

Summit County Fiscal Office
Board of Revision
Preliminary Audit Report

PREPARED FOR:

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Approved by Audit Committee
March 19, 2013



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Background, Objectives and Methodology

GENERAL BACKGROUND

The Summit County Board of Revision (BOR) hears complaints relating to the valuation or assessment of real property as the same appears upon the tax duplicate of the then current year. Taxpayers who feel their property values are too high have the opportunity to file a complaint and appeal to the board for property value reduction.¹ The board investigates all complaints and may increase or decrease any valuation or correct any assessment complained of, or it may order a reassessment by the original assessing officer. The BOR is comprised of representatives of the Executive, Clerk of Court, and Fiscal Offices. A taxpayer may appeal the decision of the Board of Revision to either the Summit County Court of Common Pleas or the Ohio Board of Tax Appeals.²

The BOR also hears and decides cases involving Rental Registration fines and Real Estate Tax Penalty Remission requests. Additional duties involve overseeing forfeited land sales, appraisal work related to Probate Court Red Book cases, Ohio Department of Transportation and other state and county-related real estate issues.

AUDIT OBJECTIVES AND METHODOLOGY

The primary focus of this review was to provide the Summit County Board of Revision (BOR) with reasonable assurance, based on the testing performed, on the adequacy of the system of management control currently in effect for the audit areas. 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 BOR.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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 unaltered 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 observations.
3. To ensure accuracy in the reporting of fringe benefits as earnings in accordance with the current IRS Publication 15-B.
4. To perform a general overview of the physical environment and security of the facilities, data, records and departmental personnel.

¹ <http://fiscaloffice.summitoh.net/index.php/board-of-revision-complaint>

² County of Summit 2012 Operating Budget

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Scope

Scope:

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

The following were the major audit steps performed:

OBJECTIVE 1 – POLICY AND PROCEDURES REVIEW

1. Obtain and review the current policies and procedures.
2. Meet with the appropriate personnel to obtain an understanding of the current department processes and procedures. Compare those existing processes to the policies and procedures manual for consistency, noting all exceptions.
3. Obtain and review the document retention policy and determine if policies and procedures are currently in place and being followed.
4. Test procedures for mandatory compliance where applicable.
5. Identify audit issues and make recommendations where appropriate.

OBJECTIVE 2 – REVIEW OF INTERNAL CONTROLS

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

OBJECTIVE 3 – REVIEW OF SECURITY (covered in a separate report in compliance with ORC §149.433).

12. Perform a general overview of the physical environment and security of the department/agency being audited.
13. Interview various personnel to determine that confidential information is secure and processed only by appropriate parties.
14. Test security issues where appropriate.
15. Analyze current policies and make recommendations.

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Interviews:

To gain an understanding of the BOR, IAD performed interviews with the following positions throughout the agency:

- a. Deputy Fiscal Officer,
- b. Assistant Fiscal Officer,
- c. Director of Administration,
- d. Assistant Director of Administration,
- e. Office Manager,
- f. Chief Fiscal Officer,
- g. Support Services Administrator,
- h. Administrative Assistant.

Any issues noted are addressed in the respective sections of this report.

I. Policy and Procedures Review:

IAD obtained and reviewed BOR policies and procedures for each of the following applicable testing sections within the audit for accuracy and completeness and compared to current processes for consistency.

The following issue was noted during detail testing:

1. Issue:

Upon review of the BOR Policy and Procedure Manual, IAD noted the following:

- The Policy and Procedure Manual did not contain formal detailed policies and procedures for the following functions:
 - Expenditures
 - Purchasing
 - Forfeited Lands
- The policy and procedure manual does not contain an effective/revision date.
- The following ORC sections were outdated in the Policy and Procedure Manual:
 - ORC 5715.13 – New effective dates 3/22/2012 & 9/28/2012
 - ORC 5715.17 – New effective date 3/14/2011
 - ORC 5715.19 – New effective date 9/28/2012
 - ORC 5715.23 – New effective date 9/29/2011
 - ORC 5715.26 – New effective date 6/30/2011
- The Complaint Against the Valuation of Real Property Form included in the policy and procedure manual, as well as the BOR website, has not been revised to include the updated ORC 5715.19 section. This will affect other areas within the department's policy and procedure manual.

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Recommendation:

IAD recommends that the Board of Revision create/update, approve, and disseminate formal written administrative and operational policies and procedures for all of the functions of the department and incorporate them into the existing manual. These policies and procedures should include effective and revision dates as well as proper approvals. This will help to ensure that employees are aware of the most current policies and procedures.

Management Action Plan:

All issues noted concerning the Policy and Procedure Manual have been updated and corrected and distributed to staff members.

II. Internal Control Testing:

Risk-based internal control testing and/or observations were performed in the following areas:

- Personnel Files,
- Expenditures,
- Purchasing,
- Cash Receipts,
- Board of Revision,
- Appeals,
- Forfeited Lands,
- Penalty of Remission,
- Rental Registration,
- Fringe Benefits.

PERSONNEL FILES

The Fiscal Office personnel manual and a personnel file checklist was obtained from the Fiscal Office Personnel Department and reviewed to gain an understanding of the personnel file structure for the Fiscal Office BOR. A current BOR table of organization was compared to Banner to confirm a complete and accurate listing of active employees maintained by the BOR.

All employee files were selected and detail testing was performed to verify that personnel files contained the required documentation, limited to documents where the BOR is responsible for completing and submitting to the Fiscal Office Personnel Department.

The following issue was noted during testing:

2. Issue:

Upon review of employee personnel files, IAD noted one (1) out of six (6) files that did not contain the employee's most recent annual performance review.

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Recommendation:

IAD recommends that the Deputy Fiscal Officer complete and submit annual performance reviews for all non-exempt employees to the Fiscal Personnel Department, in accordance with policies and procedures.

Action Taken Prior to the End of Fieldwork:

IAD obtained confirmation from the Deputy Fiscal Officer for the BOR that an annual performance evaluation was completed during fieldwork for the employee noted above, and forwarded to the Fiscal Office Chief of Staff.

Management Action Plan:

This one employee evaluation was completed and confirmed prior to the completion of the Internal Audit.

EXPENDITURES

Applicable Ohio Revised Code (ORC) sections were reviewed and staff interviews were conducted to gain an understanding of the expenditure cycle, the laws and regulations that govern it, and internal controls in place. A sample of requisitions was randomly selected and detail expenditure testing was performed to test for proper authorizations.

Banner user and Banner Class Form reports were obtained and reviewed to gain an understanding of BOR employee Banner roles, and to test for proper segregation of duties. It was verified that no employees had access into Banner with the exception of one, who currently performs special projects for the Fiscal Office Chief of Staff, which requires such access. Verification was obtained from the Chief of Staff that access is reasonable.

Travel reimbursements were reviewed for proper supporting documentation and authorization.

The following issue was noted during testing:

3. Issue:

Upon review of mileage reimbursements paid to BOR employees and board members, IAD noted eight (8) of fifty-five (55) approved reimbursements which did not contain adequate detail to support the reimbursement. It is noted that the eight (8) reimbursements were paid to a board member under a different officeholder.

Recommendation:

IAD recommends that all BOR employees and board members provide sufficient information to support mileage reimbursements (e.g., case number, property address, etc.). Additionally, IAD recommends that any mileage reimbursement for BOR proposes be approved by the BOR Deputy Fiscal Officer. This will help to ensure that reimbursements are properly supported and approved.

Management Action Plan:

Other Office Holders that have representatives on the Board have been advised that the Deputy Fiscal Officer will review/approve their board member's mileage as long as they agree to fill out the same daily travel logs that are submitted by the Fiscal Office board members.

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PURCHASING

Interviews were conducted and it was noted that the purchasing function is centralized within the Fiscal Office Purchasing Department. Therefore, IAD passes on further review of this process.

No issues were noted.

CASH RECEIPTS

Policies and procedures and applicable ORC sections were reviewed and staff interviews were conducted to gain an understanding of the cash receipts cycle, the laws and regulations that govern it, and internal controls in place. Per discussion with staff and review of transactions in Banner, it was confirmed that total cash collections for the audit scope totaled \$30.00. Due to the infrequency and immaterial cash collections, IAD passes on further review of this process.

No issues noted.

BOARD OF REVISION

Policies and procedures and applicable ORC sections were reviewed and staff interviews were conducted to gain an understanding of the Board's functions and processes. A sample was judgmentally selected and detail testing was performed to verify compliance and consistency with ORC and policies and procedures, and determine that a proper segregation of duties exists, in applicable instances.

No issues were noted.

APPEALS

BOR policies and procedures and applicable ORC sections were reviewed, and staff interviews were conducted to gain an understanding of the Appeals process and applicable legislative requirements. A sample was randomly selected and detail testing was performed to verify compliance and consistency with ORC and policies and procedures.

No issues were noted.

FORFEITED LANDS

BOR policies and procedures and applicable ORC sections were reviewed, and staff interviews were conducted to gain an understanding of the process for forfeited lands within the BOR department. Detail testing was performed of the most recent forfeited lands sale to verify compliance and consistency with ORC and policies and procedures.

No issues were noted.

PENALTY OF REMISSION

BOR policies and procedures and applicable ORC sections were reviewed, and staff interviews were conducted to gain an understanding of the process for the penalty of remissions within the BOR department. A sample was

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randomly selected and detail testing was performed to verify compliance and consistency with ORC and policies and procedures.

No issues were noted.

RENTAL REGISTRATION

BOR policies and procedures and applicable ORC sections were reviewed, and staff interviews were conducted to gain an understanding of the rental registration process within the BOR department. Detail testing was performed of the one rental registration noted during the audit scope to verify compliance and consistency with ORC and policies and procedures.

No issues were noted.

FRINGE BENEFITS

Detail testing of the following areas was performed, if applicable, to confirm that the BOR is properly processing fringe benefits in accordance with IRS tax code:

- Travel and meals reimbursement,
- Cash incentives, awards, gift awards and/or bonuses,
- County paid life insurance policies over \$50,000,
- Uniforms and clothing allowances,
- Employment contracts,
- Agency vehicle usage,
- Allowances for firearms or tasers and/or any other non-lethal weapon,
- Tuition assistance and reimbursement,
- Subcontracted employees.

No issues were noted.

III. Security:

Security issues noted during fieldwork are addressed under separate cover in the accompanying report in compliance with ORC §149.433.