues were noted:

### 6) Issue

Per discussion with the Assistant Director of Administration – Subdivision Administrator, on 11/19/04 and the Cash Receipts Narrative, it was noted that a lack of segregation of duties exists throughout the cash receipts process. The Assistant Director of Administration is responsible for receiving, recording, and depositing all monies received by the Planning Division. She collects fees for review of major and minor subdivision reviews, GIS map fees (the GIS Administrator calculates), and variances. She also performs many of the subdivision plan reviews, for which she collects fees.

### Recommendation

IAD recommends that the Department of Development review the cash process in the Planning Division to ensure that one employee is not responsible for the entire process. This will ensure that there is a proper segregation of duties.

### Management Action Plan

*Two employees (Assistant Director of Admin and GIS Administrator) collect monies in the Planning Division. Once that employee collects the appropriate funds, the monies are passed onto another employee for verification and issuance of the proper receipt.*

### 7) Issue

Per discussion with the Assistant Director of Administration – Subdivision Administrator on 11/19/04, sample testing, and the cash receipts narrative, the Planning Division does not make deposits with the Treasurer’s office on a timely basis. Funds received are generally being deposited months after being received. The Planning Division’s current cash receipt process is not in agreement with ORC § 9.38.

### Recommendation

The Planning Division should develop a cash receipts deposit policy that is in accordance with ORC §9.38.

### Management Action Plan

*All employees handling monies are aware that deposits are to be made into the Treasurer’s office within 24 hours of collection. This is a department directive and policies will be formalized within 2 months.*

8) Issue

Upon review of the narrative reviewed and approved by the Assistant Director of Administration – Subdivision Administrator and the Deputy Director of Planning, IAD noted that there is no monthly reconciliation completed to agree plan reviews performed to the amount of monies collected. IAD also noted that there is no tracking/logging of cash collected to plans submitted in the Planning Division.

Recommendation

IAD recommends that a formal reconciliation process be implemented that includes management oversight and review.

Management Action Plan

*The Deputy Director of Planning is overseeing the entire Planning Division. This includes the handling of monies and verifying that the reconciliation process and deposits are done properly and in a timely fashion. Once monies are received, the Deputy Director of Planning verifies the amount and oversees the receipt issuance.*

ENTERPRISE ZONE

IAD met with the Assistant Director of Administration – Enterprise Zone to gain an understanding of the Enterprise Zone Division and the cash receipts process within this area. Due to the absence of a formal policies and procedures manual, IAD developed a narrative of the cash receipts process, which was reviewed by the Assistant Director of Administration – Enterprise Zone. The cash receipts process was reviewed to ensure that cash receipts are properly documented, accounted for, and reconciled to services provided for a sample from 2003. The following issues were noted:

9) Issue

Per discussion with the Assistant Director of Administration on 12/01/04 and the cash receipts narrative, one deposit is made per year for Enterprise Zone (EZ) Administrative fees. Upon review of the deposit letter dated 1/20/04 for funds received in 2003 (for tax year 2002) and the 2003 EZ Admin Fees Report, it was noted that the deposits are not made with the Treasurer's office on a timely basis. Once all Enterprise Zone administrative fees are collected, they are deposited together. The Enterprise Zone's current cash receipt process is not in agreement with ORC §9.38,

Recommendation

The Enterprise Zone should develop a cash receipts deposit policy that is in accordance with ORC §9.38.

Management Action Plan

*The current Enterprise Zone Administrator is required to make timely deposits. All monies received and logged and deposited within 24 hours. The administrator received a directive from the Deputy Director via an email. This will also be part of our internal policy and procedure manual.*



10) Issue

Per discussion with the Assistant Director of Administration on 12/01/04 and the Cash Receipts Narrative, it was noted that a lack of segregation of duties exists throughout the cash receipts process for the Enterprise Zone. The Assistant Director of Administration is responsible for receiving, recording, and depositing all annual administration fees from companies with an Enterprise Zone agreement.

Recommendation

IAD recommends that the Department of Development review the cash process in the Enterprise Zone to ensure that one employee is not responsible for the entire process. This will ensure that there is a proper segregation of duties.

Management Action Plan

*The designated employee will record all monies received then forward them to the Enterprise Zone Administrator for verification and proper handling. Currently, support staff does not exist to take part in this process. In the meantime, the Deputy Director will verify all funds as they are submitted and forward them to the EZ Administrator.*

Building Standards – Tallmadge Avenue Location

EXPENDITURE TESTING

IAD interviewed and created a narrative with the Executive Assistant to gain an understanding of the expenditure cycle for Building Standards during 2004 to ensure that proper authorization and approvals are in place. IAD haphazardly selected twenty-five 2004 expenditures for testing. The following issues were noted:

11) Issue

IAD noted that there is a lack of segregation of duties in the expenditure process. Upon review of the narrative created by the Executive Assistant, discussion with the Executive Assistant on 11/12/04, and by testing for expenditure approvals, it was noted that the Executive Assistant is responsible for creating requisitions, authorizing the invoices prior to them being sent to the county for payment, and preparing vouchers. There is no indication of management oversight throughout the process.

Recommendation

IAD recommends that Building Standard's management review and approve all expenditures. This will ensure that management is reviewing the expenditures to ensure that they are for a proper public purpose and are reasonable. IAD noted that the Office of Budget and Management reviews all expenditures from Building Standards. IAD recognizes that approval by the Office of Budget Management is a compensating control; however, a representative of OBM is not familiar

with the day-to-day expenditures that run through Building Standards. IAD recommends that management at Building Standards review the expenditure process to ensure that one employee is not responsible for the entire process. This will ensure that there is a proper segregation of duties.

#### Management Action Plan

*Action was immediately taken to have management review and approve all expenditures through the Department of Building Standards. One employee is no longer permitted to process and approve the invoices. Once the Executive Assistant processes the invoices, the Deputy Director of Building Standards reviews and approves each invoice. This process began in November 2004.*

#### 12) Issue

One of 25 expenditures tested in 2004 contained an approval by the Office of Budget Management. Per discussion with the Executive Assistant on 11/3/04 and the e-mail from the Office of Budget Management on 11/3/04, all expenditures are reviewed for proper paperwork and approval by the Office of Budget Management.

#### Recommendation

Upon discussion with the OBM, it was agreed that all expenditures should be approved by the Director or Deputy Director of DOD.

#### Management Action Plan

*All expenditures are approved by the Director, Deputy Director or Deputy Director of Building Standards.*

### CERTIFICATIONS

IAD met with the Executive Assistant to review the certification reporting process to determine that all inspectors have obtained the appropriate certifications and met the continuing education requirements established by the State of Ohio for 2003. The 2003 Yearly Operational Report was obtained and reviewed to confirm that it contained all certification numbers with expiration dates. The employees listed on the State's listing were compared to the 2004 organizational chart for Building Standards to confirm that all current employees have a current certification, where applicable.

No issues were noted

### REFUNDS

IAD met with Executive Assistant to gain an understanding and create a narrative of the process of reimbursing contractors for permit fees. This was done so that IAD could verify that refunds dispersed by Building Standards in 2004 were properly reviewed, documented, supported, and authorized by the appropriate personnel. IAD haphazardly selected 15 refunds in 2004 for testing. IAD chose 2004 for testing due to an increase in refunds from 2003. The following issue was noted:

### 13) Issue

IAD noted during discussion and review of a narrative with the Executive Assistant on 11/8/04, that there is no review or approval from Building Standard's management throughout the refund process. IAD noted during testing that the Executive Assistant prepares and signs the Executive Order, which includes the amount due and owing, and sends it to the Executive's Legal Department for the Executive's signature. When the Executive Order returns from the Legal Department, the Executive Assistant vouchers the refund with all other bills.

### Recommendation

IAD recommends that Building Standard's management review, approve, and initial off on all refunds prior to them being sent to the Executive's signature. This will ensure direct departmental oversight on the refund process. This will also ensure that management is aware that the amount and the refund are appropriate.

### Management Action Plan

*Management is currently directly involved with all refunds, reimbursements and payments. Management approval is required to ensure a check and balance. Each refund and or reimbursement is processed by the Executive Assistant and approved by the Deputy Director of Building Standards. The was implemented in November 2004.*

## CASH PROCESS

IAD reviewed and observed the 2003 and 2004 cash receipts to gain an understanding of the cash receipts process and to ensure that all cash receipts were properly documented, accounted for, and reconciled to services provided. IAD met with the Clerk II - Cashier to gain an understanding of the cash receipts process and to create a narrative. IAD also met with the Clerk II - Registration to gain an understanding of the registration process and to create a narrative. This was performed because of the absence of a formal policies and procedures manual. The month of September 2004 was tested and the months of June and November 2003 were reviewed for reasonableness and consistency. Two Building Standards' clerks were haphazardly chosen and questioned on instances where IAD noted discrepancies on the "2003 & 2004 Reports on permits with monies/balances due". Additionally, seven employees that had the ability to issue permits and/or collect monies were interviewed. IAD also had numerous conversations with BS&A Software to inquire about the functionality of the permit software.

### 14) Issue

Upon IAD review and testing, it was noted that cash/check receipts are not being deposited on a timely basis. Dunbar Armor is picking up deposits on a daily basis from Building Standards and delivers them to the Fiscal Department. However, the monies from Building Standards are not ready for pick up so the collections are for two days prior. This is in violation of ORC §9.38.

### Recommendation

IAD recommends that Building Standards complete daily deposit procedures in compliance with ORC §9.38. This may be accomplished by:

- a. Having Dunbar Armor pick up monies at a later time in the day, or
- b. Establishing a cut off time in the early afternoon (i.e., 2:00 pm) in which the current day's receipts are closed out by the cashier and any additional receipts collected after are processed on next day's business.

This will enable the timely reconciling and processing of the Dunbar Armor receipts pick-up.

### Management Action Plan

*Arrangements have already been made with Dunbar Armor to alter their pick-up schedule. As such, they are providing pick-up services to our office later in the day (3:00 p.m.-4:00p.m.).*

### 15) Issue

Review of the cash receipts process revealed that there is no reconciliation process to ensure proper collection, recording, documentation, and depositing of all monies collected agrees the applicable permit issuance, registration issuance, and other miscellaneous daily receipts activity. IAD was able to trace and agree deposit amounts noted on Building Standards' Register Receipt Total daily reports to the following: County of Summit Daily Pay-in Orders, the Dunbar Armored customer receipt booklet, and the Summit County Cash Receipt Reports with no exceptions noted for a sample month of September 2004. IAD noted through inquiry and review that permit and fees/charges associated with permit issuances, along with registration activity reports can be produced through the BS&A Software system. However, there is no reconciliation of permit activity and registrations to payments received on the daily cash report. IAD worked with BS&A Software and the Building Standards Executive Assistant to determine how registration management activity reports could be produced in addition to the permit reports from the Permit Software to reconcile on a daily basis.

### Recommendation

IAD recommends that Building Standards perform a formal reconciliation process for daily receipts utilizing the management activity reports within the BS&A software system and applicable source documentation. As a temporary function until the BS&A Software was updated to accept all types of miscellaneous receipts, IAD assisted Building Standards personnel in temporarily reconciling approximately 90% of their daily activities (permit issuances, re-inspection fees, and registration issuances) to the BS&A Software activity reports. Per instruction and correspondence with IAD, Karen Brown has been sending reconciliations of daily receipts to daily management activity reports to the Chief Building Official and IAD. On 12/7/04, IAD observed that the new update to the software now allows Building Standards to perform a complete and formal reconciliation, as well as not allowing a permit to be issued without funds being received.

### Management Action Plan

*BS&A software now provides the ability to reconcile daily receipts as well as not allowing permits to be issued without funds being received.*

a. Issue

IAD noted during that the Clerks, Cashier, Executive Assistant, and management were not fully aware of the functional capabilities of the BS&A Software package being utilized. In speaking to the BS&A Software personnel on 11/8/04, it was determined that the software package has the capability to run a report noting all registrations completed. However, this report was not being utilized by management in the reconciliation to cash collected for contractor registrations because the staff was unaware of this specific report function.

Recommendation

IAD recommends additional training for the Building Standards management and staff on the capabilities and features available with the BS&A software package.

Management Action Plan

*BS&A does provide training for management and staff; however, the sessions need to be tailored to the individual students. As such, we have discussed this matter with BS&A and they were receptive to providing more detailed instruction and also spending more time with the individual trainee. We regularly monitor our needs for additional instruction and notify BS&A of our intent.*

16) Issue

IAD review revealed that Certificates of Occupancy were sometimes issued prior to full collection of all monies due. Per the Clerk II - Cashier's narrative, a Certificate of Occupancy is only issued after all outstanding issues are cleared in the system. Follow-up on the permits with monies owed report, created by the Building Standards Executive Assistant with assistance from BS&A Software, for 2003 noted monies due for building permit #PB031841. Per the Clerk II – Building, this permit would have had a Certificate of Occupancy issued at completion of inspections. Follow-up with the Clerk II - Cashier on 11/10/04, she stated that the Certificate of Occupancy had been issued even though the system showed monies due. The Clerk II - Cashier stated that she had not looked for monies due; she had only looked that disapproved inspections were cleared prior to issuing the Certificate.

Recommendation

IAD recommends that a procedure be established whereby a Certificate of Occupancy cannot be issued unless all owed monies/fees have been collected and all procedural inspection infractions have been properly addressed.

Management Action Plan

*The Certificate of Occupancy should be an indication that the project is completed and that there are no outstanding issues. March 1<sup>st</sup>, 2005 this was completed and implemented.*

17) Issue

IAD noted several instances where permits had been issued on three daily Cash Reports from June 2003, where there was no support indicated for monies collected (i.e., no cash or check noted in the BS&A system, no check # or payment indicated on the manual permit tracking card). Upon follow-up

with the Clerk II - Electrical, it was noted that some permits have been issued without any or the complete fee amounts being collected. This is in violation with Codified Ordinance 1307.24 Conditions of Permit Issuance that states, "No permit shall be issued and no amendment to drawing, application for permit, or other submission shall be approved or certified until fees have been paid". IAD, with the assistance of the Executive Assistant and BS&A Software personnel, produced reports for 2003 and 2004 indicating balances due for permits and other charges associated with the permit process (i.e. miscellaneous charges/fees which are incurred after the permit has been issued such as re-inspection fees, penalties, etc.). The total amounts due for each year are \$16,508.95 for 2003 and \$14,860.80 for 2004 as of 11/8/04. IAD noted that Building Standards has no process for collection, monitoring, or follow-up for monies due to Building Standards to ensure proper collection of monies due.

#### Recommendation

IAD recommends that Building Standards follow-up and reconcile all outstanding balances due as revealed by the 2003 and 2004 Reports on Permits with Monies Due. Building Standards should also run a monthly aging report and regularly follow-up to ensure that all departmental revenues/fees are collected. Building Standards should establish formal documented processes/procedures whereby proper tracking and collection are performed on all outstanding balances due and miscellaneous charges incurred. IAD noted during follow up on 12/7/04 with BS&A Software and a Clerk II that some of the amounts owed might have also been because some permit fees were waived incorrectly in the software. For example, the fee was waived and the Clerk removed the amount owed from the total but did not remove the fee items within the permit. Upon converting the data for the August 2004 update the system automatically totaled the fee items, therefore, showing a balance owed.

#### Management Action Plan

*This was implemented January 1<sup>st</sup>, 2005 during a department staff meeting. The Cashier is required to submit a monthly aging report to the Executive Assistant to verify all departmental revenues. The daily report is also verified by the Executive Assistant. In December 2004, BS&A addressed this concern during a training session by creating a tracking document to be used for all outstanding balances and miscellaneous charges. All balances have been reconciled and have a zero balance as of January 1<sup>st</sup>, 2005.*

#### 18) Issue

The BS & A software package utilized by the Building Standards Dept. did not have the capability of entering all miscellaneous receipts received by the department. It did not have the ability to document/track: NSF monies, registration fees, appeals fees, or inspection monies received from Cuyahoga Falls (County Building Standards complete the commercial plumbing inspections for Cuyahoga Falls and Building Standards is paid ½ of the permit fees collected by Cuyahoga Falls issuing the permit). Per BS&A Software on 11/8/04, the original software package purchased by Building Standards was not originally designed to track miscellaneous cash receipts. It was designed to track permit activity. However, BS&A had not been made aware of the need to track these other miscellaneous revenue items. Since the time Building Standards purchased the software package, BS&A has added a complete Cash Receipts package that can be used in conjunction with the permit package utilized by Building Standards.

### Recommendation

IAD recommends that Building Standards follow-up with BS&A Software on the proper addition of all miscellaneous cash receipting fields / capabilities for their current software applications. IAD also recommends that Building Standards investigate the possibility of utilizing the cash receipts module offered by BS&A software or some of the other cash receipting applications that are currently being offered. On 12/8/04, IAD along with the Executive Assistant, Clerk II – Cashier, and BS&A Software added the fields necessary to handle the above-mentioned miscellaneous receipts. IAD recommends that Building Standards continue to monitor and assess the need for additional fields for miscellaneous receipts.

### Follow Up

On 12/8/04, IAD along with the Executive Assistant, Clerk II – Cashier, and BS&A Software added the fields necessary to handle the above-mentioned miscellaneous receipts. IAD recommends that Building Standards continue to monitor and assess the need for additional fields for miscellaneous receipts.

### Management Action Plan

*Presently, the BS&A software additions have been adequate for our miscellaneous receipts. However, we will continue to monitor this for special incidents.*

### 19) Issue

The Clerk II - Cashier, does not consistently maintain the daily cash start-up fund and daily cash collections in one determined location. There is a cash register on her desk that was not consistently used to operate the payment receipt process. (i.e., through interview and observation, IAD noted that change was made from a cash bag in the Cashier's desk drawer while at the same time she was storing checks received in the cash register.)

### Recommendation

IAD recommends that the daily start-up fund and all daily receipts be maintained and processed through the cash register on her desk. This will help ensure easy access to the locked funds and provide additional supporting documentation for all transactions processed in and out of the cash register drawer. Per narrative initialed by the Clerk II - Cashier, effective 11/8/04, the daily cash start-up fund and daily cash receipts will be maintained in the cash register during working hours.

### Management Action Plan

*The daily cash start-up fund and daily cash receipts are being maintained in the cash register on the cashier's (Clerk II) desk during working hours.*

### 20) Issue

It was noted in discussion with the Clerk II - Electrical that repeated permits were issued to contractors with outstanding balances due for other projects within the permit system. An example of this is that permits are processed and issued to Ohio Edison without accompanying payment. Ohio Edison pays for the permits on a monthly basis. Per the Clerk II - Electrical, there is no agreement between Summit

County Building Standards and Ohio Edison for this payment plan/process. In addition, permits were also being issued to ADT for fire alarms and mailed to the client before payment was received.

#### Recommendation

IAD recommends that a process be implemented so the cashier will check to see if there are any amounts owing before the issuance of another permit.

#### Follow Up

On 12/8/04, IAD received an email from BS&A Software indicating that they have turned on the flags to indicate that a permit has fees due when issuing a permit and if any monies are owed. It is the responsibility of Building Standards management to enforce the use of these new indicators.

#### Management Action Plan

*The CBO and administrative assistant have made this option of the BS&A software know to all personnel who are involved with permit issuance. This was implemented through a training class with BS&A personnel via a teleconference January 19<sup>th</sup>, 2005.*

#### 21) Issue

The Clerk II - Cashier, opens the mail and distributes it to the other clerks. The mail may contain payments for permit applications. The Clerk II - Cashier is also who is responsible for collecting payments after permits are issued and recorded by various clerks and the daily reconciliation. IAD noted that this recommendation has been addressed in the County of Summit Department of Finance and Budget response to the Ernst & Young Management Representation letter of 9/10/04. However, no process or procedure has been established to change current operations at Building Standards.

#### Recommendation

IAD recommends that an independent person separate from the cash collection process, open the mail, prepare a list of all mail received, record checks received, and properly distribute the mail and applicable checks to the various clerks for proper permit processing.

#### Management Action Plan

*Present procedure is to have the administrative assistant open all mail and distribute to the appropriate personnel for processing.*

#### 22) Issue

IAD reviewed the Ernst & Young Management Representation Letter of 9/10/04 and the County of Summit Department of Finance and Budget response concerning the Cash Collections – Building Standards. The following were noted during fieldwork:

- a. The system generated daily cash report is not accurately capturing all cash receipt transactions or reporting total cash and checks collected for the day.
- b. The total cash and check collections for each day are being reconciled and compared to the cash collections per the daily cash reports or copies of receipts. However, the daily cash reports



and copies of receipts are not reconciled to the daily activity reports (permit and registration reports) that are or could be produced by management.

- c. The cashier collecting cash is still preparing the bank deposit and there is still no review of the cashier's work to verify the accuracy. It was also noted by IAD that none of the "Building Standards Department - New Receipt Procedures" suggested by the County of Summit Department of Finance and Budget have been instituted. It was specifically noted in the County of Summit Department of Finance and Budget that one of the "New Receipt Procedures", the procedure for "Refunds, payments to the State of Ohio and reimbursements to the contracted subdivisions should be made from an expenditure account" are to be implemented with the 2005 budget process.

#### Recommendation

A reconciliation process has recently been implemented. This procedure should be monitored closely by management to ensure the reconciliation process is accurately reporting all revenue. IAD recommends that Building Standards contact BS&A to take immediate action to address any other issues noted by the external auditors that have not been corrected in accordance with the County of Summit Office of Budget and Managements recommendations.

#### Management Action Plan

*Presently, the BS&A software is accommodating the reconciliation process and reporting of all revenues are being monitored by the CBO and the administrative assistant.*

#### 23) Issue:

The change fund maintained by the Department of Building Standards did not agree to the amount noted in the Codified Ordinances §197.06. The amount per Codified Ordinance is stated as \$150.00. The amount maintained by the Building Standards' Clerk II - Cashier is \$120.25. Per the Clerk II - Cashier on 11/24/04, the change fund was at \$120.25 when she started in the cashier position in 1998.

#### Recommendation

IAD recommends that Building Standards correct the balance of the change fund to \$150.00 and maintain the future balance as required by Codified Ordinance.

#### Management Action Plan

*This issue was brought to the attention of the Office of Budget and Management for resolution during the summer of 1998 by the previous CBO. It was revealed that the previous CBO attempted to procure the \$150.00 amount however, OBM informed Mr. Miller to use the amount of \$120.25 as their daily starting balance. No documentation was issued to verify this request. This was conveyed to the current CBO via a telephone conversation in February 2005. A request has been issued (3-15-05) to OBM for \$19.75 to bring the daily cash balance to \$150.00.*

### **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>.