

Audit Report Highlights

Motor Vehicle/Auto Title **February 2023**

Approx. Amount of Auto Title Revenue¹= \$6.5 million **County Annual Budget²= \$1.4 billion**

Why DIA Did This Audit



An audit was conducted to assess the adequacy, completeness, and accuracy of the revenue generation process related to motor vehicle titles administered by the County Auto Title Department. The audit was approved as part of the 2021 Audit Plan and then deferred until 2022. Auto Title processes were of a higher risk because of the frequency and amount of payments collected, the level of compliance that is mandated, and as there are five Auto Title offices around the County as opposed to one location only. The audit period under review was January 1, 2021 through December 31, 2021.

What DIA Found

The County does a good job managing the high volume of activity that is associated with the recording and collection of Auto Title transactions and funds. However, DIA did note the following internal control or compliance issues:

- Overages were not being deposited daily but were being maintained at individual branches.
- Auto Title branches were not always depositing monies received in a timely manner in accordance with Ohio Revised Code 9.38.
- There was no approval noted of the daily reconciliations performed by Auto Title that compared Automated Title Processing System (ATPS) to actual deposits.
- There was inconsistent sign off and approval of daily cashier balances.
- Policies and Procedures were incomplete and not approved.
- Auto Title fund not classified as a Special Revenue Fund.

Recommendations have been rated by priority: High, Moderate, Low, or Business Process Improvement. The report contains 13 recommendations:

- 0 High** – 30 days to complete
- 7 Moderate** – 90 days to complete
- 5 Low** – 180 days to complete
- 1 Process Improvements**- No action required

¹ Based on recorded 2021 collections within Lawson. This is the amount of revenue that Auto Title gets to keep. They collected approximately \$182 million in taxes and fees in 2021 but the rest is disbursed to the State.

² The County Annual Budget includes operating appropriations from all County funds.

Audit Report Highlights

Motor Vehicle/Auto Title

February 2023

Background

Auto Title is responsible for issuing State of Ohio titles to customers who are purchasing a vehicle or transferring ownership of a vehicle in the County. They collect all fees required per Ohio Revised Code (ORC) for each transaction as well as any applicable sales tax. There is a state tax of 5.75% and Cuyahoga County has an additional 2.25% tax.

There are a total of five Auto branches located in downtown Cleveland, Mayfield Heights, Parma, North Olmstead, and Bedford.



What DIA Recommended

DIA provided Auto Title management with recommendations for improving internal controls. We provided these recommendations during fieldwork to lessen potential risks related to cash management. Doing so during the course of fieldwork rather than at audit completion allows the department a chance to remediate identified issues immediately and have no surprises when the report is received.

The Auto Title department is working to address the issues noted in this report. Based on their responses, we believe corrective action will be taken to mitigate the risks identified. Management responses follow each recommendation in the report. Recommendations we made for management included:

- Depositing overages daily in accordance with ORC 9.38.
- Increasing the frequency of deposit pickups at the Auto Title branches.
- Approval of daily reconciliations by management.
- Sign off of daily cashier balances by cashiers and approval by management.
- Creating or enhancing Policy and Procedure manuals for the department.
- Determining whether Auto Title funds should be classified as a Special Revenue Fund or continue being classified as General Fund.

Internal Audit would like to express our appreciation for the cooperation and assistance received from Auto Title during this audit. The strides made help improve the County's efficiency and accountability.

Internal Audit Report

**Motor Vehicle (Auto Title) Revenue & Receivables
Audit**
Fiscal Office
January 1, 2021- December 31, 2021

**Director of Internal Auditing: Monica Houston, CPA,
CGMA, CFE, CIDA**

Audit Manager: Joshua Ault, CIA

Senior Internal Auditor: Jeremy Hejnal, CIA, CFE

Staff Auditor: Joe Balbier, Esq.



Release Date 03/20/2023

INTERNAL AUDIT REPORT
Auto Title
Cover Letter

February 17, 2023

To: Fiscal Officer Michael Chambers and current management of Fiscal Office,

The Department of Internal Auditing (DIA) has conducted an audit of the organization's processes and procedures relating to revenue and receivables for motor vehicle titles administered by the County Auto Title Department (referred to as Auto Title for report) for the period of January 1, 2021 – December 31, 2021. Our objective was to assess the adequacy, completeness, and accuracy of the revenue generation process for motor vehicles from beginning to collection.

To accomplish our objectives DIA conducted interviews with management and staff regarding the procedures that various departments perform related to the life cycle of auto title revenue. The adequacy, completeness, and accuracy of Auto Title funds was assessed through a review of the payment collection process including safeguarding of cash, reconciliation process, disbursal of funds to outside parties, and the accounting for the Auto Title fund by the County.

Our audit procedures disclosed non-compliance with timely deposits of money received and deposit of overages. There was also a lack of approval on reconciliations and daily cashier balances. This report provides the details of our findings. We are confident corrective action has been taken or will be taken to mitigate the risks identified in this audit report. We conducted this audit in accordance with the International Standards for the Professional Practice of Internal Auditing. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Because of the inherent limitations of internal controls, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the internal control structure to future periods is subject to the risk that procedures may become inadequate due to changes in conditions, or that the degree of compliance with the procedures may weaken.

DIA would like to express our appreciation to Auto Title staff and management, and interrelated departments that assisted throughout the process for their courtesy and cooperation during this audit. A draft report was provided to Fiscal Office management for review. Management responses are included within the audit report.

Respectfully,

A handwritten signature in cursive script that reads "Monica Houston". The signature is written in a light blue or grey ink.

Monica Houston, CPA, CGMA, CFE, CIDA
Director of Internal Auditing

Cc: Cuyahoga County Council
Eric Wobser, Chief of Staff
Katherine Gallagher, Chief of Operations and Innovation
Greg Huth, Law Director
Michael C. O'Malley, Cuyahoga County Prosecutor
Catherine Tkachyk, Chief Innovation Officer (Executive Agency Audit Liaison)
Lisa Rocco, Director of Operations, Fiscal Office

Contents

Glossary	5
Report Details	6
Purpose.....	6
Audit Objectives.....	6
Scope.....	6
Methodology	6
Audit Procedures	7
Background.....	8
Commendable Practices.....	9
Findings and Recommendations.....	11
Auto Title Findings	11
FINDING Overages Not Properly Deposited	11
FINDING Lack of Timely Deposit of Money Received.....	13
FINDING Daily Reconciliations are Not Approved.....	15
FINDING Lack of Approval on Daily Cashier Balances	16
FINDING Lack of Formal Policy and Procedure Manual	17
FINDING Auto Title Fund Not Classified as Special Revenue Fund	19

Glossary

Automated Title Processing System (ATPS)	State system that records all activity for each County Auto Title branch. Records type and number of transactions processed on daily basis as well as funds collected.
Ohio Revised Code (ORC)	Laws passed by the Ohio General Assembly of a permanent and general nature of the state as revised and consolidated into general provisions, titles, chapters, and sections.
Lawson	County financial system that records revenues and expenditures.
CTMS EZ-Title and Dealer Track	Third-party vendors that customers can log in to submit scanned documents necessary to process an auto title.

Report Details

Purpose

The purpose of this audit was to conduct a comprehensive examination of the organization's processes and procedures relating to revenue and receivables of Auto Title.

The Audit Committee approved DIA's 2021 audit plan to include an audit of Auto Title. However, the audit was deferred to 2022. Auto Title functions were identified as an area of higher risk on the Annual Risk Assessment due to the high volume of transactions (cash, checks, and electronic payments), there are multiple branches throughout the County as opposed to one central location, and the high level of interaction between the staff and the general public. There was also a concern raised relative to whether the Auto Title fund was being properly accounted for by the Fiscal Office. We conducted our review through inquiry and testing of monies collected, revenue recording, deposits, and reconciliations.

The audit included review and evaluation of procedures, practices, and controls as deemed necessary.

Audit Objectives

The objective of this audit was to assess the adequacy, completeness, and accuracy of the revenue generation process for Auto Title from beginning to collection.

Scope

To accomplish our objectives, we focused on the processes for payment collections, recording, safeguarding, reconciliation, and disbursement for the audit period January 1, 2021 to December 31, 2021. Additionally, tests of transactions and controls were performed to determine if controls were operating effectively.

Methodology

DIA made inquiries to gain a general understanding of processes relating to the revenue process for Auto Title. We also made inquiries relative to the controls and reviews performed over the state ATPS system utilized by Auto Title.

DIA performed observations and walkthroughs of physical safeguards for payments collected at all five Auto Title branches. DIA also performed surprise cash counts of monies maintained in the safes at all locations and any other type of change funds maintained.

DIA reviewed reconciliation procedures and tested daily reconciliations for accuracy, approval, and segregation of duties. Deposits per bank statements were compared to transaction recordings in Lawson. Daily cashier balances were reviewed for management approval. DIA also obtained assurance that monthly reconciliations were being performed for Auto Title bank accounts.

DIA made inquiries into how the Auto Title fund was being accounted for by the County Fiscal Office and reflected in the County's financial statements. DIA evaluated the County's accounting treatment of the fund against the laws and regulations established for the operation of County Auto Titles.

DIA compared ORC sections regarding fee amounts and remittance of these fees to monthly County collections and disbursements. DIA also confirmed that the taxes collected were properly disbursed to the State per ATPS reports and bank statements.

Finally, DIA reviewed any policies and procedures that were in existence for any of the departments' duties or processes and made recommendations for possible improvements.

Audit Procedures

Although every audit conducted by the DIA is unique, the audit process for most engagements consists of the following three phases:

- Planning
- Fieldwork
- Reporting

The planning phase of an engagement entails gathering sufficient understanding of the area being audited to identify and reduce key audit risks to an appropriate level. The DIA must document and develop a plan for each audit engagement, including the engagement's objectives, scope, timing, and resource allocation.

The fieldwork phase of an engagement entails executing the audit steps. This usually includes testing, reviewing, and analyzing data along with interviewing the appropriate personnel. Each audit has unique aspects and therefore the audit fieldwork and analysis performed on each audit segment should be customized for that assignment. See Methodology for a summary of fieldwork performed.

The DIA prepares written reports to communicate the results of each engagement. The format and nature of the report can vary depending on user needs and the type of engagement. Additionally, the DIA requires all engagements to receive an appropriate level of supervisory review and quality control as required by professional standards. At the time of report release, DIA resources required to complete the audit were as follows:

Stages		Actual Hours
Planning		169
Fieldwork		430
Reporting:		113
Review	60	
Draft Report	53	
Totals		712

Background

The County Auto Title Department exists to process titles for motor vehicles, including automobiles, motorcycles, ATVs, mobile homes, trailers, campers, and watercraft, and to issue titles to owners as evidence of ownership. It also issues replacement titles and duplicate titles for originals that have been lost or stolen. There are five Auto Title branches in Cuyahoga County; locations are in downtown Cleveland, Mayfield Heights, Bedford, North Olmstead, and Parma. Each location uses the same state system for transactions and performs all the same functions. There are approximately 50 full-time employees between the five branches. Auto Title issues approximately 470,000 titles a year.



Auto Title fees are set by the State of Ohio and tax rates are established by state and local laws. Auto Title payments can be made in cash, certified check, credit card, or ACH. The following

table gives the approximate amount of funds that were received by Auto Title in 2021 for fees and taxes:

Payment Type	Approximate Amount
ACH	\$ 108,798,879
Check	\$ 54,620,471
Credit Card	\$ 11,828,498
Cash	\$ 7,007,762
Total	\$182,255,610

The majority of funds received, approximately 95%, are remitted to the State; funds are submitted on a weekly basis for taxes and on a monthly basis for fees. The County maintains a portion of the funds to be used for the operation of the Auto Title department. Any funds in excess of operating expenses may be placed in the County General Fund. The ORC establishes the amount of fees the County retains and how much must be remitted to the State.

Commendable Practices

We commend and thank all the Fiscal Office for their cooperation during the audit. DIA especially thanks Auto Title employees for their time during the audit. Based upon the results of our audit, we believe Auto Title processes relating to revenue are well-managed. Specific commendable practices that DIA noted during the audit include:

- Maintaining controls over access to safes where money is stored and consistent performance of counts over the cash stored in the safe.
- Accurate and timely disbursement of funds to the State based upon the ATPS reports.
- Performance of regular audits at all branches multiple times a year by the Auto Title fiscal team to ensure the operation of various controls and sufficiency of supporting documentation.

Priority Level Criteria for Recommendations

High (P1)	Highest-Ranking Officer's immediate attention is required. Corrective action is strongly recommended (<u>30 days</u>).
	<ul style="list-style-type: none"> • Financially material loss or potential loss • Lack of or failure of internal controls requiring considerable time and resources to correct • Non-compliance with laws, regulations, and policies resulting in significant loss of funds, fines, or restrictions • Significantly negative effect on the County's reputation or public perception
Medium	Senior Management's attention is required. Corrective action is recommended (<u>90 days</u>).
	<ul style="list-style-type: none"> • Financial loss or potential loss • Internal controls exist but they are not effective, or they are not consistently applied • Non-compliance with laws, regulations, and policies resulting in loss of funds, fines, or restrictions • Negative effect on the County's reputation or public perception
Low (P3)	Management's attention is required. Corrective action is recommended (<u>180 days</u>).
	<ul style="list-style-type: none"> • Financial loss or potential loss is minimal • Internal controls exist but could be improved • Non-compliance with laws, regulations, and policies is a minimal risk • No effect on the County's reputation or public perception
Business Process Improvement (P4)	Management or supervisory attention is recommended but not required
	<ul style="list-style-type: none"> • Process improvement recommendation • Financial loss or potential loss is minimal or not applicable • Non-compliance with laws, regulations, and policies is a minimal risk or not applicable • No effect on County's reputation or public perception

In an effort to assist the auditee in making the best use of their resources, we have prioritized the recommendations according to the table above.

Findings and Recommendations

Auto Title Findings

FINDING Overages Not Properly Deposited

Auto Title satellite branches do not deposit overages as required within Ohio Revised Code.

Overages occasionally occur during the normal course of business. Auto Title satellite branches have an unwritten policy to keep overages in office until depositing an accumulated amount on a quarterly basis. They also maintain a change slush fund that is used to cover for a shortage, under \$1.00, that may occur at the end of the day between cash collected and the Automated Title Processing System (ATPS) total. Staff are still supposed to indicate that a shortage did occur. The following table shows the amount of cash identified during surprise counts by DIA:

Branch*	Quarterly Overage Amount	Change Slush Fund
Branch #1	\$1.30	\$4.45
Branch #2	\$11.60	\$2.46
Branch #3	\$24.00	\$7.92
Branch #4	\$21.34	\$7.59
Total	\$58.24	\$22.42

*The Auto Title main office did not have overages identified.

Overages that may be identified as belonging to customers are maintained by the individual branch that collected the money for approximately three months and then are deposited into Auto Title's bank account with no further action taken.

There are also no written policies and procedures regarding overages or shortages, including how the overage or shortage should be documented, tracked, and disposed of, and thresholds for cashier discipline for out-of-balance reporting.

Ohio Revised Code (ORC) Section 9.38 states *“Any public official and/or employee who receives public monies shall deposit said monies with the Treasurer or with a properly designated depository on the next business day following the day of receipt, if the total amount received exceeds one thousand dollars. If the total amount of public money received does not exceed one thousand dollars, the person shall deposit the monies on the next business day following the day of receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days following the day of receipt, for making such deposits, and the person is able to safeguard the monies until such time as the monies are deposited.”*

ORC 9.39 states in part *“All money received or collected by a public official under color of office and otherwise paid out according to law shall be paid into the treasury of the public office with which he is connected to the credit of a trust fund and shall be retained there until claimed by its lawful owner. If not claimed within a period of five years, the money shall revert to the general fund of the public office.*

Written policies and procedures regarding overages and shortages is a good control to ensure consistency in operations and enforce management expectations.

The overages maintained are of a relatively small amount. It has been a historical practice to only deposit accumulated overages quarterly. Overages are sometimes determined to belong to customers, and they are contacted via mail that they have a refund available to them. If they return, then the cash will be returned to them and if not, it gets deposited as part of the quarterly overage deposit. Overages and shortages are tracked at the cashier level by management. It is not noted in any written policies or procedures how an overage or shortage should be handled by the branches.

Risk to the County if Not Corrected

Failure to deposit public money in a timely manner increases the County’s exposure to theft or potential loss. Furthermore, holding on to monies for a long period of time results in untimely posting to the County’s accounting system. Using overages to cover for a potential shortage may lead to a misrepresentation of the daily collections.

Also, by not depositing monies in which it is known the party it belongs to via the unclaimed funds process, Auto Title is not in compliance with ORC 9.39.

Furthermore, by not having written policies and procedures regarding out-of-balance reporting or discipline, there is an increased risk it may not be uniformly applied to all branches or employees.

Recommendations

1. (P2) Auto Title branches should deposit any overage daily or in accordance with ORC 9.38.
2. (P2) If overages are later determined to belong to a customer, then Auto Title should continue to contact the customer to inform them they are due money back. If the customer contacts Auto Title for the money back, then Auto Title should gather the necessary information from the customer and have a check issued to them by Accounts Payable. If no one contacts Auto Title after what is deemed a reasonable amount of time, as established by Auto Title, the funds can be released to the Treasurer’s Office in accordance with ORC 9.39 regarding unclaimed funds.

3. (P2) Overages should not be used to cover a shortage. Daily totals should be reported as they actually occurred.
4. (P2) Policies and procedures relating to overages and shortages should be noted in Auto Title Policy and Procedure Manuals. This may include the following:
 - Documentation necessary for out-of-balance reporting;
 - Tracking procedures for the month or year;
 - Standards or thresholds for frequency or amounts of overages or shortages that result in various forms of employee discipline.

Management's Response:

Management agrees that outages traced to a general customer or unable to be identified will be reported daily and reflected on the daily deposit report. If we are able to identify the customer to whom the outage belongs, we will send them a letter notifying them. If the customer is owed money, we will provide a space on the letter that they must sign and send back. We will provide the letter and evidence of the overage to Accounts Payable for a check to be mailed to them.

Management disagrees with this process when the outage identified belongs to a dealership. When an overage belongs to a dealership, management will use a tri-part form which details the overage, when and how management contacted the dealership (telephone and in writing if applicable), and providing proof of signature and position with the dealership when it is retrieved. The dealership will be notified that they have ten (10) business days to retrieve their overage, otherwise it will be deposited, and they will have to request a check from Accounts Payable.

Additionally, for dealerships who incorrectly calculate their total amount owed (due to rounding errors in taxes and vendor discount), employees can provide nominal change (less than \$.25) to cover these instances.

Target Date of Completion: Management will have a tri-part form created and disseminated to all branches by March 1, 2023

FINDING Lack of Timely Deposit of Money Received

There may be certain days out of the week in which the satellite branches of Auto Title do not deposit public moneys received on the following business day. Branches will almost always have over \$1,000 in cash and check received for a business day.

ORC 9.38 states, in part: "A person who is a public official other than a state officer, employee, or agent shall deposit all public moneys received by that person with the treasurer of the public office or properly designated depository on the business day next following the day of receipt, if the total amount of such

moneys received exceeds one thousand dollars. If the total amount of the public moneys so received does not exceed one thousand dollars, the person shall deposit the moneys on the business day next following the day of receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the moneys until such time as the moneys are deposited. The policy shall include provisions and procedures to safeguard the public moneys until they are deposited.”

Auto Title does not have its own contract for deposit pickup service. They utilize the blanket contract between the County and the deposit pickup service that is used by other various agencies in the County. Each of the satellite branches of Auto Title has monies for deposit picked up by a service three times a week. Each branch is open five days a week. The days of pickup and the days open for business vary by branch. Each day of pickup costs an additional \$27.33. This would be approximately an additional \$5,685 for one additional day of pickup at each of the four satellite branches for a year.

Risk to the County if Not Corrected

By not having deposits picked up every day there is an increased risk that Auto Title may not be in compliance with ORC 9.38. Monies would also need to be secured for longer at the branches, thus increasing exposure to possible theft or misappropriation.

Recommendations

1. (P3) Auto Title funds should be deposited the following business day after receipt in accordance with ORC 9.38. This may necessitate more deposit pickups at the Auto Title branches.

Management’s Response:

Management agrees with the noted condition and will take corrective action. Management will meet with the Department of Purchasing to amend the current contract with the armored service to increase the number of weekly pickups from three to four.

Target Date of Completion: 5/31/23

FINDING Daily Reconciliations are Not Approved

Daily reconciliation of revenue is not formally reviewed or approved.

Reconciliation of daily revenue is performed by the department Accountant 3 for all five Auto Title branches. These reconciliations are used to support actual revenue recording in the County's accounting software (Lawson). However, they are not reviewed or approved by departmental management.

DIA reperformed the daily reconciliation of revenue on a sample of 25 days during 2021. It should be noted, no significant errors were identified.

Review and approval is a best business practice and routine control to ensure accurate and timely completion of work. An adequate level of review and approval is necessary to achieve an effective control environment.

Management review and approval of the daily reconciliations are not required in Auto Title Policies and Procedures.

Risk to the County if Not Corrected

Lack of review and approval of daily reconciliation may result in an increased risk for misappropriation of assets or inaccurate balances going undetected by management.

Recommendations

1. (P2) Auto Title management should review the Accountant 3's daily reconciliations and document approval. This review should be performed by an appropriate level of departmental leadership.
2. (P2) Review and approval of daily reconciliations should be noted as part of Policies and Procedures.

Management's Response:

The Title Accountant 3 or Accountant 2 will present to the Auto Title Division Manager the daily revenue entries before entering them in Infor for signature. When the Auto Title Division Manager is unavailable, the Director of Operations will sign. This will provide an approval that the deposits on the bank statement match what is entered in Infor for revenue.

Target Date of Completion: Already Implemented

FINDING Lack of Approval on Daily Cashier Balances

Daily cashier balancing was not consistently or formally reviewed and approved.

DIA reviewed all cashiers from all branches for 25 sampled days for daily balancing cashier signoff and management review. The following was noted:

<u>Branch</u>	<u>No. of instances of no noted management approval</u>	<u>No. of instances of noted cashier not initialing own daily balance total</u>
Branch 1	11 of 117 (9.4%)	4 of 117 (3.4%)
Branch 2	104 of 104 (100%)	12 of 104 (11.5%)
Branch 3	59 of 150 (39.3%)	5 of 150 (3.3%)
Branch 4	181 of 181 (100%)	181 of 181 (100%)
Branch 5	22 of 143 (15.4%)	60 of 143 (42%)
Total	377 of 695 (54.2%)	262 of 695 (37.7%)

It was also noted that a member of management may collect money on certain days but there would be no other indication of review or approval other than their own signature.

Cashier instructions, as provided by Title Accountant 3, require the following: *“At the end of each business day, each cashier will count his/her own cash drawer, creating a dated and initialed adding machine tape and will present all funds and that tape to the manager for comparison to ATPS system total.”*

Further, Manager instructions, as provided by Title Accountant 3, require managers to: *“Verify cashier’s monies against cashier’s adding machine tape. If all totals match, write a check mark next to the user’s total on the Trans Summary and initial. If there is a discrepancy, compare the entries on the cashier’s tape with the funds he or she is presenting. If discrepancy is confirmed, write the cashier’s adding machine total and the amount of the discrepancy below the user’s total on the Trans Summary, initial and have cashier initial.”*

Review and approval of cashier balances is a routine control to ensure money collected agrees to the system totals. It also makes management aware of any cashier out-of-balance reporting. There should always be a secondary review of daily balances for all employees.

Management review and approval of the daily cashier balances to ATPS is required per Auto Title policy. However, management review was inconsistently performed throughout the various branches due to either lack of knowledge of expectations or a lack of enforcement of procedures. Written procedures also require a separate review and approval for members of management that may collect money during the day.

Risk to the County if Not Corrected

Lack of review and approval of daily cashier balances may result in an increased risk for misappropriation of assets or inaccurate balances going undetected by management. This also creates inconsistency in operations if all branches are not performing review and approval procedures the same way.

Recommendations

1. (P2) Cashiers should initial their end of day money balances. Branch management should review and have noted approval of daily cashier balances compared to end of day ATPS reports.
2. (P3) If branch management collects money during the day, then the review and approval of the balance should be performed by a separate party.
3. (P3) Cashier sign-off and management review and approval of daily cashier balances to ATPS should be noted as part of Policies and Procedures.
4. (P3) Periodic review of branch management review of cashier balances should be a part of the Auto Title monitoring process to ensure the function is being performed.

Management's Response:

Management agrees with the noted condition and will take corrective action. As part of the Auto Title Cash Handling Policy and Procedures, cashiers and managers are to sign their cashier tape and report daily. This is also noted in our supplemental Policies and Procedures for Auto Title. The Cash Handling Policy was distributed to management and employees on January 23, 2023 with an implementation date of February 1, 2023.

Target Date of Completion: 2/1/23

FINDING Lack of Formal Policy and Procedure Manual

The Auto Title Department policy and procedure manual is incomplete and not approved.

The following areas were noted as needing to be addressed or enhanced:

- Procedures relating to overages and shortages, which may include the following:
 - Documentation for out-of-balance reporting
 - Tracking procedures for the month or year
 - Standards or thresholds for frequency or amounts of overages or shortages that result in various forms of employee discipline.
- Review and approval of daily reconciliations.
- Review and approval of daily cashier balances.
- Steps management will undertake to ensure that controls are being followed by employees.

Policies and procedures are an important tool to reinforce management expectations of its employees, provide a source of training to new employees in the department, and to pass knowledge of operations onto other employees.

There were documented procedures or processes for cashiers, managers, and title accountant positions, which may lead to the belief that these documents are sufficient guidance for employees to perform their required duties. However, these documents were not formally noted as being Policy and Procedure documents or noted as being formally approved by management. They could benefit from additional detail regarding certain operations being added.

Risk to the County if Not Corrected

Failure to have adequate internal guidance may result in unclear procedures that may lead to inconsistency in the operations as well as actions and discipline that are inconsistent with the intentions of management. It also makes it more difficult to document employee functions that can be utilized by other employees in those roles in the future.

Recommendations

1. (P3) Auto Title should create or revise policy and procedure manuals to reflect their current practices and desired daily operations. Their policy and procedure manual should be approved by Fiscal Office management. It should also be reviewed and updated on a regular basis. At a minimum, the following should be included:
 - Basic daily functions and procedures for the various positions within Auto Title;
 - Time frame of steps;
 - List of reports that are to be produced and the storage of records or reports;

- List of documents or processes that require supervisor review and approval;
- Any documented standards that should be adhered to.

Management's Response:

Management agrees with the noted condition and has taken steps to correct the issue. The Auto Title Cash Handling Policy is distributed and implemented effective February 1, 2023.

Additionally, there will be a supplemental Policies and Procedures manual for other non-cash related Auto Title processes that is in draft form. Management will incorporate the requested recommendations from DIA into that manual.

Target Date of Completion: 3/1/23

FINDING Auto Title Fund Not Classified as Special Revenue Fund

The County portion of Auto Title Funds appears to be incorrectly accounted for as part of the General Fund as opposed to a Special Revenue Fund.

When transitioning to the County's current accounting system (Lawson), the Auto Title Fund was created as a sub-fund within the General Fund. Auto Title Funds "roll up" to the General Fund in the financial statements.

Communication with the Ohio Auditor of State (AOS) indicated that although this accounting methodology for the Auto Title Fund does not technically follow the letter of the law, it does perform the accounting function intended by the Ohio County Commissioners Handbook requirement.

The Ohio County Commissioners Handbook states in part, *"The law establishes in the county treasury of every county a certificate of title administration fund. All title fees and poundage retained by the clerk of courts in the processing of titles must be deposited in this fund. Fees credited to the certificate of title administration fund can only be used to pay the costs incurred by the clerk of courts in processing auto titles unless the clerk and the county commissioners agree that the money in the fund exceeds what is needed to pay such costs. The certificate of title administration fund is classified by the State Auditor as a special revenue fund. The fund must be established by resolution of the county commissioners. The transfer of any declared surplus can be accomplished by resolution of the county commissioners."*

It was unknown by the Fiscal Office as to why Auto Title was being accounted for as part of the General Fund. Cuyahoga County is unique from most Ohio counties in that most offices fall under

the authority of the County Executive as opposed to separately elected officials. Thus, each department is under a single authority and has the funds necessary for operation.

Risk to the County if Not Corrected

By not accounting for Auto Title as a Special Revenue fund, the County is not compliant with established rules regarding fund establishment and usage. There is also an increased risk that Auto Title would not have access to the resources they determine are needed to effectively operate as they do not have authority over General Fund monies.

Recommendations

1. (P4) The Fiscal Office should determine if the Auto Title funds should be accounted for in a Special Revenue Fund or kept as part of the General Fund. If a change in accounting is determined, Auto Title should work with the County Fiscal Office to ensure Auto Title funds are accounted for as a Special Revenue Fund. Only after it is determined what funds are in excess should funds be transferred to the General Fund by County Council.

Management's Response:

The Fiscal Office setup a new fund and accounting unit for the deposit of title fees and poundage for Auto Title. The new fund is a special revenue fund.

Target Date of Completion: Already Implemented