

Minutes

CUYAHOGA COUNTY

AUDIT COMMITTEE

Thursday, June 7, 2018, 9:00 AM – 11:30 AM

Cuyahoga County Administrative Headquarters

2079 East Ninth Street, Cleveland, OH 44115

4th Floor, 4-407 - Committee Room B

1. Call to Order – Meeting of June 7, 2018
The meeting was called to order at 9:04 a.m.

2. Roll Call -
Attending:
Michael Abouserhal, Chairperson
Gary Shamis
Trevor McAleer (alternate for Councilman Dan Brady)
Armond Budish
Dennis Kennedy

Absent:
Yvette Ittu

3. Public Comment - Related to Items on the Agenda
There was no public comment related to items on the agenda.

4. Approval of Minutes – February 1, 2018
There were no corrections to the minutes from the February 1, 2018 meeting. Gary Shamis motioned to approve, as written; Trevor McAleer seconded. The minutes for the February 1, 2018 meeting were unanimously approved.

5. Executive Session (As Necessary)
Michael Abouserhal discussed whether there was a need to go into executive session. The determination was made that nothing on the agenda necessitated an executive session.

6. Old Business:
Michael Abouserhal turned the Committee's attention to item 7(a)&(b) prior to addressing Old Business.
 - a) Follow-up Items from 1st Quarter Meeting
Michael Abouserhal requested that Cory Swaisgood develop a follow-up items listing from previous meetings to ensure all items were addressed. Cory Swaisgood presented the listing and an update for the actions taken. Gary Shamis commended Cory Swaisgood and Michael Abouserhal on developing the listing and recommended its continued use for future

meetings.

b) Audit Committee Vacancy

Michael Abouserhal introduced the topic on the Audit Committee vacancy. The Executive recommended Keith Libman, pending Council approval, as the newest resident member to the Audit Committee. Keith Libman gave a brief background into his professional experience.

c) Update of Internal Audit Policies

Cory Swaisgood briefly presented the new audit manual and the manual's purpose. The manual will help to reinforce the department's authority, aid in new staff training and is required for the upcoming peer review. Multiple committee members commended Cory Swaisgood on the manual.

Trevor McAleer motioned to approve; Gary Shamis seconded. The motion was unanimously approved.

Michael Abouserhal recommended revision to the department's current travel policy to be consistent with the County's new policy. Cory Swaisgood discussed the County's new policy requires pre-approval by the Fiscal Office and Board of Control (BOC) for certain travel, and no approval from the Audit Committee, which is the current practice. Cory Swaisgood recommended adoption of the County's policy with an exception the Audit Committee could override travel denied by the Fiscal Officer or BOC. This would maintain the department's independence from management.

Trevor McAleer motioned to approve; Gary Shamis seconded. The motion was unanimously approved.

d) External Peer Review Date

Cory Swaisgood stated the external peer review will be performed on the department the week of August 20. The peer review will conclude with the 3rd Quarter Audit Committee meeting on August 24.

7. Other Business:

a) Update from Fiscal on 2016 Financial Audit

Michael Abouserhal requested the Fiscal Office provide an update on the 2016 external audit findings and management responses. Angie Rich, Assistant Fiscal Officer, presented the action items on the 2016 financial

report findings and management letter comments. The Audit Committee members asked questions and discussion ensued.

- b) Discussion of Executive's Office Process for Internal Audits
Michael Abouserhal introduced the topic of the Executive Office's new process for internal audits, mainly to ensure more timely responses to audit findings. Catherine Tcachyk, Director of Innovation, presented the Executive Office's process to the Audit Committee. She discussed the need to improve responsiveness, accountability, and provide an escalation process for the audit department if responses are not timely.

Cory Swaisgood noted that Innovation staff will not be working alongside his staff to conduct the audit fieldwork but will be working more with the auditee to address the issues identified during the audit. Michael Abouserhal inquired about Catherine Tcachyk's reporting structures. She stated that she currently reports to the Chief Technology Officer for all non-audit related items and to the Chief of Staff for audit related work. Committee members expressed concern with the reporting relationship to the Chief Technology Officer as audits are conducted of the IT Department. Trevor McAleer noted that this may be addressed through legislation that County Council is working on to change the reporting relationship for the department to the Chief of Staff.

Trevor McAleer inquired about the department's need to conduct surprise audits and how that would work with the Executive's Office. Cory Swaisgood discussed the need to keep surprise audits confidential and the department will not be constrained by the Executive Office's process when these types of engagements are necessary. Michael Abouserhal agreed and recommended that Innovation create an action plan tracking sheet for the status of audit recommendations.

Michael Abouserhal suggested that Cory Swaisgood should notify the Audit Committee if the Innovation team does not fulfill the responsibility of the liaison role as discussed at this meeting.

Cory Swaisgood noted that the preliminary collaboration with Catherine Tcachyk has already resulted in timely response during the procurement audit on IT contracts. Cory Swaisgood will add the Executive Office's process as an addendum to the current audit manual.

- c) Resident Committee Member Ethics Training
Sara Decaro, Staff Attorney, from the Personnel Review Commission (PRC) stated that all resident Committee members must complete required ethics training, per County Code. The training will only need to be completed one time and done online. Sara DeCaro stated resident Committee members training must be completed in addition to any ethics training required for professional certifications held. Michael Abouserhal recommended that all ethics training requirements be completed by the resident members before the next meeting.
- d) Director and Staff Evaluations
Michael Abouserhal discussed the Committee's responsibility to complete an annual evaluation for the Director. Michael Abouserhal thanked all Committee members for their input into the evaluation and commended Cory Swaisgood for his work as Director. Cory Swaisgood briefly discussed his responsibility to complete staff evaluations and noted that all evaluations have been completed. No further action required.
- e) Discuss Salary Increases for Department Members
Cory Swaisgood discussed the requirements for the Committee to approve all staff raises under the charter. The County-wide cost of living adjustment was approved at the February 1, 2018 meeting for all department staff. No further action required.
- f) Annual Update to Council
Cory Swaisgood discussed the requirement of the Committee to provide County Council with an annual update per the charter. The update was distributed to Council on 4/18/18 via a written report. Trevor McAleer said the report facilitated discussion with Councilmembers and there were no outstanding questions at this time. No further action required.
- g) Annual Review of Charters
Michael Abouserhal discussed the Committee's responsibility to annually review the three audit charters: 1) Cuyahoga County Charter Article XI, 2) Audit Committee Charter, and 3) Internal Audit Charter. Cory Swaisgood discussed the following proposed changes to two of the three charters:

Cuyahoga County Charter Article XI –

- Cory Swaisgood recommended a change to the verbiage in Section 11.04(2) by replacing "shall" with "may" when DIA bills departments. He discussed the reasoning with the Audit Committee.

- Cory Swaisgood recommended an addition of the word “or” to Section 11.04(3). He explained how the addition would positively impact the department and allow the Audit Committee to determine which auditing standards his department should follow.

Armond Budish recommended that Cory Swaisgood formally propose these changes to the Charter Review Commission. Trevor McAleer agreed. No further action necessary from the Audit Committee.

Audit Committee Charter -

- Cory Swaisgood recommended a change to the independence requirements for resident committee members to document the discussion from agenda item 6(a) above.
- Committee can request to review external audit fees, but is not required to. Michael Aboussalham noted the fees already are already included in engagement letter the Committee receives and that the fees are already approved by County Council. Dennis Kennedy supported this change.

Gary Shamis motioned to approve the changes in the Audit Committee Charter; Trevor McAleer seconded. The motion was unanimously approved

Cory Swaisgood did not have any proposed changes to the Internal Audit Charter this year.

i. Request for Approvals

Cory Swaisgood recommended approval to pay for the annual invoice from TeamMate for DIA’s automated electronic workpapers, in the amount of \$10,410. Trevor McAleer motioned to approve payment; Gary Shamis seconded. The motion was unanimously approved.

Cory Swaisgood introduced the new Staff Auditor, Tom Schneider, CPA, and noted prior approval through email to hire Tom Schneider. Tom Schneider presented his professional experience. Gary Shamis motioned to formally approve the hire; Trevor McAleer seconded. The motion was unanimously approved.

j. Update of Senior Staff Auditor and IT Positions

Cory Swaisgood gave a background on the two positions and presented the status of each. Cory Swaisgood presented the need for the IT position

and the IT related experience that was being sought for the new hire, such as a CISA certification. Cory Swaisgood stated that multiple interviews have been held and potential candidates have been identified. Trevor McAleer noted the importance of the two offices being able to independently obtain IT data for audits and investigations.

Cory Swaisgood stated the Sr. Staff Auditor role was created as classified position through PRC. PRC, the Audit Manager, and himself performed structured interviews. Cory Swaisgood requested formal approval to extend an offer to Kim Seeley, current Staff Auditor. Trevor McAleer inquired to the budget for the position. Cory Swaisgood recommended that an offer be extended for \$69,513.60 with an effective date of July 10th, 2018, following Kim Seeley's probation period. Discussion ensued on the probation period amongst the Audit Committee members and if the Audit Committee can authorize the promotion to be effective immediately. Cory Swaisgood will follow up with Human Resources.

Gary Shamis motioned to approve the promotion as requested but made effective immediately if allowable; Trevor McAleer seconded. The motion was unanimously approved.

(Update subsequent to the meeting: Kim Seeley received the promotion effective June 11, 2018)

- k. Executive Request to Review Conflicts of Interest in Past Contracts
Michael Abouserhal discussed that a request came from Executive's Office in February to review all contracts for past three years for conflicts of interest. Cory Swaisgood briefly discussed that an assessment on the current process to identify and report conflicts of interest is concluding. Cory Swaisgood stated that surveys were sent out to government agencies across the nation to identify best practices and reporting of conflicts of interest. Following completion of the review, a memo will be presented to the Executive and subsequently the Audit Committee. The Audit Committee can decide if further audit work is necessary. Trevor McAleer noted the difficulty in reviewing for conflicts of interest would make it difficult to provide assurance if conflicts existed. No change to the audit plan is required at this time.
- l. ERP Involvement
Michael Abouserhal discussed the recent request from the County that DIA increase their involvement with evaluating implementation of the new ERP. Cory Swaisgood discussed DIA's previous involvement and that

County Council's independent consultant recommended DIA complete a review of the controls and security in the system. DIA developed a scope of work for the implementation review which includes the reporting required for the review. Cory Swaisgood noted that the PMO has been very receptive to DIA's involvement. DIA will provide ongoing updates to the Committee, including the next meeting. DIA's involvement is expected until at least mid-June 2019 per Dennis Kennedy, or whenever the system has been fully implemented.

An estimate of the impact on the audit plan will be provided to the Committee by the next meeting. The IT Inventory audit planned is expected to be moved back at this time. Trevor McAleer inquired as to the current staff members assigned and Cory Swaisgood stated that one staff member is dedicated to the review so far.

m. Update of Current Internal Audit Engagement – Employee Reimbursement Expense Audit

Cory Swaisgood presented a brief overview of the scope and status of the County-wide employee reimbursement audit. The Fiscal Office has addressed most of the recommendations already. Report to be distributed to the audit committee by Friday of next week. Most, if not all findings for recovery will have been paid back prior to the report issuance. No further action required at this time.

(Update subsequent to the meeting: Report was distributed to the Audit Committee on June 25, 2018)

n. Update of Current Internal Audit Engagement – Procurement Audit on Select Category of Contracts

Cory Swaisgood presented a brief overview of the scope and status of the Procurement Audit on Select Category of Contracts. The original scope of the audit was July 2016 thru June 2017; however, the Department extended the audit period through December 2017 for additional testing and review. The audit is to test compliance with State and County procurement laws and policies as well as the controls over the issuance of payments and tracking of inventory purchased. The report is in draft form and an exit conference has been scheduled with management. Estimated distribution to the Committee on July 31st.

(Update subsequent to the meeting: Estimated distribution date to the Audit Committee changed to week of August 13, 2018)

- a. Update of Current Internal Audit Engagement – Parking Services Audit
Cory Swaisgood presented a brief overview of the scope and status of the Parking Service Audit. This audit is to review controls over cash, including the depositing of cash and recording of revenue. Trevor McAleer inquired as to whether any funds were identified as being unaccounted for. Cory Swaisgood stated that none were identified other than minor variances in daily reconciliation which was expected with new collection machines in place before the audit. Estimated distribution to the Committee on August 31st.

(Update subsequent to the meeting: Estimated distribution date to the Audit Committee changed to week of August 6, 2018)

- o. Update of Follow-up – Benefits
Cory Swaisgood discussed the request that came from HR Benefits to validate the accuracy of employee payroll deductions pertaining for benefits. Michael Abouserhal inquired as to why this request was made and the timeline for requesting the review so long after open enrollment has passed. Armond Budish and Cory Swaisgood discussed some of the difficulties present in the current system. The estimated distribution date to the Audit Committee is expected prior to the next meeting (August 24, 2018).

8. Public Comment – Unrelated to Agenda

There was no further public comment on items unrelated to the agenda.

9. Next Meeting – Friday, August 24, 2018, 9:00 AM – 11:30 AM

10. Adjournment

Gary Shamis motioned to adjourn; Trevor McAleer seconded. The motion to adjourn was unanimously approved at 11:01 a.m.

(signature on file)

Michael Abouserhal, Chair
MA/ks