

# Internal Audit Report

Cuyahoga County, Ohio  
Department of Internal Auditing

**Cuyahoga County Budget Commission  
Policies and Procedures Manual Review  
July 2018**

**Director of Internal Auditing: Cory A. Swaisgood, CPA**

**Audit Manager: Rose Karam, CFE, CIA**

**Staff Auditor: Timothy Verba**





**CUYAHOGA COUNTY  
DEPARTMENT OF INTERNAL AUDITING**

**Budget Commission – Consulting Engagement Memo  
Policies and Procedures Manual Review  
August 31, 2018**

To: County Fiscal Officer Dennis Kennedy; Budget Commission Administrator Bryan Dunn; and the current management of the Cuyahoga County Fiscal Office:

Based on the results of our annual risk assessment and at the request of County management and County Council, the services of the Department of Internal Auditing (DIA) was requested to review the written policies and procedures of the Cuyahoga County Budget Commission Department (Department). This review was performed as a consulting engagement. We were not engaged to and did not conduct an audit examination.

This consulting engagement was performed in accordance with the *International Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors (IIA). The IIA standards define consulting engagements as advisory and related management services/activities, the nature and scope of which are agreed with and/or requested by management and is intended to add value and improve the County's governance, risk management, and control processes without the internal auditor assuming management responsibility. This review was also performed as a consulting engagement under DIA's charter and does not constitute an audit in accordance with *Generally Accepted Government Auditing Standards*.

**BUDGET COMMISSION**

According to Article VI, Section 6.01, of the Cuyahoga County Charter, the Cuyahoga County Budget Commission (Commission) shall consist of the County Executive, the Fiscal Officer and the Prosecuting Attorney. The Commission shall exercise all powers and perform all duties of a Commission as prescribed by the general law, including Ohio Revised Code (ORC), Section 5705.27. The Cuyahoga County Fiscal Officer serves as the Secretary to the Commission and employs a staff (Department) to execute the statutory functions of the Commission. The primary functions of the Commission and Department includes:

- Auditing annual tax budgets of 105 taxing authorities in Cuyahoga County.
- Determining annual property tax rates for each taxing authority.
- Issuing Official Amended Certificate of Estimated Resources to each taxing authority; which is a statement of all estimated revenues and is used as a budgetary tool to review spending.

- Distributing all property tax revenues collected to 38 cities, 19 villages, 2 townships, 33 school districts, 9 library systems, and 4 county taxing authorities (County Executive, Port Authority, Tri-C, and the Metroparks System). Over 2.4 billion dollars of tax revenues are distributed annually.

### **PURPOSE AND SCOPE OF WORK**

The purpose of this consulting engagement was to review and analyze the policies and procedures used by the Department to conduct their operations. To gauge current practices, the review was restricted to processes and procedures in place as of the date of review, conducted in July 2018. Our scope included:

- Reviewing written procedures for clarity and comprehensiveness.
- Reviewing written procedures for segregation of duties and internal control weaknesses.
- Researching best practices in other Ohio counties.
- Ensuring policies comply with applicable laws (e.g. Ohio Tax Law, ORC).

### **COMMENDABLE PRACTICES:**

Overall, the processes in place as of the date of our review appeared to be exemplary and should serve as a model for other counties. Below are some of the Department's noteworthy practices.

- DIA contacted six other counties within the State of Ohio (five largest other than Cuyahoga and one random) to determine if other Budget Commissions developed written policies and procedures. Of the four counties that responded no other County Budget Commission had formal written policies and procedures.
- The Department had the most informative website of any County in Ohio reviewed by DIA. Cuyahoga County taxing authorities could easily obtain collection and other information from the Department's website (schools and local governments data).
- The Department staff has a direct working relationship with the fiscal officers, school treasurers and public officials in Cuyahoga County. Calls and emails were answered timely from the general public and taxing authorities regarding property taxation.
- All three employees in the Department were cross-trained and could perform any role in the office, effectively utilizing its limited resources to maximize their efficiency. The two staff were both knowledgeable and cooperative throughout the review process.
- Department forms and other records were stored electronically on a shared drive easily accessible to all three employees.
- Standard forms were consistently used for routine monthly distributions.
- Email lists were set up for taxing authority groups (i.e., cities, libraries, schools, etc.) to ensure updates and necessary information is communicated to all applicable taxing authorities.
- Procedures were clear and referenced forms as examples.

## **FINDINGS AND RECOMMENDATIONS:**

This memo summarizes our findings and recommendations as they relate to our evaluation of the Department. Management responses are attached to the end of this report. The following observations were noted while reviewing the Department's 16 written procedures and performing walk-throughs and interviews:

- There was no evidence the written procedures were periodically reviewed and updated since established in 2016.
- DIA did not identify evidence of review from Fiscal Office management.
- Three monthly procedures were not documented with written procedures:
  - Sheriff Sales (performed twice a month)
  - Clerk of Courts – Delinquent Taxes (performed once a month)
  - Board of Revision (performed once a month)
- Documents (e.g. Do Not Exceeds Certificate, Certificate of Estimated Resources) prepared by the department did not always contain original signatures of members of the Budget Commission. A rubber stamp was used in place of one member's signature and another member's signature was signed by an employee.
- Although DIA noted evidence of the Administrator's review/approval, not all procedures documented the requirement to obtain supervisor review/approval. Examples include distributions of Local Government/Public Library Funds, Auto Tax, Gas Tax and Cigarette Tax distributions.
- Although DIA did not find any inconsistencies between the written procedures and Ohio law (e.g. Ohio Tax Law, ORC), these governing laws were not always referenced in each procedure.
- Deceased individuals' social security numbers were noted on some examples attached in the Estate Tax procedures.

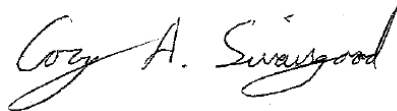
Based on the above findings DIA recommends the following:

- The Department should annually review and update (if necessary) the written procedures. The annual review should be documented and dated.
- Evidence of Fiscal Office management review should be documented on the current written procedures and subsequent annual updates, if needed.
- The written procedures should document all Department procedures.
- All documents prepared by the Department should contain original signatures, not stamped. The ORC requires the Department to certify documents, like the Certificate of Estimated Resources. The Budget Commission should determine the process to certify these documents. We recommend the Fiscal Officer and the Budget Commission Administrator sign off (hand written) on these documents and submit the documents to the Budget Commission via email, if necessary. This process should be formally documented in the Department's written procedures.

- All procedures, where necessary, should contain the section number of the governing law.
- The written procedures should document supervisor review/approval, where applicable.
- Even though deceased individuals' social security numbers are considered public record, it is recommended that social security numbers be redacted on all documents used as examples to help reduce the possibility of identity theft.
- With the County's implementation of the new Enterprise Resource Planning (ERP) system and the new tax system in 2019, the Department should review and update their written procedures to address any changes to the Department's processes during implementation of these systems.

DIA would like to thank the Department for their cooperation and commend the practices of the Department representing the County as a model department in the State of Ohio with respect to written procedures and internal controls in place.

Sincerely,

A handwritten signature in cursive script that reads "Cory A. Swaisgood".

Cory A. Swaisgood, CPA  
Director of Internal Audit

Cc: Audit Committee  
Cuyahoga County Council  
Budget Commission  
Earl Leiken, Chief of Staff  
Robert Triozzi, Law Director



## FISCAL DEPARTMENT

To: Cory A. Swaisgood, CPA  
Director of Internal Auditing

From: Lisa Rocco, Director of Operations  
Fiscal Office

Date: October 5, 2018

Re: Cuyahoga County Budget Commission Policies and Procedures Manual Review

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The following are my responses regarding the recommendations made by Internal Auditing for the Cuyahoga County Budget Commission Policies and Procedures Manual Review.

1. The Department should annually review and update (if necessary) the written procedures. The annual review should be documented and dated.  
Response: The Director of Operations for the Fiscal Office will review in May, of each year with the Budget Commission Administrator, the Cuyahoga County Budget Commission Policies and Procedures Manual. Updates will be made and reviewed when necessary. The Cuyahoga County Budget Commission will have a form in its Policies and Procedures Manual for the Director of Operations to sign and date indicating review of the Policies and Procedures Manual.
2. Evidence of Fiscal Office management review should be documented on the current written procedures and subsequent annual updates, if needed.  
Response: Same as #1
3. The written procedures should document all Department procedures.  
Response: The Cuyahoga County Budget Commission has started to write procedures for the monthly processes not currently documented. The procedures will be for Sheriff Sales, Clerk of Courts Delinquent Taxes and Board of Revision. These procedures will be completed for review for the May 2019 annual policies and procedures review.
4. All documents prepared by the Department should contain original signatures, not stamped. The ORC requires the Department to certify documents, like the Certificate of Estimated Resources. The Budget Commission should determine the process to certify these documents. We recommend the Fiscal Officer and the Administrator sign off (hand written) on these documents and submit the documents to the Budget Commission via email, if necessary. This process should be formally documented in the Department's written procedures.

Response: The Cuyahoga County Budget Commission has removed the signature stamp for certification of documents. The Fiscal Officer will sign each document needing to be certified until such time the Cuyahoga County Budget Commission meets and votes to give signing authority to the three (3) Budget Commission employees as has been done in the past. The Director of Operations for the Fiscal Department will work with the Administrator of the Budget Commission to write a policy requiring original signature on all documents certified by the Cuyahoga County Budget Commission pursuant to Ohio Revised Code for annual review in May 2019.

5. All procedures, where necessary, should contain the section number of the governing law.

Response: The Cuyahoga County Budget Commission has placed the Ohio Revised Code Sections governing County Budget Commissions in the front of its Policies and Procedures Manual. The Director of Operations will work with the Administrator of the Cuyahoga County Budget Commission to update its Policies and Procedures Manual to include Ohio Revised Code sections with each of the appropriate policies and procedures by the annual review in May 2019.

6. The written procedures should document supervisor review/approval, where applicable.

Response: Same as #1

7. Even though deceased individuals' social security numbers are considered public record, it is recommended that social security numbers be redacted on all documents used as examples to reduce the possibility of identity theft.

Response: The Cuyahoga County Budget Commission has redacted all social security numbers on all Estate Tax documents. The Director of Operations will work with the Administrator of the Cuyahoga County Budget Commission to update its Policies and Procedures Manual regarding Estate Tax to include the redaction of social security numbers by its annual review in May 2019.

8. With the County's implementation of the new Enterprise Resource Planning (ERP) system and the new tax system in 2019, the Department should review and update their written procedures to address any changes to the Department's processes during implementation of these systems.

Response: The Director of Operations will work with the Administrator of the Cuyahoga County Budget Commission to review and update the written procedures to address any changes to the Department's processes once Cuyahoga County implements the new Enterprise Resource Planning (ERP) system and the new Real Property Tax system.