

**Summit County Executive's Office
Department of Community and Economic Development
Audit Report**

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**Approved by Audit Committee
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Background, Objectives and Methodology

GENERAL BACKGROUND

The Summit County Department of Community and Economic Development (DOD) offer various programs that assist in increasing the quality of life within our community.

Through the Home Weatherization Program (HWAP) and the HOME program, the Department is able to identify and assist those qualified individuals in completing much needed home improvement. The Community Development Block Grant (CDBG) program assists communities and various non-profit organizations in completing local projects that otherwise may have been postponed.

Through the Economic Development programs the Department assisted hundreds of business with tax incentives which resulted in retaining and creating thousands of jobs. Our 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, the DOD developed a technology-training grant so that companies may obtain skills for their employees to better compete in today's economy.

The Division of Building Standards regulates the construction, demolition, and occupancy of buildings and structures within the Summit County jurisdiction, in order to protect the health, safety and welfare of its residents. This division is not included in this audit and will be addressed under a separate audit.

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 also provides zoning reviews.

AUDIT OBJECTIVES AND METHODOLOGY

The primary focus of this review was to provide the Summit County DOD 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 DOD.

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.

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Specific Objectives:

1. To obtain and review the current policies and procedures.
2. To review the internal control structure through employee interviews, observation and detailed testing.
3. To review grants for compliance with terms and conditions of the grant agreements and applicable laws.
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 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. 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 GRANTS ADMINISTRATION AND PROCUREMENT

11. Obtain and review the current policies and procedures for grant administration and procurement.
12. Meet with the appropriate personnel to obtain an understanding of the process.
13. Document the process in a narrative and/or flowchart.
14. Read grant documents and develop attributes based on Terms & Conditions, award, fiscal requirements and applicable laws and regulations.
15. Perform testing of grants to ensure that the conditions are met.
16. Investigate discrepancies and summarize results.
17. Make recommendations where appropriate.

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OBJECTIVE 4 – REVIEW OF SECURITY (covered in a separate report in compliance with O.R.C. §149.433).

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

Interviews:

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

- a. Director,
- b. Deputy Director,
- c. Land Development Administrator,
- d. HWAP-Rehab Administrator,
- e. Senior Administrator,
- f. Community Development Coordinator,
- g. Grant Analyst,
- h. Loan Officer,
- i. GIS Technical Applications Administrator,
- j. Administrative Secretary,
- k. Fiscal Officer II,
- l. Executive Assistant.

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

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I. Policies & Procedures Review:

IAD obtained and reviewed the Summit County Community and Economic Development Policies and Procedures Manual to gain an understanding of departmental processes and to review the documentation for completeness.

The following issue was noted:

1. Issue:

Upon review of the Summit County Community and Economic Development Policies and Procedures Manual, effective July 2008, IAD noted the following:

- There were no formal written and approved policies and procedures for many of the day-to-day functions of the department (e.g., grant administration, land development, comprehensive planning, GIS Technical Applications, etc.),
- There were numerous hand written corrections throughout the manual,
- Outdated information was referenced in the manual (e.g., numerous references to a bank account that is no longer utilized, security procedures regarding the Sheriff's Deputy, policies and procedures assigned to a respective job that no longer exists, etc.),
- Not all of the departmental procedures were incorporated into the manual,
- There was information in the manual that was incorrect (incorrect file retention period),
- The manual did not have a table of contents which made it difficult to locate different sections,
- The manual was never disseminated to staff,
- There was a section (Enterprise Zones) that was primarily only State guidelines with very minimal DOD specific functions noted,
- Signatures required on a CDDDB sub-recipient grant agreement per the manual are outdated and do not reflect current procedures.

Recommendation:

IAD recommends that the DOD continue their efforts to update, approve, and disseminate formal written administrative and functional policies and procedures for all of the processes of the department and incorporate them into the policies and procedures manual. These policies and procedures should include effective and revisions dates as well as approvals. This will help to ensure that procedures are in place to achieve departmental goals and are performed consistently.

Management Action Plan:

The administrative assistant and the executive assistant will work over the next year to update the policies and procedures manual. Each division will have a separate manual which will incorporate flow charts and changes from the Internal Audit Report. Each manual will include appropriate references to the local, state or federal guidelines and how to locate them. The manuals will be housed in a location in the department which is accessible to all employees. The entire procedures manual will be done by 1/31/2012.

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II. Internal Control Testing:

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

- Expenditures
- Loans
- Planning Office
- Enterprise Zone Program
- Community Development Programs
- Home Weatherization Assistance Program (HWAP)

EXPENDITURES

IAD obtained and reviewed the Summit County Community and Economic Development Policies and Procedures Manual and the following documents to gain an understanding of the expenditure process:

- ORC §5705.41(D) (2), to gain an understanding of the requirements for the appropriation of money,
- Summit County Codified Ordinance §177.23 Purchases not Exceeding \$1, 000,
- Summit County Expenditure flowchart, which shows approval thresholds for Board of Control, County Council, and the IT Board as derived from the Summit County Codified Ordinances.

The Executive Assistant was interviewed, utilizing a standard internal control questionnaire, to gain a further understanding of the expenditure process. The process was documented in a flow chart.

Reports were generated utilizing Banner, the county's accounting software system, listing all expenditures for the following DOD fund and organizational accounts:

- 10003-1139 Department of Development/Planning,
- 28613-6203 Department of Development/Enterprise Zone,
- 23247-4207 Department of Development/Issue 2 Dist Administration,

A sample of twenty-five expenditures was judgmentally selected for detailed testing. See issues 2 through 4 below.

IAD obtained and reviewed a listing of authorized signers for warrant pick-up at the Fiscal Office Accounting Department window. See issue 5 below.

The following issues were noted during detailed testing:

2. Issue:

Eight out of twenty-five expenditures selected for detailed testing had a vendor invoice date that was prior to the purchase order date.

Recommendation:

IAD recommends that a purchase order or encumbrance is made prior to incurring the expense. This will help to ensure that funds are appropriated and approved to be spent prior to the occurrence of the expense, as well as help to ensure compliance with O.R.C. §5705.41 (D)(2).

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Management Action Plan:

Effective January 1, 2011, all purchase orders will be secured and funds will be encumbered prior to the receipt of invoices to insure the date of the purchase order precedes the invoice date.

3. Issue:

During detailed testing of expenditures it was noted in two instances that a Part I Request for Estimated Expenses form was submitted for payment with the voucher packet instead of Part II Request for Actual Expenses form, and was subsequently paid by the Fiscal Office Accounting Department.

Recommendation:

IAD recommends that the DOD include documentation for actual expenses in the voucher packet when submitting it to the Fiscal Office Accounting Department for payment (e.g., Part II Request for Actual Expenses form). This will help to ensure that payment is made for actual expenses incurred rather than estimated expenses.

Management Action Plan:

Effective immediately, all staff will be required to submit a Part II with their voucher packets signed by the director before they will be reimbursed for expenses. This will be included in the Manual.

4. Issue:

Upon review of the expenditure process and through discussion with the Executive Assistant, IAD noted an improper segregation of duties as a single employee is responsible for the ordering of goods, physically receiving the ordered goods and receiving vendor invoices.

Recommendation:

IAD recommends the reassignment of job functions in the office supply procurement process so that a single employee is not responsible for ordering the goods, receiving the goods and receiving the invoice. This will help to ensure a proper segregation of duties which will help to prevent misappropriation of County resources.

Management Action Plan:

Effective January 1, 2011, all supply orders will have a completed Supply Order Form and will be approved by the Director or Deputy Director. The Executive Assistant will place the order. The HWAP Control Specialist will receive the order, review the contents and sign the delivery receipt. For supply orders entered by the HWAP Control Specialist, the Executive Assistant will review the contents of the delivery and sign the delivery receipt. This will be included in the Policies and Procedures Manual.

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5. Issue:

Upon review of DOD authorized signers for warrant pick-up from the Fiscal Office Accounting Department, IAD noted that some of these employees are also the same employees who work with the vendors on the respective projects which could present a conflict of interest.

Recommendation:

IAD recommends that the DOD select one of the following actions in order to remedy the conflict of interest risk with respect to vendors and employees:

- a. Have all vendor checks mailed out directly from the Fiscal Office Accounting Department,
- b. Select an employee, who is not involved in the project and has not had prior interaction with the respective vendor, to pick the check(s) up from the Fiscal Office Accounting Department and mail them to the vendor.

IAD recognizes that in some instances checks may need to be picked up from the Accounting Department in order to expedite the payment process; therefore, an alternative recommendation was provided which could accommodate these instances as well as help to defer a situation where a conflict of interest could occur.

Management Action Plan:

This issue was addressed prior to the internal audit of the Department of Community and Economic Development. All checks are mailed out, with the exception of First Home First Loan checks which need to be presented at the closing and signing of the loan papers. And HWAP checks which are picked up and mailed from the department to insure that copies are made for the files in accordance with directives issued by the Department of Housing and Urban Development. Any checks that are not mailed are picked up by the Executive Assistant, or two alternates, the Grants Program Analyst or Director which provides a separation of duties.

LOANS

The Summit County Community and Economic Development Policies and Procedures Manual was obtained and reviewed to gain an understanding of policies and procedures regarding loans. IAD met with the Community Development Coordinators and the Executive Assistant to gain a further understanding of the process. Flowcharts were created to document the process.

A complete listing of loans executed through 8/27/10 was obtained and reviewed. Testing was performed to verify that Summit County is recorded as a lien holder for each of the three hundred and eighty seven mortgages. In addition, testing was performed for all forty three mortgages executed from 1/1/2009 through 8/27/2010 to confirm that Summit County is in the first or second lien holder position and that they were recorded timely.

IAD met with the Community Development Coordinators to discuss the purpose of the Loan Review Committee. Additionally, IAD met with several committee members and confirmed that the committee meets on a regular basis to review and discuss loans.

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Banner transaction reports were generated listing payments made to title companies (FHFL) or contractors (rehab) from the DOD HOME grant. IAD tested for consistent repayments by the homeowner for applicable loans executed in 2010.

IAD compared the mortgage date in OneRoof to the date of the recorded mortgage for the total population of DOD loans executed through 8/27/10. In addition, a review of the OneRoof and Banner software systems and the County property website was performed to determine if the systems were being reconciled.

The following issues and recommendations were noted during detailed testing:

Recommendation:

Upon discussion with DOD personnel, IAD noted that the Loan Review Committee meets once a month; however, an agenda or minutes are not prepared for each meeting. IAD recommends that a written agenda be prepared and maintained for each Loan Committee meeting to help to ensure that documentation is present for future reference and provide a record of when the meeting took place, who attended the meeting, and the topics for discussion.

6. Issue:

Upon discussion with DOD personnel and through testing, IAD noted that there is currently no reconciliation process being performed for loans to ensure the following:

- a. proper amendments have been filed,
- b. payments have been properly recorded,
- c. a complete population of loans is documented,
- d. proper mortgage amounts and dates have been recorded.

Recommendation:

IAD recommends that the DOD put a process in place to reconcile the following systems and documents:

- a. One Roof,
- b. Banner,
- c. Promissory Note,
- d. Mortgage Deed.

This will help to ensure that all loans due to the County are accounted for and properly documented, and repayments are properly recorded. In addition, this will provide an accurate listing of any delinquent accounts.

Management Action Plan:

With the understanding that the loan files from past years have not been maintained appropriately, the new administrative assistant will work with the Community Development Senior Administrator and staff to review all folders over the next year to make certain that there are:

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Proper note amendments
Payments and 2010 pay-ins have been reconciled with OneRoof and accounting
A complete population of loans is documented
Proper mortgage amounts and date of execution are recorded in OneRoof

A checklist will be created that will verify that after the application is approved all of the initial information is entered into One Roof. Once the application has been approved for Owner Occupied Rehab the scope of work will be created in One Roof. Upon completion of the work the promissory note and mortgage information will be entered into One Roof and any necessary note reductions made.

Banner and One Roof can be reconciled as payments are made on direct loans. The work of reviewing old files will be complete effective 1/31/2012. Effective immediately, the new procedure will be followed and included in the Policies and Procedures Manual.

7. Issue:

During testing, IAD identified 28 out of 43 instances where mortgages were not recorded in a reasonable amount of time (i.e., an average of 12 days). Mortgages that are not timely filed increase the risk of Summit County not being in the first or second lien holder position.

Recommendation:

IAD recommends that the DOD make every effort to record mortgages in a timely manner (i.e., no more than five days). This will help to ensure that the mortgage is recorded in the correct position as well as help to ensure that mortgages are readily available for public viewing.

Management Action Plan:

Effective 1/1/2011, all mortgages will be filed within five (5) business days (not including holidays) of the execution date as long as the first mortgage holder files their mortgage in first position in that time frame. We are unable to file the County mortgage until the first mortgage has been recorded and transferred. If the closing happens around a weekend or holiday we must wait until the first mortgage holder files their mortgage. If the County is unable to file within 5 days documentation will be placed in the file explaining the circumstance. This will be included in the Policies and Procedures Manual.

PLANNING OFFICE

Upon review of the DOD Policies and Procedures Manual sections regarding the Planning Office, the following areas were selected for detailed testing based on potential risk:

- Cash collection
- Planning Commission By-Laws
- Fees charged in accordance with Codified Ordinance.

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Cash Collection

Specifically reviewed was Section 1.5 of the General Policy which relates to cash collection procedures. An interview was performed, utilizing a standard internal control questionnaire, with the Administrative Secretary to gain a further understanding of the cash collection process. An observation was performed of the cash receipting transaction/process at the department customer service window.

A sample of four months from 1/1/09 to the present (August and December 2009 and February and April 2010) was judgmentally selected to perform the following detailed testing:

- Agreed the pay-in sheet prepared by the Administrative Secretary to the Summit County Fiscal Office's pay-in sheet (revenue posting),
- Confirmed that the date on the cash receipt log was the same date as the pay-in to the Fiscal Office and the reconciliation prepared by the Administrative Assistant to ensure timely deposits,
- Confirmed that the amount of the payment on the department reconciliation was the same amount as on the cash receipt log and the Summit County pay-in sheet.

The following issue was noted during detailed testing:

8. Issue:

Upon review of the cash receipts and the Fiscal office pay-in, it was noted that there were 2 instances out of 45 where the deposits were not made on a timely basis.

This is a violation of O.R.C. §9.38 which states that: "A person who is a state officer, employee, or agent shall pay to the treasurer of state all public moneys received by that person as required by rule of the treasurer of state adopted pursuant to [section 113.09](#) of the Revised Code. A person who is a public official other than a state officer, employee, or agent shall deposit all public moneys received by that person with the treasurer of the public office or properly designated depository on the business day next following the day of receipt, if the total amount of such moneys received exceeds one thousand dollars. If the total amount of the public moneys so received does not exceed one thousand dollars, the person shall deposit the moneys on the business day next following the day of receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the moneys until such time as the moneys are deposited. The policy shall include provisions and procedures to safeguard the public moneys until they are deposited. If the public office of which the person is a public official is governed by a legislative authority, only the legislative authority may adopt such a policy; in the case of a board of county commissioners, the board may adopt such a policy with respect to public offices under the board's direct supervision and the offices of the prosecuting attorney, sheriff, coroner, county engineer, county recorder, county auditor, county treasurer, or clerk of the court of common pleas. If a person who is a public official receives public moneys for a public office of which that person is not a public official, that person shall, during the first business day of the next week, pay to the proper public official of the proper public office the moneys so received during the current week."

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Recommendation:

IAD recommends that the DOD deposit funds in accordance with O.R.C. §9.38. This will help to ensure compliance with the O.R.C.

Management Action Plan:

Effective January 1, 2011, all cash and checks received in the DOD either via the US mail (Office Services), express delivered, hand delivered or from the P.O. Box will be given to the Executive Assistant to enter in a daily log, the format provided by IAD. Checks received at the PO Box will be picked up daily by the Executive Assistant (Senior Administrator or Director in the Executive Assistant's absence). The Executive Assistant will enter all checks in the log and distribute the cash, checks to the respective staff members. The staff members will prepare the pay-ins and take to the Fiscal Office. A copy of the pay-in will be given to the Executive Assistant to be included with the log. The executive Assistant receives all confirmations from the Fiscal Office and will make a copy of the confirmation for the appropriate staff member. For any cash and checks received and unable to be paid in on the same day, they will be given to the Executive Assistant who will log them and lock them in a cash box to be kept in a locked desk overnight. The Executive Assistant will return them to the proper staff on the next business day.

Planning Commission

The By-Laws of the County of Summit Planning Commission were obtained and reviewed from the Summit County DOD website, Planning Division Page, to gain an understanding of the requirements of the By-Laws. In addition the following was obtained and reviewed:

- O.R.C. §711.10 referenced in the By-Laws and authorizing the powers and duties vested in the Planning Commission by general law,
- O.R.C. §711.23 reference in the By-Laws and setting forth the Regional County Planning Commission powers and duties,
- The 2010 Planning Commission Meeting Dates and Submittal Deadlines obtained on the Summit County Department of Development – Planning Division website,
- Planning Commission meeting minutes.

Upon review of the By-Laws and O.R.C., the following detailed testing of meeting minutes was performed:

- The meeting date was included on the schedule of regular meetings posted on the website,
- The meeting was held on the last Thursday of the month,
- A meeting agenda was prepared,
- The contents of the agenda is in accordance with the By-Laws,
- Formal meeting minutes were prepared,
- Tape recorded minutes were prepared and maintained.

No issues were noted during detailed testing.

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Fees Charged

Codified Ordinance §1111.04 pertaining to fees was obtained and reviewed to gain an understanding of fees charged by the DOD Planning Office. A listing of all projects from January 2009 through the present was obtained. A sample of projects was selected from the list for detailed testing to confirm that the fees charged agreed to the Codified Ordinance, and that the pay-in amount to the Summit County Fiscal Office agreed to the fees charged and collected.

No issues were noted during detailed testing.

ENTERPRISE ZONE PROGRAM

The Ohio Enterprise Zone program is an economic development tool administered by municipal and county governments that provides real and personal property tax exemptions to businesses making investments in Ohio.¹

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 and 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.²

IAD obtained and reviewed the DOD Policies and Procedures for Enterprise Zone Agreements, and met with the Deputy Director and the Administrative Secretary to gain an understanding of the processes followed regarding the agreements.

The following sections of the O.R.C. were obtained and reviewed:

- O.R.C. §5709.61 Enterprise Zone Definitions,
- O.R.C. §5709.62 Designation of enterprise zones by municipal corporations,
- O.R.C. §5709.63 Designation of enterprise zones by counties,
- O.R.C. §5709.631 Requirements for agreements,
- O.R.C. §5709.632 Designation of enterprise zones by central city of metropolitan statistical area,
- O.R.C. §5709.633 Enterprise relocating from another Ohio location,
- O.R.C. §5709.64 Applying for tax incentive qualification certificate,
- O.R.C. §5709.65 Entitlement to tax incentives,
- O.R.C. §5709.66 “Applying for employee tax credit certificate,”
- O.R.C. §5709.67 Duties of director of development and tax commissioner,
- O.R.C. §5709.68 Report on all agreements in effect,
- O.R.C. §5709.69 Notice of intent to relocate,
- O.R.C. §5709.85 Tax incentive review council (TIRC).

¹ <http://www.development.ohio.gov/Business/ez/>

² <http://www.co.summit.oh.us/executive/taxinc.htm>

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Chapter 122:4-1 Tax Exemption Application and Criteria of the Ohio Administrative Code (O.A.C.) was obtained and reviewed to gain an understanding of the State rules regarding Enterprise Zones. The following are the respective sections within the chapter that were reviewed:

- O.A.C. §122:4-1-01 Enterprise zone characteristics definitions,
- O.A.C. §122:4-1-02 Enterprise zone agreement tax exemption fee,
- O.A.C. §122:4-1-03 Municipal corporation enterprise zone designation criteria,
- O.A.C. §122:4-1-04 Seasonal business criteria,
- O.A.C. §122:4-1-05 Nonretail position criteria,
- O.A.C. §122:4-1-06 Municipal corporation and county enterprise zone report,
- O.A.C. §122:4-1-08 Tax incentive review council,
- O.A.C. §122:4-1-09 Relocation provisions,
- O.A.C. §122:4-1-10 Enterprise zone program employee tax credit.

The following sections of the Summit County Codified Ordinances were obtained and reviewed to gain an understanding of the legislation passed by the County regarding Enterprise Zone agreements:

- §145.04 Guidelines for tax abatement process,
- §145.05 Tax Abatement Principles.

A Summit County enterprise zone map was obtained and reviewed from the Ohio Department of Development (ODOD) website in order to gain an understanding of the regions that are included in enterprise zones. Also on the website was a listing of businesses with agreements within each jurisdiction.

IAD met with the former Enterprise Zone Coordinator, the Deputy Director and the Administrative Secretary to gain an understanding of the Enterprise Zone process which was documented in a flowchart. An Enterprise Zone Tax Incentive application was obtained and reviewed to gain an understanding of the information that is required for the application process. Additionally reviewed was a Schedule of Availability which is used to determine how long the agreement will be in effect. IAD verified that there was a signed contract on file for all active Enterprise Zone agreements

IAD obtained the DOD's RC-2 and specifically reviewed the section on Economic Development to gain an understanding of record retention requirements.

The following issue was noted during detailed testing:

9. Issue:

Upon review of the DOD RC-2 in regards to Economic Development, IAD noted that the RC-2 needs updating and compliance with the same.

Recommendation:

IAD recommends that the DOD update their RC-2 to include all records maintained by the department as well as perform an annual review of the same. This will help to ensure compliance with the DOD's records retention schedule as well as the Ohio Sunshine laws.

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Management Action Plan:

The RC-2 for Economic Development (Enterprise Zones) was updated in February 2010. A few items were added i.e - Departmental Reports – Internal and External, Tax Incentive Review Council meeting minutes (cassette tapes), etc. After further review, it is determined that another category should be added – EZ Company Payroll Records. This will be submitted to the Records Commission for consideration at their next meeting.

In addition, staff will review for possible RC-2 updates on an annual basis.

The following areas were selected for detailed testing based on potential risk:

- Tax Incentive Review Council
- Fees Collection
- Cash Receipts
- Reporting

Tax Incentive Review Council

Annual meetings are held to review the status requirements of companies receiving benefits from the Enterprise Zone (EZ) Program. IAD obtained and reviewed a listing of Tax Incentive Review Council (TIRC) members and their respective alternates, and County Council Resolution 2010-316 accepting the 2010 TIRC recommendations regarding Enterprise Zone Agreements within the County. The June 2010 TIRC Notice of Public Hearing and meeting minutes were obtained and reviewed for the following municipalities to gain an understanding of the format and the time of the meetings, and the business discussed at the meetings regarding the EZ agreements in effect:

- City of Barberton,
- City of Cuyahoga Falls,
- City of Green,
- City of Hudson,
- Village of Mogador,
- City of Stow,
- City of Tallmadge,
- City of Twinsburg,
- Twinsburg Township.

Testing was performed to ensure compliance with O.R.C. §5709.85 Tax incentive review council. The following issue was noted during detailed testing:

10. Issue:

Upon review of the O.R.C regarding the duties of the TIRC, IAD noted that the DOD is not documenting evidence of their review of the following:

- a. Determining the increase in the true value of parcels of real property on which improvements have been undertaken as a result of the exemption for property taxes,
- b. Reviewing the compliance of each recipient of a tax exemption with the nondiscriminatory hiring policies developed by the County.

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Recommendation:

IAD recommends that the TIRC document evidence of all matters of business. This will help to ensure that the DOD has evidence supporting their compliance with the ORC.

Management Action Plan:

Effective 1/1/2011,

a) The Fiscal Office will provide to the Enterprise Zone coordinator the increase in the true value of parcels of real property on which improvements have been undertaken as a result of the exemption for property taxes. This information will be compiled and presented at the annual Tax Incentive Review Council meetings and included in the minutes.

b) According to the Summit County Executive's Law Department, "Whether non-discriminatory employment language is set forth in our Enterprise Zone Agreements, the companies have such a legal obligation imposed under both federal and state law concerning their hiring practices...Thus, the nondiscriminatory hiring practices are implicitly a part of any Enterprise Zone Agreement since any recipient (or any business) is required to practice non-discriminatory hiring practices as imposed by law." It is the Law Department's opinion that we do not have any affirmative statutory duty to monitor a company's hiring practices until we receive some type of actual or constructive notice that the company is engaging in unlawful hiring practices.

This will be included in the Policies and Procedures Manual.

Fees Collected

IAD obtained and reviewed instructions that are sent out annually to businesses with an active EZ agreement, or have a balance due, to gain an understanding of the requirements.

A listing of all active EZ agreements as of 12/31/09 that the County is responsible for monitoring was obtained from the ODOD website. A listing of agreements that expired in 2008 was obtained from the Administrative Secretary. IAD traced and agreed the listing of expired agreements to the 2008 TIRC legislation to confirm their expiration in 2008, and to ensure that the active agreement listing was accurate.

IAD contacted the Senior Tax Incentives Specialist from the Ohio Department of Development (ODOD) to gain an understanding of the State's position on the Enterprise Zone administrative fee collection. A Banner listing of all EZ monitoring fee pay-ins for tax year 2009 was generated. A sample of five businesses with active EZ agreements was judgmentally selected for detailed testing. IAD traced and agreed the fees received to the amount due to ensure the appropriate fee amount was collected from each respective company.

The following issues were noted during detailed testing:

11. Issue:

The County is not currently collecting accurate monitoring fees from businesses that are receiving tax benefits. In addition, these fees are not being monitored by the DOD for accuracy.

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Recommendation:

IAD recommends that either the DOD begin invoicing the businesses receiving the tax benefits with the appropriate fees due, or provide a standardized form with the appropriate calculation as noted in O.R.C. § 5709.63(F). In addition, IAD recommends that a supervisory review process be implemented to help to ensure that all fees owed are correctly calculated and collected.

Management Action Plan:

Effective January 1, 2011, the Summit County Fiscal Office will calculate what each company owes in administrative fees. DOD Staff will then request payment in the amount determined by the Fiscal Office in a letter sent to each company with an active Enterprise Zone Agreement. The Director will review these invoices before they are mailed to companies.

A meeting was held with the Summit County Fiscal Office on November 17, 2010 and it was agreed that in order to comply with the administrative fee requirements found in ORC 5709.62(G) "incentives offered" would be defined as the amount of real estate tax the participating enterprises would be responsible for but for the existence of the Enterprise Zone Agreement. ORC 5708.62(G) tells us that the fee shall be equal to one percent of the dollar value of the incentives offered or five hundred dollars, whichever is greater, with the cap being \$2,500. This will be included in the Policies and Procedures Manual.

Example calculation:

Ansco Machine:

Parcel # 35-05770 – Taxable Parcel. Appraised Value: \$564,070 (Ansco pays normal real estate taxes on this parcel)

Parcel #35-05900 – Abatement Parcel. Appraised Value: \$482,120 (Ansco paid no taxes on this portion of the value of their improvement pursuant to their Enterprise Zone Agreement)

$\$482,120 \times .35 = \$168,740$ (This is the assessed value)

$\$168,740 \times 63.525407$ (This is the millage rate for 2009) = \$10,719.28

\$10,719.28 is the amount of real estate taxes that would have been due on the improvement.

$\$10,719.28 \times .01 = \107.20 \$107.20 is less than \$500, so the fee is \$500.

Cash Receipts

IAD met with the Administrative Secretary to gain an understanding of the payment receipt process for the EZ. Testing was performed in the Planning Department section as noted above. The following issues are relevant to the collection and processing of EZ monitoring fees:

12. Issue:

Upon detailed testing of a sample of monthly cash receipts reconciliations, IAD could not confirm that EZ checks were deposited on a timely basis, as mandated in O.R.C. §9.38. Because there is no process in place for the receipting of funds by date it was not possible to determine the date in which mailed checks were received into the County.

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Recommendation:

IAD recommends the implementation of a formal cash receipting process by the DOD in which all checks received via mail are receipted by one individual who will maintain a log properly identifying the date in which each check was received into the County, the employee and department the checks were given to and other pertinent information as deemed necessary. This will help to ensure that funds are deposited in accordance with O.R.C. §9.38.

Management Action Plan:

Effective 1/1/2011, EZ administration fee checks will be given to the Executive Assistant who will enter the date and time into a log and checks will then be given to the Grants Program Analyst for verification. The Grants Program Analyst will then give the checks to the Administrative Secretary who will deposit the checks. A copy of this pay-in is given to the Executive Assistant. The Administrative Secretary will staple the mail dated envelope that the check was enclosed in to a copy of the pay-in; an Excel spreadsheet will also be kept by the Administrative Secretary separately from the log for community fee sharing purposes. If checks cannot be deposited on the day they are received, the Executive Assistant will lock the checks up in her office until the following business day.

This will be included in the Policies and Procedures Manual.

13. Issue:

IAD notes that there is an improper segregation of duties regarding the receipting of checks that are delivered via mail for the EZ.

Recommendation:

IAD recommends the implementation of a formal cash receipting process by the DOD in which all checks received via mail are receipted by one individual who will maintain a log properly identifying the date in which each check was received into the County, the employee and department the checks were given to and other pertinent information as deemed necessary. This will help to deter misappropriation of county funds received by the DOD.

Management Action Plan:

Effective 1/1/2011, EZ administration fee checks will be received by the Executive Assistant who will enter the date and time into a log. Checks will then be given to the Grants Program Analyst for verification. The Grants Program Analyst will then give the checks to the Administrative Secretary who will deposit the checks. A copy of this pay-in is given to the Executive Assistant. The Administrative Secretary will staple the mail dated envelope that the check was enclosed in to a copy of the pay-in; an Excel spreadsheet will also be kept by the Administrative Secretary separately from the log for community fee sharing purposes. If checks cannot be deposited on the day they are received, the Executive Assistant will lock the checks up in her office until the following business day.

This will be included in the Policies and Procedures Manual.

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Reporting

The DOD is required to submit an annual report to the ODOD for EZ Activity. An Annual Reporting Requirements sheet and a blank EZ Agreement/Project Status Report were obtained from the ODOD website and reviewed to gain an understanding of DOD reporting requirements. In addition, O.R.C. §5709.68(A) Report on all agreements in effect was obtained and reviewed to gain an understanding of O.R.C. reporting requirements.

A 2009 Annual Report summary sheet of reporting to the ODOD was obtained. One of seven zones and all municipalities participating within the zone were selected for detailed testing. The following issue was noted:

14. Issue:

Upon discussion with the Deputy Director, IAD noted that there is no supervisory review of the informational sections of the Annual Reports that are required to be filed with the state for each EZ's activity. Additionally, the annual reporting requirements as mandated by the O.R.C have not been recently reviewed.

Recommendation:

IAD recommends that management review all informational sections of the Annual Reports prior to its submission to the State. In addition the reporting requirements as mandated by the O.R.C. (e.g., reporting to the State and School Boards) should be periodically reviewed. This will help to ensure compliance with the O.R.C., the accuracy of reporting to the State, and help to ensure that management is informed of current activity attributable to Enterprise Zones.

Management Action Plan:

Effective 1/1/2011, the Director will review all sections of the Enterprise Zone Annual Reports before they are filed with the State for each enterprise zone. Annual Reporting requirements will also be reviewed annually by the Enterprise Zone Administrator to ensure compliance. This will be included in the Policies and Procedures Manual.

COMMUNITY DEVELOPMENT PROGRAMS

The DOD administers and procures the following grants:

- American Recovery and Reinvestment Act Stimulus Grant Funds (ARRA):
 - a. Community Development Block Grant (CDBG-R),
 - b. Energy Efficiency Conservation Block Grant (EECBG),
 - c. Household Sewage Treatment System.
- Entitlement Grants:
 - a. Community Development Block Grant (CDBG),
 - b. HOME Investment Partnership (HOME),
 - c. Home Weatherization Assistance Program (HWAP),
 - d. American Dream Down payment Initiative (ADDI),

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- Housing and Economic Recovery Act of 2008 funds (HERA),
 - a. Neighborhood Stabilization Program (NSP),
- Lead Hazard Reduction Demonstration Grant.

ARRA Stimulus Grant Funds

c. Community Development Block Grant (CDBG-R)

IAD obtained and reviewed the following documentation to gain an understanding of the laws and regulations applying to the CDBG and CDBG-R funds:

- Title 24 Part 570 of the Code of Federal Regulations,
- Title I of the Housing and Community Development Act of 1974 (42 U.S.C. 5301 et seq.),
- Title 24 Part 91 of the Code of Federal Regulations,
- American Recovery and Reinvestment Act of 2009,
- 74 Federal Register 18449 “Requirements for Implementing Sections 1512, 1605, and 1606 of the American Recovery and Reinvestment Act of 2009 for Financial Assistance Awards.”

The CDBG-R Plan Amendment and Agreement and the CDBG-R Special Conditions were obtained from the Senior Administrator and reviewed to gain an understanding of additional terms and conditions regarding the use of ARRA funds.

In addition the following documents were obtained from the Grant Analyst and reviewed to verify compliance with requirements and certifications:

- CDBG 5 Year Consolidated Plan and attachments,
- CDBG 2009 Annual Action Plan and attachments,
- CDBG 2010 Annual Action Plan and attachments,
- Analysis of Impediments.

A sample of two CDBG-R sub-recipient projects was randomly selected for detailed testing to verify compliance with applicable laws, regulations, and sub-grant agreements. In addition, all CDBG-R construction project files were tested to verify that prevailing wages had been paid by the contractors. No issues were noted.

A Banner report for CDBG-R expenditures made in 2009 and 2010 was generated. A sample of five expenditures was selected for detailed testing for compliance with applicable laws and regulations. No issues were noted.

An IDIS (system used to report expenditures and request draw downs from the State) report of CDBG-R draw downs was obtained from the Fiscal Officer 3 to verify that the amounts per Banner agreed to cash draw amounts per IDIS. Additionally, IAD obtained two WebFOCUS reports and compared them to the IDIS reports to verify that cash draws were only being requested for reimbursements of expenditures incurred and not for cash advances. No issues were noted.

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The process for reporting ARRA fund receipts and disbursements obtained during the Fiscal Office CAFR audit performed in 2009 was reviewed to determine how county ARRA receipt and expenditures are to be reported on the Auditor of State Stimulus Tracker. IAD obtained a copy of the Auditor of State Stimulus Tracker Data listing reported amounts and verified that all receipts and disbursements per Banner had been properly reported. See issue 5 below.

IAD utilized the federal reporting site www.recovery.gov to generate a grant award summary for CDBG-R and verify that amounts received and expended per the federal reporting site agreed with amounts per Banner. No issues were noted.

15. Issue:

Upon comparison of CDBG-R transactions per Banner to the Auditor of State Stimulus Tracker, IAD noted that not all transactions had been reported to the Auditor of State, however, IAD noted that the transactions had been reported to the Federal reporting site.

Recommendation:

IAD recommends that CDBG-R cash receipts and disbursements be reviewed and that the DOD report the missing transactions to the Auditor of State. Furthermore, IAD recommends that procedures be developed and implemented to ensure the complete and accurate reporting of all ARRA activity. This will help to ensure accurate reporting in compliance with ARRA and county requirements.

Action taken prior to the end of field work:

IAD noted that the Fiscal Office corrected the discrepancy with the grant amount drawn, and Banner now agrees with the amount reported as drawn on the AOS Stimulus tracker. It is noted that a discrepancy in disbursements reporting still exists.

Management Action Plan:

Effective immediately, the missing information has been identified and forwarded for processing to the State Stimulus Tracker. The Auditor of State Stimulus Tracker will be monitored each reporting period to insure that all receipts and disbursements have been properly reported.

EECBG Recommendation regarding progress reports:

The Department of Community and Economic Development will require that all sub-grant reporting be received prior to processing of grant funds for project reimbursement.

This will be included in the Policies and Procedures Manual.

a. **Energy Efficiency Conservation Block Grant (EECBG)**

IAD obtained and reviewed the Community and Economic Development Policy and Procedures Manual to gain an understanding of any policies and procedures in place regarding the EECBG.

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Interviews were conducted with the Senior Administrator and the two Department of Finance and Budget Fiscal Officers 3 to gain an understanding of EECBG grant administration, vendor payment process and grant funds draw down process. Flowcharts were generated documenting these processes.

The following documents were obtained and reviewed to gain an understanding of grant requirements, terms and provisions:

- Assistance Agreement for EECBG Funds,
- Special Terms and Conditions,
- Summit County Application/proposal,
- Statement of Project Objectives,
- Federal Assistance Reporting Checklist and Instructions,
- SF 424A Budget Pages,
- 10 CFR Part 600,
- National Policy Assurances to Be Incorporated as Award Terms.

The following program guidance documentation was obtained and reviewed from the US Department of Energy (DOE) website to gain an understanding of:

- EECBG Program Guidance,
- EECBG Revolving Loan Guidance,
- EECBG Buy American Guidance,
- EECBG Draw Down Guidance,
- EECBG Procurement Guidance.

IAD obtained and reviewed an EECBG Project List from the Senior Administrator to gain an understanding of the various programs that EECBG funds and to select a sample for sub-grant compliance testing.

A Banner listing of EECBG transactions for the period 1/1/09-11/3/10 was generated. All seven non-payroll expenditures were selected for expenditure testing.

IAD randomly selected ten payroll charge-backs and judgmentally selected one additional high-dollar payroll charge-back, for a total sample of eleven, from the Banner EECBG transaction listing for testing. Charge-back amounts were traced and agreed to the respective supporting documentation to verify proper accounting.

All internal projects containing activity through 11/15/10 were selected for compliance testing with grant terms and regulations (4 of 8 projects).

A sample of eight of sixteen EECBG sub-grant project folders was selected for testing for compliance with grant terms and regulations. The Deputy Director of Insurance was contacted to confirm that certified payrolls of the contractors working on EECBG projects were obtained and reviewed to confirm that wage rates were in compliance with Davis-Bacon wage rates. It was also confirmed that the DOD verifies that contractors are paying the prevailing wage to laborers prior to issuing a payment to the contractor. Testing was performed to verify that approved certified payrolls were present for all contractors receiving EECBG funding.

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A Cash Management Report as of 11/5/10 generated utilizing ASAP was obtained and tested to confirm that cash drawn per Banner agreed with cash drawn per ASAP.

IAD obtained a Federal grants award summary from www.recovery.gov, the Federal reporting site for ARRA grant awards, and a copy of the Auditor of State Stimulus Tracker, the State ARRA fund tracking site, to verify that reported amounts agreed with amounts recorded in Banner.

IAD met with the Senior Administrator regarding the required sub-grantee status reporting as stated in the standard sub-grant agreements. It was noted that the DOD currently did not require the sub-grantees to submit these reports because of DOD's heavy involvement in the current infancy stages of the projects. IAD obtained a spreadsheet of sub-grant meeting information to verify that the DOD had been monitoring sub-grant project status.

IAD observed the PAGE reporting system with the Senior Administrator and noted that it appeared that both financial and performance reports had been submitted on a monthly basis which meets requirements listed in the Federal Assistance Reporting Checklist

The following issues and recommendations were noted:

Recommendation:

IAD recognizes that due to the hands-on nature of the administration of sub-grants the DOD has a monitoring process in place, however, IAD recommends that the DOD require submittal of reports by sub-grantees. This will help to supplement DOD's current monitoring process as well as to ensure compliance with sub-grant terms.

16. Issue:

Upon review of sub-recipient project folders, IAD noted 6 of 7 folders that did not contain appropriate documentation demonstrating compliance with the requirements of Section 106 of the National Historic Preservation Act as required by the EECBG Programmatic Agreement.

Recommendation:

IAD recommends that DOD develop documentation demonstrating that it has performed the necessary Section 106 review or that it has exempted the activity and that this documentation be maintained in project folders. This will help to ensure compliance with grant terms.

Management Action Plan:

A spreadsheet is utilized to track the Section 106 process and a new Section 106 Review sheet will be prepared for each sub-grant file indicating the condition under which an activity is exempt from Section 106 review and third party verification of the condition. i.e. A copy of the permanent parcel card indicating the year of construction to verify that a property is exempt because it is not 50 > years old. All sub-grant files will be updated by June 30, 2011.

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17. Issue:

Upon review of EECBG expenditures, IAD noted 2 out of 11 instances where the invoice date was prior to the purchase order date.

Recommendation:

IAD recommends that DOD encumber the appropriate funds prior to incurring the expense. This will help to ensure compliance with Ohio Revised Code §5705.41 (D) (2).

Management Action Plan:

In one instance, another department ordered the sign and a purchase order was not created until the invoice was received for coding and payment. A small purchase of general office supplies was made without a blanket outstanding purchase order. Effective 1/1/2011, the Community and Economic Development Department will establish a blanket purchase order for office supplies and work with other departments to make sure that all county purchasing policies are followed. The blanket purchase will be opened in January 2011 once rollover legislation has been approved.

18. Issue:

Upon review of payroll expenditures being charged to EECBG grant funds, IAD noted 1 of 11 instances where a payroll expenditure was charged to the EECBG grant without the proper supporting documentation. Per 10 CFR 600.220(b)(6), "Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and sub-grant award documents, etc."

Recommendation:

IAD recommends that the DOD review employee time sheets prior to charging payroll expenditures to the EECBG grant to verify that expenditures are correct and properly supported. This will help to ensure compliance with the Code of Federal Regulations.

Management Action Plan:

For the period January 1, 2010 through August 13, 2010, 7 hours were incorrectly posted to a project. The error has been resolved and after consulting with the Office of Budget and Finance and IAD, the error was corrected as part of the adjustments for the period August 14, 2010 through December 1, 2010.

19. Issue:

Upon review of the Auditor of State ARRA Stimulus Tracker web site and comparison to the EECBG transactions in Banner, IAD noted the amounts reported on the ARRA stimulus tracker did not agree with transaction amounts in Banner.

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Recommendation:

IAD recommends that a reconciliation process be implemented to help to ensure that amounts reported to the Auditor of State agree with actual amounts spent and received as required by the AOS.

Action taken prior to the end of field work:

IAD noted that DOD had notified the Fiscal Office of the discrepancy and that the amount drawn per Banner now agrees with the amount drawn per the AOS Stimulus tracker; however, disbursements had not yet been reported on the AOS Stimulus tracker.

Management Action Plan:

The missing information has been identified and forwarded for processing to the State Stimulus Tracker. The Auditor of State Stimulus Tracker will be monitored each reporting period to insure that all receipts and disbursements have been properly reported.

20. Issue:

Upon review of the Federal Recovery.gov web site and comparison to the EECBG transactions in Banner, IAD noted that reported amounts did not agree with amounts in Banner. Per the Senior Administrator, the difference was a result of miscommunication between DOD and the Department of Finance and Budget (DFB).

Recommendation:

IAD recommends that a reconciliation process between the DOD and the DFB be implemented to help to ensure that amounts reported to the Federal reporting site agree with actual amounts received.

Action taken prior to the end of field work:

Per discussion with the Senior Administrator and Fiscal Officer 3, IAD verified that discussions regarding the cash draw have been conducted; however, IAD noted that the amount had not yet been drawn down.

Management Action Plan:

There was a delay in requesting reimbursement for the small office supplies purchase. We have confirmed the appropriate project to charge the supplies to and the funds have been requested and received by the County of Summit. The disbursements in Banner and the reimbursements in Federal Recovery.gov should match at the end of the next reporting period.

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b. Household Sewage Treatment Grant

IAD met with the Senior Administrator, to gain an understanding of the OEPA Sewage Treatment Grant (OEPA HH Sewage Grant). The Water Pollution Control Loan Fund Assistance Agreement was obtained and reviewed to gain an understanding of grant terms and conditions. In addition, the OEPA HH Sewage project folder was obtained and reviewed to gain an understanding of the grant receipt and allocation process.

A Banner report was generated listing OEPA HH Sewage Grant transactions to verify that grant funds had been requested only for actual program expenditures charged to the grant. A 25% match is one of the OEPA HH Sewage Grant requirements. During discussions with the Senior Administrator, it was noted that the required match was funded with CDBG-R funds, which IAD confirmed.

Upon review of the OEPA HH Sewage project folder IAD noted that the project ended in April 2010 and would not continue into the future as a result of being funded by ARRA, a one time Federal funding source; therefore, IAD passed on compliance testing of individual jobs.

The following issue was noted during detailed testing:

21. Issue:

Upon review of OEPA HH Sewage Grant expenditures and cash receipts, IAD noted that all grant funds were not expended or all expenditures had not been charged to the OEPA HH Sewage Grant fund. Per the Water Pollution Control Loan Fund Assistance Agreement §3.3, “The Borrower shall keep accurate records of the Eligible Project Costs. These records must be kept in accordance with Generally Accepted Government Accounting Standards (GAGAS).”

Recommendation:

IAD recommends that the DOD review individual project documentation and make reclassification journal entries of expenditures into the appropriate accounts. This will help to ensure the proper accounting of grant transactions in compliance with grant terms.

Management Action Plan:

During the program period, a cash receipt was properly classified on the pay-in sheet but was incorrectly recorded by the Fiscal Office Accounting Department. This error has been corrected. Also, during the review period, a check for a completed project was in process from the OEPA. Once received there was a delay in preparing the disbursement to the vendor while he provided all of the necessary documentation (final electrical inspection) to process for payment. This current grant has been completed, the final report filed and all requirements satisfied.

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Entitlement Grants

a. CDBG

IAD obtained and reviewed the CDBG sections of the DOD Policy and Procedures Manual to gain an understanding of any policies and procedures in place regarding the CDBG. An interview was conducted with the Community Development Coordinator and Grant Analyst to gain a further understanding of CDBG grant administration.

IAD performed general grant expenditure and grant cash draw down walkthroughs with the Department of Finance and Budget Fiscal Officers 3. Flow charts were generated for the CDBG grant fund expenditure and draw down processes.

IAD obtained a project listing from the Grant Analyst and reviewed the contracts for each respective project. IAD discussed the projects with the Senior Administrator to confirm that the projects benefitted low-moderate income persons and were in compliance with certifications.

IAD selected a sample of twelve CDBG sub-recipient projects and obtained project folders from the Grant Analyst to test that sub-recipient projects were in compliance with applicable laws, regulations and sub-grant agreements.

Banner reports were generated for CDBG transactions for 2009 and 2010. A sample of thirty five CDBG expenditures was selected for detailed expenditure testing

An IDIS report of CDBG cash draws was obtained from the Department of Finance and Budget's Fiscal Officer 3. The cash draws were traced and agreed to amounts recorded in Banner. Additionally, a WebFOCUS report utilized by the Fiscal Officer 3 was obtained to verify that cash draws were only being initiated for reimbursements and that no cash advances were being utilized.

IAD met with the Community Development Coordinator to gain an understanding of the Waiver Demolition Program. A flowchart documenting the process was created. A listing of Waiver Demolition Program projects funded by CDBG was obtained to gain an understanding of the demolition projects utilizing CDBG funds. IAD randomly selected a sample of six projects and tested for compliance with grant terms and regulations. In addition, a sample of five Waiver Demolition Program files was randomly selected for detailed testing of payments made to contractors.

Two of six CDBG construction project files were selected for testing to verify that prevailing wages had been paid by contractors.

IAD performed testing to verify that the Consolidated Annual Performance and Evaluation Report (CAPER) was submitted prior to the March 31st deadline, and that public notice was given.

The following issues and recommendations were noted during detailed testing:

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Recommendation:

Upon review of the Waiver Demolition Program payment requests, it was noted that the request forms only show the contract amount and not the amount requested for payment. IAD recommends that the payment request forms include the amount requested for payment as well as any remaining balance on the contract. This will help to ensure that proper monetary tracking is being performed and that the DOD is aware of remaining funds left on the respective contract.

22. Issue:

Upon discussion with the Grants Analyst and Senior Administrator, IAD noted that an advertisement was not taken out notifying citizens of the availability of the Comprehensive Annual Performance and Evaluation Report (CAPER) for review. Per the Citizen Participation Plan contained within the 2010-2014 Consolidated Plan, "All performance reports must be made available to the public for a period of review and comment. The period for review and comment must be no less than 15 days before the performance report is submitted to HUD. In order to meet this requirement, the County of Summit will publish a notice in the Akron Beacon Journal, or a comparable newspaper of general circulation, notifying the public of the availability of the performance report. The notice will appear in the newspaper a minimum of 15 days before the performance report is submitted to HUD."

Recommendation:

IAD recommends that DOD put a process in place to ensure that the public is made aware of the availability of the CAPER for review and comment prior to its submission to HUD. This will help to ensure that DOD is in compliance with its Citizen Participation Plan as well as allow for public comment on the utilization of CDBG funding.

Management Action Plan:

Effective 1/1/2011, the Public Notice regarding the availability of the CAPER for public review and comment will be run in a newspaper of general circulation no less than 15 days prior to the submission of the CAPER to HUD. This notice must be published no later than March 14th of each calendar year. This will be included in the Policies and Procedures Manual.

23. Issue:

Upon review of a sub-grant agreement template, IAD noted that reporting requirements (specifically beneficiary reporting) were not clearly identified for different project types.

Recommendation:

IAD recommends that the DOD revise the language in the sub-grant agreements to clarify reporting requirements for each different project type. This will help to prevent confusion as well as help to ensure compliance with all terms and conditions of the sub-grant agreement.

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Management Action Plan:

We will work with HUD to prepare sub-grant agreements in accordance with their most recent (December 2010) training and clearly identifying the specific project eligibility classification and the reports necessary to document compliance with this regulation. The amended agreement will be used to administer the 2011 program funds. The four eligibility classifications are; 1) Public Service; 2) Infrastructure and Capital Improvements; 3) Housing Activities, and 4) Economic Development.

The 2011 CDBG Agreement template will be modified so that the reporting requirements will be clearly identified. This will be complete by 4/1/2011 to coincide with our program year.

24. Issue:

Upon review of compliance with grant terms, sub-grant terms, and policies and procedures, IAD noted the following:

- a. One out of four instances in which quarterly progress reports were not present in the project folder,
- b. One out of ten instances where environmental review documentation was not present in the project folder,
- c. One out of four instances where historic preservation documents were not present in the project folder.

Recommendation:

IAD recommends that procedures for the review of files be established to ensure that the necessary files are maintained for project folders to be complete. This will help to ensure compliance with grant terms, sub-grant terms and policies and procedures.

Management Action Plan:

- a) One out of four instances in which quarterly progress reports were not present in the project folder.

Response: Effective 1/1/2011, payment requests will not be processed unless the quarterly progress reports are submitted with the request for all Infrastructure projects and Capital and Facility Improvements projects. This will be included in the Policies and Procedures Manual.

- b) One out of ten instances where environmental review documentation was not present in the project folder.

Response: Effective 1/1/2011, each project file has a check list/label on the front. A check-box for the environmental review will be added to the label to ensure that the appropriate Environmental Review Documentation is present in each file. This will be included in the Policies and Procedures Manual.

- c) One out of four instances where historic preservation documents were not present in the project folder.

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Response: This project file was for the Village of Mogadore Senior Center Window Replacement project. At the time that the project was undertaken, the building, which was constructed in 1960, was less than 50 years old and fell under the exemptions outlined in the programmatic agreement between the County of Summit and the Ohio Historic Preservation Office.

Effective 1/1/2011, each project file has a check list/label on the front. A check-box for the Section 106 Historical Preservation Documents will be added. In instances where the project falls under the exemptions outlined in the programmatic agreement, a copy of the programmatic agreement and a dated and signed letter from the Responsible Entity will be inserted into the file in lieu of the Section 106 Review. This will be included in the Policies and Procedures Manual.

25. Issue:

Upon testing of the Waiver Demolition payment requests, IAD noted that the payment requests are not approved by the DOD Director. Upon discussion with the Director, all payment requests should be presented to the Director for approval.

Recommendation:

IAD recommends that all payment requests be presented to and approved by the DOD Director. This will help to ensure proper authorization of Demolition Program expenditures.

Management Action Plan:

This issue has been addressed by putting a signature line for the Development Director to ensure that payments have the Directors' approval. A new form has already been created and will be used on any upcoming Waiver Demolition projects.

b. HOME

IAD obtained and reviewed Section 4.6 "HOME Program" of the DOD policies and procedures manual to gain an understanding of the functions and duties of the Community Development Coordinator who is responsible for the administration and procurement of HOME funds. An interview with the Community Development Coordinator, Senior Administrator and the Loan Officer, utilizing a standard Grant Administration questionnaire, to obtain an understanding of the grant program.

The following documentation was obtained and reviewed to gain an understanding of the rules and regulations governing the HOME grant program:

- PART 92—HOME INVESTMENT PARTNERSHIPS PROGRAM of the Code of Federal Regulations (CFR),
- HUD Notice CPD 03-08 Using HOME Program Funds to Address Challenges of Homelessness,
- TITLE II of the Cranston-Gonzalez National Affordable Housing Act, as amended,
- 5 Year Consolidated Plan (CAPER),
- 2010 Action Plan,

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- 2009 Consolidated Annual Performance Evaluation Report,
- Funding Approval and Grant Agreement for HOME Funds.

IAD obtained deadline compliance reports from the Fiscal Officer 3 which summarizes commitment, reserve and spending that the state of Ohio tracks via IDIS reporting (state of Ohio reporting system). It was noted that the DOD is in compliance for PY 2007 and PY 2008. In addition, it was confirmed that the DOD is in compliance with the 25% match requirement.

Flowcharts were prepared for the following four approved program uses of HOME funds:

- First Home First Loan (FHFL),
- Acquisition, Rehab and Resale (ARR),
- Owner Occupied Rehab,
- Administrative Expenses.

The following issue was noted during detailed testing:

26. Issue:

Upon review of the 2010-2014 Consolidate Plan that was filed with HUD, IAD noted that it contained incorrect guidelines for HOME subsidies.

Recommendation:

It is recommended that the 2010-2014 Consolidated Plan be reviewed in detail to confirm that all information contained in the report is accurate, or to make any changes that are deemed necessary.

Management Action Plan:

The discrepancy has been addressed with HUD to correct the subsidy language.

Additional detailed testing was performed for each approved HOME funds use as follows:

First Home First Loan (FHFL)

A Banner listing of transactions in fund/org 22036-6154 for the period 1/1/10 through 6/30/10 was generated. All transaction in account number 67041, Home buyer loans, were selected for detailed testing to confirm that the procedures followed for approving grant expenditures was in accordance with policies and procedures and HUD regulations.

Five active FHFL files were randomly selected to confirm that the current Mortgagor for each property is the current home owner by comparing the information in the files to the county Fiscal Office property records website (PAWS). In addition, it was noted that there is evidence monitoring by the DOD to confirm that the property is used as a primary residence.

Banner listings of transactions for 2010, 2009 and 2008 were generated. A sample of 17 transactions in total was randomly selected to verify that the Treasury Code in PAWS for each parcel was "555 SC DEPT DEV LOAN."

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The following issues were noted during detailed testing:

27. Issue:

Detailed testing of all the 2010 FHFL files was performed to confirm that all necessary documentation was obtained during the loan process in accordance with policies and procedures and HUD regulations. The following errors were noted:

- Two out of six files did not contain any documentation verifying that the loan applicant attended a homebuyer education class,
- Five out of six files did not contain a property appraisal,
- One out of six files did not contain an ASHI certified inspection,
- Five out of six files did not contain proof of insurance.

Recommendation:

It is recommended that the missing documentation be obtained and maintained in each respective loan file. In addition, files should be reviewed for completeness at the close of every project to ensure that all appropriate supporting documentation is available if needed.

Action Taken Prior to the End of Fieldwork:

IAD confirmed that all property appraisals and two of the five missing proof of insurance documents were obtained and placed in the respective applicant files.

Management Action Plan:

Effective 1/1/2011, a check list has been created to ensure that all documentation will be in each FHFL file prior to closing the file. This checklist was created prior to the end of the auditors field work.

28. Issue:

Upon the execution of a purchase offer on a property the DOD performs a health, safety and code violation inspection. Upon review of the FHFL files it was noted that there was evidence of an inspection for every property, but there was no standard or formal documentation of the results leaving it very difficult to determine if there were any violations.

Recommendation:

IAD recommends that a standard form be developed to document the DOD performed health, safety and code violation inspections. This will help to ensure that a standard inspection is performed on all properties, and that there is no miscommunication of the results of the inspections.

Action Taken Prior to the End of Fieldwork:

The Community Development Coordinator prepared a standard inspection form to be used for every health, safety and code violation inspection, which was approved by the Director.

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Management Action Plan:

An inspection form has been created for the HOME coordinator to complete upon inspection of each FHFL unit. The form is signed by the inspector and the director. This form was created prior to the end of the auditors field work

29. Issue:

FHFL policies and procedures states that upon FHFL application for assistance approval, a county pre-approval letter is sent to qualified applicants, which is signed by the County Executive. All files tested contained a pre-approval letter but they were signed by the Community Development Coordinator and not the County Executive.

Recommendation:

All pre-approval letters should be signed by the County Executive, and a signed copy should be maintained in the loan file.

Management Action Plan:

All pre-approval letters are signed by the County Executive. A copy of the letter will be placed in the clients file. This was addressed prior to the end of the auditors field work and has been in place since the process was identified. This will be included in the Policies and Procedures Manual.

30. Issue:

After a transfer of property participating in the FHFL program is recorded by the county Fiscal Office, the Treasury Code in the PAWS application must be changed to "555 SC DEPT DEV LOAN." Upon detailed testing of the parcel records form 2008 through 6/30/10, it was noted that 13 out of 17 parcels in the FHFL program did not have the correct Treasury Code. This code is an additional loan tracking mechanism that if incorrect could potentially lead to loss of loan re-payment upon property title transfer.

Recommendation:

IAD recommends that the DOD performs a reconciliation of all parcels participating in the FHFL program to confirm that they contain the correct Treasury Code. This will help to ensure that a correct listing of parcels with Summit County mortgages can be generated to be used for loan re-payment monitoring.

Management Action Plan:

Upon taking the mortgage to the recorders division an email is sent to the individual who places the 555 code on the property card. When the mortgage is picked up from the recorders division we will verify that the 555 code has been added and make the notation on the checklist that is addressed in issue 27. This verification process has already started. This will be included in the Policies and Procedures Manual.

Please note that the Summit County Executive's Department of Community and Economic Development does not have the ability to place the 555 code on the property card and must work with the Summit County Fiscal Office Recorders Division to identify property records.

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The 555 code is a convenience code for the coordination and tracking of mortgages for the Dept. of Community and Economic Development and is not a requirement of the Department of Housing and Urban Development. We will monitor the public recorders to confirm that the Fiscal Office has properly labeled real property that has received assistance through our programs and has an outstanding financial obligation. This additional step in our process is currently in place.

Acquisition, Rehab and Resale (ARR)

A Banner listing of ARR transactions for the period 1/1/10 through 6/30/10 was generated. All transactions were selected for detailed testing to confirm that the procedures followed for the commitment and use of HOME grant funding was in accordance with policies and procedures and HUD regulations.

Neighborhood Development Services, Inc. (NDS), one of four developers that are in a Partnership Contract with Summit County for the use of HOME funding for property acquisition, renovations and resale (ARR) was selected for detailed testing to confirm compliance with the terms of the contract.

The respective county resolutions for the NDS contracts were obtained to gain an understanding of the amounts that were appropriated. A sign in sheet showing which contractors attended the Summit County DOD annual contractor meeting was obtained as evidence that a meeting was conducted and that NDS attended.

NDS purchased fourteen homes with HOME funding. All fourteen files were selected for detailed testing to confirm that proper procedures, as established by the DOD, and HUD regulations were followed, and that proper supporting documentation was maintained in the files as evidence of compliance.

Ten of the fourteen homes selected for testing were sold to lower income families. IAD performed testing to determine if the Treasury Code on the respective property cards in PAWS was populated with the "555" code denoting that there is a mortgage with the county. The following issues were noted during testing:

31. Issue:

Upon review of the HOME Partnership agreement between the County of Summit and NDS for PY 2008 and PY 2009 Project Revitalize it was noted that in Section 6 – Insurance and Exhibit C – Insurance Requirements the following information was either not included in the DOD contractor file or was not current:

- Insurance Declarations Page did not list the County as additional insured and had an effective date that did not cover the entire time of the contract,
- Copy of a Workers' Compensation Certificate,
- Evidence of contractor performance bonding,
- Copies of auto insurance identification cards were in the file but they did not list coverage amounts, nor did the Declarations Page,
- Evidence of Employers' Liability, Ohio Stop Gap coverage,
- Evidence of required Fidelity Bonding.

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Without current copies of these documents it is not clear that the developer is in compliance with insurance and bonding requirements as detailed in the contract.

Recommendation:

IAD recommends that the above noted missing information be obtained from NDS and maintained in the respective contractor file. This will help to ensure NDS has obtained the required insurance and bonding levels. In addition, it is recommended that a checklist and procedure be developed so that all files consistently contain all required supporting documentation

Action Taken Prior to the End of Fieldwork:

IAD confirmed that the missing documentation was obtained and was now being maintained in the NDS contractor file with the exception of evidence of contractor performance bonding which remains an issue that requires correction.

Management Action Plan:

All non-profits have the appropriate insurance and current DEC pages and bond copies are in the contract file. If the non-profit is not performing any of the construction activities they are not required to have a bond. The contractor which wins the bid thru the competitive bidding process has a bond which is issued thru Summit County Building Standards upon registration with the County. Prior to awarding any job to a contractor the County ensures that the winning bidder holds a current registration with the County Building Standards Department or the appropriate municipal building department.

32. Issue:

NDS purchased fourteen homes with PY 2008 and PY 2009 funding, of which all were selected for detail contract compliance testing. The following issues were noted:

- One of fourteen files did not contain a copy of a property historic preservation review,
- Twelve of fourteen files did not contain a copy of and executed property purchase agreement,
- None of the files contained a copy of a DOD county rehab inspection, or a county final inspection,
- Three of fourteen did not contain a copy of a Scope of Work,
- None of the files contained a copy of the property appraisal.

Recommendation:

IAD recommends that the above noted missing information be obtained from NDS and maintained in the respective property files. In addition, it is recommended that a checklist and procedure be developed so that all files consistently contain appropriate supporting documentation. This will help to ensure compliance with the terms of contract between NDS and the County of Summit.

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Action Taken Prior to the End of Fieldwork:

IAD confirmed that the missing documentation was obtained and was now being maintained in each respective file with the exception of county rehab initial and final inspections, which still requires correction.

Management Action Plan:

The historic preservation review for the one file was given to audit prior to the end of field work and has been placed in the file; Executed purchase agreements will be placed in each file; The County does not perform a Rehab inspection on an A/R/R unit, however the County has created an inspection form indicating the amount of purchase, potential rehab amount (as estimated by non-profit) location of property a final inspection sheet has also been created to ensure that all of the items on the scope of work, which is created by the non-profit is completed. These sheets are currently being used; the scope of work is created by the non-profit and reviewed by the HOME Coordinator. The final scope of work will be placed in each project file; a copy of each final property appraisal will be placed in the project file. A checklist has been created to ensure that all of the appropriate documentation is in each file prior to the file being closed.

33. Issue:

Upon detail testing of the property cards for the eight of ten properties that were sold to lower-income families, it was noted that the Treasury Code on the County property website (PAWS) did not contain the “555” Treasury Code denoting that there is a mortgage with the county. This code is an additional loan tracking mechanism that if incorrect could potentially lead to loss of loan re-payment upon property title transfer.

Recommendation:

IAD recommends that the DOD performs a reconciliation of all parcels that were sold to qualified buyers in the ARR program to confirm that they contain the correct Treasury Code. This will help to ensure that a correct listing of parcels with Summit County mortgages can be generated to be used for loan re-payment monitoring.

Management Action Plan:

Upon taking the mortgage to the recorders division an email is sent to the individual who places the 555 code on the property card. When the mortgage is picked up from the recorders division we will verify that the 555 code has been added and make the notation on the checklist that is addressed in issue 27. This additional step in our process is currently in place. This will be included in the Policies and Procedures Manual.

Please note that the Summit County Executives Department of Community and Economic Development does not have the ability to place the 555 code on the property card and must work with the Summit County Fiscal Office Recorders Division to identify property records. The 555 code is a convenience code for the coordination and tracking of mortgages for the Dept. of Community and Economic Development and is not a requirement of the Department of Housing and Urban Development. We will monitor the public recorders to confirm that the Fiscal Office has properly labeled real property that has received assistance through our programs and has an outstanding financial obligation.

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Owner Occupied Rehab

A Banner listing of transactions for owner occupied rehab for the period 1/1/09 through 8/26/10 was generated. All transactions were selected for detailed testing to confirm that the procedures followed for the commitment and use of HOME grant funds was in accordance with policies and procedures and HUD regulations.

Upon reviewing the Banner listing it was noted that there were seven properties in the Owner Occupied Rehab program. All seven properties were selected for detailed testing to confirm that proper procedures, as established by the DOD, and HUD regulations were followed, and that proper supporting documentation was maintained in the files as evidence of compliance.

IAD performed testing on all seven homes participating in the Owner Occupied Rehab program to determine if the Treasury Code on the respective property cards in PAWS was populated with the "555" code denoting that there was a mortgage with the county.

The following issues were noted during testing:

34. Issue:

Upon detail compliance testing of all seven properties that were participating in the Owner Occupied Rehab program of the HOME Grant, the following issues were noted:

- One of seven files did not contain a signed assistance approval notice,
- Two of seven files did not contain proof of homeowner insurance,
- Three of seven files did not contain evidence of an initial County property inspection,
- Two of fifteen contractors within the seven properties had no evidence that their selection was made by the homeowner,
- There was no contractor/homeowner agreements for one of fifteen rehab jobs within the seven properties,
- Eight of twenty four contractor payments were not approved by the homeowner,
- One of eight change orders was not approved by the homeowner,
- Four of fifteen contractor jobs within seven properties did not have a final county inspection prior to release of final payment,
- Lien releases were not obtained for two of fifteen contractor jobs within seven properties.

Without copies of these documents it is not clear whether county policies and procedures and HUD regulations were followed.

Recommendation:

IAD recommends that the above noted missing information be obtained and maintained in each respective property file. In addition, it is recommended that a checklist and procedure be developed so that all files consistently contain appropriate supporting documentation. This will help to ensure compliance with policies and procedures and HUD regulations.

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Action Taken Prior to the End of Fieldwork:

IAD met with the Community Development Coordinator and Loan Officer who provided documentation to clear two of three initial property inspection errors. The remaining errors still require correction.

Management Action Plan:

A checklist was created to ensure that all the proper documentation will be included in the files. By July 31, 2011, documents will be reviewed to verify that all forms have been created to comply with our procedures and HUD guidelines. These forms will also include proper signature lines for County, homeowner and contractor. This will be included in the Policies and Procedures Manual.

35. Issue:

Upon detail testing of the property cards for the seven properties that participated in the Owner Occupied Rehab program funding of the HOME grant, it was noted that the Treasury Code on the County property website (PAWS) did not contain the "555" code denoting a mortgage with the county for all seven properties. This code is a loan tracking mechanism that if incorrect could potentially lead to loss of loan re-payment.

Recommendation:

IAD recommends that the DOD perform a reconciliation of all parcels that participated in the Owner Occupied Rehab program funding of the HOME grant to confirm that they contain the correct Treasury Code. This will help to ensure that a correct listing of parcels with Summit County mortgages can be generated to be used for loan re-payment monitoring.

Management Action Plan:

Upon taking the mortgage to the recorders division an email is sent to the individual who places the 555 code on the property card. When the mortgage is picked up from the recorders division we will verify that the 555 code has been added and make the notation on the checklist that is addressed in issue 27. This process has already started. This will be included in the Policies and Procedures Manual.

Please note that the Summit County Executives Department of Community and Economic Development does not have the ability to place the 555 code on the property card and must work with the Summit County Fiscal Office Recorders Division to identify property records. The 555 code is a convenience code for the coordination and tracking of mortgages for the Dept. of Community and Economic Development and is not a requirement of the Department of Housing and Urban Development. We will monitor the public recorders to confirm that the Fiscal Office has properly labeled real property that has received assistance through our programs and has an outstanding financial obligation.

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Administrative Expenses

CFR 92.207 was obtained and reviewed to gain an understanding of the HUD regulations regarding administrative expenses. A table showing Ohio FY 09 allocations was obtained from the HUD website to determine the allocation amount for 2009.

The State uses IDIS software for processing expense reimbursement requests and for grant activity tracking. A 2009 and 2010 activity report was obtained from the Fiscal Officer 3 of the Department of Finance and Budget who is responsible for expense reimbursement requests. A Banner listing of transactions for administrative expenses were generated to determine if administrative expenses were allowable for the HOME grant. Salaries and fringes were traced and agreed to payroll records to verify that only the Community Development Coordinator wages were charged to the HOME grant. All expense categories were traced to CFR 92.207 to verify that they were allowable expenses.

No issues were noted during detailed testing.

c. HWAP Grant

The HWAP section of the DOD Policy and Procedures Manual and an additional HWAP Policy and Procedure Manual was reviewed to gain an understanding of the departmental policies and procedures in place. An administration interview was conducted with the HWAP/Rehab Administrator and the Director of DOD to gain a further understanding of HWAP grant administration. A flowchart of the work order, expenditure, and reimbursement process was generated.

The following documents were obtained and reviewed to gain an understanding of the terms and conditions of the HWAP grants:

- a. 2009-2011 Weatherization Grant Agreement,
- b. Weatherization Grant Amendment,
- c. Weatherization Management Plan,
- d. Weatherization State Plan,
- e. 2010 Housewarming Grant Agreement,
- f. Housewarming Grant Amendment,
- g. 2009-2010 Area Agency on Aging Grant Agreement,
- h. 2009-2010 Ohio Partners for Affordable Energy (“First Energy”) Grant Agreement,
- i. 2010-2011 Ohio Partners for Affordable Energy (“First Energy”) Grant Agreement,
- j. The State Home Weatherization Assistance Program Policy and Procedure Manual volume II.

IAD obtained and reviewed an audit report of the HWAP ARRA Weatherization programs dated 6-18-10 conducted by the Audit Office of the Ohio Department of Development (ODOD) to gain an understanding of any program issues as well as to identify possible areas of concern. IAD also obtained a HWAP ARRA Weatherization administrative review report dated 6-16-10 conducted by the Office of Community Services (OCS) to gain an understanding of procedural issues as well as to identify possible areas of concern. IAD noted that assurances were provided by the reports regarding several aspects including financial management as well as operations, procedures and compliance; therefore, IAD focused its testing on issues identified in the reports as well as areas not covered by the audit reports.

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IAD generated Banner expenditure reports for the following HWAP grants:

- a. Weatherization for the period of 1/1/09 to 8/25/2010,
- b. Agency on Aging for the period of 1/1/09 to 8/25/10,
- c. First Energy for the period 1/1/09 to 10/30/10,
- d. CDBG for the period 1/1/09 to 8/25/10.

IAD loaded the listing of Weatherization expenditures into ACL, filtered the report for transactions in the HWAP labor and material accounts occurring after the last date of field work of the ODOD audit (3/31/10), and summarized by document number for transactions in the HWAP labor and material accounts to obtain a listing of Weatherization jobs. A sample of twenty jobs was selected to test for compliance with grant terms.

A sample of one Area Agency on Aging job and fifteen First Energy jobs were selected to test for compliance with grant terms

CDBG HWAP expenditures were reviewed and noted that a small dollar amount had been expended for weatherization from CDBG and that IAD had reviewed a majority of CDBG funds during testing of the CDBG grant. During that review, it was noted that weatherization is an eligible CDBG rehabilitation activity per 24 CFR 570.202(a)(1) and 24 CFR 570.202(b)(4), therefore, IAD passed on further detailed testing.

IAD generated a listing of Housewarming jobs from the Broma work order database and randomly selected a sample of eleven jobs to test for compliance with program terms and conditions.

A Banner listing of all Weatherization equipment purchases was generated. All purchases greater than \$1,000 was selected to test for required prior ODOD approval of these purchases.

E-mails from the ODOD were obtained as verification that an extension was granted to address audit issues identified in DOD's administrative review. A spreadsheet was obtained from the Fiscal Officer 2 listing out the OCS review findings of incorrectly charged HWAP costs and the respective DOD corrections. The corresponding job folders were obtained to trace amounts to Banner journal entries to verify that the errors were corrected. IAD noted that the journal entries did not make all the necessary corrections, however, the HWAP-Rehab Administrator provided IAD with a letter from the OCS indicating that changes made were acceptable.

IAD generated a listing, utilizing the Broma work order database, of contractors who had performed weatherization work and judgmentally selected a sample of six contractors. Testing was performed to confirm that the contractors were in compliance with required insurance coverage, and that Davis-Bacon Act language was included in the agreements.

A Banner listing of cash draw downs was generated. A sample of three was randomly selected to trace and agree amounts from Banner to draw request sheets. An additional three draw request sheets were randomly selected to trace and agree the amounts to Banner.

IAD was informed by the Weatherization Specialist that there have been approximately 100 rejected applications for the ARRA Weatherization program. A sample of ten rejected HWAP applications was randomly selected and tested to verify that the proper documentation was maintained for ineligible applicants.

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IAD obtained and reviewed the process for reporting ARRA fund receipts and disbursements to determine how County ARRA receipt and expenditures are to be reported. A copy of the Auditor of State Stimulus Tracker Data listing reported amounts was obtained to verify that all receipts and disbursements as listed in Banner had been reported properly reported.

The following issues and recommendations were noted during detailed testing:

Recommendation:

Upon review of the denial of assistance letter, it was noted that the letter did not contain language regarding the appeals procedure; however, the Office of Community Services Administrative review indicated that this language was included in the letter. IAD recommends that language regarding the appeals procedure be added to the denial of assistance letter to ensure compliance with the State HWAP Policies and Procedures Manual Volume II C.1.

36. Issue:

During detailed testing of ineligible Weatherization applicant files to confirm existence of required documentation, IAD noted that one out of fifteen files did not contain a copy of the denial of assistance letter.

Recommendation:

IAD recommends that the DOD send and maintain a copy of a denial of assistance letter to all applicants deemed ineligible for the program. This will help to ensure compliance with HWAP policies and procedures.

Management Action Plan:

Effective 1/1/2011, an additional copy of the Appeal Procedure will be sent out with the denial letter. Copy of letter and addendum of appeals procedure will be attached to application. This will be included in the Policies and Procedures Manual.

37. Issue:

Upon review of HWAP weatherization files, IAD noted the following:

- a. Four of the twenty files reviewed did not contain a completed Mold Assessment form,
- b. Three of the twenty files reviewed did not contain an Energy Assistance Program application,
- c. Eleven of the twenty files reviewed did not contain a completed Homeowner/Authorized Agent Certification,
- d. Six of the twenty files did not contain a Certificate of Insulation.

Recommendation:

IAD recommends that a procedure be put into place to verify that all required documentation is maintained in HWAP client files. This will help to ensure that the DOD is in compliance with the ODOD Weatherization Assistance Program Policies and Procedures.

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Action taken prior to the end of field work:

DOD obtained two Certificates of Insulation prior to the end of field work.

Management Action Plan:

Effective 1/1/2011, folders are reviewed prior to filing of completed projects and will compare to a checklist to make sure all forms required are present. This will be included in the Policies and Procedures Manual.

38. Issue:

Upon review of the Auditor of State ARRA Stimulus Tracker web site and HWAP cash transactions per Banner, IAD noted that reported amounts did not agree with amounts per Banner.

Recommendation:

IAD recommends that a reconciliation process be implemented to help to ensure that amounts reported to the Auditor of State agree with actual amounts expended and received as required by the AOS.

Management Action Plan:

Tracker system shows expenses for a period of time without any Banner Corrections, effective 1/1/2011, prior to submitting Tracker Report a review by HWAP Fiscal person will eliminate any differences. This will be included in the Policies and Procedures Manual.

American Dream Down Payment Initiative (ADDI)

Upon review of a listing of DOD grants, IAD noted that in 2008 the DOD received annual funding of \$3,777 to provide assistance for down payments to low and moderate income individuals. IAD then contacted the Senior Administrator of the Department of Finance and Budget to confirm that no fund and organizational accounts existed for the ADDI and that no 2009 or 2010 ADDI activity was comingled with other DOD funds.

Because the grant ended in 2008 and there was no current activity, IAD passed on detailed testing of these funds.

Housing and Economic Recovery Act of 2008 funds

Neighborhood Stabilization Program (NSP)

IAD obtained and reviewed the Funding Approval and Grant Agreement for NSP Funds, and reviewed the following documents obtained from the U.S. Department of Housing and Urban Development (HUD) website:

- Neighborhood Stabilization Program Grants NSP1 Overview,
- Housing and Economic Recovery Act of 2008,

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- NSP1 Federal Register Notice, volume 73, 10/6/08,
- NSP1 Federal Register Bridge Notice, volume 74, 6/19/09,
- NSP Explanation of Property Types under Each Eligible Use, 12/3/09.

A grant administration interview was conducted with the Senior Administrator and the Community Development Coordinator to gain an understanding of the NSP grant. A flowchart was developed documenting the process.

NSP agreements between Summit County and the following non-profit organizations or municipalities were obtained and reviewed:

- Neighborhood Development Services (NDS),
- Nazareth Housing Development Corporation,
- Hattie Larlham Housing Corporation,
- Habitat for Humanity of Summit County,
- West Side Neighborhood Development Corporation,
- City of Barberton.

IAD confirmed that each agreement contained applicable signatures from each party and that they were located in the Executive Department of Law ExecScan database. The sub-recipient agreements were reviewed to confirm compliance with HERA, Federal Register Notice, and the grant agreement. In addition, it was verified that each of the awards granted to each sub-recipient was approved by the following:

- CDBG Review Committee – through review of the meeting minutes from 6/3/09 and 12/3/09,
- Board of Control and County Council – through review of Resolutions 2009-258 and 2009-504.

Banner and WebFocus activity reports were generated for the NSP fund 22020 for the period 1/1/09-6/30/10. IAD traced and agreed the amount of the grant awards per the grant agreements to the corresponding purchase orders in Banner to confirm that the correct amount of funds were encumbered for each non-profit organization or municipality. The dates of the earliest payments made under each project were tested against the date of the signed agreement to confirm that funds were not expended prior to the signature date of each respective agreement.

IAD randomly selected a sample of ten NSP expenditures from the WebFocus activity report and performed detailed expenditure testing. No issues were noted during testing.

IAD confirmed through observation that each property purchased as of July 7, 2010 under the NSP program has a promissory note and mortgage signed by the respective buyer. In addition it was confirmed that each property purchased under the NSP grant had the “555” Treasurer Code (SC Dept. of Dev. Loan) present in PAWS.

A 2009 NSP Application Evaluation matrix was obtained from the Land Development Administrator to confirm that all grant applicants are given a fair and equitable opportunity. A listing of the properties purchased under the NSP grant was obtained to confirm that the properties purchased with grant funds were located in an area of greatest need as well as in the respective sub-recipient’s assigned area.

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Sub-recipient agreements were tested against the Code of Federal Regulations 570.503, "Agreements with sub-recipients," to confirm that they contain all applicable requirements, terms and conditions. A DRGR (system used to report expenditures and request reimbursement from the State) draw down report was obtained from the Fiscal Officer 3. IAD traced and agreed each expense and draw down to the amount listed in Banner.

IAD randomly selected NSP agreements with the City of Barberton, Nazareth Housing Development, and Neighborhood Development Services (NDS) to perform detailed testing of the Benchmarking and Insurance compliance.

Testing of sub-recipient files was performed to verify that each sub-recipient had a completed application on file, and that evidence of historic property review was obtained for each property.

The following issues were noted during testing:

39. Issue:

Upon review of the Department of Community and Economic Development website, IAD was unable to locate a copy of the NSP Grantee Submission, as required by the grant agreement as follows: "The Grantee shall at all times maintain an up-to-date copy of its Grantee Submission, including all amendments approved by HUD, on its Internet website."

Recommendation:

IAD recommends that the DOD contact the Executive Communications Department in order to place a copy of the NSP Grantee Submission on its website. Additionally, IAD recommends that the DOD routinely confirm that the submission remains on the website for the duration of the grant. This will help to ensure compliance with the NSP Grant Agreement.

Action Taken Prior to the End of Fieldwork:

IAD confirmed that the NSP Grantee Submission was located on the DOD website @ <http://www.co.summit.oh.us/executive/nsp.htm>.

40. Issue:

Upon review of the NSP agreements between Summit County and the sub-recipients, IAD noted that it allowed five years for sub-recipient services to be performed, however, the Funding Approval and Grant Agreement between Summit County and HUD states that the Grantee shall have four years from the date of HUD's execution of this Grant Agreement to expend the NSP Grant amount.

Recommendation:

IAD recommends that the DOD revise the agreements with the sub-recipients to accurately state the allowed time frame to expend the money, per the grant agreement. Additionally, IAD recommends that the DOD obtain signed copies of the revised agreement with each respective sub-recipient. This will help to ensure compliance with the grant agreement.

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Management Action Plan:

All development agreements have been amended to reflect the correct program end date. All progress reports indicate satisfactory progress to meet program requirements before program end date.

41. Issue:

During testing of seven initial grant expenditures, IAD noted a request for payment that was approved by DOD prior to receiving a signed grant agreement.

Recommendation:

IAD recommends that the DOD review dates on all requests for payment and compare them to the date on the respective agreement. Additionally, IAD recommends that no request for payment be approved or paid prior to obtaining a signed grant agreement. This will help to ensure that all requests for payment are supported by an executed contract prior to the expenditure of grant funds.

Management Action Plan:

The Summit County Department of Community and Economic Development was working to complete a project involving the City of Barberton, Akron Metropolitan Housing Authority and Neighborhood Development Services to assist in the acquisition of a property in the foreclosure process and preserve the property as affordable units. The details of the acquisition were finalized in early December 2009. In order to work around the Fiscal Office Accounting Year End wrap up, it was necessary to request as soon as the final agreement was prepared in order to receive the check before the end of the year cutoff. The check was not prepared until December 21 after the contract had been fully executed. The closing on the property and the recording of the corresponding mortgage occurred on December 22, 2009. In no case would program funds be provided for any purpose without a signed agreement. This was an anomaly related to the foreclosure process and the necessary year end closeout period experienced in December each year.

Requests for payment will be made only after agreements have been executed.

Lead Hazard Reduction Demonstration Grant

Upon review of the Lead Hazard Reduction Demonstration Grant, entered into on 4/13/10 with the City of Akron, IAD noted that the County was the sub-recipient of grant funds. The grant was awarded in the amount of \$115,000. IAD reviewed Banner for grant activity and noted that there was one expenditure for \$795.00. Upon discussion with the Community Development Coordinator the expenditure was for a lead based training class for the department. Additionally, it was confirmed that no other expenditures have been incurred nor have any qualified applicants applied for grant funds, therefore, IAD passes on further review.

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Home Weatherization Assistance Program (HWAP)

IAD met with the HWAP-Rehab Administrator to gain an understanding of the HWAP program and its administration. In addition, IAD met with the Fiscal Officer 2 to gain an understanding of the HWAP expenditure process.

The Summit County Weatherization Policy Manual was reviewed to gain an understanding of the processes followed by the Home Weatherization Administrator. Flowcharts for the HWAP Applicant Process and HWAP Contractor Process were created based upon the process set forth in the manual.

Detailed compliance testing of the following procedures was performed:

- Mandatory Contractor Meetings,
- Permitting,
- Bidding,
- Rotational listing.

Mandatory Contractors Meeting

The letter that was sent to contractors informing them of the mandatory contractor meeting for the new HWAP program year (4/1/09 to 3/31/11) was obtained and reviewed. IAD also reviewed a listing of contractors that the letter was sent to, and a sign-in sheet specifying the contractors that were present at the meeting.

The Summit County Weatherization Policy Manual was reviewed to confirm that the mandatory contractor meeting requirements were included.

Permitting

A 2006 Residential Code of Ohio listing of work that is exempted from the requirement of obtaining a permit was obtained and reviewed. Per the Building Standards Residential Plans Examiner all other work performed requires a permit to be obtained.

A Summit County Department of Building Standards Jurisdictional Chart was obtained and reviewed to gain an understanding of the communities that the Building Standards Department has jurisdiction over (e.g., plumbing, electrical, mechanical, etc.).

Contractor Permit History printouts were obtained from the Building Standards BS&A software and reviewed to gain an understanding of all of the permits pulled by each contractor. A listing of all HWAP jobs completed or in progress for the time period 8/20/09 through 8/11/10 was obtained and reviewed to gain an understanding of the jobs completed by each respective contractor in the HWAP program. The listing was sorted by contractor name and then by job number. IAD randomly selected forty-two jobs for detailed testing to ensure that a permit was pulled for each respective job. Due to the number of errors, IAD expanded testing. A summary analysis sheet of the detailed testing was created.

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Bidding

A listing of all HWAP jobs completed or in progress for the time period 8/20/09 through 8/11/10 was obtained and reviewed to gain an understanding of the jobs completed by each respective contractor in the HWAP program. IAD then filtered the listing to include only jobs completed by both electrical and roofing contractors as these are the only jobs typically bid. IAD randomly selected thirteen jobs to test to the contractors followed proper bidding procedures.

Rotational Listing

The following rotational lists utilized by the HWAP-Rehab Administrator in assigning contractors was obtained and reviewed to determine if an equitable distribution of work was being offered to all contractors within each respective field of work:

- Plumbing,
- Heating,
- Electric,
- Insulating.

A summary sheet of the jobs offered to each contractor was created. IAD randomly selected three separate contractors from the rotational lists of jobs assigned and tested the accuracy of the rotational listing to determine if the contractor per the list was the contractor that completed the work assigned. Additionally, IAD tested to determine if there were jobs completed by the contractor that were not included on the rotational listing.

A listing of all HWAP jobs completed for the time period 8/20/09 through 8/11/10 was obtained and reviewed to gain an understanding of the jobs completed by each contractor in the HWAP program. IAD filtered the listing to determine how many jobs were completed by each contractor within the respective time period and performed analysis on such. Additional analysis was performed on the Akron Metropolitan Housing Authority project on Doty Drive of individual work orders completed by contractor, the number of jobs completed, payment amount, and average payment amount.

The following issues were noted during detailed testing:

42. Issue:

Upon detailed testing of completed HWAP work that required a permit, IAD noted twenty seven out of sixty six instances where a permit was not obtained by the homeowner or agent (e.g., contractor). IAD notes that it is the responsibility of the DOD to confirm that a permit has been obtained prior to the start of a project. Additionally, the cost of obtaining the applicable permits ranges from \$50-\$100, which is a revenue source for the County.

Recommendation:

IAD recommends that the DOD implement a process to confirm that the respective permit has been obtained prior to start of HWAP work. This will help to ensure that work has been completed up to code as well as ensure that the Building Standards Department is collecting the appropriate revenues.

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Management Action Plan:

Effective 1/1/2011, HWAP will review permit process and verify through Buildings Standards Software that a permit has been obtained and status. This will be included in the Policies and Procedures Manual.

43. Issue:

There are several instances where there is no documentation indicating why a contractor was not utilized on a particular contract to ensure the equitable distribution of work.

Recommendation:

IAD recommends that the DOD include supporting documentation as to why a contractor was not selected for a particular project. This will help to ensure that proper documentation is maintained for contractor selection.

Management Action Plan:

Effective January 3, 2011, more detailed information tracking will be part of spreadsheet to track contractor Rotation for jobs including reason a contractor has declined the job and a confirming document from the contractor will be obtained.

44. Issue:

There is no advertising in the local newspaper indicating when County contractor meetings will be held for interested parties to attend, which limits the opportunity for all interested contractors to participate in the program.

Recommendation:

IAD recommends that the County advertise all contractor meetings in the local newspaper. This will help to ensure that sufficient effort has been made in order to provide local contractors with the opportunity to attend the meetings.

Management Action Plan:

At beginning of grant year, there will be a contractor open enrollment with local advertising in newspapers for contractors meeting Grant Requirements. For interested contractors who do not meet the Grant Guidelines they will be provided information where to obtain necessary certifications.

45. Issue:

The rotational list for set pricing jobs was not consistently utilized to ensure the equitable distribution of work for the selection of insulating contractors. Furthermore, upon comparison of the work assigned to a specific contractor per the rotation listing to the actual jobs performed, IAD noted the following exceptions:

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- d. Seven out of one hundred and seventy instances where the job was not completed by the contractor assigned per the rotational listing and no explanation was documented,
- e. Thirteen out of one hundred and ninety instances where the job completed was not included on the rotational listing.

Recommendation:

IAD recommends that the DOD implement a process to document jobs offered to each respective contractor and provide explanations if the contractor is unable to accept the offered work. This will help to ensure that all work is offered in a fair and equitable manner.

Management Action Plan:

Effective 1/1/2011, the job folder will contain documentation if a contractor was unable to start or complete a job which is then assigned to another contractor. This will be included in the Policies and Procedures Manual.

46. Issue:

Upon discussion with the Fiscal Officer 2, IAD noted an improper segregation of duties in the purchasing process as a single employee is responsible for the ordering and receiving of HWAP office supplies.

Recommendation:

IAD recommends that the DOD reassign job functions in the HWAP office supply procurement process so that a single employee is not responsible for both the ordering and receiving of office supplies. This will help to prevent the misappropriation of County resources as well as to ensure that a proper segregation of duties exists.

Management Action Plan:

Effective 1/1/2011, the person who placed the supply order will not receive it; it will be received by the Rehab/HWAP Administrator or the Executive Assistant to the Department of Development. This will be included in the Policies and Procedures Manual.

III. Security:

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