



**CUYAHOGA COUNTY
DEPARTMENT OF INTERNAL AUDITING**

**INTERNAL AUDIT REPORT
Cuyahoga Regional Information System**

December 13, 2012

To the CRIS Board of Advisors:

The Department of Internal Auditing (DIA) has conducted an audit over the financial operations and general accounting of the Cuyahoga Regional Information System (CRIS), currently known as the Regional Enterprise Data Sharing System (REDSS), for the period of January 1, 2010 through June 30, 2012.

The scope of the audit focused on operational controls of CRIS, the major revenue and expenditure cycles as well as compliance with County policies and the Ohio Revised Code. The specific areas in which control and substantive audit procedures were performed include the following:

- General control environment of the agency
- Board of Advisory meeting minutes review
- Court fee revenue
- User fee revenue
- Purchasing (direct expenditures)
- Chargeback and indirect cost (indirect expenditures)
- Contract compliance
- Payroll
- Capital Assets

General walk-throughs of each revenue and expenditure cycle were conducted in order to document the controls in place. In addition, substantive testing methods utilized included analytical procedures, tests of detail using sampling methods as well as confirmation of balances.

This audit report, by its nature, is critical. It does not attempt to point out the effective controls and procedures currently utilized by CRIS; however, certain controls and procedures that the Department of Internal Auditing feels should be strengthened are set forth in this report, along with recommendations for improvement. Furthermore, noncompliance issues are documented in this report which management should take into consideration in the future operation of the agency.

As is required by the International Standards for the Professional Practice of Internal Auditing (Standards), we will conduct a follow-up review to determine whether adequate improvements have been implemented.

The Department of Internal Auditing would like to express our appreciation to the staff at CRIS and interrelated departments that assisted throughout the process for their courtesy and cooperation during this audit.

We intend this report for the information and use of the audit committee, management and the CRIS Board of Advisors.

Respectfully,

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Director of Internal Auditing

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Table of Contents

Finding	Page
Policy and Procedures Manual	4
Job Descriptions	5
Automated Accounting System	5
Governing Board Review	6
Computer Controls.....	7
QuickBooks Access and Backup Practices.....	7
Accounted for and Reconciling Court Revenue Fees.....	8
Proper and Timely Posting.....	9
Participation in Criminal Justice Regional Information System.....	11
User Fee Contract Consistency	12
Deposit of Public Monies	13
Review and Reconciling User Fees.....	13
User Fees, Parking Tickets and Court Revenue Accounts Receivable and Collection Efforts	14
Disbursement of Checks	15
Authorizing and Reviewing Disbursements.....	16
Chargeback Monitoring	17
Parking Tickets	17
Accounting for Capital Assets	18

Policy and Procedures Manual

Written policies and procedures ensure consistency in the operations of a department. Existence of codes of practice and other regulations or guidance regarding acceptable practices, conflicts of interest, or expected standards of ethical and moral behavior, and their communication throughout the organization is an essential part of a policy and procedures manual. Furthermore, a policy and procedures manual assures consistency in day-to-day operations. Formalized procedures reinforce CRIS management's and the Board of Advisors' expectations for the agency.

The Cuyahoga Regional Information System (CRIS) agency does not have a policy and procedures manual nor do they have an internal code of practice or other guidance regarding acceptable practices, conflicts of interest, or expected standards of ethical and moral behavior, and their communication throughout the organization.

Failure to have such a policy and procedures manual may result in undefined procedures that lead to inconsistency in operations of the agency. Furthermore, without an internal code of practice or other guidance regarding acceptable practices, conflicts of interest, or expected standards of ethical and moral behavior, varying practices of behavior could result in incomplete disclosure of unethical practices as well as actions and discipline that are inconsistent with the intentions of the CRIS Board of Advisors and management.

The Department of Internal Auditing (DIA) recommends that CRIS develop a policy and procedures manual. Within the manual, CRIS should either establish their own internal codes of ethical practice or refer to the County's ethics policy. Other items of inclusion in the policy and procedures manual could include the following:

- A chart of accounts including a description of account type and purpose;
- Documentary flowcharts of significant accounting cycles or narratives describing significant accounting cycles;
- Safeguard procedures;
- Specific policies of CRIS as well as a reference to County policies in which CRIS utilizes (e.g. mobile communications policy);
- A list of standard forms utilized including a description of their purpose; and,
- Documentation of all accounting procedures performed including a description of reconciliation and review procedures.

Agency Response:

The Cuyahoga Regional Information System (CRIS) was renamed the Regional Enterprise Data Sharing System (REDSS) effective September 2012. CRIS/REDSS began the process of creating a comprehensive Policy and Procedures Manual as part of the renaming process. The Policy and Procedures Manual will include CRIS/REDSS specific policies, as well as, links to Cuyahoga County policies that govern general operational activities of the office. County policies that will be referenced include the cell phone usage policy, use of technology and county vehicles, general Human Resources policies and policies related to ethics.

Job Descriptions

Every agency should have an organization chart with job descriptions that efficiently outlines all duties encompassing the department. Job descriptions are essential for balancing work levels and help to define the responsibilities of all employees.

CRIS recently redefined their organizational chart; however, there is no existence of job descriptions for each position created.

Without well-defined job descriptions there is a lack of concrete responsibilities and direction in which the employees are to follow and be held accountable for. This could lead to under performing and ultimately not achieving the agency's goals and mission. Conversely, it could lead to inefficiency in the work place as a result of redundancy in work being performed as well as individuals not being able to complete all of one's tasks.

The DIA recommends that CRIS define each job in the organizational chart. The job descriptions should list the functions and requirements of the job in order to give the employee a clear understanding of the tasks that he/she will be asked to perform in order to achieve the agency's goals and mission.

Agency Response:

CRIS/REDSS will formalize job descriptions that list the functions and requirement of each position within the division. The Cuyahoga County Department of Information Technology (DOIT), formerly the ISC, will play an integral part in the process of formalizing job descriptions due to the organization restructuring of the DOIT. IT functions within the County will all fall under the purview of the DOIT and therefore job descriptions of CRIS/REDSS staff need considerable input from the Chief Information Officer (CIO) before they are completed.

Automated Accounting System

An accounting system is a tool that gathers and presents all accounting transactions and account balances for an organization through various reports. It is essential to implement such a system in order to fully evaluate the status of one's organization as well as make sound accounting and business decisions. In addition, an internal accounting system aids in the reconciliation process from agency transactions to the county-wide financial system of FAMIS.

During review of the internal controls over CRIS receipts and disbursements, it was noted that the agency does not have their own internal all-encompassing automated accounting system or methods for accounting for all accounting transactions and balances. Currently, all CRIS user and parking ticket fees, if applicable, are accounted for in QuickBooks accounting software. All CRIS five dollar court fees are accounted for in an excel spreadsheet. Expenditures are not individually recorded by CRIS through any internal accounting software package.

Without having an all-encompassing accounting system that tracks all CRIS accounting transactions and account balances, it is difficult to truly understand the complete financial status of the agency which could result in poor management and uninformed governing board decisions. Furthermore, without an internal accounting system, it is challenging to reconcile with the county-wide FAMIS system.

The DIA recommends that CRIS implement an agency-wide automated accounting system to track all revenues and expenditures. By implementing such an agency-wide internal accounting system, management and the governing board will also be able to assess the accounts receivable and accounts payable balance of every account as well as track up-to-date revenues, expenditures, and fund balance. In addition, such implementation will assist in decision making for delinquent collection methods, overdue accounts, duplicate invoice payments, and other possible control weaknesses in the revenue and expenditure cycles.

Agency Response:

Currently CRIS/REDSS User fees are monitoring utilizing QuickBooks, \$5 Moving violation fees are monitored via an excel spreadsheet, and expenditures are monitored by the Fiscal Division of the Department of Public Safety and Justice Services. The recommendation to implement an automated accounting system will be analyzed to determine how to achieve the desired outcome without duplicating transactions. The desired outcome is to be able to effectively track all revenues and expenditures. Department management will need to determine to best way to address any possible control weaknesses in the revenue and expenditure cycles.

Governing Board Review

The CRIS Bylaws define the CRIS Advisory Board as “an entity of the County Executive of the County of Cuyahoga intended to provide guidance on the operation, maintenance and enhancement of CRIS, which functions as a criminal and public safety information network and data warehouse system [and] provides guidance and direction regarding the operation, maintenance, enhancement and fiscal oversight of the CRIS and the operations, functions, and services of the CRIS center.”

Per review of the fiscal year 2010, 2011 and January through June 2012 CRIS Board minutes, it was noted that the Board does not receive any type of monthly financial report in which to assess the status of the agency and ultimately base their decisions upon.

Without being provided financial reports at the monthly Board meetings, there is incomplete information in which to assist the Advisory Board members in decision making which could result in poor management decisions.

The DIA recommends that CRIS implement procedures where monthly financial reports are provided at the monthly Board meetings to each Advisory Board member. The financial reports should include information such as month and year-to-date revenues and expenditures as well as an analytical comparison to the prior fiscal year same month and year-to-date information in order to track the direction of where the agency is heading. Additional information such as vendor accounts payable balances as well as user organization fees and court revenue receivable balances should be provided in order to assist in future decision making.

Agency Response:

Department of Public Safety and Justice Services (PSJS), Fiscal Division started providing monthly financial reports for the Board's review in August 2012. The Board agreed upon the reporting format that will be presented each month. The agreed upon fiscal reports will be provided at each Board meeting. If additional financial information is necessary, the Board will communicate its request to the CRIS/REDSS Manager. This request will be forwarded to the Business Services Manager of the department for fulfillment.

Computer Controls

Standard security controls require the confirmation of a user ID through the use of a password. To ensure the integrity of the passwords, they should be changed periodically and be unique to each user. An effective system of logical security incorporates the use of strong password controls to mitigate the risk of unauthorized access to computer systems and software.

CRIS computer terminals have passwords to prevent unauthorized users from logging-in; however, per inquiry of CRIS staff members, the general log-in password never requires change. In addition, QuickBooks, the accounting software used to account for all user information requires a password to prevent unauthorized users from logging-in, however, per inquiry, the QuickBooks password never requires change.

Weak password controls increase the risk of password disclosure to unauthorized individuals and could result in access to sensitive data files and resources. Consequently, failure to change passwords for the general log-in of computers as well as QuickBooks increases the chance of unauthorized users from using another's computer or accessing confidential information.

The DIA recommends that CRIS implement procedures to ensure passwords are changed periodically (i.e. 45 or 60 days) for normal user accounts as well as QuickBooks access. Passwords should have a minimum length of six characters and require the use of at least one special character. This will help prevent unauthorized access to the agency's system or applications.

Agency Response:

All REDSS computer systems have and require special passwords with standard password reset periods. Any County computers being utilized by REDSS staff will immediately be required to adhere to the password requirements that REDSS utilizes.

QuickBooks Access and Backup Practices

Sound information backup practices require information of the QuickBooks data files be regularly backed-up and retained off-site to ensure their availability in the event of complete data loss or disaster.

It was noted during a walkthrough of computer controls that only one CRIS employee has current access to QuickBooks information on their computer. Furthermore, there are no procedures in place to back-up the CRIS QuickBooks information.

Having only one employee with access to current QuickBooks ledger information decreases the control over CRIS data due to lack of reviews being performed. Furthermore, it limits data access by management who should be reviewing the information regularly. Secondly, failure to backup QuickBooks data can result in a complete loss of all stored CRIS information that is currently being stored in the software.

The DIA recommends that CRIS management also have access to QuickBooks and regularly review recorded data in order to increase controls over information being recorded as well as increase the chance of data retrieval. In addition, we recommend that QuickBooks backup practices be implemented to require regular backing up of information as well as rotated off-site storage to a location where the agency can ensure adequate environmental and access controls.

Agency Response:

The Department of Public Safety and Justice Services (PSJS) sought and secured QuickBooks training for the Administrative Assistant of CRIS/REDSS, along with three (3) members of the Fiscal Division of the department in August 2012. The purpose of this was to familiarize the Fiscal Division with the CRIS/REDSS procedures in QuickBooks. Since that time there have been some delays in fully integrating Quickbooks procedures between the CRIS/REDSS staff and the Fiscal Division. Once the integrating problems are resolved, the Fiscal Division will have access to the CRIS/REDSS data in QuickBooks.

Accounted for and Reconciling Court Revenue Fees

Reconciliation of an agency's daily activity from posting in the internal accounting system ledger to the County's general accounting system is an important first phase in the reconciling process from book to bank of the agency's activity. The second phase of reconciling from book to bank consists of reconciling the amount of court revenue fees from the County's general accounting system to the amount posted in the designated financial institution. These two steps are imperative in the internal control over financial reporting of the agency's activity and cash balance.

During the control walk-through of the court revenue fees cycle, it was noted that most court revenue monies are remitted directly to the Treasurer's Office from all municipal and mayor's courts within the County. The Treasurer's Office fills out a revenue receipt, deposits the monies into a commingled County bank account and then sends copies of the checks and revenue receipt to General Accounting for posting into FAMIS. A copy of the revenue receipt, along with a copy of all corresponding checks, is sent from the Treasurer's Office to CRIS' Administrative Assistant. Once a copy of the revenue receipt and corresponding checks is sent to CRIS' Administrative Assistant, she enters the collection amounts per court into her Court Revenue Excel Spreadsheet. She then reconciles each revenue receipt received from the Treasurer's Office to verify it was posted in FAMIS correctly for reconciliation purposes. Per review of the Court Revenue Excel Spreadsheet, it is evident that the monthly court revenue fees were not completely reconciled from CRIS' internal accounting records to the County's general ledger known as FAMIS.

Since court revenue fees are comingled into the County's general bank account, verifying that amounts are properly posted to FAMIS is the only way to determine whether proper recording has been done. Failure to reconcile all court revenues to the County's general accounting system can result in misappropriated monies into the CRIS fund through either missing monies or posting to another fund or receipt line item in error, which in turn can result in improper reporting.

We recommend that CRIS implement procedures to have all court revenue fees be mailed directly to CRIS rather than the Treasurer's Office. Additionally, requiring courts to submit back-up documentation to support the amount being remitted will help CRIS determine that fees are properly court revenue fees and are received in the correct amount. After posting the monies received to CRIS' internal accounting records, the monies should be sent within one business day to the Fiscal Officer for deposit in accordance with Ohio Revised Code Section 9.38.

Also, as noted in the prior paragraph(s), the Treasurer's Office commingles all deposited county monies into one bank account to ensure internal control, provide for efficient management of cash deposits, and to maximize investable principal. Thus, it is critical for CRIS management to utilize the reports generated by FAMIS to reconcile to its internal accounting records. The cash activity reports created from FAMIS can be thought of as providing the same cash activity and balance provided in a separate bank statement. CRIS management, at a minimum, should receive on a monthly basis, the following available reports via FAMIS:

- Month End Trial Balance Report - This report indicates the month-end cash balance (as well as other account balances).
- Cash Receipts Report - This report lists every deposit into the Treasurer's Office for the month.
- Cash Disbursements Report - This report lists every warrant (check) issued by the Fiscal Office for the month.

To utilize these three reports effectively, CRIS management must understand the basic relationship between the reports. Specifically, last month's ending cash balance, plus this month's cash receipt, less this month's disbursement, will equal this month's ending cash balance. Additionally, having another knowledgeable CRIS employee or manager verifying that reconciliations are being performed would increase controls over the court revenue cycle reconciliation process. This can be indicated by a signature of the reviewer on CRIS's internal accounting records.

Agency Response:

The form that courts use to remit payment of the \$5.00 fee will be reviewed and updated to change the remit address to match the address of all other REDSS billing documents. REDSS will review the process for remittance with each court to ensure that a procedure of including backup documentation is established and adhered to. In the event funds are received with no documentation, it will be requested.

Proper and Timely Posting

CRIS court revenue fees should be posted accurately and timely into the County's accounting system (FAMIS) to ensure the information contained in the ledgers properly reflect the financial status of the County and is useful to management.

It was noted during control and substantive testing that court revenue fees are occasionally coded to incorrect Index Codes such as Crime Stopper fees rather than the Index Code designated for court revenue fees. Some of these instances were caught after the fact by either CRIS or General Accounting and corrected in FAMIS. Since frequent reconciliations are not performed by CRIS, these errors were left undetected up to months after the fact. It is possible that some mispostings are still undetected based upon court confirmations which were sent to Internal Audit did not all agree to the Court Revenue Excel Spreadsheet maintained by the CRIS Administrative Assistant. In some instances, the Court Revenue Excel Spreadsheet displayed \$0 collected for the month although the confirmation sent by the court to Internal Audit confirmed that monies were remitted. This would suggest the monies could have been coded to another Index Code in error. Conversely, in other instances, the Court Revenue Excel Spreadsheet displayed an amount greater than the confirmation sent by the court to Internal Audit. For instance, it was noted that several checks posted to the court revenue Index Code were not CRIS court revenue fees, but were rather other items and were never detected and corrected in FAMIS. These checks consisted of items such as criminal/traffic fines and a reimbursement to the County for a property tax overpayment, in a known total amount of \$18,078. We were not able to discern most of the other variances in order to get an exact total amount over/understatement due to a lack of supporting documentation from the courts as well as monies being commingled with other agency monies.

Furthermore, many of the court revenue fees' revenue receipts chosen for review contained checks that were dated up to a half a month prior to posting. During a walkthrough, the DIA noted that all of the revenue receipt copies that CRIS receives from the Treasurer's Office did not contain a date in the date field. For example, a revenue receipt form was filled out for five checks. The dates of the five checks were dated as follows:

1. 7/31/12
2. Illegible
3. 8/8/12
4. 8/15/12
5. 8/16/12

The date of the corresponding revenue receipt form displays "8/ /12". It appears as if checks relating to the five dollar court revenue fees are being collected and held for a period of time before being deposited and sent to General Accounting for posting into FAMIS. In one instance, we noted a check dated in December 2009 in the amount of \$994 for court revenue fees that was not deposited or posted to FAMIS until October 2010.

Improper posting as well as holding on to checks for a period of time results in incorrect and/or untimely posting to the County's accounting system which in turn creates accounting reports that upper management relies upon that are not accurate or not up-to-date. This increases the risk of misstatement in the financial statements, causes the bank reconciliations to become cumbersome, and leads the financial statements to become less effective management tools.

The DIA recommends all checks received for court revenue be timely posted to the County's accounting system. In addition, CRIS court revenue fees should be posted to the proper receipt code designated for these types of receipts. Lastly, DIA recommends that CRIS review and reconcile all court revenue fees received and posted in a timely manner in order to verify that amounts were properly recorded as noted in the previous finding.

Agency Response:

REDSS will need to work with the PSJS Fiscal Division and the County Treasurer's Office to develop a procedure for processing court revenue in conjunction with incorporating the aforementioned recommendation from the audit to have the \$5.00 fee remit address changed to come directly to REDSS for proper coding and deposit handling. This would also present an opportunity for REDSS to verify and reconcile the amounts received independent of the county's accounting system. Target: 1st quarter 2013.

Participation in Criminal Justice Regional Information System

In accordance with Ohio Revised Code Section 2949.093(C), "a County that elects to participate in a criminal justice regional information system shall obtain revenues to fund its participation by establishing an additional court cost not exceeding five dollars to be imposed for moving violations that occur in that County." Furthermore, Ohio Attorney General Opinion 2007-030 states that "the additional court cost established by a board of County commissioners pursuant to R.C. 2949.093 is to be charged per moving violation adjudicated or otherwise processed by a municipal court in a case when a person is convicted of or pleads guilty to more than one moving violation in a case." Paragraph (D) (1) of ORC Section 2949.093 further states, "All such money collected during a month shall be transmitted on the first business day of the following month by the clerk of the court to the County treasurer of the County in which the court is located and thereafter the County treasurer shall deposit the money in that County's criminal justice regional information fund."

In accordance with Resolution 0532123 adopted by Cuyahoga County, the County participates in the criminal justice regional information system and accordingly shall collect five dollars per moving violation that occurs in the County to be posted to the Cuyahoga Regional Information System (CRIS) fund. During control and substantive testing, it was noted that many courts are not adhering to the above Revised Code Section which the County has adopted. Eighteen out of forty-seven courts (thirty-eight percent), responded to an Internal Audit confirmation that they assess the five dollar fees by case rather than by moving violation which is not in accordance with the statute. Furthermore, CRIS does not require any supporting documentation to be remitted with the court revenue fees to verify compliance with the Revised Code on a court by court basis. Lastly, per review of CRIS' Court Revenue Excel Spreadsheet and copies of checks, it is evident that amounts remitted by the courts each month are days or even months late rather than being remitted on the first business day of each month.

Failure to comply with the Revised Code Section listed above results in not only being noncompliant with State Law but also limits the revenue taken in to the County's CRIS fund. Furthermore, not having controls in place requiring courts to submit supporting documentation for the number of moving violations assessed each month makes it difficult for CRIS management to monitor compliance on a court by court basis. Furthermore, not having controls in place for timely remittance of court revenues can result in a lag of revenue stream taken in by the CRIS fund and can result in budget issues.

The DIA recommends that CRIS implement procedures to comply with and enforce Ohio Revised Code Sections 2949.093(C) and (D) (1) for all County courts. First, it is evident that not all of the courts in the County are being consistent with the method of charging CRIS fees; some courts are assessing the five dollar fees per case while others assess per violation. All courts should be educated in some manner by CRIS management of the Revised Code Section above as well as Ohio Attorney General Opinion 2007-030. Secondly, in order for CRIS management to assure that each court is in compliance with the Revised

Code Section, supporting documentation should be sent in conjunction with the checks remitted. This will allow CRIS management to verify that the monies collected and remitted were assessed on moving violations rather than court cases. In addition, having courts submit supporting documentation on a monthly basis (number of violations assessed and amount collected/remitted to the County) will help aid in the timely remittance of monthly court fees which are required to be transmitted on the first business day of the following month.

Agency Response:

A letter will be sent out to all courts and REDSS clients restating the legislation for the \$5.00 fee and answering some of the questions that have arisen from this audit. REDSS will monitor all receivables for appropriate documentation and if none is received, REDSS will request the information in writing. This will allow REDSS management to verify that the monies collected and remitted were assessed on moving violations rather than court cases. In addition, having courts submit supporting documentation on a monthly basis (number of violations assessed and amount collected/remitted to the County) will help aid in the timely remittance of monthly court fees which are required to be transmitted on the first business day of the following month as recommended in this audit.

Target January 2013.

User Fee Contract Consistency

A CRIS user is any criminal justice agency which enters into a contract with the CRIS Board and the executive to directly or indirectly utilize the CRIS services. CRIS collects user fees which are funds generated from contracts negotiated between the executive and various governmental agencies.

CRIS charges users based on an informal fee structure. The Board of Advisors have never formally approved a fee structure/rates in force during a given time period or year. Furthermore, some users are not charged at all per contract while other users are charged for the same service level. Currently, CRIS has 40 users who are invoiced monthly; six users who are invoiced quarterly; one user who is invoiced semi-annually; and two users who are invoiced yearly.

Not having a formal fee structure as well as inconsistency in contract invoicing duration can result in CRIS entering into contracts that are not consistent with the intentions of the Board of Advisors. Furthermore, inconsistencies with invoicing structure and price fees amongst the governmental agency's can appear as favoritism among the entities.

The DIA recommends the Board formally approve a fee schedule for all rates in force. The fee schedule should be annually adopted in the Board of Advisor's minutes. In addition, the Board should re-evaluate every contract they have with all of the governmental agency users by creating a fee structure based on user service levels. All contract invoicing should be consistent with the newly adopted fee structure as well as length of duration.

Agency Response:

The Deputy Chief of Staff for Justice, Norberto Colón analyzed the CRIS/REDSS User contracts and fee schedule. He presented an equitable and transparent fee schedule to the CRIS/REDSS Board based on

user service levels in September 2012. The Board agreed to the new fee schedule effective January 1, 2013.

Deposit of Public Monies

Ohio Revised Code Section 9.38 provides that any public official and/or employee who receive 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 moneys until such time as the monies are deposited.

During testing of CRIS user fee revenue we noted that money was not deposited in accordance with the above requirements. From the large number of checks in each batch (approximately 20 to 40 checks) and only processing a few times a month, it is evident that checks are not deposited timely in accordance with the Revised Code above. Specific number of days the checks are being held on to is unknown. Per inquiry with the Administrative Assistant, she holds the checks in her desk drawer typically up to three weeks or until there is a large enough amount of checks to process a Revenue Receipt. In our substantive test of details, the Revenue Receipt amounts varied from \$52,867 to \$105,917, meaning at one point in time, this volume of money was sitting in the desk drawer.

Failure to deposit public money in a timely manner increases the County's exposure to theft, loss, or potential loss of investment money. Furthermore, holding on to monies for a long period of time results in untimely posting to the County's accounting system which in turn creates accounting reports that upper management relies upon that are not up-to-date.

CRIS should either deposit monies collected with the Treasurer on the next business day following the day of receipt or the Board should adopt a policy permitting a different timeline for deposits under the guidelines established above. Additionally, the policy must include procedures to safeguard the monies until the time of deposit.

Agency Response:

Effective immediately, CRIS/REDSS deposits of revenue will be made in accordance with ORC Section 9.38. The Fiscal Division of the Department of Public Safety and Justice Services will assist in ensuring that deposits are made timely.

Review and Reconciling User Fees

Reconciling amount of user fees received to the amount posted in the County's general accounting system is an imperative step to verify the County is capturing the true activity of CRIS and reporting accurate information. Furthermore, reconciling from internal records to the County's general accounting system is an important first phase in the reconciling process from book to bank of the agency's activity.

During the control walk-through of the user fee revenue cycle, it was noted that once a batch is ready for posting and deposit, the CRIS Administrative Assistant gathers the checks and fills out a revenue receipt to take over to the Treasurer's Office for posting into FAMIS and deposit into the County's general bank account. After taking over the revenue receipt and user fee checks, CRIS does not receive anything back from the Fiscal Office regarding posting to FAMIS or verification of deposit. Furthermore, CRIS' Administrative Assistant or any other CRIS employee access FAMIS to double check that monies were accurately posted to FAMIS in the correct amount and fund/receipt code. Since user fees are comingled into the County's general bank account, verifying the amounts are properly posted to FAMIS is the only way to determine whether proper receipting has been done.

Failure to review and reconcile all user fee monies to the County's general accounting system can result in misappropriated monies into the CRIS fund through either missing monies or posting to another fund or receipt line item in error, which in turn can result in improper reporting.

The DIA recommends that CRIS review and reconcile each user fee Revenue Receipt submitted to the Fiscal Officer to verify that amounts were properly recorded. Evidence of such review can be indicated by a signature on a copy of the Revenue Receipt or print out of the FAMIS user fee revenue ledger.

Agency Response:

The Fiscal Division monitors CRIS/REDSS Expenditures on a monthly basis. This process will be expanded to include verification of revenue deposited. As noted in section related to QuickBooks access, the Fiscal Division will have access to CRIS/REDSS data. This data will be integrated into the monthly review of the CRIS/REDSS account and revenue deposited will be verified for accuracy and proper recording. This process will commence once the system problems are worked out to provide full access to the Fiscal Division.

User Fees, Parking Tickets and Court Revenue Accounts Receivable and Collection Efforts

The collectability and assessment of CRIS user fees, parking ticket charges, and court revenue account balances are an essential responsibility of CRIS. Financial reports of collectability and account receivable balances should be assessed on a monthly basis.

User fees and parking ticket charges are currently being tracked using QuickBooks. QuickBooks has the function to review each account and their delinquent balances owed to the County. It is not the practice of CRIS to run and analyze these available reports of the software. Furthermore, court revenue fees are accounted for internally by the CRIS Administrative Assistant using a Court Revenue Excel Spreadsheet on a cash basis. There is no requirement for municipal or mayor's courts to remit information such as the amount that should be collected versus what was actually collected and therefore remitted to the County. This information would aid in the assessment of a court revenue receivable balance.

Without controls and procedures in place to run and analyze the user fee and parking ticket account balances, it is impossible to evaluate the account receivable balance for each user or CRIS in its entirety, for financial reporting purposes. As of June 30, 2012, QuickBook's accounting records showed CRIS had a \$670,409 user fee and parking ticket account receivable balance. Additionally, failure to obtain supporting documentation from each court can result in underpayment or lack of payment altogether of CRIS court revenue fees. Without controls in place requiring courts to submit supporting documentation for the amount that should be collected versus actually collected and therefore remitted

to the County makes it difficult for CRIS management to evaluate its court revenue account receivable balance and implement procedures for future collection efforts. Furthermore, failure to assess the balances for each CRIS user results in a loss of revenue owed to and collected by the County.

The DIA recommends that CRIS begin utilizing the available reports that QuickBooks can produce in order to evaluate the delinquent payments owed by users to CRIS for user fees and parking ticket fees, which in turn, will assist in the user and parking ticket receivable balance assessment.

Also, as mentioned in a previous recommendation, the DIA recommends CRIS implement controls and procedures to require supporting documentation sent monthly by each court for court revenue fees. This will allow CRIS management to evaluate whether amounts owed to the County are being collected, which in turn, will assist in the court revenue account receivable balance assessment. We also recommend that CRIS begin utilizing a computer software package, which may be QuickBooks, for court revenue fees that will aid management in determining accounts receivable balances for each court's revenue fees. This will allow management and the Board to evaluate the delinquent payments owed by the courts using the available generated reports.

Lastly, once delinquent accounts are known for user fees, parking ticket fees, and court revenue fees, CRIS management and the Board should implement procedures for collecting such overdue amounts.

Agency Response:

The new policy for billing and collections will address a process for revenue balance and review. The REDSS Manager will work with the Fiscal Division and the REDSS Administrative Assistant to research all outstanding revenue in order to reconcile past due accounts. Target: January 2013.

Disbursement of Checks

The Fiscal Office function of Cuyahoga County is to serve as the center for processing, paying, and mailing disbursements for all County related expenditures. This structure of government is set up in order to eliminate any fraud risk factors in the process of handling monies. It was noted during testing of CRIS expenditures, that the agency writes "Hold For Pick Up" on certain vouchers as an indication for the Fiscal Office to hold the check for a CRIS selected individual to pick up from the Fiscal Office instead of it being mailed directly by the Fiscal Office to the vendor. Currently, there are three individuals who CRIS authorizes to pick up checks from the Fiscal Office, all which are non-CRIS employees (not paid out of CRIS fund). Furthermore, it was noted that CRIS expenditures paid "on behalf of" by Information Services Center (ISC) also writes "Hold For Pick Up" on certain vouchers as an indication for the Fiscal Office to hold the check for an ISC selected individual to pick up from the Fiscal Office instead of it being mailed directly by the Fiscal Office to the vendor. In total, seven out of 15 expenditures chosen for substantive testing (47%) were held for pick up by CRIS or ISC.

This practice of not allowing the Fiscal Office to mail checks directly is considered a fraud risk factor. Failure to allow the Fiscal Office to mail all checks directly to the payee can result in mishandled monies and the potential for fraud to occur.

The DIA recommends that all checks be mailed directly by the Fiscal Office.

Agency Response:

Effective immediately, employees completing vouchers for payment processing will, when possible, include the Vendor Number assigned through FAMIS on the voucher to decrease errors detected in the past related to payments being sent to the wrong vendors. Employees will be instructed to allow the Fiscal Office to mail checks unless circumstances are identified and documented in which payments are not reaching the vendor.

Authorizing and Reviewing Disbursements

All disbursements of Cuyahoga County funds should be approved for payment by the department Director or delegated by the Director to another authorized individual. Approval of expenditures ensures that all monies being disbursed are for an allowable public purpose, relate to the department and purpose which is being charged, all required supporting documentation has been obtained, and items and/or services have been received. Authorizing disbursements is considered to be a critical preventive control in the disbursement process. Furthermore, it is imperative to develop a system of controls where disbursements being charged to the CRIS fund and functions are being reviewed on a timely basis by obtaining and reviewing the detailed expenditure ledgers. Reviewing expenditures posted to the accounting system ensures the payments are posted in the correct amount, are posted to the proper account, and are able to determine whether duplicate payments were made for the same invoice. Reviewing disbursements is considered to be a critical detection control in the disbursement process.

It was noted during testing of CRIS expenditures that one disbursement chosen for testing in the amount of \$4,939 (1.5% of expenditures chosen for substantive testing) with a check date of April 23, 2012, was charged to the CRIS fund although the invoice was not related to a CRIS service or purchase. The invoice was paid on CRIS' behalf by Information Systems Center (ISC) without approval from CRIS management or the CRIS Board of Advisors. Moreover, the unauthorized CRIS expenditure was undetected by CRIS management and the CRIS Board of Advisors to date of internal audit when it was brought to the agency's attention.

Failure to have a process in place to ensure that all CRIS disbursements are authorized and reviewed by appropriate individuals can result in expenditures of CRIS monies that are not related to any CRIS service or purchases and therefore, a loss of CRIS dollars. Preventive and detection controls are essential to have established and in place as part of the disbursement process.

The DIA recommends that all disbursements are authorized and reviewed by the appropriate individuals, including CRIS management as well as the CRIS Board of Advisors. Implemented control procedures which show that a level of authorization and review has been performed should be evidenced by initials, dates, checks marks, etc. prior to payment. Furthermore, we recommend that all voucher payments are made directly by CRIS rather than ISC so that the chance of duplicate payments for the same invoice(s) is reduced.

Agency Response:

REDSS will implement control procedures, as part of its new policies and procedures manual, which outline the level of authorization and review that must be performed. The process will include initials, dates, checks marks, etc. prior to payment as recommended by this audit. Target: 1st quarter 2013.

Chargeback Monitoring

It is the responsibility of CRIS management to monitor and review all activity within the CRIS fund, including both direct and indirect charges to the account.

Expenditures in the CRIS fund consist of both direct and indirect expenses. Indirect expenses consist of items such as Information Systems Center (ISC) chargebacks, Office of Budget Management (OBM) calculated indirect cost pool charges, supplies, copier, postage, telephone, garage and printing costs. In fiscal years 2010 and 2011, ISC chargebacks totaled 83% (\$509,881) and 42% (\$70,843), respectively, of all indirect expenses within the CRIS fund. In retrospect, ISC chargebacks totaled 26% of all CRIS expenditures in fiscal year 2010 and 4% in fiscal year 2011. The ISC chargebacks are determined by an internal calculation by ISC and sent to the Fiscal Office for posting to the CRIS fund. Per inquiry, the chargebacks are not reviewed beforehand or after the fact of posting to the general ledger. Furthermore, during our inquiry of CRIS chargebacks, CRIS management has never reviewed any chargeback during the audit period of January 1, 2010 through June 30, 2012.

Failure to monitor and review chargeback expenses made to the CRIS fund can result in incorrect expenditures of CRIS monies. Without a review in place, devices, locations, ports, services and phone charges can be charged to CRIS funds which are not in fact CRIS items.

ISC Data Processing Chargebacks are a large portion of all indirect charges to the CRIS fund and therefore should be monitored and reviewed on a monthly basis by CRIS management. Each month, the Statement of Services Provided along with the supporting documentation should be requested by CRIS management and scrutinized in order to determine whether chargebacks are reasonable.

Agency Response:

Chargebacks are supposed to be eliminated in 2013. However, in the event that there are chargebacks by the County IT Department or any other agency of the county, the REDSS management will work with the Fiscal Division to review each item to confirm its validity. Target: Immediate.

Parking Tickets

Each court located in the County can either process their own parking tickets or can utilize the County to process them, for a fee of \$0.09 per "Delinquent Parking Ticket" per the parking ticket mailer reports produced by CRIS. CRIS currently provides nine courts with these parking ticket services. The cost of this service is charged to the CRIS fund through monthly chargebacks as determined by an Information Service Center (ISC) calculation.

During the period January 1, 2010 through June 30, 2012, the CRIS fund incurred parking ticket chargebacks of \$17,511. This \$17,511 only includes printing ticket services; it does not include the

additional costs factored in such as paper, ink, postage, etc. Per review of the parking ticket mailers, CRIS printed 127,429 parking tickets in which they charged the users. CRIS therefore was charged approximately \$0.14 per ticket for services only by ISC. Factoring in paper, ink, postage, etc., the cost per ticket being charged to the CRIS fund is sufficiently more than \$0.14 per ticket.

Failure to recoup costs for service provided has resulted in CRIS generating a negative cash flow for parking ticket services.

The DIA recommends that CRIS management and the Board of Advisors re-evaluate the parking ticket services provided and charge back methods in order to begin generating a positive or at least neutral cash flow service.

Agency Response, including Proposed Target Date:

The REDSS Board has voted to eliminate parking ticket fees for 2013. Future efforts for regional ticketing or increased interest in participation in a parking ticket program will drive new discussions on whether to reinstate fees.

Accounting for Capital Assets

A capital asset management system is a system of methods, policies and procedures that addresses the acquisition, use, control, protection, maintenance and disposal of capital assets (i.e., furniture, equipment and vehicles). Accurate accounting and control over capital assets is important for correct and complete presentation of capital assets and financial statements.

During testing it was noted that CRIS did not maintain a capital asset listing that included every capital asset purchased with CRIS monies or being maintained and operated by CRIS along with captured information such as item detail, acquisition price and date, useful life, salvage value, actual value, tag number, location, etc. The DIA was, however, able to run a FAMIS report to determine how many, if any, assets were purchased with CRIS monies. The report displays a \$0 replacement cost and \$0 value for 100% of the items listed on the report (approximately 35 items), with total acquisition cost of \$1,399,065, although most of the items were purchased in fiscal year 2010 and have a useful life of ten years.

Failure to maintain a capital asset listing hinders a department from correct and complete presentation of capital assets for financial reporting. Furthermore, it appears that the County's general accounting system is accounting for CRIS assets that are no longer in use; if the CRIS assets are in use, they are undervalued. Lastly, failure to maintain a detailed listing of capital assets could result in the potential for undetected theft and misplaced assets.

The DIA recommends the Board of Advisors establish written policies and procedures that address the acquisition, use, control, protection, maintenance, and disposal of capital assets. In addition, we recommend that CRIS maintain a complete capital asset listing that includes such information as described above. The listing should be updated annually, based on the original cost of additions and deletions of assets that occur throughout the fiscal year. The up-to-date listing should then be utilized to present the capital assets to the Fiscal Office for the County's year-end annual financial report. Furthermore, CRIS should perform an annual inventory and reconciliation over all of its capital assets, to

ensure that capital assets records are complete and accurate. Any discrepancies should be investigated and resolved.

Furthermore, if the FAMIS CRIS capital asset report is accurate, then we recommend that CRIS management obtain this listing and reevaluate the useful lives of the assets that are still in use. Assets still in use should not be reported as fully depreciated as they appear to be currently accounted for.

Agency Response:

The new Policies and Procedures Manual will address the acquisition, use, control, protection, maintenance, and disposal of capital assets. REDSS has always been responsible for maintaining a complete capital asset listing that includes the information described above as a part of the County's IT department inventory. New procedures will require that REDSS maintain a record separate from the DoIT for reconciliation and reporting. The listing will be updated annually, based on the transactions that occur throughout the fiscal year. Target: 4th quarter 2013.