

Summit County Engineer's Office

1st Audit Follow-up General Report

Prepared For:

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Audit Committee**

**Approved by Audit Committee
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Summit County
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Auditors:

Lisa Skapura, Director; Meredith Merry, Assistant Director; Jon Keenan, Auditor II and Brandon Schmidt, Auditor I

Objectives and Methodology:

To determine if management has implemented their management action plans as stated in the previously issued Performance Audit General Report.

Follow-up audits are not required to be conducted under GAO Yellow Book Standards. Due to the nature of this engagement (e.g., following up on issues noted in the prior audit reports with limited planning/assessment of risk and no new issues identified), this audit follow-up was not conducted in accordance with generally accepted government auditing standards.

Scope:

An overview and evaluation of policies, processes, and procedures implemented by the department/agency because of management actions stated in the management action plans during the prior audit process.

Testing Procedures:

The following were the major audit steps performed:

1. Review the prior audit final reports to gain an understanding of IAD issues, recommendations, and subsequent management action plans completed by the audited department/agency.
2. Review the work papers from the prior audit.
3. Review any departmental/agency response documentation provided to IAD with management action plan responses following the prior audit.
4. Identify management actions through discussions/interviews with appropriate departmental personnel to gain an understanding of the updates/actions taken.
5. Review applicable support to evaluate management actions.
6. Determine implementation status of management action plans.
7. Complete the audit follow-up report noting the status of previously noted management actions.

Summary:

Of the twenty-eight (28) issues and the corresponding management action plans noted in the prior audit report which required follow-up action, the Engineer's Office fully implemented fifteen (15), partially implemented six (6) and did not implement five (5) management action plans. Two (2) issues/management action plans were no longer applicable.

Based on the above-noted information, IAD believes the Engineer's Office has made some progress towards the implementation of their corrective management action plans; however, additional work is needed to fully implement the management action plan as stated in response to the issues identified during the performance general audit. Internal Audit will conduct another follow-up audit to confirm implementation.

Summit County
Engineer's Office
Audit Follow-up General Report

Listed below is a summary of the issues noted in the audit follow-up report and their status. Each issue number is in reference to the previously-issued audit report:

MANAGEMENT ACTION PLANS NOT APPLICABLE:

Issue 14 - Upon discussion with the Design Engineer II and review of the construction bid advertisement, IAD was unable to verify that construction bids were read publicly in accordance with Summit County Council Resolution No. 2013-038.

Upon review of Executive Order 13-340, the contract procurement process has been centralized and bid advertisement is now the responsibility of the Summit County Purchasing Department

Issue 16 - Upon discussion with the Design Engineer II, it was noted that the Engineer's Office utilizes a point system for awarding professional services contracts. However, upon review of the professional service agreement proposals, IAD was unable to verify use of the point system for contractor selection in one (1) of four (4) instances.

Upon review of Executive Order 13-340, the professional service contract procurement process has been centralized in the Summit County Purchasing Department. The Purchasing Department is responsible for documenting support for the vendor selected.

MANAGEMENT ACTION PLANS FULLY IMPLEMENTED

Issue 1 - Upon review of the Engineer's policies and procedures for completeness and accuracy, IAD noted the following:

- Engineering Department Manual
 - Manual has not been updated within the last two years,
 - Employee names are noted, instead of job titles,
 - Manual has not been formally approved by management.
- Administration Department Manual
 - Entire manual has not been updated in the last two years (partially updated sections include vehicle usage, budget and finance, and personnel sections),
 - Employee names are noted, instead of job titles,
 - Manual has not been formally approved by management.
- Maintenance Department Manual
 - Manual does not list effective dates for policies,
 - Manual has not been updated within the last two years,
 - Employee names are noted, instead of job titles,
 - Manual has not been formally approved by management.
- Government Affairs Department Manual
 - Manual has not been updated within the last two years,
 - Employee names are noted, instead of job titles,
 - Manual has not been formally approved by management.

Upon review of the Engineer's policies and procedures, IAD noted all manuals have been updated in the last two years, employee's job titles are noted instead of names, manuals list effective dates for policies and the manual has been formally approved by management.

Issue 3 - Upon review of the Records Retention Schedule (RC-2) for the Engineer's Office, IAD noted that the following records were not included:

Summit County
Engineer's Office
Audit Follow-up General Report

- Cash Receipt Excel Document,
- Engineer's Office Deposit Slips,
- Fiscal Office Pay-In Sheets.

Upon review of the Engineer's RC-2, IAD noted that all records were included.

Issue 5 - Upon review of permissive license tax municipal and county allocations, IAD noted that the amounts allocated on the allocation spreadsheets did not agree to the amounts deposited in Banner. The variances were immaterial and were due to the calculation of the Fiscal and Engineer Office's administrative fee.

Upon review of permissive license tax municipal and county allocations, IAD noted that the amounts allocated on the allocation spreadsheets agreed to the amounts deposited in Banner.

Issue 6 - Upon reconciliation of the permissive license tax allocation spreadsheets to the municipal allocation tracking spreadsheets for the period 10/1/12 through 9/30/13, IAD noted four (4) out of two hundred sixty-four (264) instances where the municipalities account was overstated due to data entry errors.

Upon reconciliation of the permissive license tax allocation spreadsheet to the municipal allocation tracking spreadsheet, no errors were noted.

Issue 9 - Upon testing of banner approval queues, IAD noted three (3) Engineer's Office employees with the ability to enter and approve requisitions. Additionally, upon detail testing of purchase order requisition approvals in Banner, IAD noted sixteen (16) out of fifty-nine (59) instances where the same individual entered and approved the purchase order requisition.

Upon review of purchase order requisitions, IAD noted proper segregation of duties.

Issue 10 - Upon discussion with Engineer's Office personnel and review of the process flow chart, IAD noted several employees responsible for ordering and receiving supplies within the department, creating an improper segregation of duties.

Upon discussion and review of the Engineer's Office policies and procedures, IAD noted that separate employees are designated for the ordering and receiving functions.

Issue 12 - Upon review of payroll approval and sign-off in Kronos, IAD noted sixty (60) out of ninety (90) instances with improper approval (e.g., employee approving their own time and the same employee approving and signing off with no additional review by a supervisor).

Upon review of payroll approval and sign-off in Kronos, IAD noted proper approval.

Issue 17 - Upon review of the Contract Log, Open Contracts and the DocRecords contract list, IAD noted three (3) contracts and four (4) change orders not maintained on the Engineer's contract logs.

Upon review of the Contract Log, Open Contracts and DocRecords, IAD noted no discrepancies.

Issue 18 - Upon review of professional licensures, IAD noted that the Chief Deputy Engineer does not have a professional surveyor's license, as required by the job description.

Upon review of Chief Deputy Engineer's updated job description, IAD noted that the professional surveyor's license is no longer a requirement of the position.

Summit County
Engineer's Office
Audit Follow-up General Report

Issue 19 - Upon discussion with the Personnel Administrator, IAD noted that the Engineer's Office does not maintain a checklist of required personnel file documents.

Upon review employee personnel files, IAD noted a checklist of required personnel file documents is utilized.

Issue 21 - Upon detail testing of ODOT grants, IAD noted the following, in accordance with the grant agreements:

- One (1) out of three (3) instances where the grant project was not advertised for three (3) consecutive weeks,
- One (1) out of three (3) instances where the Engineer's Office did not submit award approval documentation to ODOT within 45 days of award.

Upon review of Executive Order 13-340, the contract procurement process has been centralized and bid advertisement is now the responsibility of the Summit County Purchasing Department.

Upon review of ODOT grants, IAD noted that award approval documentation was submitted to ODOT within 45 days of award.

Issue 22 - Upon discussion with Engineer's Office personnel, it was noted that no one is responsible for updating asset information in HighPoint when discrepancies are found during the year. Updates are only made at year end.

Upon discussion with the Director of Administration and review of the inventory change log, IAD noted the Director of Administration is responsible for updating asset information in HighPoint when discrepancies are found during the year.

Issue 23 - Upon discussion with Engineer's Office personnel and while performing detail testing, IAD noted non-assets (e.g., roads and bridges) included in the HighPoint Inventory system. .

Upon review of HighPoint Inventory System, IAD noted that non-assets were removed from the Inventory System.

Issue 25 - Upon review of assets marked disposed in HighPoint, IAD noted twelve (12) instances with no disposal date listed in HighPoint.

Upon review of the HighPoint Fixed Asset Inventory, IAD noted that a disposal date field was created and disposal dates were recorded.

Issue 28 - During detail asset testing of the Stock Room, IAD noted the following discrepancies:

- Two (2) out of twelve (12) instances where the inventory maintained in the HighPoint system did not agree to the amount of inventory located in the Stock Room.
- Seven (7) out of fifteen (15) instances where the inventory maintained in the stock room did not agree to the amount of inventory entered into the HighPoint system.

Upon review Stock Room asset inventory and HighPoint, IAD noted no discrepancies.

MANAGEMENT ACTION PLANS PARTIALLY IMPLEMENTED:

Issue 2 - Upon review of the Engineer's policies and procedures, no written or insufficient policies and procedures were noted for the following areas:

- Construction Contract Bidding
- Contract Administration

Summit County
Engineer's Office
Audit Follow-up General Report

- Flex time for payroll
- Related Employees
- Cash Receipts-Shortage/Overage
- Grants Administration
- Scrap Metal Process
- Service Contracts Procedures (billing, Executive's Office portion, etc.)
- Outstanding Invoices/Aging of Accounts Receivable
- Prevailing Wage Contract Compliance Reviews
- Annual performance evaluation for Unclassified (CD) Employees
- Part Asset Inventory
- Disposal of Assets
- Public Service Requests (RFS system)
- Bridge Inspections
- Out of Class Payment Process (Supervisor's Daily Report)
- Payroll approval process
- Change order approval process
- Public Service Director Requisition Approval Process
- Fee determination process for plan charges

Upon review of the Engineer's policies and procedures, IAD noted that policies have not been created for the following processes:

- *Flex Time for Payroll*
- *Annual Performance Evaluation for Unclassified (CD) Employees*
- *Outstanding Invoices/Aging of Accounts Receivable*
- *Out of Class Payment Processing – Supervisor's Report*
- *Fee Determination Process for Plan Charges*

Issue 7 - Upon discussion with the Fiscal Officer 2, IAD noted that the Fiscal Officer 2 will occasionally act as the back-up for the Receptionist II which would allow the employee to prepare invoices, collect cash, and prepare deposits, creating an improper segregation of duties.

Upon review of the updated Cash Receipts/Deposits policy and procedure, IAD noted that a mitigating control was added that requires a supervising employee verify the deposit and initial the deposit ticket; however, the policy has not been implemented.

Issue 11 - Upon review of Engineer's Office expenditures, IAD noted the following:

- Thirty-five (35) out of one-hundred and nineteen (119) instances where the invoice date was prior to the PO date.
- Fifteen (15) out of one-hundred and nineteen (119) instances where a prior year purchase order was used for payment.

Upon review of the Engineer's Office expenditures, IAD noted immaterial instances where a prior year purchase order was used. Additionally, IAD noted twenty-four (24) out of eighty-seven (87) instances where the invoice date was prior to the PO date. IAD could not verify that these purchases were made due to an emergency.

Issue 15 - Upon review of the prevailing wage files, IAD noted the following:

Summit County
Engineer's Office
Audit Follow-up General Report

- One (1) out of four (4) instances where Contract Labor Compliance Reviews were not completed in accordance with procedures documented in the narrative.
- Four (4) out of four (4) instances where the contractor payroll dates were not obtained, in accordance with ORC §4115.071.

Upon review of the Engineer's Office open contracts, IAD noted the Contract Labor Compliance Reviews were completed when applicable; however, per discussion with the Design Engineer II, contractor payroll dates were not obtained in accordance with ORC §4115.071.

Issue 20 - Upon detail testing of OPWC grants, IAD noted the following, in accordance with the grant agreements:

- Three (3) out of three (3) instances where construction did not begin within 30 days of the scheduled date and an extension was not requested,
- Nine (9) out of nine (9) instances where IAD was unable to determine if the Project Manager invoice certification occurred within three (3) business days of receipt,
- Five (5) out of nine (9) instances where IAD was unable to determine if the Chief Fiscal Officer approved invoices within five (5) business days of receipt,
- One (1) out of three (3) instances where the grant agreement was not fully executed.

Upon review of OPWC grants, IAD noted that construction began within 30 days of the scheduled start date and the grant agreements were fully executed; however, IAD noted that two (2) out of three (3) invoices were not certified by the Project Manager within three (3) business days and one (1) out of three (3) invoices were not certified by the Chief Financial Officer within five (5) business days.

Issue 26 - During detail testing of the disposed inventory, IAD noted seven (7) out of seven (7) instances where a receipt was not obtained prior to disposal of the asset. Additionally, IAD noted one (1) out of seven (7) instances where an Executive Order was not obtained for the disposal of an asset, in accordance with Codified Ordinance 177.18.

Upon review disposed assets, IAD noted one (1) immaterial instance where a receipt was not obtained; however, IAD noted two (2) out of twelve (12) instances where an Executive Order was not obtained prior to asset disposal.

MANAGEMENT ACTION PLANS NOT IMPLEMENTED:

Issue 4 - Upon review of the Engineer's Office pay-ins, IAD noted sixteen (16) out of twenty (20) instances where cash receipts were not deposited timely in accordance with ORC §9.38.

Upon review of the Engineer's Office pay-ins, IAD noted three (3) out of seven (7) instances where cash receipts were not deposited timely in accordance with ORC §9.38.

Issue 8 - Upon review of the accounts receivable collection process, and through detail testing, IAD noted the following:

- Four (4) out of six (6) instances where a first notice letter was not sent out for an outstanding invoice.
- Six (6) out of six (6) instances where a second notice letter was not sent out for an outstanding invoice.
- Two (2) out of two (2) instances where an outstanding invoice was not sent to the Prosecutor's Office for invoice collection.

Upon discussion with the Director of Administration, IAD noted that the Engineer's Office is going to create an accounts receivable electronic notification process in the HighPoint system. The process has not been created or implemented.

Summit County
Engineer's Office
Audit Follow-up General Report

Issue 13 - Upon review of the supervisor's daily reports, IAD noted eight (8) out of twenty-four (24) instances where the report was not signed off by a supervisor in accordance with an interview conducted with Personnel Admin 1.

Upon review of the supervisor's daily reports, IAD noted four (4) out of twenty (20) instances where the supervisor's report was not signed by a supervisor.

Issue 24 - Upon review of Engineer's Office asset inventory, IAD noted eight (8) out of fourteen (14) instances where the asset listed in HighPoint was unable to be located at the Engineer's Office.

Upon discussion with the Director of Administration, IAD noted that the Engineer's Office asset inventory has not been updated in HighPoint.

Issue 27 - Upon reconciliation of Executive Orders for disposed assets to HighPoint, IAD noted forty-three (43) out of forty-nine (49) assets not marked as disposed in HighPoint.

Upon reconciliation of Executive Orders for disposed assets to HighPoint, IAD noted twenty (20) out of twenty-nine (29) assets that were not marked as disposed in HighPoint.