

Summit County Internal Audit Department (IAD)

Fiscal Year 2008 Annual Report





What is Internal Auditing?

“A systemic, objective appraisal by internal auditors of the diverse operations and controls within an organization to determine whether:

- ❖ Financial and operating information is accurate and reliable,**
- ❖ Risks to the enterprise are identified and minimized,**
- ❖ External regulations and acceptable internal policies and procedures are followed,**
- ❖ Satisfactory standards are met,**
- ❖ Resources are used efficiently and economically, and**
- ❖ The organization’s objectives are effectively achieved.”**

- Sawyer’s Internal Auditing

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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 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 advisory services to the various offices, courts, boards and agencies that make up Summit County government.

Organizational Independence

The Summit County Internal Audit Department (IAD) reports directly to the Summit County Audit Committee.

External Audit and Other Services

-  **Audit Oversight**
-  **Audit Preparation**
-  **Audit Assistance**
-  **Audit Rebuttal Process**
-  **Transition Auditing**
-  **Grant Testing**
-  **Program Consulting**
-  **System Implementation**
-  **Departmental Mergers**
-  **Human Resource Consulting**
-  **Other Local Government Consulting**
-  **Systems Training**
-  **Internal Controls 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 in 2008

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 REBUTTAL PROCESS

IAD worked with the Summit County Child Support Enforcement Agency (CSEA,) the Executive Office of Finance and Budget and Department of Law to prepare the rebuttal to ODJFS 2006 audit of the agency performed in 2008. IAD also attended the closing conference and provided ODJFS the information necessary to refute its audit findings.

Summit County Department of Finance and Budget – AUDIT OVERSIGHT

Upon a request from the Department of Finance and Budget, IAD researched and advised the department on the lease structure in place at the Department of Jobs and Family Services that met with audit findings of ODJFS in its audit of the agency.

Summit County Department of Finance and Budget – AUDIT OVERSIGHT

IAD advised the Department of Finance and Budget on issues identified in the 2007 audit done by the state of the Department of Jobs and Family Services Food Stamp Program. IAD researched and reviewed the Food Stamp Program standards for procedural changes to assist the agency with any modifications that would help them obtain successful audits in the future.

Other Assistance

Summit County Department of Development (DOD) – PROGRAM CONSULTING

IAD assisted the Department of Development with a provider contract and service issue relating to its FHAA program.

Outsourced Services

Merger of the Summit County and City of Akron Building Standards Departments

IAD worked extensively with the following departments to assist in the merger of the City of Akron and Summit County Building Standards Departments:

- ∞ City of Akron MIS Department
- ∞ City of Akron Law Department
- ∞ City of Akron Building Standards Department
- ∞ City of Akron Service Director
- ∞ Summit County Building Standards Department
- ∞ Summit County Department of Development
- ∞ Summit County Department of Finance and Budget
- ∞ Summit County Executive Office
- ∞ Summit County Law Department
- ∞ Summit County MIS Department
- ∞ Summit County Administrative Services
- ∞ Summit County Human Resources Department

IAD provided recommendations on the following areas:

- ∞ Due diligence
- ∞ Data migration
- ∞ Operations
- ∞ Performance
- ∞ Receivables
- ∞ Information technology
- ∞ Contract
- ∞ Financials
- ∞ Security
- ∞ Assets
- ∞ Training
- ∞ Physical location
- ∞ Human resources

IAD worked extensively with the City and County MIS departments to assist with the numerous IT issues that needed resolution during the merger process. IAD developed a training manual for new Building Standards staff to train them and retrain present Summit County staff on the BS&A permit system.

IAD worked with the Summit County Law Department on the merger contract.

IAD performed an observation of the operations at the Summit County Building Standards Department prior the merger and made these recommendations.

Recommendations

- Fee items should not be deleted. Instead, the clerk should fill out a “change order” form and have it approved. After approval, the override can be made. This allows for more accountability and creates a way to track all changes made.
- Architects should not be able to finalize plan reviews in the system. The architect should review the plans, approve/deny them, and then give them back to the Code Technician to finalize in the system. This will help to prevent plan reviews from being finalized with fees due which in turn will help to prevent permits from being issued with fees due.
- Clerks should enter all permit information and calculate fees on the building permit cards, and then keep a record of cards on their desk (hold file/pattern). The clerk should not enter the permit into the system, creating a receivable, until the money is collected from the customer. The clerk can then review all cards in his/her hold file to determine whether the building is going forth or not.
- Clerks and inspectors should begin to take advantage of the scheduling system that is present. This would allow reports to be created analyzing the efficiency of operations as well as improve accountability.
- All fee items should be available to select from the system. Clerks should not be manually keying fees in.

IAD recommended that the County Building Standards Department hire a qualified administrator to manage the operations of the newly formed department.

IAD also performed an observation of the operations at the City of Akron Building Standards Department prior to the merger to obtain an understanding of the permit system in place and to help determine the feasibility of migrating data from the Akron system to the County system. IAD recommended against migrating data from the City’s DataStream system to the County’s BS&A system due to the inability to standardize the data from one system to the other and therefore, no guarantee could be made as to the completeness of data transferred from one system to the other. IAD recommended that the City’s system remain in tact for historical data purposes and all new permits be entered into the County’s BS&A system. In addition, it was recommended that the City give the County access to the City’s system for a time until the permits initiated in the City are completed.

Financial and A-133 Single 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 25, 2008 Audit Committee meeting, Rea's partner Don McIntosh gave the 2007 report to the Audit Committee. Below is an excerpt from the meeting minutes where Mr. McIntosh talks to the Audit Committee and Rea's relationship with IAD.

The implementation of internal controls by management is currently the main focus of auditing as well as fraud testing. These factors have made a huge impact on the risk assessment performed in the initial phase of an audit said Mr. McIntosh. Mr. Pry made the Committee aware that Summit County has a "Low Risk" designation as referenced on page 13 of the report. Mr. McIntosh stated that this designation is a huge money-saver for the County and the fact that Summit County has an Internal Audit Department helps to keep the risk levels low. It means that Rea has only to review 25% of the federal programs instead of 50% if the County had a High Risk designation.

A-133 Single Audit Changes

IAD was advised that beginning in 2009, performance of the A-133 Single Audit will be transferred from the Ohio Department of Jobs and Family Services (ODJFS) to the Auditor of State. In order to potentially save the County monies and ensure compliance with new audit procedures, the Audit Committee has instructed IAD to become heavily involved in the transition process. IAD has contacted Rea and requested inclusion in the training for the new audit process and has been assured that Rea will keep the department informed as the process goes forward.

IAD's National Compliance Officers

United States Red Book Coordinator

Lisa Skapura, IAD Assistant Director, was named the Red Book Coordinator by the Association of Local Government Auditors (ALGA) for the entire United States in 2008. The "Red Book" is the Institute of Internal Auditors International Professional Practices Framework audit standards. Ms. Skapura has performed Red Book peer reviews and is considered an expert on these standards. This is a position offered to a professional who has shown her dedication to improving audit standards compliance and the ability to communicate skillfully to accomplish a common goal.

Certified National Peer Reviewers

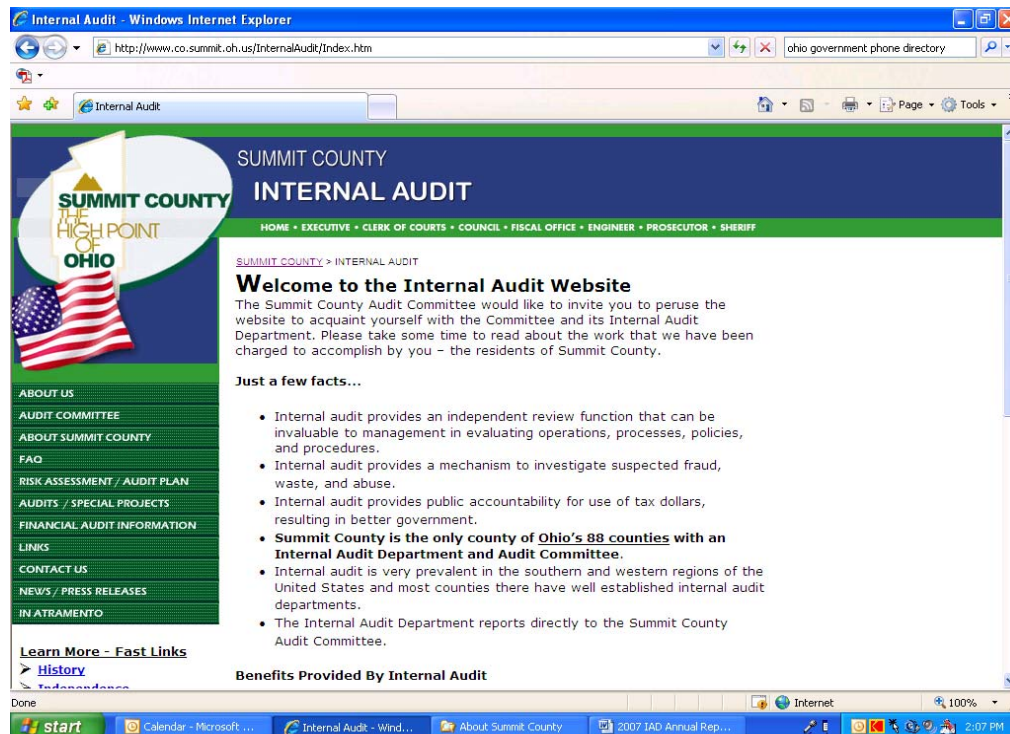
Lisa Skapura, IAD Assistant Director, and Mira Pozna, IAD Deputy Director, have completed training and have been certified as National Peer Reviewers by ALGA. Ms. Skapura has performed numerous Yellow Book and Red Book peer reviews for ALGA and Ms. Pozna is scheduled to conduct her first in 2009. The “Yellow Book” is the Government Accountability Office’s (GAO) generally accepted auditing standards.

Completing the peer review training and in 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 here in the County. Acting as reviewers also enhances the reputation of the department nationwide.

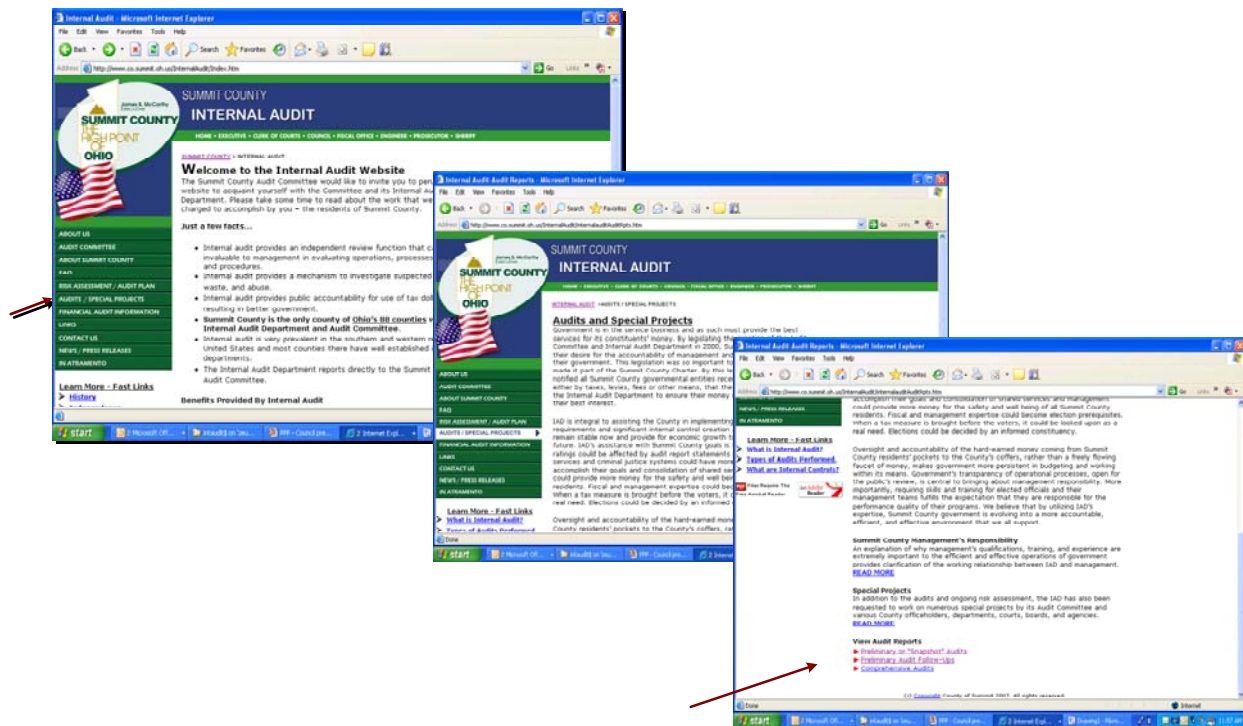
IAD would like to thank its Audit Committee for supporting the department’s efforts to augment its professional outreach to better serve the County.

IAD Website

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



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. Upon approval of its Audit Committee, IAD has posted all general audit reports to the website for review by the public for historical and accountability purposes.



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. 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.

Summit County Charter Review Commission

Every five (5) years a Charter Review Commission is formed to recommend changes to the Charter. IAD recommended revisions to Article X of the Charter to its Audit Committee at its third quarter meeting. IAD presented its proposed changes, approved by its Audit Committee, to the Commission in September and is currently working with the Executive Law Department on language and law.

The Commission has also requested that IAD provide information and recommendations on various issues before the body. Mr. Zaucha continues to work with the Commission to assist it with accomplishing its goals.

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

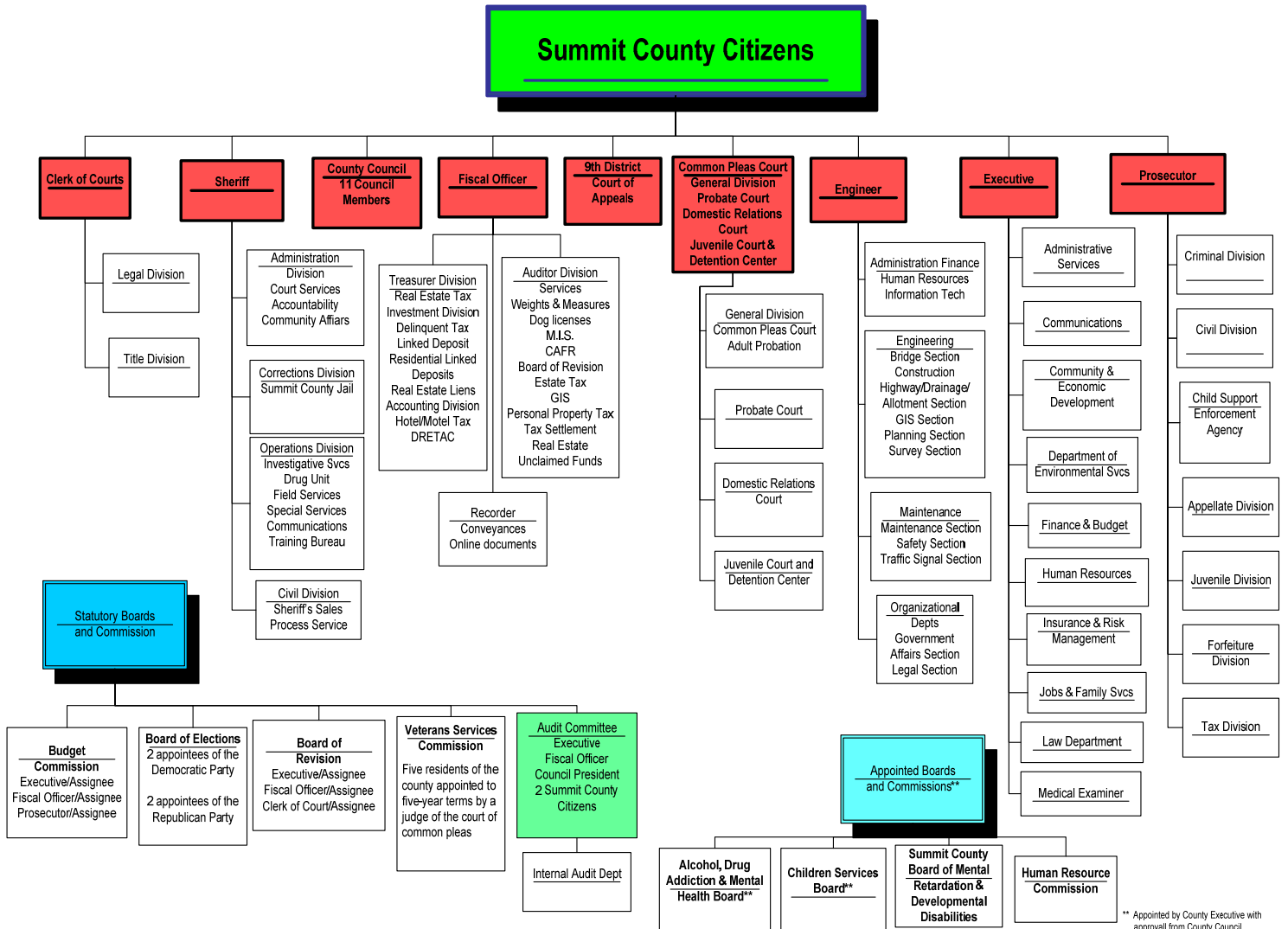
evaluation, conclusions or recommendations. A Management Action Plans (MAP) is required by the Audit Committee to address IAD’s findings and recommendations. The MAP must provide a timeline for implementation of the corrective actions by management.

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.

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

Summit County Government Organization Chart



** Appointed by County Executive with approval from County Council

Risk Assessment and Preliminary (Snapshot) Audits

Audit Services

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.

Audit Population Identified in the Countywide Risk Assessment

Preliminary Audit and Follow-Up Performed

Preliminary Audit Performed

Awaiting Preliminary Audit

Executive Office - Medical Examiner
Fiscal Office - Real Estate
Human Resource Commission
Fiscal Office - Services
Executive Office – Insurance & Risk Management
Alcohol, Drug Abuse & Mental Health Board
Veterans Services Commission
Summit County Council
Executive Office - General Administrative
Engineer Office
Executive Office - D.O.E.S (3rd follow-up)
Executive Office -Department Of Development (3rd follow-up)
Court Of Common Pleas - General
Court of Common Pleas - Probation
Juvenile Court - Operations
Juvenile Court - Detention
Sheriff Office - Corrections
Sheriff Office - Administration/Operations (3rd follow-up)
Prosecutor Office -Legal Division (2nd follow-up)
MRDD
Clerk Of Courts Office - Legal
Clerk Of Courts Office - Title
Prosecutor Office - CSEA

Domestic Relations Court
Executive Office - DJFS

Audits In Process

Fiscal Office - MIS
Executive Office - Justice Affairs/EMA
Executive Office - Administrative Services

Multiple Follow-Up Audit(s) Needed

Prosecutor Office -Legal Division (2nd follow-up)
Executive Office - D.O.E.S (3rd follow-up)
Executive Office -Department Of Development (3rd follow-up)
Sheriff Office - Administration/Operations (3rd follow-up)
Clerk Of Courts Office - Title Bureau (2nd follow-up)

Childrens Services Board
Board Of Elections
Fiscal Office - Treasurer
Fiscal Office - Finance
Fiscal Office - Recorder
Executive Office - Finance & Budget
Executive Office - Human Resources Dept
Executive Office - Dept Of Communication
Executive Office - Department Of Law
Court Of Appeals
Probate Court

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)

2008

∞ Executive Office: Department of Jobs and Family Services (3/25/2008)

∞ Procurement Card Program Audit (12/23/08)

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)

2008

- ∞ Prosecutor Office: Child Support Enforcement Agency (CSEA) (6/24/2008)
- ∞ 2nd Sheriff Office: Administration Divisions (6/24/2008)
- ∞ 2nd Prosecutor Office: Legal Division Second (12/23/2008)
- ∞ 3rd Executive Office: Department of Environmental Services (12/23/2008)

COUNTYWIDE AUDITS & AUDIT COMMITTEE APPROVAL DATE

2006

- ⌘ **Countywide Fleet Management Audit**

2007

- ⌘ **Countywide Payroll Audit**

2008

- ⌘ **Fiscal Office: Countywide Fringe Benefits Audit**
- ⌘ **Countywide Vehicle Logs Audit**

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.

Performance Results 2004-2008	FY04	FY 05	FY 06	FY 07	FY 08
Number of preliminary audits completed	14	8	5	1	1

Executive Office: Department of Jobs and Family Services

IAD identified that the majority of DJFS’ operational policies and procedures were outdated. IAD emphasized the critical need for revision to meet the needs of the current operations, given the wide range of programs, large workforce, infrastructure, and assets of the agency.

Audit testing showed that the agency was not consistently tracking the assets received from the state. Management was made aware of the necessity to implement a system to monitor these assets. IAD was instrumental in the agency creating an asset-tracking database and assisted the agency with its implementation.

Follow-Up Audits

As audit best practice stipulates, IAD recommended to the Audit Committee that follow-up audits be performed approximately six to nine months after an audit is conducted to monitor the progress of management's action plans. IAD continues to schedule follow-up audits until the auditee has meet its management action plan.

Performance Results 2004-2008	FY04	FY 05	FY 06	FY 07	FY 08
Number of follow-up audits completed		12	4	7	4

Second Follow-up Audit of Sheriff Administration Division

IAD found during its second follow-up audit of the Sheriff Administration that the physical security was improved in the Safety Building and Courthouse. This was due to the issues identified in the initial preliminary audit and the first follow-up audit of the department. IAD will perform a third follow-up audit of the many remaining security issues that have not been addressed.

Third Follow-up Audit of the Executive Office: Department of Environmental Services (DOES)

IAD commends DOES for implementing two new systems that address the need for policies and procedures and the emergency and safety issues contained in the initial preliminary audit. IAD will perform a fourth follow-up audit of the remaining issues that have not been addressed.

Countywide Audits

IAD has identified the need to perform countywide, comprehensive audits of various operations that are in place in the County as a whole.

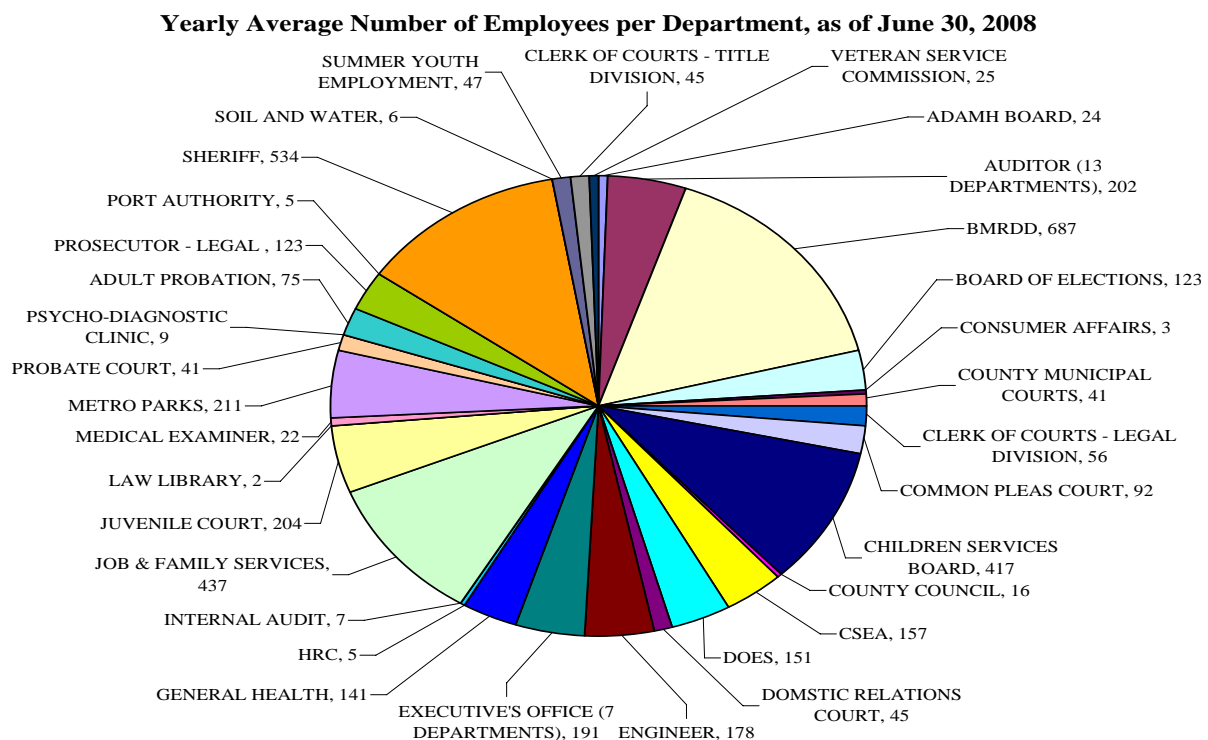
Performance Results 2004-2007	FY04	FY 05	FY 06	FY 07	FY 08
Number of Countywide audits completed	0	0	1	1	2

Countywide Fringe Benefit Audit

Upon request of the Summit County Fiscal Officer, IAD worked with all offices, courts, boards, commissions, and agencies who utilize the Fiscal Office as their payroll administrator, with the exception of the Board of Elections who after several attempts did not respond to entrance notifications. The Fiscal Officer made the request based on news that the IRS was performing audits of fringe benefit deductions throughout the state and some counties had been assessed substantial findings.

The audit report states its objective as "...to ensure that all departments, boards, agencies, and commissions in the County of Summit employ the policies and procedures to ensure that compensation related activities are processed and accounted for in accordance with the Internal Revenue Code, specifically Section 125 Cafeteria Plan and Publication 15-B. " More specifically, IAD examined the payroll process:

1. To ensure that employee contributions for deferred compensation are in compliance with IRS regulations.
2. To ensure discrimination testing for the Section 125 Cafeteria plan is in compliance.
3. To ensure that employee and employer portions of health care premiums are in compliance with IRS regulations.
4. To ensure that corrective measures are taken to address any countywide issue identified.



Surveys were sent to the managers and officeholders of the following entities to gain an understanding of the various fringe benefits provided to staff.

1. Akron Law Library
2. Alcohol, Drug, & Mental Health (ADAMH)
3. Board of Elections
4. Summit County Children Services
5. Clerk of Courts - Akron
6. Clerk of Court - Barberton
7. Clerk of Court - Cuyahoga Falls
8. Clerk of Courts Legal Division
9. Clerk of Courts Title Division
10. Common Pleas (General, Adult Probation, Psycho Diagnostic Clinic)
11. Consumer Affairs
12. Summit County Council
13. Department of Job & Family Services (DJFS)
14. Department of Environmental Services (DOES)
15. Domestic Relations Court
16. Engineer Office
17. Executive Office (including the following departments)
 - I. Administrative Services
 - II. Communications
 - III. Community and Economic Development
 - IV. Law
 - V. Finance and Budget
 - VI. Human Resources
 - VII. Insurance and Risk Management
 - VIII. Medical Examiner
18. Fiscal Office
19. General Health District
20. Human Resource Commission
21. Internal Audit Department
22. Juvenile Court
23. Law Department - Akron
24. Law Department - Barberton
25. Law Department - Cuyahoga
26. County of Summit Board of Mental Retardation and Developmental Disabilities (MR/DD)
27. Metro Parks Serving Summit County
28. Municipal Court-Akron
29. Municipal Court-Barberton
30. Municipal Court-Cuyahoga Falls
31. Probate Court

32. Prosecutor-Child Support Enforcement Agency (CSEA)
33. Prosecutor-Legal
34. Sheriff
35. Soil & Water Conservation District
36. Summit/Akron Solid and Waste Management Authority
37. Veterans Service Commission

The following were the questions asked in the survey:

- 1) Are uniforms or clothing allowances provided to anyone in your governmental entity?
- 2) Does your governmental entity provide any clothing to non-bargaining/non-uniformed employees (for any of your departments or any other County/Other departments?)
- 3) Does your governmental entity have a policy for reimbursement of meals and/or travel expenses?
- 4) Do you have any employees in a bargaining unit? Please identify each local union represented in your department.
- 5) Are any employees of your governmental unit provided laptops, PDA's, Blackberry's or other mobile handheld devices, or tablet computers?
- 6) Does your governmental unit have a policy regarding use of laptops, PDA's, Blackberry's or other mobile handheld devices, or tablet computers?
- 7) Does your governmental unit provide cell phones to any of your employees?
- 8) Are any employees in your governmental unit provided or receive an allowance for firearms, tasers, and/or any other non-lethal weapons?
- 9) Are any employees of your governmental unit given cash incentives, awards, gift awards, and/or bonuses? If so, please explain.
- 10) Has your governmental unit paid any litigation settlements for back-pay issues? Please explain.
- 11) Are any employees in your governmental unit provided County-paid life insurance policies/coverage of over \$50,000?
- 12) Are there any staff members of your governmental unit that have employment contracts?

Interviews were then conducted to gain a better understanding of fringe benefits administration. IAD then compared the information obtained with the actual processing of the taxable benefit by the payroll coordinators to confirm the policies set by the department were in compliance with IRS tax code.

It was determined by IAD through a risk assessment that each department should be evaluated for compliance. To accomplish this, IAD performed a review of each office, board, commission, and agency identified in the audit. These audits were conducted with the following objectives:

Departmental Objectives

1. To ensure that each department/agency accurately report fringe benefits as earnings, in accordance with IRS Publication 15-B, where applicable.
2. To ensure that each department employs formal policies and procedures in reporting fringe benefits so as to be consistent with IRS Publication 15-B.
3. To ensure that issues identified in each departmental audit are corrected for future payroll processing in the Kronos and/or Banner system.

On site visits were conducted in each of the above referenced governmental units, except the Board of Elections, who after several attempts did not respond to entrance notifications.

Work Performed

The following is a list of the areas reviewed to accomplish the objectives listed above. IAD performed tests and reviewed documents to verify that the accounting and processing of the respective fringe benefits were in compliance with Internal Revenue Code.

- ∞ **Policies and Procedures**
- ∞ **Union Agreements**
- ∞ **Employee Contracts**
- ∞ **Tools and Uniforms**
- ∞ **Computer Equipment**
- ∞ **Mobile equipment**
- ∞ **Litigation Settlements**
- ∞ **Meal Reimbursements**
- ∞ **Education Reimbursements**
- ∞ **Weapons**
- ∞ **Incentives**

Objective: To ensure agency compliance with IRS Publication 15-B in reporting of fringe benefits, and to ensure that formal policies and procedures are consistent with IRS regulations.

Scope: The County fringe benefits policies, processes, and procedures followed as of January 1, 2008.

IAD worked with each department to assist with correcting any issues that were identified during the audit.

When a specific department had rectified all possible IRS issues, they received a report containing the information below that stated the testing procedures and a statement deeming the department in compliance with IRS Bulletin 15-B.

Testing Procedures:

The following were the major audit steps performed:

1. To ensure that the agency has formal policies and procedures for fringe benefits that are in compliance with IRS Publication 15-B.
2. To ensure that the payment of county provided uniforms and uniform allowances are in compliance with IRS regulations.
3. To ensure that meal and travel reimbursements are in compliance with IRS regulations.
4. To ensure county provided weapons and allowances for weapons are in compliance with IRS regulations.
5. To ensure that the payment of employee incentives, awards and bonuses are in compliance with IRS regulations.
6. To ensure that any litigation payments for back-pay were properly reported in earnings.
7. To ensure that any employee receiving county paid life insurance in excess of \$50,000 is included in earnings and in compliance with IRS regulations.
8. To ensure that any fringe benefits included in employee contracts are in compliance with IRS regulations.

Based on testing performed for the objectives listed above, IAD deems the Summit County (SPECIFIC DEPARTMENT) in compliance with IRS Publication 15-B. IAD does not give any assurance of compliance for misrepresentations and areas outside of the respective scope.

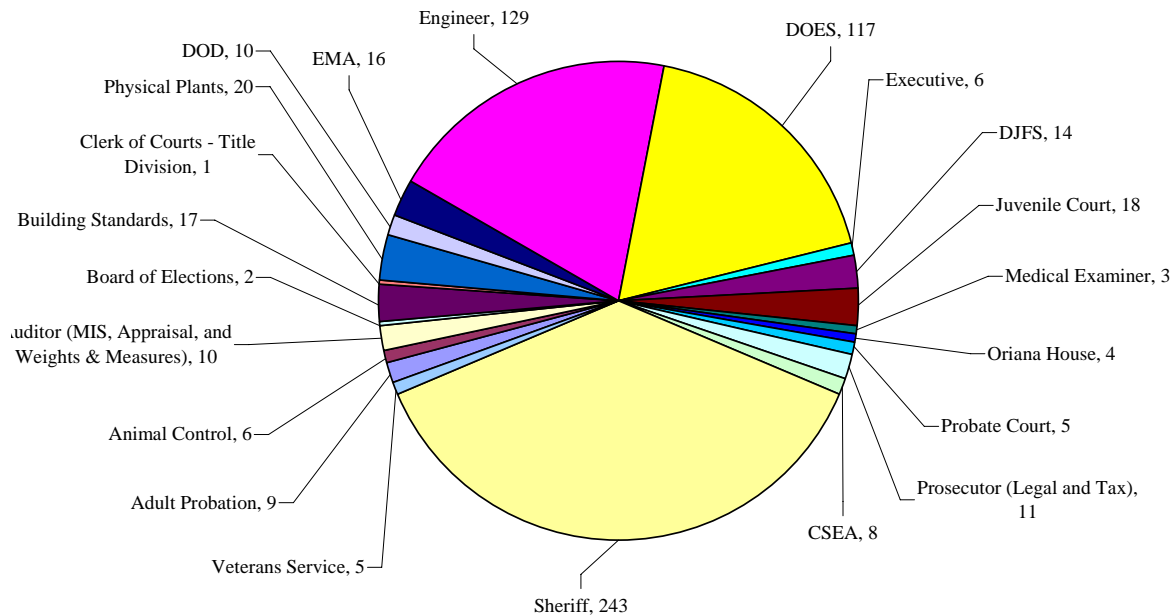
Countywide Vehicle Logs Audit

Executive Order 07-320 stipulated that all departments (excluding the Sheriff) report County vehicle use through vehicle logs to the Department of Insurance and Risk Management and that the logs are auditable by IAD. In addition, Codified Ordinance 169.25 *revised* states that all vehicles, both designated and pool cars, must report vehicle usage through standardized logs monitored by the Insurance Department and audited by IAD.

Upon review of the logs at the beginning of the audit, it was determined that departments were not complying with the Codified Ordinance and that pool vehicles were not included in the requirement to track vehicle miles. IAD worked with the Executive Office Law Department to accomplish the revision of the ordinance to include pool cars and with the Insurance Department to develop a standardized tool for departments to easily report vehicle usage.

The Insurance Department provided IAD with an Access database for use by departments to track vehicle miles. IAD provided training on the database to all departments required to track usage. IAD also tested IRS mandates relating to designated vehicle usage.

Vehicles by Department



Note: IAD excluded all Sheriff's vehicles and a number of other vehicles from departments from testing based upon exclusion qualifications from IRS Publication 15B. These respective vehicles are not required to complete vehicle usage logs; therefore, IAD passed on further testing of those vehicles.

IAD has determined that by providing Summit County departments with the Access database to easily report and track vehicle usage, a complete analysis of vehicle usage will be feasible, and informed recommendations as to fleet management may then be possible.

Special Projects

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, some of which are referenced below. 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.

Performance Results 2004-2007	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08
Number of special projects completed	4	4	4	7	12	12

Procurement Card Program Audit

IAD worked with the Executive Office Department of Finance and Budget (DFB), closely monitoring the implementation of the Procurement Card program. IAD reviewed the policies and procedures manual and made recommendations on revisions thereto. IAD attended initial meetings with banks and training sessions on the online system of the bank

chosen. IAD's Assistant Director was issued a card in order to test the bank and County controls before DFB issued any additional P-cards. IAD found many control issues during its testing and worked with DFB and the bank to rectify them. IAD continues to monitor the program and work with DFB on its implementation.

Department of Development HWAP Program

Upon a request by the Executive Office Department of Finance and Budget about its concerns with contractor invoicing of HWAP projects. IAD performed invoice testing and reviewed the policies and procedures of the program. IAD provided assurances to the DFB Director that the invoice process of the HWAP program was satisfactory.

County Auditors Association Organization (CAAO) Internal Controls Manual

IAD's Director was asked to speak on fiduciary duty before the CAAO at its spring meeting.

From this presentation, came an invitation for IAD to work with the organization on developing an Internal Accounting Controls Manual to assist the Ohio County Auditors with

implementing these controls throughout their offices. Mr. Zaucha's presentation and the audits done by the Ohio Auditor of State, holding officeholders personally responsible for audit findings for recovery, were the impetus for this important initiative.

Mr. Zaucha was asked to participate in a roundtable discussion, introducing the Manual at the CAAO Annual Winter Meeting on November 29th in Columbus.

This undertaking was the first of its kind in the State and provided IAD an avenue of professional interaction with the numerous elected officials throughout Ohio and their offices. The project allowed the development of internal auditing best practices and showed the value of the having such an independent oversight body in their counties.

Clerk of Courts and Domestic Relations Court Case Management System Implementation

This project is ongoing and is scheduled for completion in 2009. IAD staff, accompanied by its information technology auditor, Dave Gordon, continue to attend the project meetings and security module design sessions. Mr. Gordon provides opinions on the design of the system relating to internal controls.

Summit County Safety Council and Training Subcommittee

In 2007, Summit County Emergency Management Agency developed a Countywide Continuity of Operations Plan (COOP) in conjunction with an outside consultant. The County realized the need to keep the COOP updated and to provide a forum where all County entities are made aware of emergency management issues and collaborate to address them. To accomplish this, the County formed a Safety Council. In addition, the Council formed a Training Subcommittee to offer training on various safety issues and to run tests of the COOP for each County entity. IAD participates as a member of the Safety Council and Training Subcommittee.

Summit County HR Review Committee

The Summit County Executive Office Human Resource Department (HRD) identified the need to revise numerous sections of Section 169, the personnel policies of the Codified Ordinances. To obtain the best cooperation from all of the officeholders that must comply with Section 169, HRD brought representatives from the Executive, Fiscal, Engineer, Sheriff, Clerk of Courts, and Prosecutor offices to participate in discussions and draft revisions to the ordinance. IAD was also invited to participate.

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.

Employees who in good faith report suspected criminal activity or the disregard of regulations or policy applicable to County activities are protected against retaliation by the County for making such a report.

Performance Results 2004-2007	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08
Number of investigations completed	1	0	0	0	2	0

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
- Lending Library (e.g. books and materials on various subjects relevant to County operations)
- Repository of Countywide Information

IAD Structure

As reported in last year's Annual Report, IAD faced the loss of two senior auditors at the end of the year. We are pleased to report that the department has rebounded from those losses. With the hire of a deputy director with over 20 years combined professional audit and accounting experience and the concentrated training of two staff auditors, the department is well on its way to recovery and looks forward to continuing to provide the many and varied services required of the County. IAD would like to thank its Audit Committee for its support during this transitional period.

Future Plans

- IAD broached the subject of developing a fraud prevention program along with a fraud hotline in the County with its Audit Committee. The Audit Committee asked its Internal Audit Department to provide a report that addresses the program and its cost benefits to the County.
- IAD also discussed with its Audit Committee the possibility of providing its services to other local governments in the County, particularly in the areas of fraud detection and operational and performance audit services.
- Review with the Audit Committee and Department of Finance and Budget, IAD's current structure as an internal service fund of the County.
- Continue to work with the Summit County Charter Review Commission to affect the changes to Article X of the Charter and provide information and analysis as requested.
- 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/.

Conclusion

Current Economic Condition

<i>Revenue Decreases</i>	<i>Expense Increases</i>
Investment income down Real estate tax collection down Building permit fees down Conveyance fees down Sales taxes down	Salaries Benefits Equipment Maintenance fees Commodities (i.e. salt, asphalt, cement) Independent contractors Number of court cases filed New judges and their staff Jail use Law enforcement services

Given the current economic condition of Summit County, having a strong Internal Audit Department to analyze data and advise management on operational and performance matters to better conserve and maximize its reduced revenue is key to weathering the downturn and coming out of it in a condition that will allow a speedy recovery.

IAD Service Offerings to Other Local Governments

Offering these services to other Summit County local governments and school boards could provide the same analysis and counsel on how to best utilize the reduced dollars coming into local coffers.

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.

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