

SUMMIT COUNTY, OHIO

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

February 1, 2005

Dennis Gutowski
Executive Director, Veterans Service Commission
148 Park Street
Akron, OH 44308

Re: Final Report for the County of Summit Veterans Service Commission's Preliminary Audit

Dear Mr. Gutowski:

Attached is the final report of the County of Summit Veterans Service Commission preliminary audit which was discussed with members of senior management on July 6, 2004. In addition, please note that the Veteran'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
James B. McCarthy

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COUNTY OF SUMMIT VETERANS SERVICE COMMISSION

Preliminary Audit

04-VETS.svcs-16

June, 2004

Approved by Audit Committee

December 17, 2004

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

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COUNTY OF SUMMIT – VETERANS SERVICE COMMISSION
Preliminary Audit
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COUNTY OF SUMMIT – VETERANS SERVICE COMMISSION
Preliminary Audit
BACKGROUND

Auditors: Lisa Skapura, Dan Crews, Joseph George, and Jennifer Cuenot

Background:

The County of Summit Veterans Service Commission is an agency of the Governor’s Office of Veteran Affairs in Columbus.

Its mission is to provide financial assistance and Federal Veterans Affairs assistance with applications for service or non-service-related illnesses, especially focusing on veterans, widows, and family who qualify for a short period of time. The Summit County Veterans Service Commission assisted 5,340 veterans in 2003.

The Commission publishes a quarterly newsletter, “EyesRight” which keeps veterans informed of service organizations, current programs, and information pertaining to financial assistance and veteran benefits or entitlements.

The “Appointing Authority” of this State-mandated agency is five (5) appointed officials referred to as the Board of Commissioners. The board’s responsibilities are driven per ORC 5901.

There are a number of services the Veterans Service Commission provides:

- Financial assistance to eligible veterans with a discharge under honorable conditions or a recognized service-connected disability, active-duty members of the Armed Forces of the United States, Reserve and National Guard members who are called to active duty by a Presidential Order such as Desert Storm Operation Enduring Freedom, and their dependents.
- Advice and assistance when applying for claims, benefits or entitlements from federal, state, or local agencies. Service Officers act as the veteran’s liaison to the Department of Veterans Affairs.
- Provide assistance up to \$1,000.00 to a family without the means to defray the necessary funeral expenses for the burial of a veteran and the cost of mounting the government marker.
- Ohio is the only state that provides such comprehensive support and services to its veterans, active duty personnel, and their dependents. Each of the 88 counties in Ohio has a board of five appointed commissioners who administer the program of their respective county.
- The Veterans Service Commission is not funded by, or associated with the Department of Veterans Affairs. The Veterans Service Commission is legislated by the State of Ohio and governed by the Ohio Revised Code, Title 59.

FINANCIAL ASSISTANCE ELIGIBILITY REQUIREMENTS

- Effective July 22, 1994, Title 59, Ohio Revised Code, was changed to the following as being eligible for financial assistance only; a person who served in the Armed Forces of the United States on active military duty and was discharged under honorable conditions, and who either served on active duty for reasons other than training or while serving on active duty for training, incurred a disability recognized by the Department of Veterans Affairs or Department of Defense as service-connected; and active-duty member of the Armed Force of the United States, or the spouse, surviving spouse, dependent parent, minor child, or ward of a veteran or active-duty member of the Armed Forces of the United States.
- A Bona fide resident who has lived in the county for at least three months prior to the date of application for financial assistance. Proof of residency is the responsibility of the individual seeking assistance.
- Each applicant eligible for financial assistance shall provide a statement concerning household income and the amount of real and personal taxable property, stocks, bonds, money, on hand, loaned or deposited in any bank or elsewhere, shares in building associations, mortgages, notes or other, articles of value from which an income or revenue is derived.

EMERGENCY FINANCIAL ASSISTANCE

Financial Assistance is provided for basic living needs and not to subsidize an unsatisfactory lifestyle. It is to provide temporary financial assistance to those who will make a conscientious effort to find a permanent solution to their financial problems.

PRIMARILY THESE BASIC LIVING NEEDS INCLUDE:

MORTGAGE
RENT
UTILITIES
FOOD

Other financial assistance needs are provided on a case-by-case basis. Proper documentation concerning all household income is required for each application for financial assistance.

VETERANS SERVICE OFFICERS

Our Veterans Service Officers advise and assist veterans, active-duty members of the Armed Forces of the United States and their spouse, surviving spouse, dependent parents, and dependents in presenting claims or obtaining entitlements or benefits from the Department of Veterans Affairs (VA).

SERVICES PROVIDED INCLUDE:

- Preparation of forms
- Documentation of claims with pertinent data
- Proper submission and case management of claims to the appropriate agencies
- Discharge upgrade assistance

COUNTY OF SUMMIT VETERANS SERVICE COMMISSION
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 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 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.

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.

COUNTY OF SUMMIT VETERANS SERVICE COMMISSION
Preliminary Audit
DETAILED COMMENTS

It was noted throughout the preliminary audit of the Veterans Service Commission (VSC) that the staff was extremely professional, cooperative, and helpful.

I. Policies & Procedures Review:

Commendation

IAD noted that the policies and procedures obtained and reviewed during the Veterans Service Commission preliminary audit were complete, concise, and well organized.

The County of Summit Veterans Service Commission Personnel Policies and Procedures Manual, Summit County Veterans Service Commissioners Policy Manual, and the Veterans Service Commission Financial Aid Procedures were obtained and reviewed by the Internal Audit Department. An informal "Budget and Finance Procedure Manual" and "Budget and Finance Job Duties Outline/Description" were also obtained by the IAD.

Issue

The Budget and Finance Procedures manual and Job Duties Outline/Descriptions obtained during the policies and procedures review were not formalized and incorporated into a formal policy and procedure manual.

Recommendation

IAD recommends that the Financial Officer's policies and procedures be incorporated into a formalized policy and procedure manual noting the effective date of completion.

Management Action Plan

We are in the process of a total rewrite of a master policy manual for our agency, this document will be subdivided and include Financial Officer policies and procedures in compliance to IAD recommendation as outlined. This arduous process will take twelve months to complete with a completion date of September 9, 2005.

Issue

It was noted by IAD that there are no sign-off sheets for employees upon receiving new or updated Policy & Procedure manuals.

Recommendation

IAD recommends that a signed document be included in the employee personnel file indicating that employees have fully read and understood the applicable policies and procedures manual.

This will provide evidence that an employee was aware of the policies and procedures in case the situation arises in which the policies and procedures are violated.

Management Action Plan

We have just received a current Policy and Procedure Manual sign-off sheet presently used by The Summit County Human Resource Department.. This will be used as a template for the redesign and insertion into our Policy Manual here on Park Street .A completion date of September 9, 2005 is expected.

II. Internal Control Testing:

Commendation

IAD commends the efforts of the Veterans Service Commission staff for continuously reviewing their system of internal controls for areas of improvement opportunities.

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

- o Interviews
- o Personnel File Testing
- o Petty Cash Testing
- o Client Voucher Testing
- o Financial Assistance Eligibility Testing
- o Commissioner Meeting
- o Receipts Testing

INTERVIEWS:

To gain an understanding of the County of Summit Veterans Service Commission, IAD interviewed the following individuals:

1. Michael Stith, Veterans Service Commissioner - President
2. Dennis Gutowski, Executive Director
3. George Baker, Assistant Executive Director
4. Gail Warley, Financial Officer
5. Byron Morris, Service Office Supervisor

The following issues were noted:

Issue

There does not appear to be any documented program for employee training, cross training, or orientation.

Recommendation

IAD recommends that a formalized/documented process for employee training, cross training, and orientation be established and included into the Veterans Service Commission policies and procedures.

Management Action Plan

Since the Veterans Service Commission is a State of Ohio organization requiring quarterly training in order to keep certification with the Governors Office of Veterans Affairs and the Veterans Administration, with the exception of a few entry level positions, a formalized/ documented process for employee training is already in process. In addition, we require all staff members to attend county training sessions such as Drug and Alcohol training and awareness sessions, Tact and Diplomacy training to name a few with all staff members. All of these training sessions are certified and copies of compliance are inserted in Employees personnel files. Furthermore, all cross trained employees will sign off on the training that they have received and will be given a copy of the Standard Operating Procedures (SOP) for the new position they have been trained in.

To create a Veterans Service Commission policy for this purpose would be redundant as a formal training program is in existence at the State of Ohio and federal level.

Issue

There is no Disaster Recovery Plan established for the Summit County Veterans Service Commission. IAD was able to obtain the "Computer System's Contingency Plan" from the Veterans Service staff during this preliminary review. However, this plan is only for the Veterans Service Commission computer systems.

Recommendation

IAD recommends that a formalized Disaster Recovery Plan be created and implemented for the Summit County Veterans Service Commission.

Management Action Plan

We have created and posted fire exit diagrams throughout our facility and made all staff members aware for a safe exit of our building in case of a disaster. Prior to December 31, 2004, we will have completed a draft of our disaster recover plan.

Issue

A written policy or procedure was not in place for employee interaction with the press.

Recommendation

IAD recommends that a written policy or procedure be established for agency communications and interaction with the press.

Management Action Plan

George Baker, Assistant Executive Director, VSC has disseminated the Office's Media Policy to all employees by email dated October 8, 2004.

PERSONNEL FILES:

Commendation

During the review of employee personnel files, IAD noted that Veterans Service Commission utilizes a Standard of Conduct form to be signed by the employees and commissioners. This document outlines the employment guidelines for employee ethics, confidentiality, conflicts of interest, gifts, outside compensation, and other standards of conduct in the performance of their daily activities. The form was comprehensive and IAD recommends its continued use.

IAD tested personnel files to determine that the appropriate file documentation was included for each personnel file selected from active Veterans Service Commission staff and commission members. Thirteen personnel files were sampled for testing, ten files from the VSC staff and three files from the VSC commission members. Internal Audit interviewed the VSC Executive Director to develop a listing of expected documentation to be included in all personnel files. The following issues were noted:

Issue

IAD noted that there is no formal list stating the required documentation that should be contained in the Veterans Service Commission personnel files.

Recommendation

IAD recommends that the Veterans Service Commission establish and document a listing of required documents that should be present in VSC personnel files for both staff members and commission members.

Management Action Plan

Prior to September 9, 2005, we will create a personnel document template that will be used to create a master protocol for use in all personal employee files. Each file will be audited and separate file folders will be used to contain the same necessary information critical to maintain unity and compliance.

Issue

A DD-214 Honorable Discharge form was not present in 2 of the 10 VSC staff personnel files tested. According to ORC 5901.07, if a qualified veteran is not available, Veteran Service Commission support staff are not required to be veterans if they have a spouse, surviving spouse, child or parent who is/was a veteran. Follow-up with the Assistant Executive Director revealed that these two employees were not themselves veterans, however were correctly related to a veteran. According to the Assistant Executive Director, there is currently no formal documentation required for proof that an employee is related to a veteran.

Recommendation

Because of the requirements for employment in the ORC, IAD recommends that some form of documentation be required for an employee who is not a veteran proving that they are or were in fact related to a veteran under the specified standards.

Management Action Plan

Prior to September 9, 2005 each personnel file will be audited and will include necessary documents required by our charter and IAD recommendation. This protocol will be identified in our template earlier outlined.

Issue

5 of 10 staff personnel files tested did not contain current annual evaluations for 2003. This represents a 50% error rate. Follow-up with the Assistant Executive Director revealed that 2 of the 5 employee performance evaluations were actually performed in 2003, however they were still in their supervisor's files and had yet to be transferred to the personnel files.

Recommendation

Annual evaluations should be performed and retained in the personnel file of every employee as stated in the VSC Personnel Policies & Procedures Manual.

Management Action Plan

We will begin a new audit of each staff members personnel file. We will create a template for this review process that will insure each staff member's file contain the required documents as outlined by the IAD. Upon completion of each year's performance appraisals, the master documents will be placed numerically by the year in each individual file. The personnel files will be kept in a locked cabinet when not in use.

Issue

It was noted by IAD that there was no separation of public and confidential sections in the VSC personnel files. All information for an employee was in one file, including social security numbers, copies of driver's licenses, and medical information.

Recommendation

It is recommended that a separate confidential pouch be kept for all employees that include documentation with social security numbers and any other confidential information that would not be available for public viewing.

Management Action Plan

Any confidential or highly sensitive documents identified as not for public viewing will be placed in a confidential section of the employees personnel file.

Issue

During the interview with the VSC Executive Director on personnel file requirements, it was noted by IAD that employees are not required to complete an Employment Eligibility Verification Form (I-9).

Recommendation

According to Section 1 of the Employment Eligibility Verification form (Form I-9), all employees, citizens, and non-citizens, hired after November 6, 1986, must complete an I-9. It is therefore recommended that I-9 forms be completed and incorporated into the personnel file documentation presently on file.

Management Action Plan

Prior to September 9, 2005 a form I-9 will be signed and inserted into each employees file. This specific document has already been secured from the Summit County Human Resource for modification to our format and inclusion into each employees personal file.

Issue

Various personnel file attributes were tested for the 10 sampled Veteran Service Commission staff employees. The following were noted:

- 1 of 10 employee personnel files tested did not contain an Acknowledgement of Sexual Harassment Training form. This represents a 10% error rate. However, per the Assistant Executive Director, this employee is part-time and only works approximately 5 hours per month. The training was performed in February and March of 2003, but the employee was not working at that time.
- 5 of 10 employee personnel files tested did not contain a resume in their file. This represents a 50% error rate.
- 5 of 10 employee personnel files did not contain a Control Rate/Change Sheet. This represents a 50% error rate.

Various personnel file attributes were tested for all of the 13 sampled Veteran Service Commission personnel, including staff employees and commission members. The following were noted:

- 6 of 13 employee personnel files tested did not contain a Standard of Conduct form. This represents a 46% error rate.
- Upon testing for a driver's license and proof of insurance, 3 of 13 personnel files did not contain either a driver's license or proof of insurance. Also, 2 of 13 personnel files contained proof of insurance, however no copy of a driver's license. This represents 23% and 15% error rates respectively.

Recommendation:

All employee personnel files should be reviewed and updated with the correct documentation where applicable.

Management Action Plan

Prior to September 9, 2005 as earlier stated, a template will be created to unify and correct any documents inadvertently missing when the audit was in process. This measure will be used for existing and new documents. This change will satisfy the IAD request concerning any and all document inconsistencies.

PETTY CASH:

IAD tested the petty cash function to verify that the proper recording, totaling, and replenishing was being completed. A sample of three months of purchase orders was selected for review of 2003 replenishment processing. A current count of petty cash was also performed to ensure the current petty cash balance was correct and reimbursements were adequately supported and documented. The following were noted:

- No exceptions were noted during the review of the purchase orders for petty cash for the 3 selected months in 2003. All amounts, totals, and receipts were in agreement.
- Upon checking the petty cash box on 6/24/04, the total amount of cash and coins plus the total amount of the receipts was in substantial agreement with the stated \$250.00 balance.

Issue

Upon review of the petty cash box on 6/24/04, IAD noted that receipts were not consistently signed and dated by the person receiving the reimbursement.

Recommendation

It is recommended that all employees presenting receipts for reimbursement consistently sign and date the receipts, evidencing their receipt of payment.

Management Action Plan

Prior to September 9, 2005 we will create a form for our Financial Officer that will include dates, evidence to substantiate purchase, and signature for auditing purposes creating a paper trail in compliance to IAD recommendation.

CLIENT VOUCHERS:

IAD tested the VSC client vouchers to verify that they have been properly approved and authorized by the caseworkers and clerical workers, the appropriate documentation supports the expenditures made by the client, and that the expenditures listed on the final report are supported with a voucher. The following issues were noted:

Issue

IAD noted that there is no documentation or authorization by the VSC confirming that the original vouchers and receipts have been reviewed and cleared by the VSC for payment by the county. Per the Financial Officer, the county does not require any documentation.

Recommendation

IAD recommends that a signature of authorization be present either on a signoff sheet or the voucher itself to indicate that the vouchers and receipts have been reviewed and should be processed for payment by the county. In addition this provides an audit trail to the person responsible for the payment approval.

Management Action Plan

Prior to September 9, 2005, we will create a sign off sheet to be used by our Financial Officer or designee that addresses who audited the vouchers and when. This sign off sheet will comply to the recommendation of the IAD.

Issue

2 of 25 vouchers tested had a different date than the date on the requisition. This represents an 8% error rate. The date on the voucher was dated a day before the date of the requisition.

Recommendation

IAD recommends that no vouchers should be issued without a requisition.

Management Action

We believe that this oversight on our part is not emblematic nor lack of control. This IAD Recommendation was shared with the department head and the relative staff members. George Baker, Assistant Executive VSC emailed this policy to all VSC staff members on October 8, 2004.

FINANCIAL ASSISTANCE ELIGIBILITY:

IAD obtained and reviewed a sample of 30 client files from 2003 to determine if financial assistance was properly granted, denied, or sanctioned based on three criteria – residency requirement, financial need, and eligibility as a veteran or applicable dependent of a veteran. The following issue was noted:

Issue

3 of 30 client files reviewed did not contain a Budget & Checklist worksheet evidencing the Financial Need Requirement for the dates selected for testing.

Recommendation

IAD recommends that all client files contain the required documentation to substantiate the financial need of each client.

Management Action

We have modified the language in our Policy and Procedures to cover the dental treatment process, emergency food, and emergency prescriptions as exceptions to the Budget Checklist policy. Which all three of the case in IAD's findings were.

COMMISSIONER MEETING:

IAD attended one of the twice-monthly Veterans Service Commission meetings to gain a general understanding of the role of the Veterans Service Commission through observation and attendance.

Issue

No concerns were noted.

RECEIPTS:

IAD obtained and reviewed a sample of 20 selected payment vouchers for 2003 from the county accounting department to verify that the payments made by the county as a result of Veterans Service Commission's vouchers are correct according to the total amount of all the attached receipts.

Issue

No issues noted.

Of the 20 selected payment vouchers tested above, IAD tested that the original vouchers contain the signatures of the clients and the vendors. The following issue was noted:

Issue

A review of the Receipts and Original vouchers revealed the following:

- 2 of 12 vouchers under county voucher number 547236 did not have client or vendor signatures.
- 1 of 3 vouchers under county voucher number 549516 did not have a vendor signature.
- 1 of 4 vouchers under county voucher number 546210 did not have a vendor signature.
- 5 of 14 vouchers under county voucher number 545311 did not have vendor signatures.

Recommendation

The Veterans Service Commission should not process any vouchers until all appropriate authorization is included. IAD recommends that all vendors, doctors, etc. should be notified that they will not receive payment unless their signatures are on the client vouchers.

Management Action

As of September 10, 2004, all VSC vendors have been contacted and notified that our Financial Officer will not process any voucher that has not been properly signed and dated. We will continue to audit these records and alert vendors to compliance as necessary.

III. Contract Review:

Ten contracts for 2003 were selected for review by IAD. The contracts were reviewed to ensure that they were current, properly executed by the County Executive, and applicable.

Issue

A review of the contracts for the Veterans Service Commission revealed that the contract with Mobile Meals was not signed by the County Executive. This contract was not contained on the listing of contracts obtained from the County Law Department.

Recommendation

It is recommended that the County Executive sign all contracts and that a copy is forwarded to the Executive Law Department for their retention.

Management Action

The Mobile Meals contract in question was approved and signed by our sitting Veterans Service Commission President. In the future, any and all contracts will be provided to County Executive Office for legal record and review.

V. Security:

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

VI. General Observation:

It was noted that the overall Veterans Service Commission facility is not fully accessible to disabled individuals. The building is a two story building which does not allow for veterans to meet with Service Officers on the second floor because it is not handicap accessible. Limited space on the first floor allows for only a limited number of handicapped veterans to be serviced at one time.

VSC Summary Comment:

Our agency has just completed a space study for a new single floor facility of 19,000sq.ft. A formal request letter has been forwarded to James Sawyer, Deputy Director, Community Services for the county to move forward with construction of this building. In addition, a copy of that document has been sent to Summit Council President Paul Gallagher since we have discussed this need with that audience a number

of times in the past. In the interim, we will double up on the first floor to accommodate all in need of special assistance.