

**Summit County
Internal Audit Department (IAD)**

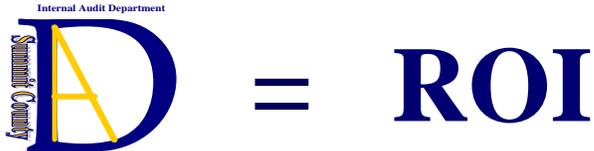
Fiscal Year 2007 Annual Report

*Promoting Accountability, Efficiency, and
Effectiveness in Summit County Government*

**Bernard F. Zaucha, CPA, CIA, MBA, CICA
Director, Summit County Internal Audit Department**



Summit County Internal Audit Department (IAD)



IAD Provides a Positive Return on Summit County's Investment

*Internal Audit's economic impact continues to exceed its cost
by a large margin. A well run internal audit function
is an investment that benefits County management and citizens*

Mission

Internal Audit's mission is to recognize and address the risks and vulnerabilities that can impact Summit County in order to assist, coordinate and facilitate positive change and promote sound business practices for all Countywide operations while ensuring that the resources entrusted to County offices, courts, boards and commissions, and agencies are used efficiently, effectively, and properly.

Services

The Internal Audit Department provides audit, investigations, information and research, best practices and advising services to the various Offices, Courts, Boards and Agencies that make up Summit County government.

External Audit and Other Services

- ✚ **Audit Oversight**
- ✚ **Audit Preparation**
- ✚ **Audit Assistance**
- ✚ **Audit Rebuttal Process**
- ✚ **Grant Testing**
- ✚ **Program Consulting**

Audit Committee Directive 2004-01

In 2004, IAD requested its Audit Committee to direct all County governmental units that come under external audit by State and Federal agencies to notify IAD of any and all audits, invite IAD to the entrance and closing conferences and provide copies of all external audit reports to develop an audit repository. The Audit Committee's Directive 2004-01 was sent to all Summit County officeholders, courts, agencies, boards, and commissions on December 14, 2004.

IAD has found that working with the various County departments and agencies to address anticipated audit testing before an audit by the State or Federal auditors to be of value. Upon receipt of audit reports imposing findings/penalties, IAD provides its audit expertise and works with the involved County entities during the repudiation process. Audit oversight allows various requests for best practice recommendations and testing prior to an audit by departments directly involved to help reduce possible audit penalties.

Assistance Provided on External Audits

Summit County Child Support Enforcement Agency – AUDIT REBUTTAL PROCESS

IAD continues to work with CSEA, Law Department, and other County departments on the ODJFS 2000 audit to reduce that penalty.

Summit County Child Support Enforcement Agency- AUDIT PREPARATION

IAD worked with the Summit County Child Support Enforcement Agency (CSEA) in preparation for its Ohio Department of Jobs and Family Services (ODJFS) audit. IAD tested the agency's random moment sampling documentation for completeness. This area was the focus of previous audits by ODJFS. IAD provided CSEA the testing results for its use in preparation for the audit.

Summit County Department of Development – AUDIT PREPARATION AND ASSISTANCE

IAD worked with the Department of Development (DOD) during the initial phases of a HUD audit to provide information on audit testing and documentation details. IAD attended audit entrance and closing conferences to assist DOD with its audit expertise.

Summit County Department of Finance and Budget – AUDIT OVERSIGHT

Upon a request from the Department of Finance and Budget, IAD tested the controls on contactor invoice payments in the Department of Development Home Weatherization Assistance Program (HWAP.)

Other Assistance

Summit County Juvenile Court – GRANT TESTING

IAD assisted the Juvenile Court with testing of an external grant to ensure compliance with the grant mandates.

Summit County Department of Development (DOD) – PROGRAM CONSULTING

IAD provided voluminous information on the various Federal and State programs administered by DOD and potential audit issues of same.

Outsourced Services

Agricultural Society Agreement

An ongoing dispute between Summit County and the Summit County Agricultural Society (Society) was ended by County Executive Russell M. Pry with an agreement for repayment of costs for improvements to the Fairgrounds. A section of the agreement, and the legislation allowing the County to enter into the Agreement, states that the Society shall be subject to reviews of its operations and implementation of policies and procedures recommended by IAD. The Audit Committee approved this use of IAD as an outsourced consultant.

IAD had met previously with the attorneys from both sides of the dispute during the ongoing negotiations. They wanted to confirm IAD's ability and skillset to provide the audit services outlined in the agreement. The attorneys had reviewed the IAD website in preparation for the meetings and read about the operations and reports of the department. IAD is awaiting contact from the Society and is looking forward to providing its services on behalf of Summit County.

Financial and A-133 Audit Coordination

Section 10.01 of Article X of the Summit County Charter states that the Audit Committee shall oversee internal as well as external audits. In its capacity as the operational arm of the Audit Committee, IAD works closely with Rea & Associates, Inc. (Rea), the County's financial auditor. Rea is hired by the Ohio Auditor of State to perform the financial audit and A-133 single audit of the County.

Rea reviews all IAD audits to gather information in its planning stages. This is a reciprocal relationship as IAD also requests reviews of Rea's workpapers and/or meets with the auditors to obtain information gathered by Rea during their audits.

Rea and IAD have formed a mutually beneficial relationship over the three years of their contract. IAD meets on a regular basis with Rea auditors if a problem arises during the audit. IAD mitigates any audit issues, providing Rea with data or documentation as requested. Rea provides status updates to IAD during the audit.

At the September 20, 2006 Audit Committee meeting, Rea's partner Don McIntosh gave the 2006 report to the Audit Committee. Below is an excerpt from the meeting minutes where Mr. McIntosh talks about the Audit Committee and Rea's relationship with IAD.

Mr. McIntosh said that the Ohio Auditor of State had released the audit. He said he wanted to thank the Committee. He said that Summit County was very fortunate to have an active Audit Committee and Internal Audit Department. He said that the “Internal Audit Department is well worth it.”

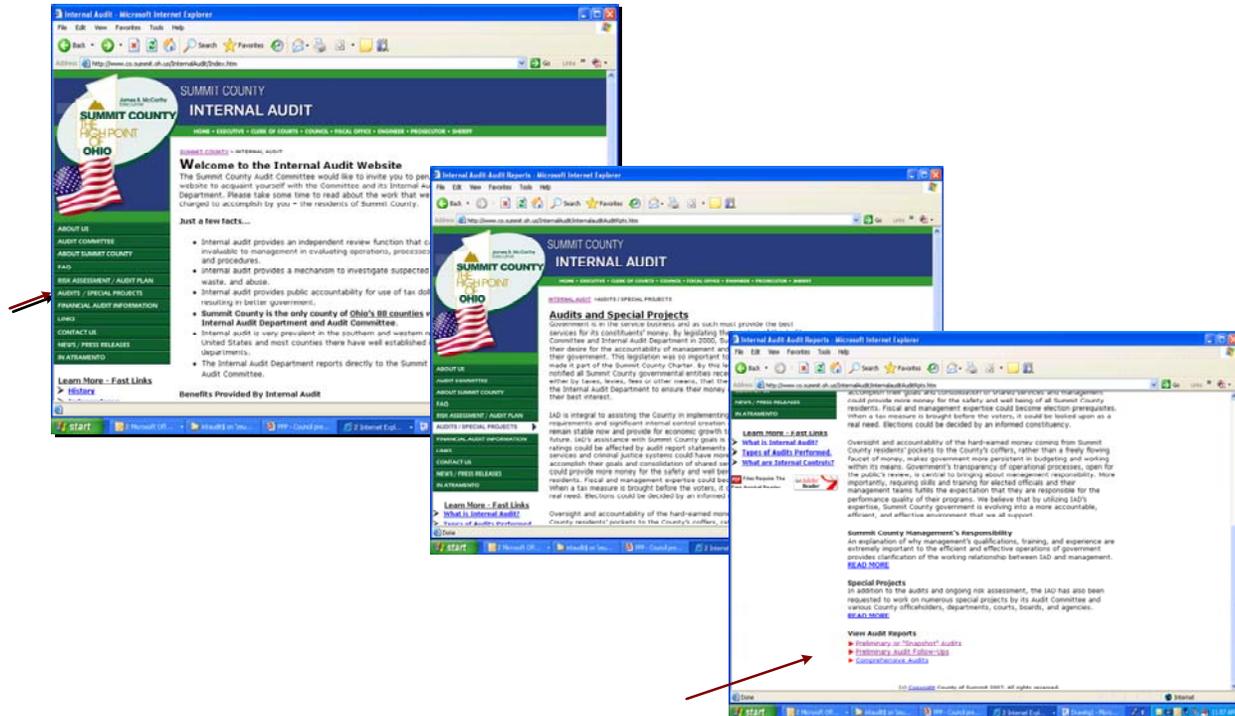
Mr. McIntosh told the Committee that no other Ohio County has a formal Audit Committee or Internal Audit Department. He again stressed that Rea had been “so impressed to see the work that was being done” by these two entities. He told the Committee that because Summit County is so big, Rea and the IAD share workpapers and IAD shares its reports with Rea to get as much coverage as possible. He said that in 2004, Rea made the decision not to rely on IAD’s work, but because of their professionalism and commitment to continuing education, Rea may reconsider that reliance. He said that IAD is a “tremendous asset and internal control advantage” to the County.

IAD Website

<http://www.co.summit.oh.us/InternalAudit/Index.htm>

The screenshot shows a Windows Internet Explorer browser window displaying the Summit County Internal Audit website. The browser's address bar shows the URL <http://www.co.summit.oh.us/InternalAudit/Index.htm>. The website has a blue header with the text "SUMMIT COUNTY INTERNAL AUDIT" and a navigation menu including "HOME", "EXECUTIVE", "CLERK OF COURTS", "COUNCIL", "FISCAL OFFICE", "ENGINEER", "PROSECUTOR", and "SHERIFF". A sidebar on the left contains a list of menu items: "ABOUT US", "AUDIT COMMITTEE", "ABOUT SUMMIT COUNTY", "FAQ", "RISK ASSESSMENT / AUDIT PLAN", "AUDITS / SPECIAL PROJECTS", "FINANCIAL AUDIT INFORMATION", "LINKS", "CONTACT US", "NEWS / PRESS RELEASES", and "IN ATRAMENTO". The main content area features a "Welcome to the Internal Audit Website" message, a "Just a few facts..." section with a bulleted list of facts, and a "Benefits Provided By Internal Audit" section. The browser's taskbar at the bottom shows the Start button and several open applications, including "Calendar - Microsoft...", "Internal Audit - Wind...", "About Summit County", and "2007 IAD Annual Rep...". The system clock in the bottom right corner indicates the time is 2:07 PM.

The Audit Committee approved the creation of an internal audit website that included the general audit reports and management action plans, approved by the Committee. The site was launched on April 2, 2007.



Summit County Charter: Article X

In 2000, Summit County underwent a special audit by the State Auditor's office based on allegations of fraud by employees of the County Executive's office. The newly elected Executive, James B. McCarthy, sponsored legislation to create an Audit Committee and Internal Audit Department to oversee the operations and performance of the County as a whole. The voters, by a resounding majority, approved it. Article X of the Summit County Charter creates the Summit County Audit Committee and Summit County Internal Audit Department.

The Summit County Charter mandates that all entities receiving County funding are subject to audit by the IAD to provide the taxpayers of Summit County with efficient, effective, and accountable operations and services.

SUMMIT COUNTY CHARTER
ARTICLE X - INTERNAL AUDITING

SECTION 10.01 COUNTY AUDIT COMMITTEE.

A County Audit Committee is hereby created to provide internal auditing to assist the County Executive, County Council, County elected offices, departments, institutions, boards, commissions, authorities, organizations, and agencies of Summit County Government funded in whole or in part with county funds, in providing taxpayers of Summit County efficient and effective services. The County Audit Committee shall consist of the County Fiscal Officer, the County Executive, the President of County Council and two residents of Summit County appointed by the Executive and approved by majority of Council. The County Audit Committee shall meet on a quarterly basis and oversee internal as well as external audits. (Amended 11-6-01.)

SECTION 10.02 DEPARTMENT OF INTERNAL AUDITING.

There shall be a Department of Internal Auditing which shall serve under the direction of, and perform such functions on behalf of, the County Audit Committee as the Committee shall prescribe. (Added 11-7-00.)

SECTION 10.03 DIRECTOR OF INTERNAL AUDITING; QUALIFICATIONS.

There shall be a Director of Internal Auditing, who shall be head of the Department of Internal Auditing. The Director of Internal Auditing shall be a Certified Internal Auditor or working towards an Internal Auditor certification, shall be, or after certification shall become, a member of the Institute of Internal Auditors and shall be subject to, and follow at all times, the Code of Ethics for Certified Internal Auditors established by the Institute of Internal Auditors. The County Audit Committee shall recommend the hiring or dismissal of the Director of Internal Auditing, upon approval of the County Council. The Director of Internal Auditing shall interview and make recommendations for the hiring of staff for the Department of Internal Auditing to the County Audit Committee who shall approve or reject such recommendations. (Added 11-7-00.)

SECTION 10.04 AUTHORITY OF DEPARTMENT OF INTERNAL AUDITING.

The Department of Internal Auditing shall have the following powers and duties:

- (1) Preparation of an annual budget and work program;
- (2) Development of a department audit fee, which shall be billed to each department audited;
- (3) Guidance of the internal audit process through utilization of;
 - a. Government Auditing Standards, United States General Accounting Office developed by the Comptroller General of the United States; and
 - b. Professional Standards of the Institute of Internal Auditors, American Institute of Certified Public Accountants, generally accepted auditing standards.
- (4) Preparation of a preliminary financial and performance auditing report for the department being audited; and
- (5) Any other duties or responsibilities prescribed by the County Audit Committee.

(Added 11-7-00.)

SECTION 10.05 EFFECTIVE DATE.

This article shall be effective December 15, 2000, for purposes of convening the County Audit Committee.

Policy Statement

Internal Audit is an independent appraisal activity that examines and evaluates County activities as a service to management and the Audit Committee. The primary objective of the Internal Audit Department is to assist management and the Audit Committee in the effective discharge of their responsibilities by assessing the adequacy and effectiveness of controls and reviewing the quality of performance in achieving the County's objectives and goals. To this end, IAD will furnish management and the Audit Committee with analysis, recommendations, counsel, and information concerning the activities reviewed. In carrying out their responsibilities, members of the Internal Audit Department will have full, free, and unrestricted access to all County activities, records, property, and personnel.

Internal audit is a staff function (advisory in nature) and does not have the authority to change operating practices, procedures, or personnel. It is to observe operations as they are, report their findings and make recommendations to management and the Summit County Audit Committee.

The Internal Audit Department can review and test operations and make recommendations to ensure that the County's resources are safeguarded and used in ways that are consistent with internal policies as well as public laws and regulations. IAD has no authority to implement its recommendations or create policies and procedures or internal controls to correct its findings. Management alone has the authority to make the changes to its operations to address performance, compliance, efficiency, and accountability to Summit County constituents. It is management's responsibility to establish internal controls and develop policies and procedures and to implement and enforce them.

Internal audit has the direct responsibility to apprise management and the Audit Committee of any significant developments that they believe warrant their consideration or action. Internal audit will meet with its Audit Committee at least quarterly. Additional meetings may be initiated by the Chairman of the Audit Committee or by the Director of Internal Audit.

Internal audit provides services to all governmental entities of Summit County. The following principal responsibilities are assigned to the internal audit department:

- Determine the adequacy and effectiveness of the County's systems of internal accounting and operating controls.
- Review the reliability and integrity of financial and operational information.
- Review established systems to ensure compliance with the policies, plans, procedures, laws and regulations that could have an impact on operations.

- Review the means of safeguarding of assets and verify their existence when appropriate.
- Appraise the economy and efficiency with which resources are employed, identify opportunities to improve operating performance, and recommend solutions to problems where appropriate.
- Review operations and programs to determine whether results are consistent with established objective and goals and whether the operations or programs are being carried out as planned.
- Provide staff guidance to operating units on matters relating to audit and internal controls.
- Coordinate audit work with the county's external public accounting firm.
- Interact with all County governmental units coming under external audit for various Federal and State programs, including initial phase (questionnaire response), entrance and closing conferences, and negotiation stage if applicable.
- Obtain and review all external audit reports.
- Work with County entities during the external audit rebuttal process.

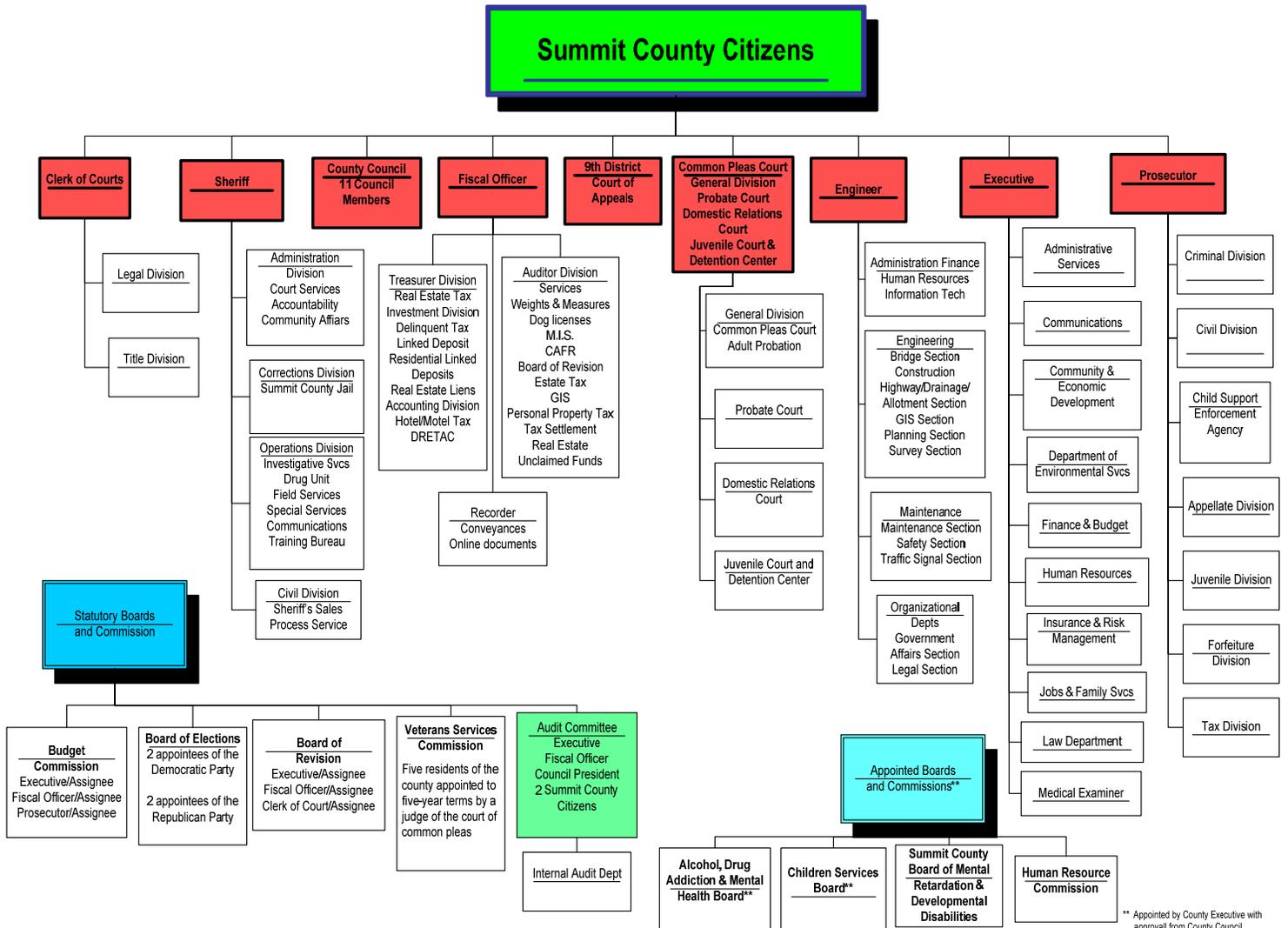
Reports:

Audit reports, when appropriate, will provide within the scope of the audit work performed a general evaluation of the system of internal control together with detailed findings, comments and recommendations for improvement.

The audit findings will be reviewed at the conclusion of each audit with the appropriate management and as required with executive management. Management is expected to indicate their acknowledgement as to the facts as stated, although not necessarily agreeing with the evaluation, conclusions or recommendations. A Management Action Plans (MAP) is required by the Audit Committee to address IAD's findings and recommendations. The MAP must provide a timeline for implementation of the corrective actions by management.

It is the responsibility of Summit County management to follow up and ensure that progress is made toward correcting unsatisfactory conditions. It is IAD's responsibility to determine that corrective action is taken toward correcting unsatisfactory conditions and that it is having the desired results or that senior management and the Audit Committee have assumed the risk of inaction.

Summit County Government Organization Chart



** Appointed by County Executive with approval from County Council

IAD Timeline

<i>June, 2001</i>	<i>2001-2002</i>	<i>July, 2002</i>	<i>January, 2003</i>	<i>June, 2003- present</i>
Internal Audit Department Job Descriptions	Audit Committee Meets	Internal Audit Department Begins Business	Staff Hired and Risk Assessment	Preliminary Audits, Special Projects, Comprehensive Countywide Audits
Council approves job descriptions for Internal Audit Department management	Audit Committee meets to discuss issues (Bernard Zaucha is appointed to Audit Committee)	Mr. Zaucha is asked to create Internal Audit Department and resigns position on Audit Committee. The Department begins business July 29, 2002	Remainder of staff hired and Risk Assessment begins	Audit Plan is implemented and special projects are addressed

Risk Assessment and Preliminary (Snapshot) Audits

Audit Services

Performance Results 2004-2007	FY04	FY 05	FY 06	FY 07
Number of preliminary audits completed	14	8	5	1
Number of follow-up audits completed		12	4	7

In December, 2002 the County contracted with Bruner-Cox, LLP to work in tandem with its Internal Audit Department:

- To perform a Countywide risk assessment
- To develop a risk assessment model
- To develop a 5-year audit plan and
- To make recommendations on the staffing needs of the Internal Audit Department.

Based on the County Operating Budget, 40 governmental units were identified as the audit population. This population as well as the risk assessment is dynamic and is reviewed from time to time for update

Due to the nature of the many and varied risks identified, time was of the essence. It was decided that the best course of action to ascertain and address the highest risks in the shortest time possible was to perform a high level review of the operations of each governmental unit in the identified audit population. The Audit Committee approved going forward with the preliminary audits.

Preliminary Audit Objectives

- Policies & Procedures review
- Review of Internal Controls
- Security Review

Preliminary Audit Scope

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

<i>Preliminary Audit and Follow-Up Performed</i>	<i>Preliminary Audit Performed</i>	<i>Awaiting Preliminary Audit</i>
Executive Office - Medical Examiner	Domestic Relations Court	Childrens Services Board
Fiscal Office - Real Estate	Prosecutor Office - CSEA	Board Of Elections
Human Resource Commission		Fiscal Office - Treasurer
Fiscal Office - Services		Fiscal Office - Finance
Executive Office – Insurance & Risk Management		Fiscal Office - Recorder
Alcohol, Drug Abuse & Mental Health Board	<i>Audits In Process</i>	Executive Office - Finance & Budget
Veterans Services Commission	Fiscal Office - MIS	Executive Office - Human Resources Dept
Summit County Council	Executive Office - Jobs & Family Services	Executive Office - Dept Of Communication
Executive Office - General Administrative	Executive Office - Administrative Services	Executive Office - Department Of Law
Engineer Office		Executive Office - Emergency Mgmt Agency
Executive Office - D.O.E.S		Court Of Appeals
Executive Office -Department Of Development		Probate Court
Court Of Common Pleas - General		
Court of Common Pleas - Probation		
Juvenile Court - Operations		
Juvenile Court - Detention		
Sheriff Office - Corrections		
Sheriff Office - Operations		
Prosecutor Office - Operations		
MRDD		
Clerk Of Courts Office - Legal		
Clerk Of Courts Office - Title		

PRELIMINARY AUDITS & AUDIT COMMITTEE APPROVAL DATE

2004

- ⌘ **Alcohol, Drug Abuse & Mental Health Board (6/23/2004)**
- ⌘ **Summit County Council (12/17/2004)**
- ⌘ **Engineer Office (12/17/2004)**
- ⌘ **Executive Office: Dept of Environmental Services (12/17/2004)**
- ⌘ **Executive Office: General Administration (12/17/2004)**
- ⌘ **Executive Office: Insurance & Risk Management Dept (12/17/2004)**
- ⌘ **Executive Office: Medical Examiner (6/23/2004)**
- ⌘ **Executive Office: Office Services (12/17/2004)**
- ⌘ **Fiscal Office: Real Estate Department (12/17/2004)**
- ⌘ **Fiscal Office: Services Department (12/17/2004)**
- ⌘ **Human Resource Commission (6/23/2004)**
- ⌘ **Veterans Services Commission (12/17/2004)**

2005

- ⌘ **Clerk of Courts Office: Legal Division (6/22/2005)**
- ⌘ **Common Pleas Court: General Division (6/22/2005)**
- ⌘ **Executive Office: Department Of Development (3/21/2005)**
- ⌘ **Prosecutor Office: Legal Divisions (3/21/2005)**
- ⌘ **Sheriff Office: Administrative/Operations Divisions (12/8/2005)**
- ⌘ **Sheriff Office: Corrections Division (9/28/2005)**

2006

- ⌘ **Clerk of Courts: Title Bureau (3/14/2006)**
- ⌘ **Common Pleas Court Gen'l Division: Adult Probation (3/14/2006)**
- ⌘ **Juvenile Court - Operations and Detention Center (3/14/2006)**
- ⌘ **County of Summit Board of Mental Retardation & Developmental Disabilities (CSBMR/DD) (3/14/2006)**
- ⌘ **Prosecutor Office: Child Support Enforcement Agency (12/19/2006)**

2007

- ⌘ **Domestic Relations Court (12/13/07)**

PRELIMINARY AUDIT FOLLOW-UPS & AUDIT COMMITTEE APPROVAL DATE

2005

- ∞ **Alcohol, Drug Abuse & Mental Health Board (9/28/2005)**
- ∞ **Council Office (9/28/2005)**
- ∞ **Engineer Office (9/28/2005)**
- ∞ **Executive Office: Department Of Development (12/8/2005)**
- ∞ **Executive Office: Dept of Environmental Services (9/28/2005)**
- ∞ **Executive Office: Office Services (9/28/2005)**
- ∞ **Executive Office: Insurance & Risk Management Dept (9/28/2005)**
- ∞ **Executive Office: Medical Examiner (9/28/2005)**
- ∞ **Fiscal Office: Real Estate Department (6/22/2005)**
- ∞ **Fiscal Office: Services Department (9/28/2005)**
- ∞ **Human Resource Commission (9/28/2005)**
- ∞ **Veterans Services Commission (12/8/2005)**

2006

- ∞ **Clerk of Courts Office: Legal Division (12/19/2006)**
- ∞ **Common Pleas Court General Division (12/19/2006)**
- ∞ **2nd Executive Office: Dept of Development (12/19/2006)**
- ∞ **Sheriff Office: Corrections Division (12/19/2006)**

2007

- ∞ **Clerk of Courts: Title Bureau (3/28/2007)**
- ∞ **Common Pleas Court General Division: Adult Probation (3/28/2007)**
- ∞ **Juvenile Court - Operations and Detention Center (3/28/2007)**
- ∞ **County of Summit Board of Mental Retardation & Developmental Disabilities (CSBMR/DD) (3/28/2007)**
- ∞ **Prosecutor Office: Legal Divisions (3/28/2007)**
- ∞ **Sheriff Office: Administrative/Operations Divisions (3/28/2007)**
- ∞ **2nd Executive Office: Dept of Environmental Services (3/28/2007)**

Preliminary Audit Value-Added Services by IAD

During the performance of the preliminary audits, IAD provided additional services to address the many and varied findings. IAD added value to its audits by working with management to assist them in finding solutions to the issues and make the improvements necessary for them to conduct the business of the County more efficiently and effectively. Some of the highlights for the individual audits are listed below.

2004

Alcohol, Drug Addiction and Mental Health (ADAMH) Board

IAD reviewed the Policies and Procedures and the Internal Audit function for subrecipient monitoring of the ADAMH Board.

Engineer Office

Assisted the Engineer with its purchasing procedures.

Executive Office – Insurance & Risk Management

IAD recommended the monitoring of drivers license and background checks for staff using County vehicles. The monitoring and tracking of workers comp claims was an also an area that was identified for improvement.

Executive Office - D.O.E.S

IAD identified the lack of monitoring of attendance and work completed by maintenance people at treatment plants and recommended implementation of a system to address this issue. IAD recommended a contingency plan for billing system procedures and advised the department in its developing the supervisory review of changes in the billing system and procedures.

Executive Office Finance and Budget Department: Bureau of Office Services

IAD assisted in the implementation of an inventory tracking system. IAD performed a Client Satisfaction Survey and reported the results to the department to assist them with strategic planning for services. IAD advised the department during its development of policies and procedures for the Records Commission. IAD recommended an updated cost structure and pricing

Executive Office -Department Of Development (DOD)

IAD worked with DOD on several compliance issues identified numerous times in the external audits of the County. They advised the department on its monitoring of CDBG loans and HWAP compliance. Review of its internal controls allowed for recommendations for the efficient use of state monies by monitoring procedures.

Executive Office - Medical Examiner

IAD identified and advised on various security issues.

Executive Office -Department Of Development: Building Standards

IAD provided training and recommendations for the proper reconciliation of permits sold to cash collected and assisted with strengthening controls over cash collection. IAD worked with the permit software vendor to implement controls in the system over access levels, data entry, and other internal controls. IAD then assisted with personnel training for the revised system.

Executive Office -Department Of Development: Planning Dept and Community Development Department

IAD reviewed the controls and timely deposits of cash into the Fiscal Office by the DOD and advised on improvement of the controls for tracking and monitoring of enterprise fund payments.

Fiscal Office - Real Estate

IAD assisted the Fiscal Office Real Estate Division with a system for recording and monitoring of the Homestead loans. The department also recommended a system to monitor travel and time accounting for the appraisers.

Fiscal Office – Services

IAD found that this department was the most efficiently run to date. IAD has used Fiscal Services as a resource for other department policies and procedures. Management is to be commended on its efficiency and effectiveness of operations and performance.

Veterans Services Commission

IAD reviewed and advised on the update and completion of Veterans Services policies and procedures manual. IAD assisted the agency with petty cash reconciliations procedures and with personnel and client file maintenance processes.

2005

Clerk of Courts Office – Legal

IAD reviewed the collection and outstanding balances in the Clerk's database system, using the assistance of a Certified Information Systems Auditor hired to provide professional and knowledgeable information relating to internal controls and risk analysis of any County system or network.

Court Of Common Pleas – General Division

IAD identified issues with the Court's evidence tracking and advised on the proper tracking and monitoring of evidential property and with the policies and procedures relating to same.

Sheriff Office – Administration and Operations

The IAD assisted the Sheriff's fiscal department to strengthen the purchasing approval process. We worked to develop a new procedure for pay-ins to the Fiscal Office. Timely deposits of funds received from the foreclosure division was an external audit management

letter item for the past three years. IAD reviewed the fiscal department's procedures and advised management of best practices.

Sheriff Office – Corrections

Accurate tracking of inmate property was an issue identified during the preliminary audit. IAD provided information on proper controls for this area. The reconciliation of the inmate accounts was strengthened by the Sheriff's department in conjunction with the IAD staff.

2006

Clerk of Courts: Title Bureau

Cash receipts and petty cash drawer issues were identified during the preliminary audit. IAD provided information on internal controls to assist the department in reducing the risk of fraud.

Court of Common Pleas: Adult Probation Department

IAD worked with Common Pleas Court and Adult Probation management to address the lack of management practices in the areas of policy and procedure update, dissemination, implementation, and monitoring.

Prosecutor Office: Child Support Enforcement Agency (CSEA)

ODJFS Audit

CSEA was notified of the State of Ohio Department of Jobs and Family Services (ODJFS) audit that would be conducted during the same timeframe that the internal preliminary audit was scheduled. IAD worked with management to test the areas where CSEA had findings in 2001 totaling approximately \$2.4 million. IAD continues to work with the ODJFS, CSEA, and the Executive Office Law Department, and outside counsel to resolve these findings.

Title IV-D issues identification

IAD is working with CSEA, Domestic Relations Court, Fiscal Office, and Clerk of Courts management and ODJFS audit managers to address Title IV-D contract issues raised during the ODJFS audit.

2007

Domestic Relations Court

IAD reviewed the security and access levels for the new Courthouse security system. Auditors worked with the Court Administrator and the Sheriff's office to improve the internal controls and reduce risk related to the card system.

Countywide Audits

Performance Results 2004-2007	FY04	FY 05	FY 06	FY 07
Number of Countywide audits completed			1	1

2006

Countywide Fleet Management Audit

In its first Countywide audit, the Audit Committee directed its Internal Audit Department to review the County's fleet management operations. IAD collected data on over 700 vehicles, interviewed County staff from the majority of governmental entities owning vehicles (the Board of Elections and the Probate Court chose not to cooperate fully with the audit), sought policies and procedures, and conducted walk-throughs of the maintenance garages. Below are excerpts from the Executive Summary of the report.

As of December 31, 2005, the County fleet consists of approximately 743 vehicles including law enforcement vehicles, emergency management vehicles, light trucks, heavy trucks, trailers, boats, and on-road and off-road heavy equipment with a total purchase price of approximately \$13 million.

Fleet management within the County is decentralized with no centralized fleet management system in place, or standard format for storing data on the County's fleet to ensure accountability and efficiency of operations. Sufficient data is not available to do even the most basic cost benefit evaluation analysis.

There are no countywide formal, written, standardized policies and procedures, forms, or criteria on processes for:

- Vehicle purchase
- Vehicle replacement
- Vehicle disposal
- Fuel card monitoring
- Maintenance and repairs
- Insurance
- Monthly usage logs
- Grant monies used to purchase vehicles
- Safety programs
- Garage inventory
- Warranty work tracking

The Office of Finance and Budget and the Codified Ordinances have defined purchasing and disposal policies and procedures for County officeholders. However, the Courts, and boards and commissions are not required to adhere to them. Countywide, no formal, standardized, written criteria have been defined for any of the areas mentioned above.

There are five (5) maintenance garages run by County governmental units: CSBMR/DD, Engineer, DOES, CSB, and a small garage in Green run by Sheriff's office personnel to install and maintain light bars and radio equipment. The Sheriff, Prosecutor, and CSB, outsource the majority their of maintenance and repair work.



DOES provides some maintenance and repair services to some County vehicles and outsources some repairs. Some maintenance and repair work is done in dealership service departments and specialty repair shops. Per the Engineer's office Director of Administration, the office anticipates building a new garage facility sometime in the next few years due to the displacement of its entire main location caused by the expressway renovations of ODOT.

Because of the lack of data stored in a centralized system and centralized management, there is no Countywide strategic planning, nor cost of operations analysis and efficiency studies done on:

- Actual number and type of vehicles required by the County to conduct efficient and effective business now and in the future;
- Actual costs to maintain the fleet (e.g. insurance, repairs, infrastructure, personnel, benefits, overhead – electricity, gas, tools, uniforms, parts, gas, oil, hazardous waste disposal)
- Liability to the County (e.g. accidents, compliance with federal and state laws, IRS compliance)
- New energy mandates
- New EPA and OSHA requirements related to fleets
- Purchasing new vehicles vs. maintaining an aging fleet
- Purchase of and maintenance on a County vehicle vs. reimbursement of mileage for personal vehicle use
- Countywide bulk purchasing negotiation ability for fuel, oil, parts, etc.

Based on our review of best practices in other North American fleet service organizations, an effective fleet management structure should provide for ownership and management of all vehicles and equipment with one central internal unit with adequate decision-making authority that provides a focused, structured and systematic approach to Countywide fleet services. A centralized fleet management approach is more efficient through consistent policy implementation and reduced administrative costs because it requires only one organization with fleet expertise and one information technology system to manage fleet assets. Centralized fleet management also achieves economies of scale and reduces duplication of efforts.

2007

Countywide Payroll Audit

IAD has labeled this audit an impressive success for the department for the following reasons:

- The Summit County Fiscal Officer, upon exercising his fiduciary responsibility, centralized the function under the Fiscal Office Payroll Department.
- The Fiscal Office management is currently developing policies and procedures and internal controls for the centralized payroll function after reviewing the decentralized and inefficient process while working with IAD throughout the audit.

- Fiscal Payroll reviewed and revised payroll policies regarding access levels in the Kronos timekeeping system. The retro and reset capabilities of County payroll coordinators were redirected, assigned only to Fiscal Payroll personnel. Fiscal Payroll staff only make resetting and retroing service time, vacation and sick time, and overtime in the system upon written authorization by County governmental unit management.

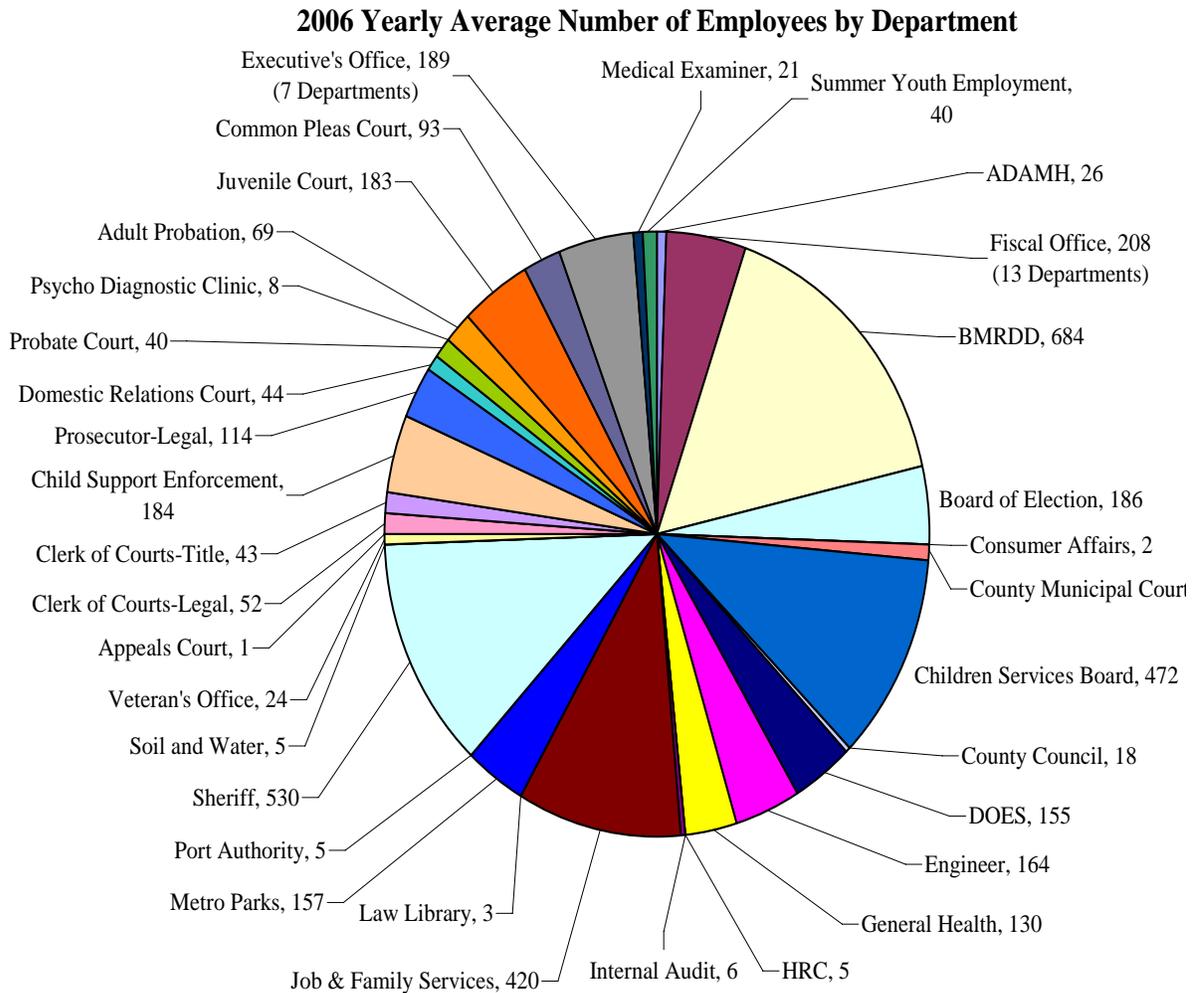
The Audit Committee directed its Internal Audit Department to review the County's payroll operations. The primary focus of this review was to provide the Fiscal Payroll Office with reasonable assurance, based on the testing performed, on the adequacy of the system of management control in effect for the audit areas tested. 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 included evaluating the policies, procedures, and internal controls related to the Fiscal Payroll Office.

To assist the department in its review of the information systems used in the payroll process, IAD hired an independent consultant, Dave Gordon, MBA, CISA, CBA of MaxQualData. Mr. Gordon conducted a review of the Banner Payroll system and the Kronos Timekeeper system.

The overall County payroll process is decentralized; however, the Fiscal Payroll Office operates as the central processor of payroll information submitted by all County departments, Boards, Agencies, and Commissions. In 1997, Summit County implemented the Banner Human Resource System (Banner), for the inputting and processing of all payroll calculations, deductions, adjustments, history, and tax administration, etc. In 2002, Summit County purchased Kronos Workforce Central (Kronos), an automated time and attendance software package from CTR Systems, to automate and streamline the functions of time and leave entry management. However, each officeholder, agency, court, board, and commission had its own payroll coordinators and policies, procedures, and forms.

IAD reviewed procedures and tested various payroll functions, including new hires, ghost employees, terminations, salary adjustments, overtime/comp time, leave time, segregation of duties, monitoring of payroll entries/transactions, etc. The garnishment process was reviewed for the accuracy of deductions. Fringe benefits were reviewed. Social Security numbers were validated. Compliance with FLSA standards was reviewed as well as federal and state withholding allowances. Duplicate bank account numbers in the system were checked. Compliance with Ohio Public Employees Retirement System (OPERS) and State Teachers Retirement System of Ohio (STRS) reporting were reviewed. Assurance that Summit County was in compliance with the payment and reporting process for the State Office of Unemployment Compensation and the Federal Unemployment Taxing Authority (FUTA). Analysis of the current worker's compensation program for the County of Summit was performed.

In 2006, Summit County had a payroll totaling \$163,000,000 with an average of 4,316 total employees. A breakdown of the number of employees by department is reflected in the chart below.



Because of the decentralized payroll function, IAD decided to conduct 19 onsite visits reviewing the following for each payroll department.

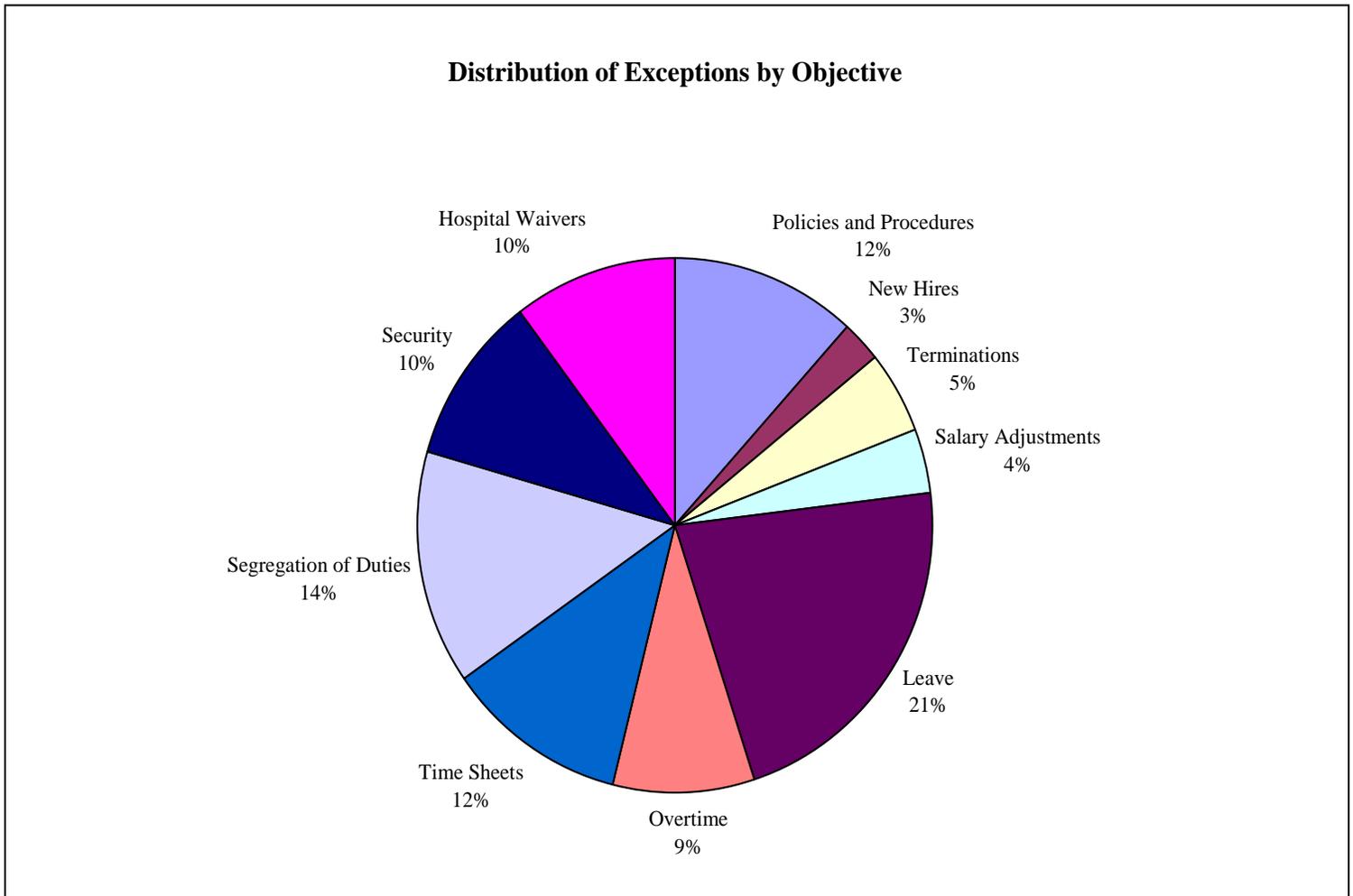
- Policies and Procedures
- New Employees
- Terminated Employees
- Salary Adjustments

- Leave Entitlements
- Overtime (where applicable)
- Timesheets (where applicable)
- Segregation of Duties
- Security over Documentation
- Hospital Waivers

The visits were conducted with the following County Offices, Boards, Agencies, and Commissions:

- Alcohol, Drug Addiction, and Mental Health Services Board
- Board of Mental Retardation and Developmental Disabilities (CSBMR/DD)
- Children Services Board
- Clerk of Courts Office: Legal Division
- Clerk of Courts Office: Title Division
- Common Pleas Court
 - General Division
 - Adult Probation
 - Psycho Diagnostic Clinic
- Summit County Council
- Executive Office: Department of Environmental Services
- Executive Office: Department of Job and Family Services
- Domestic Relations Court
- Engineer Office
- Executive Office
- Fiscal Office
- Juvenile Court
- MetroParks Serving Summit County
- Prosecutor Office: Legal Division
- Prosecutor Office: Child Support Enforcement Agency
- Sheriff Office
- Veterans Service Commission

After completing all the Departmental site visits, IAD classified the exceptions by objective and by Department. Below is a chart reflecting the distribution by objective.



At the conclusion of each site visit, IAD provided management with a report specific to the audit issues identified at a particular Department. The report included IAD's specific recommendation for each audit issue identified and IAD requested that a management action plan be completed by management before the issuance of the report. In addition, IAD will follow up on the specific management action plans within 6-9 months after the completion of this audit.

The following were the overall recommendations made by IAD after the onsite visits and Fiscal Office review were completed.

Overall Recommendations

- **Kronos Training for payroll coordinators**
- **Centralized Payroll Function**
- **Hospital Waivers standardization**
- **Outsourcing Payroll**

Special Projects

Performance Results 2004-2007	FY 03	FY 04	FY 05	FY 06	FY 07
Number of special projects completed	4	4	4	7	12

In addition to the preliminary reviews and ongoing risk assessment, the Internal Audit Department has completed numerous special projects and audits as requested by departments, agencies, and commissions. The size and timeframes of the special projects are based on the amount of work and the direction received from the requesting entity. Some special projects last a few weeks and others may take months to complete.

2003

CSB Performance Audit in conjunction with PARC

In April, 2003, the case of alleged abuse and neglect of six Kenmore children was brought to the attention of Summit County Executive, and in response Mr. McCarthy appointed a blue ribbon panel of citizens to conduct a performance audit of the whole agency. The Audit Committee approved the request for IAD to work with the Performance Audit Review Committee (PARC) to provide an independent performance review of Summit County Children Services addressing the following:

- Assessing the strengths and weaknesses of the Agency
- Addressing the risks, controls and management process associated with the Agency
- Determining efficiency and effectiveness of operations
- Addressing public questions about the Agency's overall ability to protect children
- Reviewing the Agency's Table of Organization
- Determining if the Agency's Policies and Procedures are adequate and being followed
- Assessing the staffing level, mix and caseloads
- Reviewing the consistency and follow up of referral reports
- Reviewing completion time-frame compliance
- Assessing the level of detail in case plan documentation

Insurance and Risk Management Medical Mutual of Ohio third party billing audit

IAD, upon request by the new Insurance and Risk Management Director, audited the self-insured medical plan of Medical Mutual of Ohio and reviewed the claims processing of Medical Mutual.

Juvenile Court cash handling audit

IAD reviewed the Court's cash handling and reconciliation process requested by Judge Teodosio upon the transition of the Court from Judge Hunter's administration.

2004

Department of Development HWAP audit

IAD investigated and assisted with the prosecution of three employees who were suspected of fraudulent activities in the distribution of state and federal funds from this program.

2005

CSBMR/DD

- IAD, upon request by the agency, assisted the agency with its new internal audit function for Medicaid claims processing. IAD worked with the new internal audit staff to develop a tool for adequate sampling of Medicaid claims tested by the department.
- Payroll special project
Again, upon request of MRDD, IAD worked with payroll staff on the tightening of controls and proper segregation of duties of the payroll department.

Human Resource Commission

IAD reviewed and made recommendations during the re-write of Section 169 of the Codified Ordinances which addresses the Personnel issues of the County.

Department of Development compliance matters

IAD worked with the Department of Development to address the various compliance issues identified in previous external audit management letters and federal programs audit findings.

Criminal Justice Advisory Board (CJAB)

- Jail overcrowding
IAD worked closely with Luminosity, consulting company hired to address the jail overcrowding issues.
- Case workflow and timeline
IAD, upon the request of the Criminal Justice Advisory Board (CJAB) and approved by the Audit Committee, worked on a request from Luminosity to develop a report on how a case flows through the criminal justice system. IAD created a timeline for each step of the process, working with the Municipal clerk of courts, Summit County Clerk of Courts, Common Pleas Court, and Adult Probation.
- Case dismissal
IAD, upon the request of CJAB and approval of the Audit Committee, worked on the tracking of case dismissals through the Court of Common Pleas, obtaining Supreme Court logs and tracking them through the Clerk of Courts case management system to identify the number of cases dismissed.
- Collection process research
IAD researched collection processes and procedures in use throughout the country.

2006

Prosecutor Property and Evidence Inventory

Based on the request from the Summit County Prosecutor, IAD performed a 100% physical inventory of the Prosecutor's evidence rooms as outlined in an agreed upon procedure.

AMPCO Parking Garage Operational Processes and Contract Review

In conjunction with the Countywide Fleet Management audit, it came to IAD's attention that there were numerous issues with the AMPCO run County parking deck operation. IAD worked closely with the Executive's offices of Administrative Services and Law Department to resolve several issues and initiate a new contract with AMPCO.

Indigent Defense/Public Defender Process Review

Upon the request of the Criminal Justice Advisory Board (CJAB), IAD worked with the Office of the Ohio Public Defender, Fiscal Accounting Department, Summit County Clerk of Courts, City of Akron Clerk of Courts, and Common Pleas Court staff to learn the process and make recommendations to improve the system. IAD met with the Director of Law and her Department of Public Safety staff to provide a workflow and its recommendations in order to transition the program monitoring to the Department of Public Safety.

Procurement Card Program Design, Implementation, and Testing

The Executive Office of Finance and Budget requested IAD to work on the implementation of the procurement card program. IAD attended bank presentations and meetings with the various County entities that would be involved in putting the program into operation. IAD reviewed proposed policies and procedures to provide input and recommendations on internal controls and risk assessment.

Court's Case Management System RFP and Implementation Review

IAD's information technology consultant reviewed and made recommendations on the Request for Proposal (RFP) and reviewed vendor responses to the RFP. IAD staff attended vendor presentations and made recommendations on internal controls for the system.

Countywide Wide Area Network (WAN) Project RFP and Responses Review

IAD provided the same services for this project.

Countywide Property and Evidence Initiative

Based on a request by Judge Jane Bond of the Summit County Common Pleas Court and several other County departments, IAD attended meetings regarding the property and evidence processes of the County. IAD made recommendations based on knowledge obtained through the audits of the County's various evidence rooms and attendance at

training from the International Association of Property and Evidence. An IAD staff member is currently seeking certification as a Certified Property and Evidence Officer.

Disaster Recovery and Business Continuity Initiative

The Ohio Auditor of State performs the annual financial audit of Summit County through an external audit firm, Rea & Associates, Inc. In its management letter, Rea identified the lack of disaster recovery plans for the majority of County governmental entities. This is a huge risk given the events of 9/11 and other terrorist activities. IAD notified all County MIS departments of the finding and requested management action plans and implementation dates. IAD also brought the matter before the Information Technology Advisory Board for discussion and planning. IAD worked with the Department of Public Safety on its RFP for business continuity planning consultant.

2007

HR Workflow Project

Summit County in conjunction with CGI is conducting a workflow analysis of the County's human resource function, redesigning the human resource workflow, and specifying a software and related hardware solution for the human resource workflow including document imaging. IAD was involved with the RFP review and attended the initial phase interviews of critical departments. IAD provided the Department of Finance and Budget (DFB) with information on the internal controls structure and security information for their status sessions with CGI. The County is currently working on Phase II of the project and IAD anticipates additional interaction via its IT consultant to ensure the proper control structure is implemented.

Community Development Block Grant (CDBG) Loans

IAD worked with the Summit County Department of Development and Department of Finance and Budget to identify documentation issues. IAD recommended that the Department of Development hire a qualified loan officer or outsource this function to a bank or similar institution with qualified staff.

Department of Development Home Weatherization Assistance Program (HWAP) Payment Investigation

Upon request of the Department of Finance and Budget, IAD tested the controls on contractor invoice payments for the HWAP program.

HWAP Program HUD Audit

IAD worked with the HWAP personnel during the initial phases of a HUD audit to provide information on audit testing and documentation details. IAD attended audit entrance and closing conferences to assure HUD that the program was running properly. HWAP received an unqualified opinion with commendations.

Justice System Property and Evidence Centralization Project

IAD was invited by Judge Jane Bond to attend the initial meetings on this project. She elicited IAD’s advice and resource materials and IAD’s involvement on the project going forward.

Clerk of Courts/Domestic Relations Court Case Management System

IAD’s certified information technology auditor (CISA) consultant reviewed the request for proposal (RFP) and responses for this multi-million dollar project. IAD was notified of the project because of Audit Committee Directive #2006-02. This Directive instructs all County governmental units to notify IAD of any information technology projects and/or implementations at the pre-RFP stage. This will allow IAD to work with the various departments on internal controls and security issues and interface with related systems from the initial stages.

Summit County Continuity of Operations Plan (COOP)

Based on a management letter comment by Rea & Associates (Rea), County financial auditors, IAD sent out a letter requesting all County disaster recovery plans. IAD received a minimal response and many requests from the various departments to develop a Countywide plan. IAD attended the IT Advisory Board meeting to request the Board coordinate this effort. It came to IAD’s attention that the Emergency Management Authority (EMA) had just been awarded a grant to develop a Countywide COOP that would provide Rea assurance that the County’s operations would continue in the event of a disaster. Zande & Associates were chosen as the vendor to develop the plan. They anticipated a March, 2008 deadline. In late 2007, audit procedures revealed that more major departments (i.e. Administrative Services and Fiscal MIS department) needed to be involved in the project. IAD met with EMA and the Director of the Law Department after numerous conversations with Zande regarding the status of the project and to ensure the inclusion of MIS and Administrative Services in the project.

Investigations

Performance Results 2004-2007	FY 03	FY 04	FY 05	FY 06	FY 07
Number of investigations completed	1	0	0	0	0

Cases: One case investigated to completion. IAD testified at the disciplinary hearings and was prepared to testify in the three cases of fraud by employees of the Home Weatherization program.

Recoveries: \$6,720 in recoveries was identified in the form of anticipated fees due to the County and restitution/disallowed costs resulting from investigative work.

Outcomes: A variety of outcomes resulted from our investigative work: personnel actions (including employee separations), policy changes, improved internal controls to mitigate risk of future violations, improved reporting and integrity, and evidence to support successful prosecution of wrongdoing.

Additional Services

The IAD provides other services in addition to the audits and special projects. The varied offerings, current and anticipated, are representative of IAD's commitment to addressing the management needs of the County.

- Coordination of the County's external financial and A-133 single audits
- Monitoring of external audits (e.g. HUD, ODJFS, Dept of Youth Services, Dept of Corrections)
- Internal Audit Website
- Information Technology Services
- Management Seminars
- Lending Library (e.g. books and materials on various subjects relevant to County operations)
- Newsletter
- Repository of Countywide Information

Peer Review

Audit departments are mandated by their professional standards to undergo an external peer review of their operations every three years. The review evaluates conformance with auditing standards, the efficiency and effectiveness of the internal audit activity, and the use of successful practices. The Institute of Internal Auditor's website states, "It also builds stakeholder confidence by documenting management's commitment to quality and successful practices, and the internal auditors' mindset for professionalism. Obtaining an external QA (peer review) provides evidence...that the audit committee and the internal audit activity are concerned about the success of the organization's internal controls, ethics, governance, and risk management processes."

An audit department may request a peer review based on compliance with the U.S. Government Accountability Office's (GAO) Government Auditing Standards (Yellow Book) or a review based on compliance with the International Standards for the Professional Practice of Internal Auditing, adopted by the Institute of Internal Auditing (IIA Red Book.)

The external audit teams of peer reviewers are made up of auditors from all over the United States. The Association of Local Government Auditors (ALGA) and the IIA perform peer reviews. The peer reviewers must have a bachelor's degree, attain the Certified Internal Auditor (CIA) certification, and take a Peer Review course approved by ALGA or IIA in order to participate as a member of a Peer Review team.

IAD encourages its auditors to obtain the CIA certification, take the Peer Review/Quality Assessment courses and participate as a Peer Review team member. Participation on these teams provides exponential gains to IAD's professional knowledgebase and numerous networking opportunities that is tantamount to years of internal audit management experience. It also offers a preview of what to expect for IAD's upcoming peer review, allowing preparation for compliance in all areas of the review.

Peer Reviews build stakeholder confidence by documenting management's commitment to quality and successful practices, and the internal auditors' mindset for professionalism. Obtaining an external Peer Review provides evidence to management and staff that the audit committee and the internal audit activity are concerned about the success of the organization's internal controls, ethics, governance, and risk management processes.

~ The Institute of Internal Auditors

IAD First Peer Review

IAD underwent its first Peer Review in November. It was conducted by the Association of Local Government Auditors and based on compliance with the U.S. Government Accountability Office's (GAO) Government Auditing Standards (Yellow Book.) The objectives of the review were to determine whether, during the period January 1, 2005 through October 31, 2007, the Summit County Internal Audit Department's internal quality control system was (1) suitably designed and (2) operating effectively to provide reasonable assurance of complying with applicable *Government Auditing Standards* issued by the Comptroller General of the United States.

The team was onsite from November 5, 2007 through November 9, 2007 and consisted of two auditors representing ALGA. Mr. Drew Harmon, Municipal Auditor, Roanoke Virginia and Ms. Debbie Luckey, Lead Auditor, Memphis, Tennessee reviewed IAD's policies and procedures, workpapers, and various other processes and documents of the department for compliance with Generally Accepted Government Auditing Standards (GAGAS.)

IAD received an unqualified audit opinion on its system of internal quality control. The auditors determined that the Department was in full compliance with government auditing standards during the review period. The Peer Review team commended the Department on the Countywide Risk Assessment that shaped its audit schedule and on IAD's professional and competent staff and the quality of their work.

The Team also commented favorably on the makeup of the Summit County Audit Committee, stating that the "inclusion of two citizens of the County enhances transparency, provides an opportunity to broaden the diversity of expertise and backgrounds on the Committee, and promotes the independence of the County's internal audit function."

Russell M. Pry, County Executive, attended the peer review closing conference as chairman of the Audit Committee. He informed the Summit County Audit Committee at its December 13, 2007 meeting that it was a "glowing report" and let the Committee know that "what Bernie (Zaucha) and his staff are doing is outstanding." Mr. Zaucha thanked Mr. Pry for his kind words and his participation at the exit conference. He reiterated that his staff are dedicated, hard-working professionals whose focus is providing oversight services to the constituents of Summit County to assure them their money is spent in the most cost effective and efficient ways possible.

The Peer Review team's attestation letter and accompanying management letter are reflected on the next three pages. IAD's management response follows.



Association of Local Government Auditors

November 9, 2007

Mr. Bernard F. Zaucha, CPA, CIA, CICA
Director
Internal Audit Department
County of Summit, Ohio

Dear Mr. Zaucha:

We have completed a peer review of the Summit County Internal Audit Department for the period January 1, 2005, through October 31, 2007. In conducting our review, we followed the standards and guidelines contained in the *Peer Review Guide* published in May, 2004, by the Association of Local Government Auditors.

We reviewed the internal quality control system of your audit organization and conducted tests in order to determine if your internal quality control system operated to provide reasonable assurance of compliance with *Government Auditing Standards* issued by the Comptroller General of the United States. Due to variances in individual performance and judgment, compliance does not imply adherence to standards in every case, but does imply adherence in most situations.

Based on the results of our review, it is our opinion that the Summit County Internal Audit Department's internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* for audits and attestation engagements during the period January 1, 2005, through October 31, 2007.

We have prepared a separate letter offering suggestions to further strengthen your internal quality control system.

Debbie Luckey, CFE
Lead Auditor
City of Memphis, TN

Drew Harmon, CPA, CIA
Municipal Auditor
City of Roanoke, VA



Association of Local Government Auditors

November 9, 2007

Mr. Bernard F. Zaucha, CPA, CIA, CICA
Director
Internal Audit Department
County of Summit, Ohio

Dear Mr. Zaucha:

We have completed a peer review of the Summit County Internal Audit Department for the period January 1, 2005, through October 31, 2007, and issued our report thereon dated November 9, 2007. We are issuing this companion letter to offer observations and suggestions stemming from our peer review.

We would first like to mention some of the substantial positive aspects of the Summit County Internal Audit Department that the review team observed over the course of our review:

- The inclusion of two citizens on the Audit Committee enhances transparency, provides an opportunity to broaden the diversity of expertise and backgrounds on the Committee, and promotes the independence of the County's internal auditing function.
- The risk assessment process undertaken in 2003 provided an excellent foundation for ensuring audit resources are assigned in an objective, effective, and efficient manner.
- The Internal Audit Department's work papers were extremely thorough, on point, concisely stated, well organized, and consistent. We commend your entire staff on the quality of their work.

We offer the following observations and suggestions that may strengthen your organization's demonstrated adherence to government auditing standards:

1. Government Auditing Standard 3.35 states: "Auditors should use professional judgment in determining the type of assignment to be performed and the

standards to apply...; defining the scope of the work; [and] selecting the methodology....” We observed that the Internal Audit Department periodically performs audit services that are requested by various County offices. Based on our review of a sample of these engagements, we suggest that the Internal Audit Department develop a more detailed understanding of requests that is documented and formally communicated to the requesting department before initiating the work. This would help ensure that the Internal Audit Department applies the proper standards, either attestation or performance audit standards, and invests the appropriate amount of time and resources in each engagement. In some cases, it may be more appropriate to classify a project as non-audit services.

There are precautions that should be undertaken when planning and performing non-audit services. These precautions are designed to ensure an audit department does not impair its independence. Standard 3.17 (e) states: “The audit organization’s quality control systems for compliance with independence requirements should include: (1) policies and procedures to assure consideration of the effect on the ongoing, planned, and future audits when deciding whether to provide non-audit services, and (2) a requirement to have the understanding with management of the audited entity documented.” The standards also indicate that the understanding with management should be explicit about the objectives, scope of the work, and deliverables.

We recommend that the Internal Audit Department develop more specific procedures for evaluating special requests for audit services, determining if AICPA standards should be applied, implementing the safeguards when necessary, and documenting the objectives, scope of work, and deliverables.

We would like to express our thanks to you and your staff for your openness, cooperation and assistance throughout the review. We would also like to express our gratitude for the hospitality shown to us by everyone in the Summit County organization.

Sincerely,

Debbie Luckey, CFE
Lead Auditor
City of Memphis, TN

Drew Harmon, CPA, CIA
Municipal Auditor
City of Roanoke, VA



SUMMIT COUNTY, OHIO INTERNAL AUDIT DEPARTMENT

November 9, 2007

Mr. Drew Harmon, CPA, CIA
Municipal Auditor
City of Roanoke
215 W. Church Avenue, Room 502
Roanoke, VA 24011-1517

Ms. Debbie Luckey, CFE
Lead Auditor
City of Memphis
125 N. Main Street, Room 546
Memphis, TN 38103-2017

Dear Mr. Harmon & Ms. Luckey:

In response to your Management Letter dated November 9, 2007, this will serve as the Management Action Plan in response to the County of Summit 2007 Yellow Book Peer Review. The following procedures will be incorporated to respond to requests for special projects received by the Summit County Internal Audit Department:

1. When the Internal Audit Department is requested to perform a "special project," every effort will be made to determine with more specificity the type of engagement that is being requested from the auditee. This will help to ensure that the objectives, scope of work and deliverable are determined at the beginning of the process and that the appropriate standards can be applied to a specific engagement. A determination will then be made as to whether a performance audit, attestation engagement or non-audit service will be performed.
2. The Internal Audit Department will obtain the proper approval from the Audit Committee to perform the specified services if they are outside of the 5 year scheduled Audit Plan. The proper classification and reporting of special projects will allow for the accurate reporting of services provided by the Internal Audit Department to the Audit Committee as well as the general public.
3. The Internal Audit Policies and Procedures manual will include the process for determining the appropriate classification of a special request. In addition, the procedures will include the specific procedures and deliverables required for performing performance audits, attestation and non-audit services.

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www.co.summit.oh.us/InternalAudit/Index.htm



On behalf of the Summit County Internal Audit Department and the Summit County Audit Committee, I would like to thank you both, as well as the Association of Local Government Auditors, for your time and effort in providing us with this valuable service.

Sincerely,



Bernard F. Zaucha, CIA, CPA, CICA
Director, Summit County Internal Audit Dept.

Association Of Local Government Auditors Regional Training

The Association of Local Government Auditors (ALGA) asked IAD to partner with the organization to present the first regional training done by ALGA for the northeast region of the United States. IAD was very excited about hosting the event because it provided a networking opportunity for our auditors and an occasion to update their auditing skills. ALGA offered 24 hours of continuing professional education (CPE) for the training. Auditors are required by the GAO to obtain 40 hours of CPE each year. Auditors from eight (8) states and Canada attended the training at the Hilton Akron/Fairlawn. ALGA was extremely appreciative and congratulatory and asked IAD to host subsequent trainings.

The program consisted of sessions on fraud, government performance, information technology, risk, internal controls, and auditing and the presenters are experts in their field.

Performance Auditing = Government Accountability

"Performance Auditing" -- Michael J. Egan, City of Philadelphia Audit Administrator

Opportunities for Government Fraud and How to Prevent Them

"Fraud Auditing" - Craig L. Greene, CFE, CPA, Partner, McGovern & Greene LLP

Whoever Controls the Information, Controls the Government

"IT Auditing Workshop"

- Beth Breier, CPA, CISA, Tallahassee, Florida Audit Manager

Performance Management: Reliability of Government Provided Information

"Assessing the Reliability and Relevance of Performance Information" - Stuart S. Grifel, CIA, CGAP, Palm Beach County, Florida and Sloan Foundation

ALGA (www.governmentauditors.org) was established in 1988 as the National Association of Local Government Auditors. The organization changed its name in 2006 to the Association of Local Government Auditors to reflect its international membership. ALGA has 377 member organizations with over 1650 auditors. It serves as a forum to improve the quality of auditing and for the dissemination and discussion of information and ideas among local government audit professionals. It offers education, training and Peer Review services to local government auditors.

IAD Structure

During the last quarter of 2007 IAD's staff consisted of the Director, Assistant Director, Executive Assistant, two senior auditors, one internal auditor with one year's experience, an internal auditor hired in August, and two interns with two semester's experience. In November 2007, the two senior auditors left the department to work in private industry. The exodus was due to the job market, salary offerings, and opportunities for advancement in the audit profession that private industry afforded.

This was a major blow to the department, leaving it with a very limited senior audit knowledgebase. The Assistant Director took over senior auditor duties as well as project management and gave up many of her administrative duties to the Director. The remaining auditors responded positively and worked hard to improve their auditing skills by meeting frequently with the Assistant Director for guidance and attending audit training workshops, audionars, and webinars. The situation slowed down the progress of the two ongoing audits.

IAD informed its Audit Committee of the situation and the difficulty industry-wide in finding and retaining qualified, experienced senior audit professionals. The Committee approved the hiring of a deputy director. The salary range and job duties would allow for varied opportunities for professional growth. IAD was able to hire an audit professional, with over 20 years experience, who was looking for a position that allowed a 40-hour workweek, good benefits, and a retirement program.

Future Plans

- During its tenure with the County, IAD has become aware of many Countywide functions and processes that require an audit as a whole (e.g. budgeting, purchasing, accounts payable, accounts receivable, grant management, contract management, and Banner financial and human resource systems.) IAD has identified some of these areas. It will continue to review and update the audit population for its comprehensive audits.
- Work with Department of Finance and Budget, and Summit County Council to develop a Countywide performance measures program as defined by the Governmental Accounting Standards Board (GASB) http://www.seagov.org/sea_gasb_project/ below.

What is the purpose for doing performance measurement?

Performance measures are meant to provide more complete information about an entity's performance than do traditional budgets or financial statements and schedules. Primarily, performance measures are concerned with the results of the services delivered by the government. Subsequently, they help to provide a basis for assessing the economy, efficiency, and effectiveness of those services. Performance information is needed for:

- Setting goals and objectives,
- Planning program activities to accomplish these goals and objectives,
- Allocating resources to programs,
- Monitoring and evaluating results to determine if progress is being made toward achieving the goals and objectives, and
- Modifying program plans to enhance performance.

Performance measures organize information for use by the decision-makers engaged in those activities. Through the measurement, analysis, and evaluation of performance data, public officials can identify ways to maintain or improve the efficiency and effectiveness of activities and provide the public with objective information on their results.

- Continue to conduct the remaining preliminary audits as defined the Risk Assessment and perform the follow-up audits for same.
- Review and revise the Countywide Risk Assessment to address risk factors observed during performance of audits.
- Review of all entities receiving County funds to determine expansion of audit population.
- Develop management seminars and workshops for County governmental units to address operational deficiencies.
- Continue to develop and disseminate best practices materials and information to County governmental units.

Conclusion



Strong Internal Audit Function Limits Exposure: Summit County Recognizes Value

Summit County leaders and its citizens have recognized the value of internal controls, accountability, and transparency. They have wisely invested in an independent internal audit function. To satisfy its objectives and ensure independence, the Summit County Internal Audit Department follows the auditing standards promulgated by various professional organizations such as the Institute of Internal Auditors (IIA), the American Institute of Certified Public Accountants (AICPA), and the United States Government Accountability Office (GAO.) IAD

Organizational Independence

Summit County wisely legislated the creation of an Audit Committee as the reporting body of the IAD to further guarantee the independence of its internal auditors.

The Summit County Internal Audit Department serves as the internal auditor and provider of advising services for all Summit County governmental units receiving funds from the taxpayers of Summit County. Work performed by the IAD can lead to new revenue, cost recovery, and economic impact well beyond the audit department's annual budget. The mission of IAD is to provide reliable, relevant and objective information to assist leaders with improved decision making. IAD strives to be a vital partner in Summit County government's continual efforts to protect the integrity of its operations and improve the performance and accountability of its staff, and the efficiency of its processes.

Oversight at the Local Level

Local government, counties and cities alike, require the same scrutiny as the state. Starting oversight at the local level, allows taxpayers more control over their government. This level of government is more accessible and meets the everyday needs of its constituents providing the services most wanted. The taxpayers can easily attend public meetings, talk face-to-face with officeholders, and actively participate in effecting change at the local level.

At the local level, internal audit's review of policies and procedures, internal controls, and financial reporting identifies risk and the areas where fraud and misuse of public monies are the most prevalent. This gives residents the needed information on how their money is being used. Management is responsible for acting on internal audit's recommendations and implementing measures to address them. If risks are not addressed and money is spent irresponsibly or fraud occurs, changes in management and operational processes can be made by an informed electorate at the voting booths.