



# Department of Developmental Disabilities

## Developmental Center - Tiffin Audit

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**Audit Period: July 2012 through March 2013**

### Results Summary:

Objective	Conclusion
Adequacy of Controls over Resident Funds	Improvement Needed
Compliance with Central Office Policies	Well-Controlled

**Report number: 2013-DDD-01**

**Issuance date: June 20, 2013**

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## **Executive Summary**

### **Background**

Developmental Centers (DCs) are licensed and certified as intermediate care facilities for the Department of Developmental Disabilities (DDD). DCs manage personal funds on behalf of the persons with developmental disabilities living at the centers. Therefore, DC management holds a fiduciary responsibility to protect the personal funds and assets of residents from misuse or theft.

During the audit, OIA identified opportunities for the Tiffin DC to strengthen internal controls and improve business operations. This audit conforms to the *International Standards for the Professional Practice of Internal Auditing*. OIA would like to thank Tiffin DC staff and management for their cooperation and time in support of this audit.

This report is solely intended for the information and use of DDD and Tiffin DC management and the State Audit Committee. It is not intended for anyone other than these specified parties.

### **Scope and Objectives**

OIA staff was engaged to perform assurance work related to the fiscal processes at Tiffin Developmental Center (TDC). The audit scope focused on current processes in place and resident transactions for the period July 2012 through March 2013, which included:

- Evaluate the design and effectiveness of controls over the fiscal processes at the DC.
  - Personal Needs Allowance (PNA) Activities
  - Industrial and Entertainment (I&E) Activities
- Evaluate the DC's implementation and compliance with DDD's Sweep, Cash Management, and Segregation of Duties policies.

### **Observations and Recommendations**

The Observations and Recommendations include only those risks which were deemed high or moderate. Low risk observations were discussed with individual agency management and are not part of this report. However, the low risk observations were considered as part of the audit objective conclusions.



## Observation 1. - Segregation of Duties - Revenue Receipt

Adequate internal controls establish a segregation of duties to prevent asset misappropriation or financial misstatement. Incompatible duties may include: custody of assets; authorization or approval of transactions affecting those assets; and recording or reporting related to those transactions. Procedures should be designed to prevent one employee from being assigned incompatible duties.

For Industrial and Entertainment (I&E) and Personal Needs Allowance (PNA) accounts at the Tiffin Developmental Center (TDC), the responsibility and maintenance of records is divided between two account clerks. Each clerk is primarily assigned to one account, but serves as "back-up" for the other account. For revenue-related items, including donations, each account clerk is responsible for physically receiving checks and cash (custody of assets); preparing deposits; and maintaining accounting records (authorization and recording). Adequate mitigating controls were not identified.

Absence of segregation of duties increases the risk of asset misappropriation. The volume of checks/cash received for I&E accounts pose a greater risk than PNA accounts, which has the majority of revenues direct-deposited by the federal government.

### Recommendation

Evaluate procedures to ensure incompatible duties are delegated such that no individual has responsibility for at least two of the following: custody of assets; authorize transactions or processes; or perform recording or reporting of transactions. If process changes are not cost effective, consider compensating controls to reduce the risk of untimely detection of errors or irregularities.

### Management Response

TDC management has evaluated procedures and reassigned tasks to address the incompatible duties for revenue-related items.

Effective May 29, 2013, the Account Clerk responsible for recording and reporting transactions for the Industrial and Entertainment Fund no longer physically receives checks and cash nor prepares deposits for the fund. Likewise, the Account Clerk responsible for recording and reporting transactions for our Personal Needs Allowance account no longer physically receives checks and cash nor prepares deposits for the account. By reassigning these duties, the clerks will no longer have custody of assets for their respective funds and therefore have sufficient segregation of duties.

These changes have already been placed into operation. These changes have further been



documented on our segregation of duties matrix and brought to the attention of DODD Fiscal Administration for their review.

Risk*	Remediation Owner	Estimated Completion Date
Moderate	Fiscal Officer	June 2013

Due to the limited nature of our audit, we have not fully assessed the cost-benefit relationship of implementing the observations and recommendations suggested above. However, these observations reflect our continuing desire to assist your organization in achieving improvements in internal controls, compliance, and operational efficiencies.

\* Refer to Appendix A for classification of audit observations.



## Appendix A – Classification of Conclusions and Observations

### Classification of Audit Objective Conclusions

Conclusion	Description of Factors
<b>Well-Controlled</b>	The processes are appropriately designed and/or are operating effectively to manage risks. Control issues may exist, but are minor.
<b>Well-Controlled with Improvement Needed</b>	The processes have design or operating effectiveness deficiencies but do not compromise achievement of important control objectives.
<b>Improvement Needed</b>	Weaknesses are present that compromise achievement of one or more control objectives but do not prevent the process from achieving its overall purpose. While important weaknesses exist, their impact is not widespread.
<b>Major Improvement Needed</b>	Weaknesses are present that could potentially compromise achievement of its overall purpose. The impact of weaknesses on management of risks is widespread due to the number or nature of the weaknesses.

### Classification of Audit Observations

Rating	Description of Factors	Reporting Level
<b>Low</b>	Observation poses relatively minor exposure to an agency under review. Represents a process improvement opportunity.	Agency Management; State Audit Committee (Not reported)
<b>Moderate</b>	Observation has moderate impact to the agency. Exposure may be significant to unit within an agency, but not to the agency as a whole. Compensating controls may exist but are not operating as designed. Requires near-term agency attention.	Agency Management and State Audit Committee
<b>High</b>	Observation has broad (state or agency wide) impact and possible or existing material exposure requiring immediate agency attention and remediation.	Agency Management and State Audit Committee