

**Minute
CUYAHOGA COUNTY
AUDIT COMMITTEE
REGULAR MEETING
July 6th, 2023, 9:00 AM - 12:00 PM**

1. Call to Order – meeting of July 6th, 2023

The meeting was called to order at 9:03 a.m.

2. Roll Call

Attending:

Michael Abouserhal, Audit Committee Chairman

Trevor McAleer (alternate for Council President Pernel Jones, Jr.)

Keith Libman

Salvatore Talarico

Meltrice Sharp

Michael Chambers, Fiscal Officer

Absent:

None.

Notes:

- Chris Ronayne, County Executive, arrived at 9:10 am and departed the meeting during Executive Session.
- Michael Chambers, Fiscal Officer, departed the meeting during Executive Session.
- Trevor McAleer, alternate for Council President Pernel Jones, Jr. departed the meeting at 12:15 pm.
- Salvatore Talarico departed the meeting at 12:15 pm.

3. Public Comment - Related to Items on the Agenda

There was no public comment related to items on the agenda.

4. Approval of Minutes – March 23, 2023

Salvatore Talarico motioned to approve the March 23, 2023 minutes; Keith Libman seconded. The motion to approve the March 23, 2023 minutes was approved. Meltrice Sharp abstained from voting.

5. Member Appointments

a. Introductions/Welcome New Audit Committee Member

Michael Abouserhal welcomed the new Audit Committee Member, Meltrice Sharp, and newly reappointed Audit Committee Member, Keith Libman. Council confirmed the appointments on May 23, 2023. Michael Abouserhal expressed his gratitude toward the County Executive for helping move the appointments forward.

Meltrice Sharp introduced herself to the committee:

- A native of Cleveland.
- CPA with 20+ years of experience.
- Managing partner of a local CPA firm in Cleveland.
- Engaged in the community.
- Proud mother and grandmother.

Other committee members and those in attendance provided introductions.

Michael Abouserhal asked the County Executive to consider Salvatore Talarico for reappointment as his term is ending December 31, 2023.

b. Completion of Independence Statements (new/reappointed members)

Monica Houston, Director of Internal Audit, confirmed that independence statements were received for all new and reappointed members.

6. Executive Session (As Necessary)

Michael Abouserhal motioned that the Committee go into Executive Session per ORC 121.22(G)(1) to consider the employment and compensation of a public employee; Trevor McAleer seconded. A roll call was taken and the motion was unanimously approved: Michael Abouserhal, yea; Trevor McAleer, yea; Salvatore Talarico, yea; Keith Libman, yea; Meltrice Sharp, yea.

The Executive Session was called to order at 9:46 a.m. The Executive Session adjourned at 11:06 a.m. Michael Abouserhal then reconvened the general meeting.

a. Discussion on Remote Work

Keith Libman proposed adopting a policy for the Department of Internal Audit of limiting remote work to 16 hours within each two-week period subject to approval by the Audit Committee for the Director and by the Director for department employees. Keith suggested there are solid business reasons to work within the core hours and an expectation of in person work, because there are great benefits of in-person interaction with the department staff and peers within the County departments. This includes those which are being audited by and collaborate with DIA.

Inquiry was made to the Director as to the impact the revised policy would have on department staff and discussion ensued pertaining to items such as removal of the unique circumstance/situational requirement, future reconsideration upon County adoption of a Remote policy, Director's ADA accommodation needs, and FMLA/ADA applicability to the discussion.

Monica Houston reiterated her need to exercise her rights under ADA.

Keith Libman motioned for a recommitment to core hours as previously defined by the committee and the remote work policy be revised to limit remote work to 16 hours in each 2-week pay period subject to the remote work conditions and appropriate approval source previously adopted by the committee; Trevor McAleer seconded. The motion to approve the recommitment to core hours and revision to the remote work policy was unanimously approved.

b. Director Evaluation

Michael Abouserhal inquired with Monica Houston as to the status of the Director Evaluation. Monica indicated it is not completed and as per her emails, there were several reports that took precedence over the Director Evaluation due to her restricted ability to work. Monica suggested she would email the committee members what her schedule looks like over the next couple of weeks in terms of availability to complete the Director Evaluation.

7. Old Business:

a. Follow-up Items from 1st Quarter Meeting

Monica Houston addressed the committee regarding the follow-up items:

- Bank Reconciliation. See agenda item 7b.
- Cuyahoga County Charter Revision. See agenda item 7d.
- Audit Committee review of Remote Work Policy relative to Director. See agenda item 6.
- PRC Scope Limitation. Monica Houston worked with Mark Musson, Assistant Prosecutor, to draft a letter to the PRC in response to their denial. The response was sent to the PRC on March 23, 2023. Follow up item is closed.

- Audit Committee Member vacancy and reappointment. See agenda item 5. Follow up item is closed.
- HR Employee Payroll review.
 - Overpayment status: Leigh Tucker, Deputy Fiscal Officer, is working with the Law Department and HR on the next steps to recover overpayments.
 - 100% review status: Monica Houston advised that Katherine (“Katie”) Gallagher, Chief of Operations, cannot commit to completing the 100% review of one quarter due to resource constraints and revised risk levels. As Katie was not able to be present, she could discuss further at the next meeting. Discussion ensued regarding the risk of completing, or not completing, such a review.
 - Focus Group status: Monica Houston advised that a process for overpayment collections has been developed and implemented. Additional consideration is being given to developing preventative controls to ensure fewer occurrences of overpayments.
- Release of two reports by AOS, Capital Improvement Bed Tax Agreed Upon Procedures and Ohio Public Employees Retirement. Monica Houston sent the committee copies of the reports on April 14, 2023. Per Monica Houston’s review of the reports, she suggested there were no findings of concern to report to the committee.
- 2023 Goals. DIA will develop a formal goal relative to the education of auditees in 2024, as resource constraints in 2023 have delayed current year audit plan completion. However, some staff already have individual goals that will aid in development.

b. Bank Reconciliation

Leigh Tucker addressed the committee regarding the bank reconciliation:

- The bank reconciliation is up to date through May 2023. Bank reconciliations are always one month behind.
- The bank reconciliation team is still working with the consultant, GForce, to maximize utilization of automated features within the CTM module to speed up the reconciliation process as there are still some processes being performed manually.

- The bank reconciliation process is in a steady state in which DIA could audit current processes. However, implementation of a reconciliation module would be a process change, and thus revision to policies and procedures may occur.
- External auditors expanded testing over the bank reconciliation for the 2022 external audit including completeness and accuracy. Therefore, DIA's audit of the bank reconciliation would be focused on assessing the effectiveness of the process in ensuring consistent and timely completion of reconciliations.

c. External Auditor Update - 2022 Financial Statements

Leigh Tucker provided an overview of the auditing findings and management letter comments from the external 2022 audit.

- There was only 1 finding which was related to timely reporting of an item within the Schedule of Expenditures of Federal Awards. This is down from 7 findings in the prior year's report.
- There were management letter comments involving bank reconciliation timing, noncompliance with timely random moment sampling, IT related findings, and the OBM budgetary process. However, the management comments should not be ongoing issues.

Leigh will share management responses with the committee prior to the post-audit meeting.

The post-audit meeting was proposed for the first week of August. Monica Houston will provide coordination support.

d. Recommendation for Revision to Cuyahoga County Charter:

Monica Houston reported that the charter is with the internal legal department. The matter is within Matrix (Law Department tracking system) and will be addressed by prioritization. She has asked the legal department for an update but has not yet received a response.

This item is to remain on the agenda. Michael Abouserhal reiterated that the Audit Committee decided that the charter should be adjusted to clarify the jurisdiction of the Audit Committee and the internal audit department and accessibility to records and information during audits.

8. Other Business:

- a. Director Evaluation – See Agenda Item 6b.
- b. Remote Work – See Agenda Item 6a.
- c. Audit Department Salaries

Monica Houston informed the committee that there were no department salary changes being proposed. No further discussion pertaining to the item.

- d. Budget

Michael Abouserhal emphasized that the Audit Committee has a responsibility to approve a two-year budget for the department and then it goes through the formal review and approval of the County Executive and ultimately the County Council, but historically they have been great working with the Audit Committee to approve what the Committee thinks is necessary for the department.

Monica Houston reported that her goal is to submit DIA's 2024-2025 budget in time for the Executive's submission to Council in October. DIA's budget has not yet been discussed with the County Executive because his policy and process for budget reviews are still being developed.

Joshua Ault provided a brief overview of:

- 2023 budget versus actual update,
- 2023 to 2024 budget comparison, and
- 2024-2025 budget proposal reports.

He discussed any adjustments and/or changes with budgeted amounts or methodology.

Discussion ensued pertaining to the items such as the reasonableness of the budget, unavailability of revised County guidelines ITGC contract, personnel vacancies, and the timing of budgetary approval by the Council. Monica Houston agreed to inform the committee immediately of any significant changes to the budget that occur during the budget process. Michael Abouserhal suggested making the motion and leaving this topic as an agenda item for the next committee meeting.

Salvatore Talarico motioned to approve the 2024-2025 budget as presented also to include any modifications which may occur as a result of the budget process with the County Executive and County Council;

Keith Libman seconded. The motion to approve the budget was unanimously approved.

e. Review Annual Update to Council

Michael Abouserhal emphasized that the committee and internal audit department have a responsibility to issue a report to the County Council disclosing the work of the Audit Committee and internal audit department. He also reminded committee members that they have received a copy of the Annual Update to Council within their packets and should take the opportunity to provide any feedback before the report is presented to County Council.

Monica Houston advised the committee that DIA will present the update to Council during their meeting on July 25th, 2023.

Trevor McAleer motioned to approve the 2022 Annual Update to Council; Salvatore Talarico seconded. The motion to approve the Annual Update to Council was unanimously approved.

f. Semi-annual Audit Issue Update

Joshua Ault presented a brief update on the semi-annual audit issue tracker report including:

- 2 audits were released since the last the report in which recommendations were added to the Issue Tracker.
- 36 recommendations have been tested year to date.
 - 30 of the 36 were closed as fully resolved.
 - 6 remain open as partially or not resolved.
- 49 recommendations are currently being tested.
- 30 additional recommendations will be tested during 2023.

Questions were raised and discussion ensued amongst the committee members. In closing, Michael Abouserhal requested the audit release dates be added to the Recommendations Summary by Audit in future semi-annual issue tracker reports.

g. Annual Review of Cuyahoga County Charter

See agenda item 7d (Recommendation for Revision to Cuyahoga County Charter).

h. Annual Review of Audit Committee Charter

Michael Abouserhal emphasized that the committee has a responsibility to perform an annual review of the Audit Committee Charter, Internal Audit

Charter, and Internal Audit Policy. Currently there are no proposals to change any of the charters.

i. Annual Review of Internal Audit Charter

Currently there are no proposals to change any of the charters.

j. Annual review of Internal Audit Policy

See agenda item 6. (Executive Session)

k. Status of Current Engagements

Joshua Ault presented the status of current engagements. There are 5 current engagements, which were carryovers from 2022.

- Facilities Revenue and Receivables report with Audit Committee for review as of 6/29, estimated release 7/12.
- Motor Vehicle Revenue and Receivables report already released.
- Employee Recruitment, Hiring and Retention Assessment report with Audit Committee for review as of 6/30, estimated release 7/14.
- HR Compliance Audit report with auditee as of 6/27, who has requested 30 days (approved by Katie Gallagher, Chief of Operations) to provide a response. Projected delivery to Audit Committee is end of July.
- OBM Encumbrance Process. Monica Houston clarified that this engagement was originally an audit but then altered to a consulting engagement. A report was drafted but IT pushed back on items relative to modules in the ERP. The report was revised, but IT has come back with additional concerns that they want to discuss. A meeting with IT should occur soon and a release is expected by the end of July 2023.

Joshua presented the status of planned engagements from the 2023 audit plan.

- Ethics Review – This is contingent and thus has not been started.
- Sanitary Revenues and Expenditures. – Currently in fieldwork stage. The budget hours are over because the project is more complex than originally anticipated. Delivery to the Audit Committee is expected in late August.
- Jail Operations. – Deferred to 2024.

- IT General Controls. – CBIZ was initially selected for contract award. During contract negotiations, CBIZ denied the award due to concerns over liability limits. JANUS Associates scored 2nd during bid evaluations. They have been engaged to proceed with the project. Revised bid notifications have been drafted and are under management review prior to issuance.
- Bank Reconciliation. – Has not been started. It is on the schedule to complete in 2023.
- Grants Management and Funding. – Currently in the reporting phase. The report draft release to the Audit Committee is expected in late August. Early completion due to a lack of a full population of grants for testing. Committee members raised questions relative to the audit and discussion ensued. Monica Houston advised DIA is moving forward with an audit and issuing a report which will include a finding relative to the inability to identify/test that population.
- Development loan portfolio management. – The entrance conference has not yet been scheduled, but initial planning has been started.
- Remaining audits on 2023 audit plan were not discussed.

During the update of current engagements (to accommodate Salvatore Talarico's early departure from the meeting and to ensure that all committee members were in attendance), Monica Houston informed the committee that Catherine Tkachyk, Audit Liaison, has submitted her resignation to the County. Catherine mentioned she will remain with the County for another month before her departure and plans to pursue consulting work. Michael Abouserhal praised Catherine for her exceptional efforts and dedication in facilitating the audit remediation process with the auditees.

Remediation of Governance Level Findings – Sponsorship to Charter Review Committee

Monica Houston described the matter before the committee. DIA has a report recommendation related to the HR Compliance audit that due to current statute cannot be adequately addressed by the auditee, the Executive, or Council. Discussion ensued amongst the committee members. In closing, it was decided Monica Houston would draft potential alternate language to allow for timely release to the Committee who could at that time determine if the report would be held for discussion at September meeting.

I. Current/Emerging Risks

Monica Houston addressed the Committee relative to the current and emerging risks. A request from Michael Chambers, Chief Fiscal Office relative to DIA review of Sheriff's chargebacks was discussed. She advised that after discussion of the concerns relative to the accuracy and completeness of the charges with Fiscal, it was determined that the request was not within the prevue of DIA responsibilities and that such would be more appropriately addressed through work performed by the Fiscal Office. As such, the Fiscal Office has started performing reviews and validating the charges. Monica Houston stated that the elevated risk would be factored into the scoring for the next annual risk assessment.

9. Public Comment – Unrelated to Agenda

There was no public comment related to items unrelated to the agenda.

10. Next Meeting – Thursday, September 7, 2023, 9:00 AM – 12:00 PM

11. Adjournment

Keith Libman motioned to adjourn the meeting; Meltrice Sharp seconded. The motion to adjourn the meeting was unanimously approved at 12:59 p.m.

(signature on file)

Michael Abouserhal, Chair
MA/ts