

**Summit County Fiscal Office
Auditor Division;
Financial Reporting Department
Preliminary Audit Report**

09-Finance.Fiscal.CAFR-62

**PREPARED FOR:
John A. Donofrio
Audit Committee**

**Approved by Audit Committee
December 11, 2009**

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

*Bernard F. Zaucha, Director
Lisa L. Skapura, Assistant Director
Mira Pozna, Deputy Director
Anthony Boston, Staff Auditor
Meredith Merry, Staff Auditor
Ben Franjesevic, Staff Auditor*

**Summit County Fiscal Office
Auditor Division; Financial Reporting Department
Preliminary Audit Report
Table of Contents**

I.	General Background.....	3
II.	Objectives.....	3
III.	Scope.....	4
IV.	Detailed Comments.....	5-7

**Summit County Fiscal Office
Auditor Division; Financial Reporting Department
Preliminary Audit Report
Background**

General Background

Each year the Fiscal Officer's Auditor Division must prepare and submit a Comprehensive Annual Financial Report (CAFR) to the Government Finance Officers Association of America. This report provides a full and complete disclosure of the financial position and operations of the county for the year ended December 31. Preparation of this annual report represents a continuing commitment to improve the financial management of the county.

Over the past 19 years, the Summit County Auditor's/Fiscal Office has been awarded a Certificate of Achievement for Excellence in Financial Reporting by GFOA.

AUDIT OBJECTIVES AND METHODOLOGY

The primary focus of this review was to provide the Summit County Fiscal Office Auditor Division; Financial Reporting Department (CAFR Department) with reasonable assurance, based on the testing performed, on the adequacy of the system of management control in effect for the audit areas tested for the year ended December 31, 2008 and the seven months ended July 2009, unless otherwise specified in the individual test area. 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 CAFR Department.

Our review was conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States and accordingly included such tests of records and other auditing procedures as we considered necessary under the circumstances. Our procedures include interviewing staff, reviewing procedures and other information and testing internal controls as needed to assess compliance with policies and procedures.

Based on the results of our review, we prepared specific issues and recommendations for improvement that were discussed with management. These recommendations, as well as management's unaltered written response, can be found in the following sections of this report.

Specific Objectives:

1. To obtain and review the current policies and procedures.
2. To review the internal control structure through employee interviews and observation.
3. To perform a general overview of the physical environment and security of the facilities, data, records and departmental personnel.

Source: www.co.summit.oh.us/fiscaloffice/index.htm

**Summit County Fiscal Office
Auditor Division; Financial Reporting Department
Preliminary Audit Report
Detailed Comments**

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 SECURITY

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

**Summit County Fiscal Office
Auditor Division; Financial Reporting Department
Preliminary Audit Report
Detailed Comments**

Interviews:

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

- a. Deputy Fiscal Officer, Finance
- b. Director of Administration
- c. Support Service Administrator

No issues were noted.

I. Policies & Procedures Review:

IAD submitted a documents request list to the CAFR department, which included a request for any departmental procedure manuals. IAD received no departmental manual and upon further inquiry, IAD was informed that the GFOA Blue Book (Governmental Accounting, Auditing, and Financial Reporting), is the departmental manual.

The following issue was noted:

1. Issue:

The CAFR Department does not have a formal written policy and procedure in place for the process of entering ARRA (American Recovery and Reinvestment Act) information in the AOS (Auditor of State) Stimulus Tracker, on behalf of county offices.

Recommendation

IAD recommends that the CAFR Department develop a formal written policy and procedure for the process of entering ARRA information into the AOS Stimulus Tracker. This will help to ensure that written procedures are in place to achieve departmental goals as well as to help ensure that they are performed consistently.

Corrective Action Prior to the End of Fieldwork:

On 8/3/09, IAD was provided with a written policy and procedure for "Reporting ARRA Stimulus Funds", effective 8/3/09, by the Deputy Fiscal Officer of Finance. IAD notes that the policy and procedure outlines the purpose, criteria, and proper contacts with regard to entering ARRA funds into the AOS Stimulus Tracker.

**Summit County Fiscal Office
Auditor Division; Financial Reporting Department
Preliminary Audit Report
Detailed Comments**

II. Internal Control Testing:

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

- Expenditures
- ARRA Funds tracking
- Personnel files

EXPENDITURES

IAD obtained and reviewed the following documents to gain an understanding of the purchasing and expenditure functions within the Fiscal Office:

- a. Fiscal Office Personnel Policy and Procedures Manual
- b. Fiscal Office Purchasing Department Operations Manual

IAD obtained and reviewed Ohio Revised Code (O.R.C.) § 5705.41(D) (2), to gain an understanding of the requirements for the appropriation of money (<http://codes.ohio.gov/O.R.C./5705.41>). Additionally obtained and reviewed was Summit County Codified Ordinance § 177.23, "Purchases not Exceeding \$1,000," to gain an understanding of any instances where a purchase order would not be needed.

IAD noted during the Fiscal Office Recorder Division Preliminary Audit that the Fiscal Office purchasing function is centralized and that the Fiscal Office Purchasing Agent makes purchases for all Fiscal Office Divisions and Departments. The Deputy Fiscal Officer of Finance was contacted to confirm that the expenditure process flowcharts, approved by the Fiscal Officer Chief of Staff, on 4/23/09 reflect the current processes. IAD reviewed the expenditure process flowcharts.

IAD contacted the Deputy Fiscal Officer, Finance and was informed that all CAFR department expenditures are co-mingled with other Fiscal Office departments/divisions and that total appropriations are shared by all with no specific funds set aside for each department. Therefore, IAD was not able to run a Banner report for expenditures specific to the CAFR Department.

Per discussions with Fiscal Office Purchasing Agent and the Director of Administration, IAD noted that the CAFR Department's responsibilities, with regard to purchasing, are limited to submitting the requisition form and receipting the goods and services. IAD recognizes that they are not responsible for requisitions/approval in Banner, placing the order, obtaining the purchase order, or approving the invoice(s) for payment. Therefore, IAD limited the testing to the requisition form signatures on behalf of the CAFR Department. Per the Purchasing Agent, there are only five vendors utilized by the CAFR Department. IAD reviewed all 2008 and 2009 requisitions for those vendors to locate CAFR Department requisition forms, and tested for proper approval.

No issues were noted during testing.

**Summit County Fiscal Office
Auditor Division; Financial Reporting Department
Preliminary Audit Report
Detailed Comments**

ARRA FUNDS TRACKING

On 6/25/09, IAD attended a training session on the reporting of the American Recovery and Reinvestment Act (ARRA) stimulus money conducted by the Fiscal Office. Obtained and reviewed was documentation on how to claim wires, and Bulletin 2009-007, published by Mary Taylor, Auditor of State, to gain an understanding of ARRA reporting requirements. IAD met with the Director of Administration and performed a walkthrough of the ARRA reporting process.

One issue noted is addressed in Issue 1.

PERSONNEL FILES

IAD obtained and reviewed the Fiscal Office Personnel Policies and Procedures to gain an understanding of the policies and procedures for personnel files that are followed by the CAFR Department. IAD obtained and reviewed the Personnel Files interview conducted with the, Personnel Administrator 1, on 3/12/09 during the Fiscal Office Recorder Division Preliminary Audit, to gain a further understanding of procedures followed regarding personnel files. Because the Fiscal Office has a centralized personnel function, and processes and procedures are similar for all Fiscal Office Divisions/Departments, the only forms relating to personnel files that the CAFR Department is responsible for are departmental policy and procedure sign offs. However, since there are no formal written policies and procedures for the CAFR Department, regarding the day-to-day functions/operations, IAD passed on further testing (see section E1 for P&P issue).

One issue noted is addressed in Issue 1.

III. Security:

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