

**Minutes**  
**CUYAHOGA COUNTY**  
**AUDIT COMMITTEE**  
**Friday, March 8, 2019, 8:30 AM – 11:00 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 March 8, 2019  
The meeting was called to order at 8:35 a.m.
  
2. Roll Call  
Michael Abouserhal, Chairperson  
Keith Libman  
Yvette Ittu  
Trevor McAleer (alternate for Councilman Dan Brady)  
Angela Rich (alternate for Fiscal Officer Dennis Kennedy)  
Armond Budish  
  
Absent:  
Gary Shamis
  
3. Public Comment - Related to Items on the Agenda  
There was no public comment related to items on the agenda.
  
4. Approval of Minutes – December 19, 2018  
There were no corrections to the minutes from the December 19, 2018 meeting.  
Trevor McAleer motioned to approve, as written; Keith Libman seconded. The minutes for the December 19, 2018 meeting were unanimously approved.
  
5. Executive Session (As Necessary)  
Michael Abouserhal stated an executive session was necessary for the Auditor of State's (AOS) pre-audit conference, item 7(b) on the agenda.
  
6. Old Business:
  - a. Follow-up Items from 4<sup>th</sup> Quarter Meeting  
Cory Swaisgood presented the follow-up items from the 2018 4<sup>th</sup> quarter  
Michael Abouserhal noted that Keith Libman has been reappointed to the Audit Committee for the period 1/1/2019 – 12/31/2022. County department heads believe 21 out of 40 findings and management letter comments from the 2017 external financial audit will not be repeated in the 2018 audit.  
  
Per a prior request from Michael Abouserhal requested the approximate dollar amount of expenditures to external providers from the County. Cory Swaisgood said that multiple inquiries were made with the Fiscal Office and he could only gather readily available data from HHS, which ranged

from \$100 to \$150 million per year, of which the current audit in Invest in Children covers \$11 million. Keith Libman noted concern that the number was not readily available. Cory Swaisgood will work with County management to obtain a more accurate number of provider spending.

Cory Swaisgood stated that management of the Department of Development is working on finalizing their policies and procedures for issuing loans and Cory Swaisgood will distribute to committee members once they are finalized, scheduled to receive the week of the March 18th.

- b. Review of Audit Staff's Continuing Professional Education Credits  
Michael Abouserhal described the Committee's internal charter requirement to review internal audit staff's continuing professional education (CPE). Cory Swaisgood noted that yellow book auditing standards require each auditor assigned to government audits to complete 80 hours of CPEs every 2 years, of which 24 hours must be related to governmental auditing and accounting. Cory Swaisgood also stated this requirement is also noted in the Department's audit manual. For the current cycle (2018-2019), all staff members are on track to complete 80 hours of CPE in compliance with auditing standards and the audit manual by the end of 2019.

Michael Abouserhal inquired on payment of CPEs sources utilized. Cory Swaisgood responded that some CPEs are obtained for free through professional memberships. The remainder are obtained through other professional organizations. Keith Libman and Yvette Ittu requested that Cory identify training that would enhance the committee members' knowledge of governmental audit committees and forward as necessary.

- c. Discussion on Procurement Audit – IT Contracts  
Michael Abouserhal introduced the topic of the internal audit report on IT contracts. The Chief Innovation Officer, Catherine Tkachyk, presented a summary on the corrective action taken to-date on the findings in the audit report. She noted that some of the items, such as creating an IT inventory policy, were completed prior to the report being issued. The Office of Procurement and Diversity (OPD) are currently improving the various forms utilized in the procurement process.

Catherine Tkachyk noted the missing routers had not been located and the County decided not to pursue a recovery. Keith Libman inquired as to whether the missing routers were a cybersecurity risk. Cory Swaisgood noted the routers had no access to the County's network during the audit.

Michael Abouserhal inquired as to how the Department of Innovation tracked prior audits and the status of addressing the audit findings. Catherine Tkachyk briefly described her department's process for tracking audit recommendations and how they work to address the findings, mostly on process improvement. Armond Budish noted that one of the main purposes of the Department of Innovation was to ensure DIA is getting all required information in a timely manner. Cory Swaisgood noted that this has improved for some of the engagements.

d. Requested Opinion on Public Records

Brendan Doyle from the Prosecutor's office presented the current status of the State of Ohio Attorney General's opinion on the applicability of public record laws to DIA's audit workpapers and draft reports. Per his inquiries the final opinion is imminent.

Trevor McAleer and Cory Swaisgood have been working with the Director of Regional Collaboration to determine if an amendment could potentially be proposed to the ORC to make DIA records confidential until a final report is issued. Per the County's lobbyist an amendment is unlikely at this time, but possibly after the next budget session. Yvette Ittu inquired as to how other internal audit shops address this and Cory Swaisgood noted that other entities, like DIA in the past, state the report will be distributed when final. Releasing draft reports to the public was never a problem in the past. Cory Swaisgood to reach out to Summit County for further information and collaboration on the ORC amendment. Michael Abouserhal requested that this continue to be an agenda item.

7. Other Business:

a. Election of Audit Committee Chairperson

Keith Libman commended Michael Abouserhal for his excellent service as Chairperson over the past year. Keith Libman motioned to reappoint the current chair. Trevor McAleer seconded. The motion to reappoint the current chair was unanimously approved.

b. Pre-Audit Discussion with Auditor of State on 2018 Financial Audit

Michael Abouserhal discussed the purpose to go into executive session for the Auditor of State's (AOS) pre-audit conference. Executive Session was adjourned without objection and Michael Abouserhal then reconvened the meeting.

c. Confirm Independence of Audit Personnel

Michael Abouserhal noted the Committee is required on an annual basis

to confirm the independence of audit personnel, per the County's audit charter and professional auditing standards. Cory Swaisgood presented that staff of the department have signed independence forms. A few staff members had been informally offered jobs that were not pursued. One staff member is on the Slavic Village Development Corporation board, but this position does not present an impairment of independence according to the Inspector General.

Cory Swaisgood stated the only departmental staffing circumstance that could potentially represent an independence issue relates to the staff member assigned to assist with the bank reconciliation. However, safeguards were and will be implemented to ensure independence is not impaired. Michael Abouserhal inquired as to whether the department's independence procedures and documentation were included in the 2018 peer review. Cory Swaisgood confirmed that the peer reviewers included review of independence disclosures in their scope. No instances noted.

d. Resident Member Independence Disclosure

Michael Abouserhal described the Audit Committee Charter requirement for resident members of the Audit Committee to annually complete an independence disclosure statement. Cory Swaisgood confirmed that all four resident members of the Audit Committee submitted their annual independence statements. The non-resident members (County employees) must disclose independence issues to the County's Office of Inspector General separately.

e. Update on Internal Audit Positions

Michael Abouserhal requested an update on any open internal audit positions or staffing changes. Cory Swaisgood presented on the current vacant staff auditor position. Cory Swaisgood noted that 23 of the 37 applicants will be tested in March. Cory Swaisgood responded to Trevor McAleer's question that the eligibility list from the previous posting in 2017 could not be used to fill the position since the listing expired (1 year).

Cory Swaisgood described the request from the Audit Committee that Kim Seeley, Sr. Staff Auditor, temporarily work with the Fiscal Office to assist with their bank reconciliation process, an outstanding state audit finding for multiple years. Cory Swaisgood recommended an increased pay rate for Kim Seeley in this temporary expanded role, with an effective date of March 4<sup>th</sup>. Kim Seeley will reassume his normal duties as Sr. Staff Auditor upon project completion, estimated to be 3-6 months.

Keith Libman motioned to approve the temporary salary increase; Trevor McAleer seconded. The motion was unanimously approved.

f. Update of Internal Audit Policies

Michael Abouserhal noted that the Committee is required to review existing policies and approve any changes made on an annual basis. Cory Swaisgood noted that no recommended changes were made to existing policies at this time.

g. Schedule Update to Council

Michael Abouserhal stated that the Audit Committee Charter requires the Committee to provide an annual update to Council. Michael Abouserhal and Cory Swaisgood discussed the format, content, and timing of what will be presented from the Committee to County Council. The same format will be followed as last year's report, unless requested differently from Council. The Audit Committee's compliance to the charters as well as DIA highlights must be included in the report.

Cory Swaisgood stated timeline for development of the report and distribution to Council, He will have the report to the Audit Committee by the end of March and submitted to County Council mid-April. Trevor McAleer noted the Finance Committee might request Cory Swaisgood formally present the report this year at a committee meeting.

h. Report of Performance Relative to Prior Year Audit Plan

Per the Internal Audit Charter, Cory Swaisgood presented performance relative to the prior year audit plan (2018). The following was presented:

- All carryover engagements from 2017 into 2018 were released in 2018.
- Two out of five new audits from 2018 were released in 2018/2019. Two were moved to 2019 and the remaining audit from Invest in Children is in the reporting phase.
- Three out of five follow up reviews were released in 2018. One is in progress and another moved into 2019 due to system implementation date changes.
- Three out of four consulting engagements were completed in 2018. The remaining project, ERP, is expected to be complete once all systems are implemented, scheduled for the end of 2019. Trevor McAleer questioned how the department would complete the ERP review since the key personnel assigned to the project was transferred to another project. Cory Swaisgood noted that the engagement's scope would be reduced to only review of significant items, like user role security, and agreed with Michael Abouserhal's recommendation that the new IT position would be given an enhanced role in the engagement.

i. Approval of 2018 Risk Assessment Report

Michael Abouserhal discussed the requirement for the Committee to approve the annual risk assessment and its importance in the creation of the annual audit plan. Cory Swaisgood noted that there was a 96% response rate for the risk assessment questionnaires sent out to the various agencies, which is the highest response rate since beginning the annual process in 2015.

Keith Libman motioned to approve the Risk Assessment Report. Trevor McAleer seconded. The motion was unanimously approved.

j. Approval of 2019 Audit Plan Report

Cory Swaisgood briefly presented the current audit plan. The only known change to the tentative audit plan approved at the 4<sup>th</sup> quarter meeting is the HR Benefit review engagement requested by the Audit Committee.

Trevor McAleer motioned to approve the Audit Plan Report; Keith Libman seconded. The motion was approved unanimously.

k. Benefits Eligibility and Withholdings Review Report

Cory Swaisgood presented the history of prior engagements performed in HR Benefits and the work completed in 2018. Cory Swaisgood noted that all preliminary results from the engagement were provided to HR Benefits by August 2018. Michael Abouserhal discussed his concern with the time it took HR Benefits to review the results as well as clarity about the scope and objectives of the engagement.

Holly Woods, Director of Benefits, described the engagement had been limited to recalculating withholdings for a select group of employees where errors were known to have occurred, ensuring unqualified employees were not erroneously receiving a waive benefit allowance, that people were defaulting correctly and that only eligible employees were receiving pharmacy benefits through the County. Holly Woods described why the department had been unable to timely address the preliminary results and the status of where there review currently stands. Holly Woods stated all the results will be reviewed by the end of March and any employees whom were not corrected in 2018 will be addressed. Yvette Ittu requested a comparison of the dollar impact between the 2018 and 2017 findings.

Michael Abouserhal requested the 2019 engagement include the same objectives as the prior year but the scope should be enhanced to 100% of employees, not just the groups requested by HR Benefits in the prior year.

Michael Abouserhal requested the results be timelier reviewed and Holly Woods agreed her team would address them in a timely fashion. Cory Swaisgood hopes to have all the data for the 2019 review by the end of March and tested before the next Audit Committee meeting in June.

Trevor McAleer motioned to approve the 2018 report; Keith Libman seconded. The motion was approved unanimously

I. Bank Reconciliation Review

Michael Abouserhal introduced this engagement and provided a history of how the unreconciled cash balance has been a recurring external audit finding. Cory Swaisgood described how DIA evaluated the current bank reconciliation process based on the request from the Fiscal Office and approval from the Audit Committee at the 4<sup>th</sup> quarter meeting. DIA did identify control enhancements and efficiencies to improve the process. Cory Swaisgood noted the Audit Committee requested DIA to expand the scope and timing of the review to assist the Fiscal Office in completing the bank reconciliation, since key Fiscal Office staff are temporarily out on leave and due to the recurring state audit finding. Kim Seeley has been temporarily assigned beginning on March 4<sup>th</sup> due to his current involvement in reviewing the bank reconciliation process. Cory Swaisgood stated safeguards have been and will be put in place to maintain DIA's independence from management. Kim Seeley will still report through DIA and will not record entries to the financial system. Kim Seeley's involvement in the bank reconciliation will be evaluated at the beginning of every future engagement to ensure independence is not impaired. Armond Budish thanked the Audit Committee for assisting with this project.

Angela Rich, Asst. Fiscal Officer, thanked the Audit Committee and DIA for their assistance. Angela Rich noted sufficient resources will be available to work with Kim Seeley for the bank reconciliation from January 2018 thru the new ERP process. One full-time accountant, two managers and another accounting will be assigned part-time. The Fiscal Office is working on obtaining temporary workers from Robert Half for the project. A contractor formally used to hire workers to assist with the bank reconciliation did not work out.

Michael Abouserhal inquired as to whom would be responsible for the bank reconciliation going forward. After discussion ensued it was determined that Rich Petrunyak, Financial Reporting Manager, would be responsible going forward.

Kim Seeley discussed work completed to date, including an inventory of

the current status of monthly reconciliations and identifying ways to streamline the process. Yvette Ittu requested the objectives of the engagement be enhanced to include developing policies and procedures for the new bank reconciliation methodology that will be implemented with the ERP. The expected timeframe of this engagement is 3-6 months.

- m. Children and Family Services Travel Reimbursement Audit Report  
Michael Abouserhal requested additional time for the Committee members to review this report prior to final approval. Pre-approval will be obtained from Committee members through e-mail with final formal approval occurring at the next scheduled meeting. Cory Swaisgood presented the objectives of the audit related to duty related travel reimbursements. Cory Swaisgood commended the department's efforts to address the recommendation and the minimal issues identified during the audit.
- n. Sheriff's Office General Operations Follow-up Report  
Cory Swaisgood stated that auditing standards require DIA to perform a follow up to all audits. Of the 139 recommendations made in the Sheriff's Office – General Operations report, 80% were addressed. Michael Abouserhal inquired as to how the department tracked the other 20% of the recommendations. Cory Swaisgood noted that another follow up will not be performed and the remaining items were either low risk, or operations had changed and the risk were no longer present. Michael Abouserhal thanked the Sheriff's department for their diligence in addressing the recommendations and the Department of Innovation for assisting with making the changes.
- o. Update of Current Internal Audit Engagement – ERP  
Cory Swaisgood gave a brief background of the engagement and noted that he had previously provided preliminary findings to the Committee due to the long implementation schedule. Cory Swaisgood described that after DIA's review of general ledger security the role-based security module had been modified to make it easier to make changes and address segregation of duty concerns in the system. DIA has made many recommendations to the GL module, some not expected to be made until after go-live. There will be a final report issued to the Committee following implementation of the last module, expected the end of 2019.

Michael Abouserhal inquired as to whether DIA had been provided all access needed to complete our review. Cory Swaisgood noted that access to a workflow system (IPA) had not been granted after multiple requests. Catherine Tkachyk will follow up on the request.



- p. Update of Current Internal Audit Engagement – Invest in Children Provider Monitoring Audit  
Cory Swaisgood presented the audit objectives which were to ensure that monitoring controls are designed and operationally effective for the more than \$11 million distributed to providers on an annual basis. Cory Swaisgood noted that these types of engagements will be a recurring audit in future audit plans due to the large amount disbursed by the County to providers and their inherent risk. The report is currently in draft form and with management for the post audit in March. DIA did find one recovery during the audit. The report should be to the Audit Committee by the end of April.
- q. Update of Current Internal Audit Engagement – Juvenile Court Audits  
Cory Swaisgood presented the current status of these engagements. Both are in the planning stage, with assigned staff conducting walkthroughs and planning steps. During the entrance conference additional assistance was requested from DIA. These additional requests will be evaluated based on urgency and staff availability and the Audit Plan will be amended, if necessary. Trevor McAleer and Michael Abouserhal commended the department since both engagements were requested by the Juvenile Court.
- r. Update of Follow-up – Sheriff's Office  
Cory Swaisgood presented an update on the Sheriff's Office follow-up engagements. Two are currently in progress. The Commissary follow up will re-commence once their new system is implemented, as some of the items cannot be verified until the new system is in place. The Civil Division follow up is in progress but has been delayed due to management out on leave. Both are expected to be completed during 2019.
8. Public Comment – Unrelated to Agenda  
There was no further public comment on items unrelated to the agenda.
9. Next Meeting – Friday, June 7, 2019 9:00 AM – 11:30 AM
10. Adjournment  
Keith Libman motioned to adjourn; Trevor McAleer seconded. The motion to adjourn was unanimously approved at 10:58 a.m.

*(signature on file)*

---

Michael Abouserhal, Chair  
MA/ks