

**Notes for Chair
CUYAHOGA COUNTY
AUDIT COMMITTEE
REGULAR MEETING**

Thursday, March 28, 9:00 AM – 12:00 PM

1. Call to Order – meeting of March 28, 2024

The meeting was called to order at 9:02 a.m.

2. Roll Call

Attending:

Michael Abouserhal, Audit Committee Chairman
Trevor McAleer (alternate for Council President Pernel Jones, Jr.)
Keith Libman
Meltrice Sharp
Katie Gallagher, (alternate for County Executive Chris Ronayne)
Michael Chambers, Fiscal Officer

Note: Salvatore Talarico arrived at 9:09 a.m.

Absent:

None

3. Public Comment - Related to Items on the Agenda

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

4. Introduction/Welcome

Michael Abouserhal indicated the agenda item is no longer needed, as the new individuals planning to attend the meeting were unable to do so.

5. Election of Chairperson

Michael Abouserhal reminded the committee that the charter requires the election of a chairperson in the first meeting of the year, and thus nominations and a vote are needed.

Meltrice Sharp motioned to approve the reappointment of Michael Abouserhal as Audit Committee Chairperson for another year; Keith Libman seconded. The motion was unanimously approved.

6. Approval of Minutes – December 14, 2023

Meltrice Sharp motioned to approve the December 14, 2023 minutes; Keith Libman seconded. The motion was unanimously approved.

7. Member Appointment

a. Reappointment of Michael Abouserhal

Michael Abouserhal shared that with his current term ending 12/31/2024, he is looking forward to having conversations with the County Executive about his potential reappointment and his desire to be reappointed for future years.

8. Executive Session (As Necessary)

Keith Libman motioned that the Committee go into Executive Session per ORC 121.22(G)(1) to consider the employment and appointment of a public employee or official; Meltrice Sharp 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 11:06 a.m. The Executive Session adjourned at 12:31 p.m. Michael Abouserhal then reconvened the general meeting.

Trevor McAleer motioned to approve the revised DIA Director performance evaluation and issue the responses to the questions raised by the DIA Director; Salvatore Talarico seconded. The motion was unanimously approved.

Keith Libman motioned to approve extending the previously approved remote work policy accommodation for the DIA Director until the next audit committee meeting and delegate the administration of the matter to the HR Director; Salvatore Talarico seconded. The motion was unanimously approved.

9. Old Business:

a. Follow-up Items from 4th Quarter Meeting

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

- Bank Reconciliation - As per the Audit Committee December 2023 meeting, this item is closed and will be monitored through the monthly update process.
- Cuyahoga County Charter Revision related to unrestricted access to records - See agenda item 9c.

- Annual Update to Council - As no formal requests have been received from Council for specific Audit Services, this item is closed.
- HR Employee Payroll Review - Inspector General provided update at previous meeting. The Committee would like the Inspector General to provide an update on their continuous monitoring of employee payroll later in the year. Inspector General to provide their report to the Committee when issued.
- 2024 Goals - Goal added to educate auditees on the process and value of internal audit. Specifically, a member of the committee requested a YouTube video. See agenda item 10c.
- Budget Update - The budget approved by the Audit Committee and presented to Council on 11/2/23 was not accepted by Council. This item is to remain on the agenda until there is an appropriate resolution. See agenda item 9f.
- Audit Surveys - The Audit Committee requested regular updates on surveys. Surveys received through 12/31/23 have been provided to the Audit Committee. Also see agenda item 10c as it pertains to the annual performance.
- Audit Plan - The Audit Committee requested a column to be added to the Audit Plan that provides information on the risk rating for each audit. The Audit Plan was revised accordingly. Also see agenda item 10e.

b. External Audit Pre-Audit Meeting – 2023 Financial Statements

Michael Abouserhal made note that the Committee met with the external auditors on February 29, 2024 to fulfill the committee's obligation. All members of the committee were present except Michael Chambers, Fiscal Officer. Leigh Tucker, Assistant Fiscal Officer, represented the Fiscal Officer at the meeting.

c. Recommendation for Revision to Cuyahoga County Charter

- Michael Abouserhal reiterated to the Committee that the revision aims to address two issues: the Committee's jurisdictional authority for auditing and Internal Audit's access to records. Discussion ensued.

- Michael Abouserhal called for a motion to formally approve issuance of the letter, under his signature, requesting the assistance of the Prosecutor's Office in developing the language for a proposed revision to the County Charter and in identifying other viable alternatives.

Meltrice Sharp motioned to approve the letter requesting the review by the Prosecutor's Office; Keith Libman seconded. The motion was unanimously approved.

d. Schedule the Update to Council

- Michael Abouserhal explained that this is an annual agenda item. Internal Audit prepares a report to present to one of the Council subcommittees, highlighting the activities of the Audit Committee and the department's work. The purpose of the discussion at this meeting is to discuss a potential date for the 2024 presentation. Discussion ensued.
- Michael Abouserhal requested Monica plan to have the report ready for the committee to approve at the June 13th meeting and then they will figure out the timing of the presentation thereafter.

e. Approval of 2024 Meeting Schedule

Discussion ensued amongst the committee members relative to proposed schedule for the remaining audit committee meetings in 2024:

- Keith Libman informed the committee that the September 5, 2024 meeting does not work for him, because he will be out of the County from August 30th to September 16th.

Michael Abouserhal asked Monica to poll the committee to see if rescheduling the September 5, 2024 meeting would be possible. Monica replied in the affirmative. If not, the schedule could remain as is.

f. Budget Update

Michael Abouserhal reminded the committee that the budget approved by the Committee is not the same budget that was recommended by the County Executive and approved by the County Council, resulting in some significant operational impacts to the department based upon the difference in those budget levels. The following three documents included in the Committee materials were highlighted:

- Budget Summary document; the primary document of discussion.
- 2024 Budget Projection.

2023 Budget vs Actual.

Monica Houston provided an update to the 2024 budget since the last meeting based on the three documents and indicated that the greatest impact was on the ability to provide IT audit services which was a deficiency noted in the 2021 Internal Audit Quality Assessment Report (Peer Review). Discussion ensued.

The Committee directed Monica Houston to construct budget projections based upon current circumstances and to submit any necessary budgetary requests to County Council provided amounts requested do not exceed the Committee approved budget.

10. Other Business:

a. Confirm Independence of Audit Personnel

Monica Houston reported that she had received the independence statements from all staff members and there were no issues to report.

b. Resident Member Independence Disclosure

Monica Houston reported that she had received confirmation from the Agency of Inspector General that independence statements from all committee members were received and that there were no concerns to report.

c. Director of Audit Annual Performance

- 2023 Goals Results

Monica Houston reminded the Committee that last year they approved 2023 goals and measurements which are primarily for the Director but also impacted by the overall performance of the department. Monica provided a brief description and update of the goals, indicating all goals were met or exceeded.

- Obtain positive feedback rating of at least 70%. Monica reported 95% positive feedback rate was achieved as reflected in the survey report provided.

- Timely and appropriate resolution of audit findings. Monica reported that the requisite semi-annual updates of the Issue Tracker had been provided to the committee at the 12/8/22 and 7/8/23 AC meetings.
- Achieve audit completion rate of at least 70%. Monica reported that a 68% completion rate was achieved and noted that the goal should be adjusted due the Director's availability as per FMLA law. A prorated goal based on Director availability, as supported by the time code report provided to the Committee, would be 59%.
- Develop cohesive relationships throughout the organization and a rapport with Council members as determined by:
 - a) Regular touchpoints:
 - I. Presentation to Council. Monica advised this was completed on Sept 19, 2023.
 - II. Attendance at 6 or more Committee or Council meetings. Monica noted that this goal should also be adjusted based upon the Director's reduced availability. A prorated goal based on Director availability would be 5 meetings. Monica advised 8 Council meetings were attended and regular touch point meetings with Katie Gallagher were held.
 - b) Receipt of requests for assistance. Monica advised that there were seven requests for assistance.
 - c) Feedback obtained from surveys or other bona fide sources. Monica referred to the surveys previously discussed.

Keith Libman shared his opinion that the goals should not be modified based upon the reduced availability of the Director. There was no further discussion.

- 2024 Goals Approval

Monica Houston presented the 2024 Goals which mostly mirrored those from 2023 except for Goal #4, focuses on "Promoting the value of internal audit and increasing awareness of DIA's role throughout the organization". Discussion ensued amongst the committee members. The discussion was primarily focused on the appropriateness and attainment of the Audit Completion Rate and included a reminder to the Committee by Monica that some of the discussion relative to her availability is protected information.

Keith Libman motioned to approve the 2024 goals as presented; Trevor McAleer seconded. The motion was unanimously approved.

d. Approval of travel

- Monica Houston announced that the HR Recruitment, Retention, and Hiring assessment report was being considered for the ALGA Knighton Award and requested Committee approval to attend the Conference in person if chosen.

Discussion ensued amongst the Committee members relative to the additional time needed for travel.

Salvatore Talarico motioned to approve the travel for up to two DIA members for the upcoming ALGA conference contingent upon the department winning the award; Trevor McAleer seconded. The motion was unanimously approved.

e. Review and approval of the Annual Audit Plan Report

- Approval of 2024 Audit Plan

Monica Houston presented the 2024 Audit Plan Report which included a detailed resource plan. Monica recommended that the Committee once again consider the inclusion of the Ethics Review as such was recommended in the 2021 Peer Review.

- Monica noted deferment of the Jail Operations Compliance Review at the request of the Committee and requested deferment of following engagements due to resource constraints:
 - Sheriff's Office – Law Enforcement/Protective Services Strategic Review
 - Opioid Settlement Compliance Audit
 - Office of Re-Entry Audit
- Monica further noted that the resource plan included consideration of estimated budget hour overrun. The current BVA rate of 57% unfavorable was used to project overruns in the 2024 Audit Plan. The projected resource needs calculation indicated a resource deficit of 1,660 hours. Monica noted that for the efficient use of resources, there is always audit carryover included in the Audit Plan. Budget hours related to the planned carry-over for 2025 equate to 1,560 hours. This results in an overall planned resource shortage 100 hours and hence the Audit Plan as presented for approval has adequate resources.

Discussion ensued relative to budget overrun, completion rates, 2021 Peer Review recommendations, and Director allocation of time to specific audits. Of note was Keith Libman's expressed concern that notice should be given

to Council that the department cannot operate effectively due to the budget shortfalls and lack of adequate resources.

Monica Houston requested the Committee's approval of the 2024 Audit Plan as presented, with recommended engagements in orange and blue to be deferred.

Salvatore Talarico motioned to approve the 2024 Audit Plan as presented to include priority items 3, 4, 5, 7, 8, 11, 12, and 13, and current engagements in progress; Trevor McAleer seconded. Motion was unanimously approved.

- Report of Performance Relative to Prior Year Audit Plan

Monica Houston presented key performance indicators through 2023:

- In 2023, DIA's overall completion rate increased to 68% and coverage ratio 41% (of which 67% of high-risk areas are covered). This means the department is on track with the schedule to audit all high-risk areas in a 3-to-5-year period. Budget variance analysis is still a concern, as they are at a negative 57% percent, but it is down considerably from an unfavorable 503% during the 2017 to 2019 timeframe.
- Monica Houston reminded the committee, as the peer reviewers mentioned, that an unfavorably high BVA rate will continue to occur until the department cycles through all the areas in the County, which will take a while as the audit universe is currently structured on a departmental basis. Monica highlighted that there was one audit that was under budget for the first time, so the department is moving in the right direction.
- Meltrice Sharp inquired regarding the difference between the maximum audit completion rate of 90% and the resource utilization rate of 60%. Monica clarified that these are two different ratios:
 - Audit Completion Rate is the percentage of audits completed during the audit plan year.
 - Resource Utilization Rate is the percentage of time available resources spent on the completion of the Audit Plan. Internal review indicates that 60% is the maximum possible to spend on audit engagement work.

f. Semi-Annual Issue Tracker Report

Joshua Ault presented an update on the 2023 Semi-Annual Issue Tracker Report as of 12/31/2023:

- Recommendations Summary by Audit

- Issue dates were added at the request of the committee.
- The two sets of columns document the number of recommendations included at the time of report issuance and the current number of open recommendations.
- As of 12/31/23, there were 220 open recommendations.

- Second Half 2023 Activity
 - 122 recommendations were added as audits were released.
 - 73 recommendations were closed, of which:
 - 57 were fully completed,
 - 7 where management accepted the risk of not implementing, and
 - 9 withdrawn.
 - 32 recommendations were tested but remain open:
 - 12 not resolved, and
 - 20 partially resolved.

- 2023 Year End Status – 220 Open Recommendations
 - 12 require IT consulting services; however, DIA is to re-evaluate to determine if remediation testing can be performed internally due to budgetary reductions.
 - 25 will roll over into 2024 as testing was unable to be completed by 12/31/24.
 - 183 are pending detailed testing in future years.

Discussion ensued.

- Michael Abouserhal inquired as to the difference in hours spent on follow-up work in 2023 versus 2024. Joshua responded, noting it had increased from 800 in the 2023 plan to 1,050 hours in the 2024 plan.
- Monica Houston emphasized that this is a new process that started since she was at the County and there is now the impact of Catherine Tkachyk's departure in mid-2023, which explains the additional 200+ hours budgeted for the 2024 plan.

g. Quality Assessment Update

Monica Houston noted that the 2021 peer review report was provided to the audit committee members. She highlighted that the report showed that DIA completed all recommendations, except for the risk assessment over functional areas due to a lack of resources. Recommendations for the County Executive and Audit Committee were complete or risk accepted. Monica made specific note to the Committee that the Audit Committee Charter revision recommendation was not implemented, and thus risk accepted.

DIA performed the 2023 internal quality assurance and improvement program (QAIP) assessment, as required, in accordance with professional

standards. Overall, the department was determined to be “partially conforms” due to the restriction to access to records and the lack of independence due to the legal interpretation of the current Charter.

h. Status of Current Engagements

- Update on Current Audit Engagements

ITGC Risk Assessment – Update

Monica Houston presented and advised:

- a) The contract amendment was approved after obtaining budget funds.
- b) The contract has been altered from an outsource to a co-source engagement. She is working with the vendor on their Risk Inventory. Upon completion, new timelines will be established but it is estimated to be completed by June 30, 2024.

Discussion of Grants Management Audit

Michael Abouserhal advised the committee of concerns related to the recently released Grants Management audit. Based on information reported, there is a significant amount of accounting record clean up necessary to close expired grants in the County’s financial system (Lawson).

Leigh Tucker, Assistant Fiscal Officer, and Lennon Taylor, Controller, provided an update on their review of the open grants report originating from Lawson:

- Upon initial review, it appeared there were approximately 108 grants exhibiting negative cash balances, with an overspend totaling \$7.5 million. Further review indicates that \$5 million may be currently active grants and approximately 40 grants totaling \$2.5 million that may be expired from 2018 and prior.
- Leigh outlined plans to research and reconcile the 40 grants from 2018 and prior by the end of April 2024. The additional grants from 2019 to current are anticipated to be researched and reconciled by the third quarter of 2024. She also advised that the completion of the grant management policy is anticipated by the end of April 2024.

Michael Abouserhal requested that Monica Houston keep this as an agenda item for the next quarterly meeting. Monica said it would be included in Internal Audit’s follow up testing process as well.

There were no further questions relative to the status of current audit engagements.

i. Current/Emerging Risks

Monica Houston identified an HR benefits risk related to compliance with the Affordable Care Act (ACA) concerning the provision of adequate advance notice of changes to benefits. HR was able to revise its notification and start date to comply with the ACA. She also raised this concern with HR to address the compliance issue. Monica also discussed further audit risks with HR, including:

- The potential creation of pharmacy deserts due to the County's decision to limit pharmacy benefits to a single provider, CVS Pharmacy.
- The potential risk of decreased employee retention caused by the new benefit restriction enacted.

11. Public Comment – Unrelated to Agenda

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

10. Next Meeting – Thursday, June 13, 2024, 9:00 AM – 12:00 PM

11. Adjournment

Keith Libman motioned to adjourn the meeting; Salvatore Talarico seconded. The motion to adjourn the meeting was unanimously approved at 12:54 pm.

(signature on file) _____

Michael Abouserhal, Chair

MA/ts