

**Minutes
CUYAHOGA COUNTY
AUDIT COMMITTEE
REGULAR MEETING**

September 7, 2023, 9:00 AM – 12:00 PM

1. Call to Order – meeting of September 7, 2023

The meeting was called to order at 9:04 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
Katie Gallagher, (alternate for County Executive Chris Ronayne)
Michael Chambers, Fiscal Officer

Absent:

None.

Notes:

- Meltrice Sharp arrived at the meeting at 9:10 a.m.
- Salvatore Talarico arrived at the meeting at 9:26 a.m.

3. Public Comment - Related to Items on the Agenda

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

4. Approval of Minutes – July 6, 2023

Keith Libman motioned to approve the July 6, 2023 minutes; Trevor McAleer seconded. The motion to approve the July 6, 2023 minutes was unanimously approved.

5. Member Appointment

- a. Reappointment of Salvatore Talarico

Michael Abouserhal reminded the committee that Salvatore Talarico's term is ending December 31, 2023, and he is recommending the County Executive consider Salvatore Talarico for reappointment.

6. Executive Session (As Necessary)

Salvatore Talarico 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 10:58 a.m. The Executive Session adjourned at 12:55 p.m. Michael Abouserhal then reconvened the general meeting.

7. Old Business:

a. Follow-up Items from 2nd Quarter Meeting

Monica Houston, Director of Internal Audit, addressed the committee regarding the follow-up items:

- Bank Reconciliation. See agenda item 7b.
- Cuyahoga County Charter Revision. See agenda item 7d.
- Remote Work Policy.
 - The Department Manual was updated to include a limit of allowable remote work to 16 hours per pay period.
- HR Employee Payroll Review

Monica Houston and Katie Gallagher addressed the committee regarding additional review work and the collection of overpayments from prior DIA review. Katie advised that management is not able to perform a 100% review of past payroll while trying to catch up with work and improve processes going forward. Discussion regarding the use and reliance upon the work the IG is doing relative to payroll led to the request by the AC for the IG to attend the next meeting.

- 2024 Goals. To include a goal relative to the education of auditees on the process and value of internal audit. Committee Member Talarico recommended an educational YouTube video be developed for use in educating auditees about the role of DIA. Per the 7/6/23 meeting, DIA will consider this for a goal in the 2024 year.
- Issue Tracker Semi-Annual Report. Completed. Issue dates will be included in future reports.

b. Bank Reconciliation

Leigh Tucker, Deputy Fiscal Officer, addressed the committee regarding the bank reconciliation:

- Fiscal is on target and has finished reconciling through the month of July 2023 and August is projected for completion sometime in mid-September. Fiscal is still utilizing the consultant, G-Force, to help resolve any significant issues and this will continue through 2024. The full implementation of the CTM module is scheduled for February 2024 and will take 3 months for implementation. G-Force will provide assistance with implementation, training, and troubleshooting. The cost is \$130,000 and has been included in the budget. Fiscal also has a dedicated IT Department resource to assist with the process.

Discussion ensued amongst the committee members that included the benefit the County was obtaining from the external consultants.

Leigh Tucker introduced Lennon Taylor, Financial Reporting Manager, who was in attendance to assist Leigh with any questions. No further questions were raised.

c. External Audit Post Audit Meeting

Michael Abouserhal reported that the committee members met with the external auditors on 8/3/23 to fulfill the committee's responsibility. There appears to be significant improvement made by the County with the timeliness of fulfilling audit requests and fewer findings and management letter comments. He extends his thanks to the Fiscal Office, including Michael Chambers and Leigh Tucker. All members attended the meeting except Trevor McAleer who was excused.

d. Recommendation for Revision to Cuyahoga County Charter

Mike Abouserhal reminded the committee that the purpose of the revision is to resolve two issues: DIA's access to records and jurisdictional authority to audit. The committee had asked Monica Houston to prepare a draft of the revision to the charter and the Law Department to assist Monica in this process.

Monica Houston provided an update relative to the progress of drafting the revision which included a briefing of a meeting with the Law Director, Rick Manaloff who promised to assign an attorney to address the matter as well as give consideration to the possibility of utilizing codification in the County Code.

Discussion ensued amongst the committee members. In closing, the Audit Committee directed Monica Houston to continue to work with the Law Department to draft the recommended Charter change language.

Keith Libman invited Bruce Akers to address the topic of the Charter Review Commission process. Bruce has many years in public service, was the co-author of the County Charter, and chaired the 2012 Charter Review Commission. He provided the Committee with a historical perspective and his understanding of how a recommendation to revise the Charter works.

Further discussion ensued amongst the committee members with Mr. Akers providing additional insight as requested. Key discussion points were:

- There have been two Charter Review Commissions to date, one in 2012 and 2017. The charter calls for a commission every ten years, so the next one is in 2027.
- Charter Review Committee process is that a department would draft a recommendation, have it reviewed by legal, send it to the committee for review, and the committee, if it agrees, takes it to the Council for review.
- The Council passed governing rules for the Charter Review Commission in 2012. Per the rules, the commission will issue a report of recommended changes that goes to the Council for review. The Law Department provides legal counsel to the commission during the review process. Council votes each recommendation up or down. If they vote down, the Council suggests possible changes to the language. It is more helpful if language is presented to the commission from the requesting department because the commission is getting a lot of recommended changes to the charter presented to them. It is a lot easier for them to review recommended language. However, it could still go the route of a department presenting a proposed change to Council on the off-cycle.
- Since the 2017 commission, there has only been one Charter amendment proposed to Council, the Sheriff's change in November 2019. Eight of the 11 Councilmembers must vote yes and receive Executive support to initiate legislation, which requires significant work and not very likely to get enough votes or support. Additionally, if the ballot was proposed during an election off-cycle, it would cost roughly \$2 million dollar to hold a special election, in which a portion is charged back to cities and therefore not popular.

- Although eight votes are needed from Council, a simple language change to the charter is typically a lot less technical and political than a change, like when the Sheriff transitioned from an elected to an appointed position. Thus, it is probably not too difficult to achieve consensus from Council members on a language change to the charter.

Michael Abouserhal requested Trevor forward a copy of the governing rules passed by the Council to the Committee. He also agreed for the Committee to give further consideration to the recommendation that a bullet point list of challenges be presented to the Council to see if there may be sufficient support to propose Charter changes on the off-cycle.

e. Update to Council

Michael Abouserhal reported that the update to the Council is scheduled for September 19th, 2023. Monica Houston added that an Outlook calendar invite has gone out to committee members as a reminder should they wish to attend.

8. Other Business:

a. Director Evaluation (see 6)

Michael Abouserhal reported that the Committee members received the Director's evaluation a few weeks ago and the Committee members are still working to complete their portion of the evaluation.

b. Budget Update

Michael Abouserhal reminded the Committee that, at the last meeting, the Committee approved the budget for the next two years for the Internal Audit department with the hopes that the County Executive would approve it and include it as requested in the budget presented to Council.

Monica provided an update to the budget. Per the meeting with the Office of Budget Management (OBM) there was no indication that the recommended budget would not be included in the Executive's budget to the Council. However, OBM cautioned that they were still in the process of reviewing all budgets and that they would need to do what is needed to deliver a balanced budget.

c. Status of Current Engagements

1. Remediation of Governance Level Findings – Sponsorship to Charter Review Committee

Michael Abouserhal provided some background on a proposed recommendation. The recommendation was the result of a governance level finding in DIA's HR compliance audit relative to the lack of county-wide jurisdiction for ensuring compliance with HR laws. There is uncertainty as to whether DIA should be the party responsible for presenting the issue to the Charter Review Commission for review.

Discussion ensued amongst the committee members.

Michael Abouserhal requested the Audit Committee's management response for the recommendation to read as follows:

The Audit Committee supports the need for this. This item needs to be modified through the Charter Review Commission process, but we are not certain who should be the owner of presenting that and more information is needed by the Audit Committee to make that ultimate decision.

He inquired with Monica whether that seems acceptable for the purposes of issuing the report. Monica replied in the affirmative, indicating it could work if it is the desire of the Audit Committee.

2. ITGC Risk Assessment – Independence impairment

Michael Abouserhal gave a brief background of the situation. The contract was identified as one that needs to go through the Technical Advisory Committee (TAC) for review because of a qualifying purpose, either IT hardware or IT services. DIA had a concern that this decision would equate to an impairment of audit independence as per the Institute of Internal Auditors' standards of professional practice. There was debate over the interpretation of TAC's role. Thus, the matter was referred to the Law Department for a legal review.

Monica Houston advised the matter has not been resolved and updated the Committee on a meeting with Rick Manaloff, Law Director. In summary, it appears there may have been a misunderstanding as to the purpose of the contract by the Law department. She informed the Law Director that the contract was for IT audit services, not software being implemented by DIA. The Law Director understood the independence issue and agreed to give the matter additional consideration.

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Andy Johnson, CIO, was invited to address the Committee relative to the concern. He provided the jurisdictional background relative to TAC's authority. He indicated that the TAC review is not meant to take a position on what or how DIA audits, but rather a standard review of the services that the contract provides. He further stated the Law Department's opinion has not been published and is being escalated to Rick Manaloff for further consideration.

Further discussion ensued with Andy indicating he feels DIA is saying let's skip the TAC process. Monica Houston responded that such was not the case but rather there is a question as to whether the services in the proposal are by definition IT services and thus fall under TAC's responsibility in the first place.

Joshua Ault, Audit Manager, provided some additional insight. The service that is going to be provided is an IT general controls risk assessment. The contract does not include testing, but rather an assessment of the design of controls, processes, and procedures. An assessment does not touch anything in the system, and therefore cannot be construed as an IT service. The assessment will allow DIA to determine testing plans for IT audits in a future year.

Discussion ensued amongst the committee members.

Monica Houston reminded the Audit Committee that as the Director of Internal Audit, she is charged by the County Charter with the responsibility of ensuring conformity with IIA standards and that the standards require DIA to be independent in appearance and in fact. Thus, she would need direction from the Audit Committee relative to the review and approval by TAC of the IT audit services contract as, in her professional opinion, such would represent an impairment of independence in appearance.

Keith Libman motioned to submit the IT Risk Assessment contract for review by the Technical Advisory Committee; Salvatore Talarico seconded. The motion was unanimously approved.

3. Semi-annual Issue Tracker – Changes to process due to the departure of Catherine Tkachyk

Michael Abouserhal provided a historical summary of the role Catherine Tkachyk performed and the significance of such in the resolution of audit issues.

Monica Houston informed the Committee of the changes to the process to accommodate the new administration's decision not to fully reassign all tasks historically performed by Catherine, specifically the role of actively engaging with departments to ensure the timely completion of agreed-upon action plans. DIA will take a more active, and traditional, role in the follow-up process which would require additional time allocation to the follow-up process. Katie Gallagher will perform the role relative to audit champion and would provide an avenue for escalation of any concerns relative to audits or follow-up. Monica stated that she would inform the Committee if concerns arise relative to the revised process.

Katie Gallagher addressed the Committee to present a different position relative to the historical role. Such position is that Directors are to be held accountable for the timely resolution of audit issues and that there should be more direct communication between them and DIA. This will aid in the removal of silos that seem to have existed and a greater understanding of the audit issues by the Directors which is important. It will be her responsibility and that of other Deputy Chiefs to ensure that the Directors are following up timely.

d. Current/Emerging Risks

Nothing was presented for discussion.

9. Public Comment – Unrelated to Agenda

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

10. Next Meeting – Thursday, December 14, 2023, 9:30 AM – 12:30 PM

11. Adjournment

Meltrice Sharp motioned to adjourn the meeting; Trevor McAleer seconded. The motion to adjourn the meeting was unanimously approved at 12:57 p.m.

(signature on file)

Michael Abouserhal, Chair
MA/ts