

SUMMIT COUNTY, OHIO

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

February 1, 2005

John A. Donofrio
Fiscal Officer
175 South Main Street
Akron, Ohio 44308

Re: Final Report for the Fiscal Office Services Preliminary Audit

Dear Mr. Donofrio:

Attached is the final report of the Fiscal Office Services preliminary audit which was discussed with members of senior management on March 19, 2004. In addition, please note that the Fiscal Office Services 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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FISCAL OFFICE SERVICES

Preliminary Audit

04-Ser.Fisc-07

March, 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

Deanna Calvin, Internal Auditor

**FISCAL OFFICE SERVICES
Preliminary Audit
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FISCAL OFFICE SERVICES
Preliminary Audit
BACKGROUND

Auditors: Lisa Skapura, Dan Crews, Joseph George and Deanna Calvin

Background:

The Summit County Fiscal Officer's Services Department is responsible for the issuance of various licenses, such as cigarettes, vendors, firewood, and dogs. The department also maintains a record of manufactured and mobile homes. The Fiscal Officer is the Sealer of Weights and Measures for the entire county and has the responsibility of insuring that all state laws relating to weights and measures are strictly enforced. The following are some of those areas:

Weights & Measures

Consumer protection is handled through the Weights and Measures Department. Their function is to make sure that the consumers of Summit County are getting what they pay for by testing devices in retail stores and gas stations for accuracy. They inspect scales, meters, scanning equipment, and packaged products to ensure accuracy. Packages must meet or exceed criteria set by the National Conference on Weights & Measures.

Firewood

A license is required to sell or advertise the sale of firewood in Summit County. Firewood Licenses expire on December 31 each year and must be renewed annually at a fee of \$25. Since firewood is taxable, applicants must possess a valid Retail Vendor's License. In Ohio, the legal method of sale for firewood is the cord or a fraction of a cord. A "cord" is defined as 128 cubic feet. Firewood must be labeled in cubic feet or cubic inches.

Dog Licenses

Dog Licenses encompass the largest number of licenses sold. Once a dog has been assigned a license with his own distinctive tag number, the number and information about the dog is permanently filed in the county's records.

Ohio law requires that licenses be renewed from December 1 through January 31 or within thirty days if it is a new dog. Puppies must be licensed by the time they reach three months of age. The cost is \$8 annually; Ohio law requires an additional late fee (\$8 in Summit County) if a person did not renew their dog's license by January 31. There are no provisions in the law to waive the fee. A License can be purchased by mail. If the dog is already licensed, an application will automatically be mailed. The Fiscal –Services Dept. also has 18 neighborhood locations throughout Summit County where licenses can be purchased. These vendors charge an additional \$.75 processing fee. Handicapped Assistance tags are available in the Fiscal office Service's Department and are good for a trained dog's entire life. There is no charge for a license when proof of training of the dog is supplied.

Dog Kennel licenses must be renewed from December 1 through January 31. License fees are \$40 for five dogs. A late fee of an additional \$40 is required on applications received after January 31.

Manufactured Homes

Under Ohio law, it is the responsibility of the owner of a manufactured home to register their home with the Summit County Fiscal Officer for tax purposes. When a manufactured home is placed in Summit County, the owner must register the home within 30 days of the purchase. Failure to comply will result in a \$100 fine.

Taxes are due March 1 for the first half the year and on July 31 for the second half of the year. Taxes on manufactured homes return as a supplement to the general fund of the city, township, village and school district where the home is located. Tax dollars stay in that community.

A manufactured home purchased before January 1, 2000, may choose one of two methods of taxation. You can use the Depreciation Method, which means the mobile home is taxed by using a method of depreciation and the full tax rate, or they may elect to have the manufactured home taxed like real property.

Using the real property method, all manufactured homes will be reappraised for current market value and will pay a tax that is equal to the real property tax. If they elect to have their home taxed like real property, they must file a DTE Form 55 by December 1 in order for it to go into effect the following year and all taxes must be paid in full. Once a manufactured home is changed to the new taxation method, it can never be changed back to the Depreciation Method.

All homes purchased or transferred after January 1, 2000 will be taxed like real property. Eventually, all manufactured homes will be converted to the new system. If the individual decides to convert to real property, the home must be affixed to a permanent foundation and located on land owned by the owner of the manufactured home. The certificate of title must be returned to the Fiscal Office to be inactivated by the county Clerk of Courts that issued it. Complaints can be filed regarding the value of a manufactured home only if the home is being taxed like real property. The deadline is March 31 of each year in which the complaint is being filed.

Cigarette Licenses

Cigarette dealer licenses can be obtained for a fee of \$30; the license must be renewed annually in May with a new application. An individual must have a vendor's license to make taxable sales in order to acquire a cigarette license. After the fourth Monday in May of each year, the cost of a cigarette license is prorated daily. A cigarette dealer's license does not authorize the licensee to engage in the business of trafficking in cigarettes at any place of business in this state other than that specified by the Summit County Fiscal Officer. Any person who employs the use of a motor vehicle to transport a supply of cigarettes from place to place for the purpose of offering such cigarettes for sale must obtain a license for each vehicle in each county in which any vehicle is used. In the event a business is moved from one location to another, or the business is sold, or an individual or partnership incorporates a business, or a partnership or corporation is dissolved, the cigarette license, which has been issued to a dealer before the occurrence of any such event, may not be used. If the business was previously owned and the owners still have a current cigarette license, an individual may transfer that license into their name for \$1. The license must be mailed back to the Fiscal Office to be reissued.

Vendor Licenses

Vendor licenses authorize businesses to engage in tangible retail sales and charge sales tax. A license is required for each location of operation within the county. If a vendor has a liquor permit, the name and address of the vendor's license must be in the identical name and address as shown on the liquor permit.

In the case of a partnership, the names of all partners must be shown. Two or more persons who are not partners may operate a single place of business under one license.

If a vendor has no fixed place of business and sells from a vehicle, transports inventory or similar tangible personal property to a temporary place of business or temporary exhibition, show, fair or flea market, that person is a transient vendor. The transient vendor has to apply for a license directly to the Tax Commissioner; the fee is \$25 and the vendor can make retail sales anywhere in the state. The fee for a vendor's license is \$25.

All applications must have a street address; P.O. Boxes cannot be accepted. A sole owner is required to furnish their social security number or federal tax identification number. If the company is a corporation, LLC or LP, they must list the Ohio Corporate Charter number, Ohio Foreign License number or Articles of Organization number issued by Ohio's Secretary of State as well as the names and addresses of the officers of the corporation.

**FISCAL OFFICE SERVICES
Preliminary Audit
OBJECTIVES**

AUDIT OBJECTIVES AND METHODOLOGY

The primary focus of this review was to provide the Fiscal Office, Services 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 the Fiscal Office, Services 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 existing contracts in the department.
4. 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 commission.

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.

OBJECTIVE 4 – REVIEW OF SECURITY

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

FISCAL OFFICE SERVICES
Preliminary Audit
DETAILED COMMENTS

I. Policies & Procedures Review:

The Services Policy and Procedures manual was obtained and reviewed by the Internal Audit Department. It was noted by IAD that the Services Policy & Procedures manual was comprehensive and well organized. The policies and procedure manual contained significant detail regarding daily operations for this department. However, the following issues were noted:

Issue

A signature page acknowledging receipt of the Auditor Service Division Policy and Procedure Manual by the Service Dept. employees was noted in the possession of Lynn Vallee, Deputy Auditor Services. All ten employees signed the one page sheet next to their typed name stating, "I have received a copy of the Auditor's Service Division Policy and Procedure Manual". The sign off page made no indication of employee acceptance and agreement to comply with the department's policies and procedures.

Recommendation

The Auditor Services Division Policies & Procedures Manual should include on a signature page that the employee agrees to abide by the Department's policies and procedures.

Management Action Plan

An employee acknowledgment sheet agreeing to abide by all

policies and procedures was completed and a signed copy inserted (with original on file) in each manual on 3/24/04.

Issue

There was no effective date or revision date noted in the Policies and Procedures manual. Per interviews/discussions with personnel, the P & P manual was updated in January 2004.

Recommendation

The Policies and Procedures manual for the Auditor Services Division should contain an effective or revision date indicating the effective or most recent change dates of the policies and procedures covered within the manual.

Management Action Plan

Recommendation completed 3/19/04 by adding revision dates of January 2004 and March 2004 to manuals and all future revisions will be acknowledged accordingly.

II. Internal Control Testing:

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

- Interviews
- Annual Reports
- Dog License Observation
- Vendor License Observation
- Inspector Observations
- Personnel Files
- Weights & Measures Classification Specifications
- Weights & Measures Testing Logs
- Inspector Certifications
- Cash Collection/ Deposit Process
- Homestead Exemption for Mobile Homes
- Cigarette License
- Agent License Collections

INTERVIEWS:

IAD performed interviews of the following individuals to gain an understanding of the processes within the Fiscal Services Department:

- 1) James Price, Computer Systems Software Analyst II

- 2) James Frost, Asst Director of Administration
- 3) Lisa Jerin, Office Manager
- 4) Tracy Clark, Collection Specialist
- 5) Melissa Allen, Collection Specialist

Issue

No issues were noted.

ANNUAL REPORTS:

IAD obtained and reviewed the 2002 and 2003 Annual Reports of Ohio Local Weights and Measures Jurisdictions to ensure that they were consistent and reasonable.

Issue

IAD noted that there were 3,386 gas pumps with test results of “correct” as calculated on the 2003 Gas Testing Log. This number was carried forward incorrectly to the 2003 Annual Report of Ohio Local Weights and Measures Jurisdiction as 3,383. IAD also noted that in the 2003 report, the sum of the line items listed in Section III Column B did not tie to the total of all devices listed in Section IV Column B.

Recommendation

The Annual Report should be reviewed for mathematical accuracy before submission to the State.

Note: The spreadsheet noted above is utilized for year end reporting to the State and internal tracking. IAD recommends that Fiscal Services look into the possibility of implementing a computerized system for relaying inspection results when an inspector is out in the field. This centralized system would help summarize results quickly, eliminate redundancy using the current excel logging system and ensure more accurate year end reporting to the State.

Management Action Plan

All completed year end reports will be reviewed by the Deputy Auditor, Weights and Measures Supervisor, and Data Personnel prior to submission to the State. Projected arrangements to purchase laptop software program for daily inspector use should alleviate any future errors. (See “Weights and Measures Testing Logs” management action plan.)

DOG LICENSE OBSERVATION:

IAD performed an observation of the dog license issuance and renewal process to ensure that it was performed as outlined in the policies and procedures manual. Five mail in renewals and one walk up issuance was observed.

Issue

The selected sample of all issuances were noted without exception. However, the Fiscal Office Policies and Procedures Manual for the Services Division did not indicate the process when a dog license renewal form is filled out inaccurately.

Recommendation

IAD recommends that this process be included in the Fiscal Services Policies and Procedures manual. On 3/10/04, Lisa Jerin, Office Manager, corrected the policies and procedures to include this procedure.

Management Action Plan

Procedure for processing inaccurate dog license renewal forms was completed and inserted in each manual on 3/10/04.

VENDOR LICENSE OBSERVATION:

IAD performed an observation of the vendor license issuance process to ensure that it is performed as outlined in the policies and procedures manual. The 2003 weekly vendor reports to the state were also reviewed to ensure that they are being completed.

Issue

No issues were noted.

INSPECTOR OBSERVATION:

The following weights and measures inspections were observed by IAD:

- 1) Price Verification
- 2) Small Capacity Bench, Counter & Computing Scales
- 3) Timing Devices
- 4) Package Checking – Standard Pack Packages
- 5) Retail Motor Fuel Dispensers

It was also noted by IAD that the Fiscal Services Department hired a temporary employee for a two-month period to verify, through a questionnaire provided to the inspected establishment, that the inspection was performed professionally and within the Ohio Department of Agriculture Weights & Measures (ODA/W&M) guidelines.

Issue

No issues were noted.

PERSONNEL FILES:

Personnel files were examined to determine that the appropriate file documentation was included for each employee file selected for testing. IAD tested all employee files due to the small size of this department. The following issues were noted:

Issue

Nine out of ten personnel files contained a copy of the "Computer Software Agreement for Employment". This form prohibits employees from "copying county owned computer software or introducing unauthorized software into county owned equipment". The Fiscal M.I.S. department created a new "Computer and Telecommunications Policy" effective 2/5/01. M.I.S. also has an "Internet and Email Access Requisition Form". Per Debbie Cummins, Admin. Asst. Personnel, the Fiscal Office supplies supervisors with both of these forms and the supervisor must choose what form they feel is appropriate for the employee to sign off. The "Internet and Email Access Requisition Form" is then sent back to the personnel to be filed. IAD obtained the "Internet and Email Access Requisition Form" for eight out of the nine employees of the sample, who did not have this form in their file, from Jackie Steelfox, M.I.S. Secretary. There is no formal policy in place to ensure that the appropriate forms are signed and stored in the appropriate files.

Recommendation

IAD recommends that the Fiscal Office have employees and all new employees sign off on the "Computer Telecommunications Policy" to ensure that they are aware of the more updated county policies in regards to computer and telecommunications use. IAD also recommends that the Fiscal Office create a formal policy and procedure to ensure that the appropriate forms are signed and that they are filed in the appropriate location. This policy should also include the communication of policy updates to employees.

Management Action Plan

All employees have signed off on the computer telecommunications policy and they have been placed in their personnel file. All new employees are required to sign the policy and the personnel department will file it in the employees personnel file.

WEIGHTS & MEASURES CLASSIFICATION SPECIFICATION:

The Classification Specifications for Weights and Measures Inspectors I, II, III, and Asst. Director of Administration were reviewed to gain an understanding of the required training and work performance requirements.

Issue

IAD noted that no timetables exist in the classification specifications or the Fiscal Services P & P manual pertaining to completion of the minimum certification requirements.

Recommendation

IAD recommends that Fiscal Services implement a schedule with approximate timeframes indicating at what point an employee should have completed minimum certification requirements.

Management Action Plan

Classification specification timeframes were completed and inserted in all employee manuals on 3/25/04.

WEIGHTS & MEASURES TESTING LOGS:

IAD obtained the 2003 Gas Testing Log to confirm that the proper documentation existed for the Weights and Measures tests that were completed in 2003 per the Gas, Commercial Scales, and Time/Linear Logs in the Fiscal Services Department.

Issue

One out of twenty five files of the sample selected from the Gas Testing Log did not contain a completed and signed Commercial Meter Test Report, even though the log indicated that it had been done.

Recommendation

The Services Department should be sure that the proper documentation exists before it is noted as completed in the log.

Note: The spreadsheet noted above is utilized for year end reporting to the State and internal tracking. IAD recommends that Fiscal Services look into the possibility of implementing a computerized system for relaying inspection results when an inspector is out in the field. This centralized system would help summarize results quickly, eliminate redundancy using the current excel logging system and ensure more accurate year end reporting to the State.

Management Action Plan

To alleviate any future reporting errors, the department intends to purchase a laptop software program for daily use by inspectors.

Issue

IAD noted that the Fiscal Services Department created the testing report forms used for the various weights and measures tests that the department conducts. IAD noted that ORC §1357.61 is incorrectly referred to on the Commercial Meter Test form.

Recommendation

IAD recommends that, at the next printing, the ORC section referenced on the Commercial Meter Test form be changed to the correct section number, §1327.61.

Management Action Plan

Reference to ORC 1357.61 was a typo error caused by the printer. Corrected forms were ordered and the department began using the new corrected forms on 3/24/04.

INSPECTOR CERTIFICATIONS:

IAD confirmed that the employees currently holding the positions of Weights and Measures Inspectors I, II, III, and Weights and Measures Supervisor met the minimum professional education requirements of the position as established by the County of Summit Classification Specifications.

Issue

No issues were noted.

CASH COLLECTION/DEPOSIT PROCESS:

IAD reconciled and agreed the total monthly cash received through the Fiscal Services Department with the Monthly Deposit Form completed in the Fiscal Services Department. IAD also traced and agreed the following daily cash documentation in the Fiscal Services Department:

- Daily Cash-Out Sheets
- Bank Deposit Slips
- Summit County Cash Receipt Reports
- Monthly Bank Statements

It was noted that this department performed the reconciliations for the tested period without exception and that the reconciliation process for the daily receipt log was exceptional. However, the following issues were noted:

Issue

Employees were counting the daily cash, at the end of the day, at the cash window. Employees who are responsible for counting the cash at end of the day and reconciling the cash drawer should not do it in public view.

Recommendation

It is recommended that the days' final cash count be completed at a separate desk or by someone other than the window clerk.

Management Action Plan

Recommendation completed 3/19/04. All daily balancing and counting is now done in a separate and more secure area.

Issue

IAD noted that there were no signature lines on the daily cash sheets to indicate who reconciled the cash at the end of the day and who prepared the bank deposit. It was also noted that the Animal Control Worksheet did not have signature lines for the employee counting the money and the deputy dropping off the funds.

Recommendation

Signature lines should be added to the daily cash sheet and Animal Control worksheet so there can be tracking of the person counting the cash in case there is a discrepancy. The daily cash sheet should include two signature lines. One for the person reconciling the cash at the end of the day and one for the person preparing the bank deposit. Additionally, the worksheet from the Animal Control should have a signature line to be signed by the deputy dropping off the funds.

Management Action Plan

The daily cash sheet and Animal Control worksheets were corrected, adding signature lines per recommendation, on 3/26/04.

HOMESTEAD EXEMPTION FOR MOBILE HOMES:

IAD reviewed a sample of Homestead Exemption files to ensure that the appropriate documentation was located in the file when an exemption was given. It was noted that the Fiscal Services Department files were very organized and contained paperwork that was beyond what is required to ensure complete files.

Issue

No issues were noted and it appeared that all homestead exemptions were appropriate.

CIGARETTE LICENSE:

IAD tested a sample of Cigarette licenses processed to insure that proper documentation was maintained and processed, license fee charges were appropriate, and reporting was made to the correct taxing districts.

Issue

All licenses were processed correctly and no issues were noted.

AGENT LICENSE COLLECTIONS:

IAD reviewed the sale of dog licenses by approved agents to ensure that they were following the policies and procedures manual. It was noted that the procedures for monitoring and accounting for outside agents of dog licenses were very thorough and the testing reflected no exceptions based on the outlined procedures. In addition, it was noted that an additional reconciliation was performed once the monies were brought into the agency from the outside locations.

Issue

No issues were noted.

III. Contract Review:

Fiscal Services is covered by County contracts only. The sample was the contract between the Summit County Auditor and Ohio Council 8 and Local 1229 AFSCME, AFL-CIO September 1, 2001 – August 31, 2004.

Issue

No issues were noted.

IV. Security:

Security issues noted during fieldwork are addressed under separate cover in the accompanying report in compliance with Ohio Revised Code §149.433²⁴⁸.