

# Fiscal Year 2017 Annual Report



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



Lisa Skapura, CIA, CFE, CGAP  
Director

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## **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 practices for all Countywide operations while ensuring that the resources entrusted to County offices, courts, boards, commissions and agencies are used efficiently, effectively, and appropriately.

## **Services**

The Internal Audit Department (IAD) provides auditing services, investigations, information and research, best practices, training, and advisory services to the various offices, courts, boards and agencies that make up Summit County government. In addition, the Audit Committee has approved marketing the Internal Audit Department's services to other local governments and non-profits, both inside and outside of Summit County.

## **Organizational Independence**

The Summit County Internal Audit Department reports directly to the Summit County Audit Committee. Since 2007, IAD has undergone a Peer Review of its operations, every three (3) years, performed by the Association of Local Government Auditors. The reviewers conveyed to IAD that the composition of the Audit Committee, which includes two resident members who must have knowledge and/or expertise in auditing and financial practices, permits compliance with independence standards.

## **Audit Standards and Ethics**

IAD adheres to the standards promulgated by the U.S. Government Accountability Office (GAO) and The Institute of Internal Auditor's (IIA) code of ethics. IAD expects each member of the department to demonstrate high standards of conduct and ethics as well as appropriate judgment and discretion.

## **Policy Statement**

The Internal Audit Department is an independent appraisal activity that examines and evaluates County activities as a service to management and as directed by the Summit County Audit Committee. The primary objective of the IAD 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 IAD will have full, free, and unrestricted access to all County activities, records, property, and personnel.

The IAD 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, create policies and procedures or put internal controls in place 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.

The IAD 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. The Chair of the Audit Committee and/or the Director of Internal Audit may initiate additional meetings.

IAD provides services to all governmental entities of Summit County and is assigned the following principal responsibilities:

- 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 assets and verify their existence when appropriate.
- 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 objectives 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 and/or the Ohio Auditor of State.
- 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 any external audit rebuttal process.

Audit reports, when appropriate, will provide a general evaluation of the system of internal controls together with detailed findings, comments and recommendations for improvement.

The audit findings are reviewed at the conclusion of each audit with the appropriate management and/or elected official. Management is expected to indicate their acknowledgement as to factual content of the report, although not necessarily agreeing with the evaluation, conclusions or recommendations. A management action plan (MAP) is required to address IAD's findings and recommendations and is included in the final report. 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 being made toward correcting unsatisfactory conditions. It is IAD's responsibility to determine that corrective action is being taken toward correcting unsatisfactory conditions and that it is having the desired results or that senior management has assumed the risk of not taking corrective action.

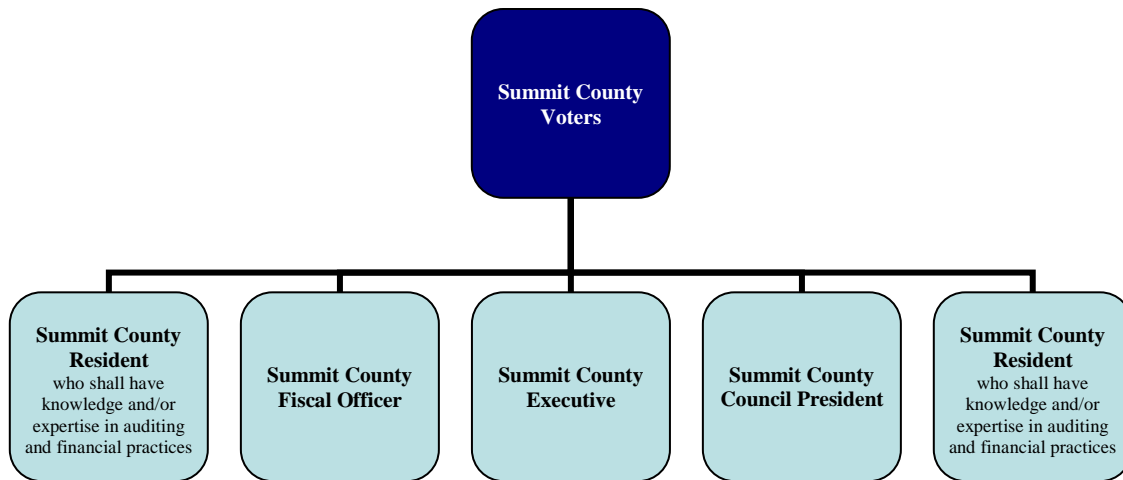
### **County Charter: Article X**

In 2000, Summit County underwent a special audit by the State Auditor's office based on allegations of fraud by employees of the County. 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. 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 (<https://internalaudit.summitoh.net/index.php/charter-article-x>)

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

**Audit Committee Organizational Chart**



**Annual Work Program**

IAD prepares a quarterly work plan for review and approval by the Summit County Audit Committee. All additions, deletions, or deferrals to the annual work program are also reviewed and approved by the Audit Committee.

**Staff Certifications and Professional Training**

IAD is committed to providing its staff with opportunities to obtain certifications pertinent to their positions. Currently, several of the staff hold the following certifications:

Certified Internal Auditor (CIA)	4
Certified Fraud Examiner (CFE)	2
Certified Government Audit Professional (CGAP)	2

In addition, annual training of forty (40) hours for each staff member is a Government Accountability Office (GAO) requirement to fully develop their expertise and allow the auditors to remain apprised of any changes to auditing standards and methods and to fulfill the CPE requirements of any certification obtained by them.

## **IAD Peer Review**

IAD has undergone four (4) peer reviews since its inception, conducted by the Association of Local Government Auditors. Those peer reviews have been conducted every three (3) years since 2007. Full compliance opinions were issued and can be found on the IAD website (<https://internalaudit.summitoh.net/index.php/peer-review>).

Receiving a full compliance opinion permits the IAD to cite compliance with Generally Accepted Government Auditing Standards (GAGAS) in their audit reports.

## **Services Provided by IAD**

Some of the services provided by IAD include, but are not limited to the following:

- Performance audits
- Attestation Engagements (Agreed-Upon Procedures)
- External audit oversight
- Audit rebuttal process
- Fraud investigations
- Transition auditing
- Grant testing
- Non-audit services
- Review of system implementations
- Services to other local government and non-profits within and outside of Summit County
- Training

### **Audit Committee Directive 2004-01**

In 2004, IAD requested its Audit Committee direct all County governmental units that come under external audit by State and Federal agencies to notify IAD of any and all audits, entrance and closing conferences by any outside agencies, and provide copies of all external audit reports to develop a Countywide audit repository. IAD forwarded the Audit Committee's Directive 2004-01 to all Summit County officeholders, courts, agencies, boards, and commissions initially on December 14, 2004, and has continued to do so on a periodic basis.

Various County departments and agencies have found that working with IAD to address potential risk areas that may be tested 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.

## **IAD Coordinates Financial and A-133 Single Audits**

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 the Ohio Auditor of State's Office to coordinate the financial audit and A-133 single audit of the County.

## **Monitoring of County's External Financial Audits**

The Ohio Auditor of State (AOS) is required by the Ohio Revised Code to perform the annual financial and A-133 single audits of Ohio counties. AOS may choose to hire independent audit firms to conduct County audits; however, in 2017, the AOS conducted Summit County's financial audit.

IAD met on a regular basis with the external auditors during the audit and assisted in mitigating any audit issues, by providing data or documentation as requested. The external auditors provided status updates to IAD and representatives of the Audit Committee during the audit.

## **Audit Committee Authorizes IAD Services to Other Local Governments and Non-Profits**

IAD continues to pursue its efforts in providing internal audit services to other government agencies, boards, and political subdivisions both inside and outside of the County, to help reduce costs to the County. In 2017, IAD was in contract with the following entities to provide audit services:

- Ohio Highway Patrol Retirement System
- City of Akron

A more detailed description of the services conducted is provided later in this report.

## **IAD's National Compliance Officers**

### Certified National Peer Reviewers

Lisa Skapura, IAD Director, is certified as a National Peer Reviewer to conduct peer reviews on behalf of the Association of Local Government Auditors (ALGA), confirming compliance with the Government Accountability Office (GAO) standards. She has performed several peer reviews on behalf of the organization.

Completing the peer review training and performing peer reviews of other audit departments allows IAD staff to become experts in the standards that govern the audit profession, thereby adding credence to the work of the department in Summit County.

## **IAD Website – <https://internalaudit.summitoh.net/>**

The Audit Committee approved the creation of an internal audit website where the general audit reports and management action plans, approved by the Committee are posted. IAD launched the site on April 2, 2007. Upon approval of its Audit Committee, IAD has published all general audit reports to the website for review by the public for historical, transparency, and accountability purposes.

## **IAD Performance**

### **PERFORMANCE AUDITS**

#### **2017 Performance Audits & Audit Committee Approval Date**

- Executive Office Asset Inventory (3/21/17)
- Domestic Relations Court (6/19/17)

- Alcohol, Drug Addiction and Mental Health Services (ADM) Board Oriana House Contract (6/19/17)
- Executive Office Oriana House Contract (8/16/17)

### **ANNUAL AUDITS**

At IAD's discretion, annual audits of segregated accounts within the County and vehicle usage logs are completed.

Segregated accounts are administered throughout the County, many of which are mandated through the Ohio Revised Code (ORC). These accounts present a higher risk due to the fact that transactions are not regularly monitored by the County's Fiscal Office.

The vehicle usage logs track the use of the County's fleet by personnel and are mandated by Codified Ordinance §169.25 Operation of a Vehicle for County of Summit Business.

### **2017 Annual Audits & Audit Committee Approval Date**

- Segregated Accounts (9/18/17):
  - Executive Office
  - Prosecutor's Office
  - Sheriff's Office
  - Clerk of Courts
  - Probate Court
  - Juvenile Court
  - Children Services
- Countywide Vehicle Log (3/21/17)

### **FOLLOW-UPS (AUDIT & ATTESTATION)**

As best practice stipulates, IAD recommended the performance of audit follow-ups to the Audit Committee, approximately six to nine (6-9) months after the audit is completed to monitor the progress of management's action plans. IAD continues to schedule audit follow-ups until the auditee has fully implemented its corrective action plans.

Management is responsible for taking timely corrective action to implement the audit recommendations made by internal and external auditors. They are responsible for communicating to IAD, on a timely basis, progress made to resolve audit issues and management shall provide IAD with sufficient documentation to prove fully implemented audit recommendations.



**2017 Follow-Ups & Audit Committee Approval Date**

- Fiscal Office Treasurer Division – 1<sup>st</sup> follow-up (3/21/17)
- Developmental Disabilities – 1<sup>st</sup> follow-up (9/18/17)
- Clerk of Courts – 2<sup>nd</sup> follow-up (9/18/17)
- Engineer’s Office -3<sup>rd</sup> follow-up (12/7/17)
- Juvenile Court – 2<sup>nd</sup> follow-up (12/7/17)
- Executive Office Department of Job and Family Services, Family and Adult Services Division – 3<sup>rd</sup> follow-up (12/7/17)

**ATTESTATION ENGAGEMENTS (Agreed-Upon Procedures)**

In addition to the preliminary reviews and ongoing risk assessments, IAD has completed numerous projects, agreed upon procedures, etc., as requested by departments, courts, agencies, and commissions. The scope of services is based on the amount of work and the direction received from the requesting entity.

**2017 Attestation Engagements**

**Clerk of Courts – Title Division – Cash Receipts**

A review and detail testing were performed to determine that appropriate procedures were followed for the cash receipt function within one (1) branch of the Title Division. Recommendations were provided to the Officeholder.

**Executive Office – Medical Examiner – Procurement Card**

A review and detail testing were performed to determine that appropriate procedures were followed for the procurement card function at the Medical Examiner’s Division. Recommendations were provided to the Officeholder.

**Executive Office – Building Standards Division – Residential Plans Examinations**

A review and detail testing were performed to confirm that procedures/standards were followed for the residential plans examination process. Recommendations were provided to the Officeholder.

**Sheriff’s Office – Patrol Division – Payroll**

A review and detail testing were performed to confirm that procedures/standards were followed for the payroll process. Recommendations were provided to the Officeholder.

**CONTRACTED SERVICES**

**Highway Patrol Retirement System (HPRS)**

IAD contracted with the HPRS to perform internal audit services, in accordance with the Ohio Revised Code (ORC). Follow-up was conducted on previous years’ audit issues and a performance audit was conducted to include benefits eligibility. Issues were noted and recommendations were made, where applicable.

**City of Akron**

IAD contracted with the City of Akron to conduct a performance audit of their Oriana House contract to include a review and detail testing of the billing process that takes place at the Oriana House. IAD reviewed invoices and supporting documentation for a one (1) year period. Recommendations were provided, as necessary and results were summarized in a report and presented to the Mayor, Mayor’s Cabinet, and City Council.

## **INVESTIGATIONS**

It is the policy of IAD to investigate specific allegations of employee misconduct or allegations of fraud involving County accounts or operations. IAD will conduct these investigations in accordance with Government Auditing Standards, the Association of Certified Fraud Examiners standards, and in a manner that protects the civil rights of those who may be the subject of allegations. IAD will work in conjunction with the Sheriff or Prosecutor as dictated by its policies.

The County protects employees from retaliation, who in good faith report suspected criminal activity or the disregard of regulations or policy applicable to County activities.

In 2014, IAD implemented an employee fraud hotline to provide employees with a confidential way to communicate potential fraud within the County. Any reports received are reviewed and investigated, as necessary, by IAD.

### **2018 1<sup>st</sup> Quarter Work Plan**

At the December 7, 2017 Audit Committee meeting, IAD proposed the 2018 1<sup>st</sup> quarter work program to the Committee for its review and approval:

- Executive Office Department of Law, Insurance and Risk Management Audit
- 2017 Segregated Accounts Audit
- Summit County Land Bank Audit
- Prosecutor's Office Audit Follow-up
- Common Pleas Court Audit Follow-up

In addition, IAD will provide non-audit services and agreed upon procedures as requested throughout the year.

## **Conclusion**

### **Current Economic Condition and Recovery Opportunities**

As the County continues to recover from the economic condition that has caused government to review its options to collaborate, merge and downsize services, IAD can assist in providing recommendations to improve operational efficiencies, where applicable.

### **IAD Service Offerings to Other Local Governments and Agencies**

IAD will continue to offer auditing services and special project work to outside agencies to help reduce costs for Summit County, as well as assist with consolidated government services.