

Minutes

CUYAHOGA COUNTY

AUDIT COMMITTEE

Friday, June 7, 2019, 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, 2019
The meeting was called to order at 9:00 a.m.

2. Roll Call
Attending:
Michael Abouserhal
Trevor McAleer (alternate for Dan Brady)
Keith Libman
Yvette Ittu
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 – March 8, 2019 and May 14, 2019
There were no corrections to the minutes from the March 8, 2019 and May 14, 2019 meetings. Keith Libman motioned to approve, as written; Trevor McAleer seconded. The minutes for the March 8, 2019 and May 14, 2019 meetings were unanimously approved.

5. Executive Session (As Necessary)
An Executive Session was not required.

6. Old Business:
 - a. Follow-up Items from 1st Quarter Meeting
Cory Swaisgood presented the follow-up items from the 2019 4th quarter meeting. The Committee sent annual update to Council on 4/16/2019. Cory Swaisgood formally presented the report at the 6/4/2019 Operations, Intergovernmental Relations & Public Transportation Committee Meeting. He noted that Council did not raise any concerns about the annual update during the meeting.

Cory Swaisgood sent the Benefits Review comparison between 2017 and 2018 results to the Committee on 5/1/2019. He noted that the 2019 Benefits Review is currently in progress.

Cory Swaisgood presented the report of 2018 expenditures disbursed to providers/subrecipients by agency that will be useful in determining future provider monitoring audits. He noted that while most agencies in the report were HHS, other agencies such as Department of Development and Workforce Innovation were included.

Cory Swaisgood reported that the Department of Development was still finalizing policies and procedures for issuing loans. Mark Griffin, Inspector General, reported that the department developed internal controls for monitoring loans, but they are still being evaluated by the Administrative Rules Board for approval before implementation. He reported that to date loans are still not reconciled or verified completely.

Cory Swaisgood reported that he forwarded relevant training courses to Committee members since the last meeting on 3/8/2019.

b. Progress on Amending the ORC

Cory Swaisgood reported there was no progress with amending the ORC to make audit workpapers in progress confidential. He said that currently there is not an appetite at the Statehouse to amend but possibly after their budget process has been completed.

7. Other Business:

a. Appointment of Interim Director

Michael Abouserhal recommended Kim Seeley as interim director as of June 10th, 2019. Trevor McAleer motioned to approve, and Yvette Ittu seconded. The appointment of Kim Seeley as Interim Director was unanimously approved. Michael Abouserhal noted that the Temporary Working Level Pay Adjustment (TWL) for \$94,000 annually would go into effect on June 10th.

Brendan Doyle, Assistant Prosecuting Attorney, provided a reading of the County Charter Sections 3.09 Powers and Duties of the Council and 11.03 Director of Internal Auditing: Appointment, Duties and Qualifications. He noted that the Committee can recommend to Council one or more candidates for appointment to fill incomplete terms, but Council is not bound by the recommendations and could reject and find its own candidate to appoint.

Michael Abouserhal stated he was concerned this could present an issue because the Committee would not have input on Council's appointment. He was also concerned that the language within the County Charter was not clear. He noted that while County Charter Section 3.09 states that Council has authority to establish committees and their powers, it does not describe the appointing process within committees.

Trevor McAleer stated when the former DIA director, Valerie Harry, was appointed that they received an opinion from the Law Department affirming that Council is not bound to Committee recommendations. He stated he will provide Michael Abouserhal the legal opinion letter.

Yvette Ittu stated that the Committee's section of the Charter was approved by Council which provides the process for how the Committee can work and recommend candidates to Council. Therefore, the Council's authority will supersede the Committee. Brendan Doyle agreed. County Executive Armond Budish stated that both the Council's and Committee's sections of the Charter should have the same language regarding the appointing process, so it is clear whether the Council or Committee has appointing authority.

Brendan Doyle also noted Council staff stated that in one resolution, Council could both appoint an interim director through the end of the term 6/30/2020 and a permanent director for the new term starting 7/1/2020. This was tabled for further discussion at another time after review of the previous legal opinion.

b. Audit Committee Vacancy

County Executive Armond Budish stated that he and Council are considering a candidate for the Audit Committee vacancy created by Gary Shamis leaving the Committee, but a decision has not been made. Gary Shamis made the decision to leave the Committee due to his multiple other personal and professional commitments, including being the Chairperson for the nonprofit JumpStart, Inc. All of the Committee members and Cory Swaisgood thanked Gary Shamis for his contributions to the Committee.

c. Director Evaluation

Michael Abouserhal stated that the evaluation for current director Cory Swaisgood is approved. He noted that the director received high marks.

d. Discussion on Department Salaries

Cory Swaisgood noted the County Charter requirement that the Department of Internal Audit shall determine salaries as part of its overall budget. He suggested no changes to salaries but noted that the County's 2% cost of living adjustment increase was approved.

e. Annual Update to Council

Michael Abouserhal noted that Cory Swaisgood presented the annual update orally to the Council Operations, Intergovernmental Relations & Public Transportation Committee ("Rules Committee") on 6/4/2019. Michael Abouserhal and Cory Swaisgood explained responsibilities of the Audit Committee and summarized work done by the Department of Internal Audit. The Rules Committee requested both an annual presentation (discussing the annual audit report) and a follow up presentation six months later (discussing audits in progress). The Rules Committee was concerned with evaluating policy and procedure recommendations in the Department of Internal Audit's reports, specifically over the ERP and Treasurer's Office audits. Trevor McAleer noted that Rules Committee works with the Inspector General in similar fashion by evaluating policy and procedure recommendations.

f. Annual Review of Audit Committee Charter

Michael Abouserhal proposed no changes. Keith Libman suggested that the Committee consider proposing a change to clear up confusion of Council's and the Committee's roles in appointing the Director of Internal Audit, as was suggested earlier by County Executive Armond Budish.

g. Annual Review of Internal Audit Charter

Cory Swaisgood noted that the County Charter amendment permitting the department use only one standard was approved by the voters. He cited the peer review report recommendation to pick one standard. He recommended to the Committee that the department only use Red Book standards, as opposed to using Yellow Book standards. Since the department's typical engagements include consulting and review work, Red Book standards more closely apply and are less restrictive. He noted that Yellow Book standards would not have permitted the department to provide the consulting work for the bank reconciliation project. While the Red Book standards only requires peer review every five years, the department will still follow the Internal Audit Charter requirement by receiving peer reviews every three years. He stated that the change to using one standard if approved would be effective 1/1/2020, which should permit time to update the department's audit manual.

Keith Libman stated he wanted more time to evaluate Cory Swaisgood's recommendation to use Red Book standards. Keith Libman noted concerns over possible independence issues with the department's auditors performing management functions and suggested the department provide the Committee a detailed side-by-side comparison of both standards for the Committee to evaluate further.

Michael Abouserhal agreed with Keith Libman and asked the department to provide an analysis for next meeting.

h. Update on Internal Audit Positions

Rose Karam, Audit Manager, presented the status of filling the department's vacant staff auditor position. The job was posted initially in November 2018 and to date the department has not found an ideal candidate to make an offer. The Personnel Review Commission noted some factors for a low rate of qualified candidates. Rose Karam made initial inquiries with HR about implementing an internship program as another option that could lead to eventual employment.

Michael Abouserhal suggested that the department also consider hiring independent contractors from audit firms to work on specific engagements until more internal staff is hired.

Keith Libman agreed with Michael Abouserhal but thinks the department should perform a cost/benefit analysis. Keith Libman emphasized the urgency of either filling the vacancy or hiring a contractor, because the County could be subject to criticism if the department falls behind. He also agreed with the department pursuing an internship program.

i. Approval of Invoice

Cory Swaisgood asked the Committee for approval to approve the invoice for the department's electronic audit software system from Wolters Kluwer in the amount of \$10,675. Keith Libman motioned to approve, and Michael Abouserhal seconded. The approval of the invoice was unanimously approved.

j. Revised 2019 Audit Plan

Cory Swaisgood presented revisions to the audit plan:

- Additional hours added to bank reconciliation for Kim Seeley's consulting work.
- Additional hours for Juvenile Court due to expanded scope of testing (will require 3 reports instead of initial 2).

- Move Public Works, HR payroll and Fiscal payroll follow up to 2020.
- Added Homeland Security Grant (expected completion June 2019)

Michael Abouserhal asked the department to send a revised budget prior to the next meeting should the staff auditor vacancy be filled.

Yvette Ittu motioned to approve the revised audit plan, and Keith Libman seconded. The revised 2019 Audit Plan was unanimously approved.

k. Treasurer's Office Audits and Follow-ups

Mark Griffin, Inspector General, presented a summary of his report on the Treasurer's Office. He was alerted to missing cash in January 2019 that was not discovered by the Treasurer's Office until March. A taxpayer noticed her account was not credited. Mark Griffin noted issues in the Treasurer's control process and cash handling for One Stop and Child Support payments. The Office was not performing daily reconciliations and nightly deposits, and there were no cash register-generated receipts for these two types of transactions. Instead, manual logging was performed using triplicate forms that were later entered and reconciled. A few One Stop transactions were missing from MVP due to inefficiencies in recordkeeping. Mark Griffin emphasized that true reconciling requires an independent record to compare to.

Cory Swaisgood noted that these discrepancies could not be uncovered with the County's bank reconciliation, because these transactions are not recorded timely. Ohio Revised Code requires that all cash receipts be recorded and deposited on a daily basis. He noted that the unlocked cash boxes in the Office must be within sight of camera and every type of transaction needs to be recorded in FAMIS.

Chris Murray, Treasurer, presented his response to the Inspector General's report. He stated that he agrees with it, and the Treasurer's Office is currently working toward implementing the recommendations within the report. The Treasurer's Office had also made progress implementing the recommendations from the Department of Internal Audit's audit, some of which relate to similar issues over cash handling. Chris Murray noted that the timely revenue identification issues cannot be implemented until Harris is live. He explained that One Stop forms are utilized by the tax lien and foreclosure departments. Both managers ensure what they send to the cashier department gets posted in MVP. The cashier department's Cash/Investment manager reviews these reconciliations. Chris Murray received an updated Harris system workflow (as of this week) and noted that the system will allow multiple types of transactions for one payment, thus eliminating the need for manual

logging of One Stop payments. He will put in a request for more cameras. He confirmed that currently the cash is deposited every evening for One Stop payments. However, he will defer to future meetings with CSEA to determine how they will implement better controls over child support payments across all agencies. He also noted an ongoing HR investigation regarding a cashier's cash handling practices.

Yvette Ittu stated this is an across-the-board problem if not all transactions are recorded in the system and cash deposited right away.

Cory Swaisgood noted that while child support payments are deposited into the County's bank account, the transactions are not recorded in FAMIS. Department of Internal Audit had previously recommended that an agency fund be created for CSEA, but that was not implemented. DIA will follow up after further discussion at meetings with CSEA. He suggested possibilities to solve the issue could be to give agencies access to CSEA's system to record and generate receipts or create an interface with Harris.

Trevor McAleer inquired about an implementation date for Harris. Chris Murray noted the project is still encountering delays, but by Q4 2019 they should be able to start accepting cash through Harris, or at least by January 2020. However, he could not attest to when modules for accepting One Stop or child support payments would be implemented.

Michael Abouserhal noted that the missing payment would never have been caught if the payor did not say something, thus emphasizing the importance of safeguards over cash and recordkeeping.

- I. Destination Cleveland Review Discussion
Michael Abouserhal cited ORC 5739.09(H)7 Administration and allocation of lodging tax, which requires annual state audit of this source of funding received by Destination Cleveland. He spoke with Bob Hinkle, Chief Deputy Auditor of AOS, who said this annual state audit was not being performed by AOS. Bob Hinkle inquired with Cohen & Co who performed Destination Cleveland's annual financial audit. Cohen & Co indicated they had done some compliance testing in this area but did not perform transactional testing for transactions as required by ORC 5739.09(H)7. AOS agreed they will perform this annual audit as required by the ORC.
- m. Children and Family Services Travel Reimbursement Audit Report
Keith Libman motioned to approve, Trevor McAleer seconded. The Children and Family Services Travel Reimbursement Audit Report was unanimously approved for release.

n. Invest in Children Provider Monitoring Audit Report

Keith Libman motioned to approve, Trevor McAleer seconded. The Invest in Children Provider Monitoring Audit Report was unanimously approved for release.

o. Update of Current Internal Audit Engagement - Bank Reconciliation Review

Kim Seeley presented an update on the bank reconciliation review. The original review was assigned to DIA by the request of the Fiscal Officer. Nearly all written procedures for the reconciliation process have been drafted, except for one item. Reviewing procedures and security for the new bank reconciliation module with Jack Rhyne, ERP program director. The project is currently 40% complete. Kim indicated a change of scope due to the February and March 2018 bank transaction files that had been used were incomplete, so reconciliation was moved to later months, starting with September 2018. September 2018 reconciliation, 98% complete, and 65% or more complete for later months in 2018. He noted that many of the reconciling items are due to cutoff issues. For example, about \$175,000 in checks issued in September were not recorded until October. Michael Zapola, Special Projects and Business Manager in the Fiscal Office, is working with the Treasurer's Office on the timely recording of transactions and developing procedures. Also, Kim Seeley suggests that Excel training should be provided to staff to add efficiencies to the bank reconciliation process.

Kim Seeley noted that through his instruction and written procedures in place, the Robert Half temporary employees are able to work on reconciling the remaining months fairly independently. Also, the management of the bank reconciliation process will transition to Amy Himmelein, Controller, while Kim Seeley takes on additional responsibilities as interim director.

Mike Abouserhal inquired when the reconciliation will be completed. Kim Seeley stated that September 2018 through May 2019 would be finished in August 2019 based on the current schedule, as well as finishing policies and procedures. Also, in August 2019 a recommendation for an adjustment amount for any prior period unreconciled book to bank difference should be established. Michael Abouserhal also inquired whether the Excel training would be tailored for staff. Kim Seeley stated he could work with Amy Himmelein to compile a list of courses that would address the specific needs for staff. Amy Himmelein stated she would make this a requirement for staff.

Kim Seeley noted he has not been able to evaluate how the bank reconciliation process would work in the new ERP system. He thinks he can work with Amy Himmelein to figure out the process and develop procedures. Trevor McAleer stated that the bank reconciliation should be finished as soon as possible because Kim Seeley's appointment as interim director will require a lot more time and responsibility.

Yvette Ittu suggested that Kim Seeley forward the Excel training resource list to the Committee to ensure that training is completed timely given the urgency.

Keith Libman asked whether DIA will look into writing off the "older unreconciled balance" (unreconciled bank over book balance of \$875,883 as of 12/31/2017, that was noted in the County's 2017 financial audit). Dennis Kennedy noted that approval of AOS is required to make the adjustment. Part of the process will require both Council's and the Committee's approval as well.

p. Update of Current Internal Audit Engagement – ERP

Cory Swaisgood presented an update of the ERP engagement. DIA is working on two preliminary reports with medium and high risk areas identified in testing. DIA has identified 36 findings, 50% currently unresolved (or support not received). The due date to implement DIA's recommendations has already passed.

Kim Seeley noted that the recommendations and enhancement opportunities would benefit the ERP. Some examples of issues identified pertain to data conversion and security. There are currently no planned workflows for the approval process for changes made in payroll, which management stated would be covered with the ERP. Kim Seeley noted that Jack Rhyne, ERP program director, has included DIA in security meetings. Segregation of duties issues addressed for all modules except procurement. DIA has not been granted access to the IPA system.

Jack Rhyne presented his updates of the ERP engagement. The ERP implementation schedule has been shifted out. He agrees with all the findings and will address them in the design phase. The payroll module implementation schedule has been shifted out. Data conversion has been a success. Kim Seeley noted that while some of the data conversion projects have had only minor control issues, there are still existing control gaps.

Jack Rhyne noted that granting DIA limited access to IPA would be difficult. Currently there are no transaction activity logs or reports in IPA. There is only a change log that shows if a user changes the coding. Yvette Ittu inquired whether there was a read-only option for IPA. Jack Rhyne noted there could be a few options, but the reports need to be developed to provide the transaction activity logs. Cory Swaisgood described that they could not see approval of POs in the general ledger. Jack Rhyne thinks it should be possible now. Kim Seeley noted that, while access to payroll was granted, DIA still needs access to the cash and treasury management modules.

Keith Libman inquired whether Jack Rhyne and DIA could agree on a schedule. Jack Rhyne said they could discuss a schedule.

Michael Abouserhal noted concern over the delays, because he thought intent was for DIA to focus on internal controls. He inquired whether addressing issues in design phase is not too late, before the system goes live. Kim Seeley stated that there is still enough time at this stage to address the issues, as long as the controls are included in the design. Michael Abouserhal inquired how long will it take for the ERP engagement to be completed. Cory Swaisgood stated that with the narrowed scope of focusing on security, it should be completed by the end of 2019.

Trevor McAleer commended Jack Rhyne for all the progress in such a short time since taking over ERP project in March.

- q. Update of Current Internal Audit Engagement – Juvenile Court Audits
Cory Swaisgood noted that the Juvenile Court Audits are currently in the fieldwork stage. Additional hours were assigned in the Revised 2019 Audit Plan due to expanded scope of testing.
- r. Update of Current Internal Audit Engagement – Review of Homeland Security Grant
Mark Griffin, Inspector General, said the report should be released shortly. This was a \$300,000 grant to purchase servers for an advanced fingerprinting system. Mark Griffin noted that the inventory was confirmed to exist at a site in Columbus, but issues remained over whether it was used for proper purpose according to grant requirements. Mark Griffin conducted the engagement by reviewing the grant process, reviewing e-mails, and interviews.
- s. Update of Follow-up – Sheriff's Office

Cory Swaisgood reported that the Sheriff's Office Civil audit follow-up report should be completed soon. Sheriff's Office Commissary audit follow-up has not started.

8. Public Comment – Unrelated to Agenda

Michael Abouserhal invited the Committee to express their thoughts about Cory's departure. Michael Abouserhal commended Cory on his good work and development as a professional, particularly the quality of work with the risk assessments and excellent results from the peer review report. He also noted how prior director Valerie Harry (in the room) was instrumental in starting the department.

Trevor McAleer stated that it was unfair for the negative media attention that Cory received, but that he did a good job under pressure. He noted that Council appreciated his work. Keith Libman stated that Cory set a good standard for DIA and the Committee to follow in the future.

Yvette Ittu stated that it takes a special person to be "the auditor" and that Cory maintained his professionalism. She also attributed the department's success to his hiring of top-notch staff.

County Executive Armond Budish stated that Cory Swaisgood performed well and produced great work. He said he has seen the good work Cory has done. He said Cory worked well with him and the administration. Cory came to him when he had issues with other departments getting information or things done. He noted that he worked well with Catherine and Karil by asking for their assistance with coordinating with other departments.

9. Next Meeting – Thursday, September 5, 2019 9:00 AM – 11:30 AM

10. Adjournment

Trevor McAleer motioned to adjourn, and Yvette Ittu seconded. The motion to adjourn was unanimously approved at 11:35 a.m.

(signature on file)

Michael Abouserhal, Chair

MA/ks