

Summit County Engineer's Office

2nd Audit Follow-up General Report

Prepared for:

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Audit Committee**

**Approved by Audit Committee
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Auditors:

Lisa Skapura, Director; Meredith Merry, Assistant Director; Jon Keenan, Auditor 3; Brandon Schmidt and Mario Warren, Auditor 1.

Objectives and Methodology:

To determine if management has implemented their management action plans as stated in the previously issued audit reports.

Audit follow-ups 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 eleven (11) remaining issues and the corresponding management action plans noted in the first audit follow-up report which required follow-up action, five (5) were fully implemented, three (3) was partially implemented and three (3) were not implemented.

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.

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Listed below is a summary of the issues and their status. Each issue number is in reference to the Preliminary Audit Report:

Items Not Requiring Follow-up:

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.

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.

Previously 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.

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:

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

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.

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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.

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.

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.

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).

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.

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.

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.

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.

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.

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.

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

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.

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Items Requiring Follow-up:

MANAGEMENT ACTION PLANS FULLY 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 Engineer's Office pay-ins, IAD noted no issues.

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 detail testing of cash receipts, IAD noted proper segregation of duties.

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 no issues.

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

- 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 prevailing wage files, IAD noted no issues.

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 review of the Engineer's Office asset inventory, IAD noted no issues.

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
- 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

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- 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:

- *Outstanding Invoices/Aging of Accounts Receivable*
- *Fee Determination Process for Plan Changes*

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 seventeen (17) out of thirty-eight (38) instances where the invoice date was prior to the PO date. IAD could not verify that these purchases were made due to an emergency.

Upon discussion with the Engineer's Office personnel, IAD noted the Engineer's Office recently joined the County Procurement Card (P-card) program which can reduce the number of instances where an invoice is created prior to a purchase order being issued.

Issue 20 - Upon detail testing of Ohio Public Works Commission (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 invoices were certified by the Project Manager within three (3) business days; however, IAD noted two (2) out of four (4) invoices where the Chief Financial Officer did not certify the invoices within five (5) business days.

MANAGEMENT ACTION PLANS NOT IMPLEMENTED

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.

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- 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 did not create an accounts receivable electronic notification process in the HighPoint system. In addition, upon detail testing, IAD noted one (1) out of one (1) instance where a first and second notice was not sent in accordance with the Engineer's accounts receivable policy.

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 detail testing of disposed assets, IAD noted seven (7) out of seventeen (17) instances where an Executive Order was not obtained prior to asset disposal.

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 fifty-eight (58) out of sixty-eight (68) assets that were not marked as disposed in HighPoint.