

# SUMMIT COUNTY, OHIO

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

February 01, 2005

James B. McCarthy  
Summit County Executive  
175 South Main Street  
Akron, Ohio 44308

**Re: Final Report for the Executive General Administration Preliminary Audit**

Dear Mr. McCarthy:

Attached is the final report of the Executive General Administration's preliminary audit which was discussed with members of senior management on June 24, 2004. In addition, please note that the Executive General Administration's management action plan was incorporated into the final report.

**The report was approved by the Audit Committee at its December 17, 2004 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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# **EXECUTIVE GENERAL ADMINISTRATION**

## **Preliminary Audit**

**04-GenAdm.Exec-19**

**June, 2004**

**Approved by Audit Committee**

**December 17, 2004**

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

*Bernard F. Zaucha, Director  
Lisa L. Skapura, Assistant Director  
Dan Crews, Senior Auditor  
Joseph P. George, Internal Auditor*

**EXECUTIVE – GENERAL ADMINISTRATION**  
**Preliminary Audit**  
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**EXECUTIVE – GENERAL ADMINISTRATION**  
**Preliminary Audit**  
**BACKGROUND**

**Auditors:** Dan Crews and Joseph George

**Background:**

The 2004 Operating Budget book states “the County Executive develops policies for management of County’s operations in cooperation with other officeholders. The Executive sets highest-level policies for growth and development of the County in cooperation with various local communities, business groups and non-profits. The Executive sets policies to ensure both the efficient use of social service tax levy funds, and coordination between levy-supports social service agencies and other social service agencies serving Summit County.”

The Executive appoints persons to sit on the majority of board of trustees for County Boards, Commissions and Committees.

The department has one full-time employee, James B. McCarthy.

The Executive – General Administration has a 2004 budget of \$217,100. The Alternative Corrections Contract (Oriana House) is listed in the 2004 Budget under this program. The Oriana House budget is \$4,450,000.

**EXECUTIVE – GENERAL ADMINISTRATION**  
**Preliminary Audit**  
**OBJECTIVES**

**AUDIT OBJECTIVES AND METHODOLOGY**

The primary focus of this review was to provide the Executive’s Office, General Administration, 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, methods, and procedures to ensure that goals are met. Specific audit objectives include evaluating the policies, procedures, and internal controls related to the Executive’s Office, General Administration.

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.

**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 existing contracts in the department.

**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 – CONTRACT REVIEW

11. Obtain and review the current operating contracts, i.e., vendor contracts, union contracts, and service contracts.
12. Determine that contracts are current, properly executed, and applicable.
13. Test the contracts for departmental performance, where appropriate, noting all exceptions.

**EXECUTIVE – GENERAL ADMINISTRATION  
Preliminary Audit  
DETAILED COMMENTS**

**I. Policies & Procedures Review:**

The Executive Personnel Policy and Procedures manual was obtained and reviewed by the Internal Audit Department. It was noted by IAD that the Executive Personnel Policy & Procedures manual was comprehensive, concise and well organized.

Issue

No issues noted.

**II. Internal Control Testing:**

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

- Expenditure Analysis
- Personnel File Test
- Financial Disclosure Test
- Interviews
- Travel Expense Test

**EXPENDITURE ANALYSIS:**

IAD performed an analysis on the expenditures for the Executive General Administration for calendar years 2002 and 2003. All line item expenditures that had a +/- 25% variation were further investigated. Additionally, expenditures for these years were reviewed for reasonableness. It was noted by IAD that expenditures for the Executive General Administration decreased substantially from 2002 to 2003.

Issue

IAD noted expenditures from the Executive General Administration Org Code 1113 for “AFSCME Healthcare”. IAD inquired with the Deputy Director of Finance & Budget on 6/2/04 and was directed to the Office Manager for the Dept. of Insurance & Risk Management (DIRM). Per the Office Manager of DIRM, these expenditures were for the spouse of a retired employee of Local 1229. Per the collective bargaining agreement, article 29.05 “The employer agrees to pay the premium cost for an eligible spouse dependent of an eligible benefit recipient for the comprehensive Hospital and medical insurance coverage provided under the Public Employee Retirement System of Ohio for future retirees. The employer may terminate such premium payments at its discretion subsequent to March 1, 2003.”. These noted expenditures were due to a typographical error between the DIRM pay sheet and the voucher cover sheet. In 2002, there were twelve expenditures of \$77.71 and one expenditure in 2003 for the same amount. The combined total of all of the incorrectly posted expenditures was \$1010.23. This is immaterial in relation to the General Fund.

### Recommendation

IAD recommends that expenditure reports be provided to the Executive, if they are not currently, and that they are reviewed on monthly basis to ensure that the Executive General Administration expenses are appropriate.

### Management Action Plan

Beginning August 1, 2004, Mr. McCarthy will receive monthly Executive General Administration reports from the Director of Finance and Budget. However, It should be noted that the Executive's Office cannot stop typographical error between the DIRM pay sheet and the voucher cover sheet.

### PERSONNEL FILES:

IAD tested the internal controls over personnel files to determine that appropriate documentation is included for each employee file selected. IAD examined one file given that the Executive General Administration area consists of only one elected official, which is its' only employee.

### Issue

A standardized list of personnel file documentation was not present in the Personnel Policy and Procedures Manual for the Executive's office. Therefore, Human Resource Department personnel were interviewed for common documentation expected in all Executive Department personnel files. A review of the County Executive's personnel file revealed that the file did not contain the following common documentation:

- a. Computer and Telecommunications Policy form.
- b. Personnel Data Reference Form.
- c. W-4 form. (*Follow-up revealed that this form was located in the Fiscal Office Payroll. Per the Executive Human Resource Department (HRD), a copy should also be located in the personnel file.*)

### Recommendations

IAD recommends that the applicable forms be completed and placed in the Executives Personnel file as are common per the Executive HRD.

### Management Action Plan

Mr. McCarthy has completed the Computer and Telecommunications Policy and Personnel Data Reference forms and sent them to the Human Resource Department. The W-4, as you stated, is located in the county Fiscal Office Payroll Department, which is where it should be on file. IAD should not use the word of unidentified Human Resource Department personnel as their guideline for common documentation expected in personnel files.



FINANCIAL DISCLOSURE TEST:

IAD obtained and examined the financial disclosure statement for the County Executive to ensure it was filed with the Ohio Ethics Commission as required by ORC 102.02.

Issue

No issues noted.

INTERVIEWS:

To gain an understanding of the Executive General Administration, IAD interviewed the following individuals:

- 1) James McCarthy, County Executive
- 2) Jill Skapin, Director of Communications

Issue

No issues noted.

TRAVEL EXPENSE TEST:

IAD reviewed the 2003 Executive General Administration travel expenditures for proper approval, documentation, and compliance to applicable County of Summit Travel Policy/Guidelines.

Issue

No issues noted.

**III. Contract Review:**

Twelve operating contracts were selected for review by IAD. The contracts were reviewed by IAD to ensure that they were current, properly executed by the County Executive, and applicable.

Issue

Six of the twelve contracts/agreements reviewed were signed by the County Executive after the effective beginning date of the contract. This represents 50% of the contracts/agreements reviewed.

### Recommendations

IAD recommends all contracts entered into by the County of Summit be signed prior to the effective date of the agreement.

### Management Action Plan

When possible, contracts will be signed prior to the effective date of agreement.

### Issue

One of the twelve contracts/agreements reviewed did not contain a signature date for the County Executive indicating the execution date of the agreement. This represents 8% of the contracts/agreements reviewed.

### Recommendations

IAD recommends that all contracts/agreements contain the date signed by the applicable parties to the agreements.

### Management Action Plan

Not all contracts/agreements require a signature date if the execution date is contained within the body of the contract/agreement. Without knowing what contracts/agreements you reviewed, it is difficult to determine if the 17% of the contracts/agreements you reviewed actually required a signature date. Staff is aware of the contracts/agreements requiring signature dates and reviews signed contract to ensure the signature date is affixed when required.