

MINUTES

Thursday, September 5th, 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**

14. Call to Order – meeting of September 5th, 2019

The meeting was called to order at 9:04am.

15. Roll Call

Attending:

Michael Abouserhal

Trevor McAleer (alternate for Dan Brady)

Keith Libman

Dennis Kennedy

Armond Budish

Absent:

Yvette Ittu

16. Public Comment - Related to Items on the Agenda

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

17. Approval of Minutes – June 7, 2019

There were no corrections to the minutes from the June 7, 2019 meeting. Keith Libman motioned to approve, as written; Trevor McAleer seconded. The minutes for the June 7, 2019 meeting were unanimously approved.

18. Approval of Minutes – August 29, 2019

There were no corrections to the minutes from the August 29, 2019 meeting. Trevor McAleer motioned to approve, as written; Keith Libman seconded. The minutes for the August 29, 2019 meeting were unanimously approved.

19. Executive Session (As Necessary)

- a. Discussion of appointment, promotion and compensation of certain public employees. Trevor McAleer motioned that the Committee go into Executive Session to discuss department personnel matters; Keith Libman seconded. A roll call was taken: Michael Abouserhal – yes; Keith Libman – yes; Trevor McAleer – yes. The motion was unanimously approved, and Executive Session was called to order at 10:45am. Executive Session was

adjourned without objection at 11:22am and Michael Abouserhal then reconvened the meeting.

20. Old Business:

a. Follow-up Items from 2nd Quarter Meeting:

Inspector General Mark Griffin provided some background and follow-up information from the AIG's investigation of the County Treasurer's Office. He reported DIA's recommendations for cash controls over the child support payments were not applied to other types of cash payments. Most issues are due to a lack of controls over cash and not necessarily theft.

Trevor McAleer said the lack of implementing recommendations over critical cash controls goes back 5 years with the Treasurer's Office, when DIA issued its initial audit report, and continues with recent cash issues noted in the AIG's report. Michael Abouserhal said the Treasurer's safeguarding of cash, as well as issues with bank reconciliations, are all great risks to the County that must be addressed.

b. Progress on Amending the ORC for public records

Michael Abouserhal said he has had conversations with Robert Hinkle, Chief Deputy Auditor, at the Ohio Auditor of State about pursuing the ORC amendment that audit reports become public record in the *approved* state, rather than in draft form before they are reviewed. Trevor McAleer said while he thinks the discussions might be helpful, he does not foresee it being in the State Auditor's interest politically to advocate for what could be perceived as making public records less available.

c. Annual Review of Internal Audit Charter/Manual

Kim Seeley followed up on the audit committee's request for more information on which guidance to follow; Red or Yellow Book. He provided a list of reasons to amend DIA's audit manual to state that DIA only follow the Red Book auditing standards, rather than the Yellow Book or both. DIA will still follow and reference in DIA's audit manual Yellow Book's stricter continuing education and peer review requirements.

This proposal would not require a change to the audit charter because the charter says DIA will guide the internal audit process through employment of either standard, or both. Trevor McAleer motioned to approve, Keith Libman seconded. The approval of the amendment to DIA's audit manual was approved.

d. Audit Committee Vacancy

Keith Libman said the potential candidate suggested by Armond Budish turned down the offer, but he thinks there are other individuals who might be interested; he will bring it up at a future audit committee meeting.

e. Annual Review of Audit Charter

Michael Abouserhal provided some background of the discussions at a prior audit committee meeting about the inconsistencies between the County and Audit charters regarding the role Council plays in appointing an Internal Audit Director. Michael Abouserhal said they would table this topic for now and discuss again at a future audit committee meeting if it presents an issue.

f. Destination Cleveland Discussion

Michael Abouserhal said the Auditor of State agreed to perform an annual audit of Destination Cleveland's bed tax revenues and sent them a letter of arrangement. Dennis Kennedy said per Ohio Revised Code (§5739.09), their future bed tax revenues would be net of the audit fees for these audits. Keith Libman asked to see the Auditor of State's agreed upon procedures to verify their scope of work will adequately test for compliance with Ohio Revised Code.

21. Other Business:

a. Update from Fiscal on 2018 Financial Audit

Dennis Kennedy provided an update on the Fiscal Office's progress in finalizing the financials before sending to the Auditor of State to audit. An extension until the end of September has been received. He stated the GAAP conversion financial statements should be completed by end of September 2019 and ready to submit to the Auditor of State.

b. Once the audit is complete and the financial report is ready to release, Rose Karam will work with the Auditor of State to try to schedule the Financial Audit Exit Conference with the Audit Committee at the Dec. 11th meeting prior to them meeting with County Council.

c. Discussion on Internal Audit Staff and Open Position(s)

Michael Abouserhal asked that the Audit Committee move to appoint Rose Karam, Audit Manager, as Interim Director effective September 11th, 2019. Trevor McAleer motioned to approve, and Keith Libman seconded. The appointment of Rose Karam as Interim Director was unanimously approved.

Michael Abouserhal asked that the audit committee move to appoint Tim Verba, Staff Auditor, as Interim Senior Auditor effective September 9th, 2019. Trevor McAleer motioned to approve, and Keith Libman seconded. The appointment of Tim Verba as Interim Senior Auditor was unanimously approved.

Michael Abouserhal asked that the audit committee move to approve a staff salary adjustment for Tom Schneider, Staff Auditor, effective September 9th,

2019. Trevor McAleer motioned to approve, and Keith Libman seconded. The salary adjustment for Tom Schneider was unanimously approved.

Kim Seeley provided an update on the staff auditor vacancy. Two candidates are being considered for hire at this time. The senior auditor position will be posted shortly.

Rose Karam provided an update on the prospective paid, part-time intern position. DIA is currently proposing \$15 per hour and up to a six-month duration because of the steep learning curve required for internal auditing, but would consider a shorter period and flexible schedule depending on the intern's qualifications and class schedule.

Michael Abouserhal said he could approve budget increase to accommodate a higher pay rate for an intern. He said since Rose Karam would need to decide upon a revised pay rate, DIA should schedule to discuss this topic again at the next audit committee meeting, along with a staffing update.

- d. Review of Current Year Budget to Actual Statements for Department
Kim Seeley provided a current year budget-to-actual. He explained that the budget surplus for personnel services is due to vacancies in the department, and the budget deficit is due to Tim Verba becoming benefits eligible in 2019.

- e. Prepare Subsequent Year(s) Budget
Kim Seeley provided the subsequent year's proposed 2020 budget. The majority of the \$53,240 (7.4%) increase from the 2019 to 2020 budget is due to increases in staff wages and employee benefits. There is an additional \$24,000 for two senior auditor positions (\$12,000 each), and \$15,500 for a paid intern at \$15 per hour, assuming 20 hours per week for the entire year.

Kim Seeley included a \$5,000 estimate for the cost to refurbish a meeting room if DIA can secure a room for the department. An additional \$10,000 is reserved for the Audit Committee to use should it decide it would like to contract outside services to assist with audits or obtain legal advice.

Michael Abouserhal noted the subsequent year's budget total of \$776,626 did not include a budgeted \$39,500 for an increase in compensation for the director position, which would bring the total to \$816,126. He asked that DIA provide a revised budget document reflecting the new amount.

Michael Abouserhal asked for a motion to approve the proposed 2020 budget totaling \$816,126. Keith Libman motioned to approve, and Trevor McAleer seconded. The approval of the 2020 budget was unanimously approved.

- f. Review of Homeland Security Grant Report
Mark Griffin, Inspector General, presented an update of the joint AIG/DIA

Homeland Security Grant draft report, which was distributed to the Audit Committee on August 2nd, 2019 for review. He thanked Cory Swaisgood, Kim Seeley, and DIA for their joint work on the report with the AIG (Pete McGinty, John Cornwell, and Mark Cutright).

Mark Griffin provided some background information of the events surrounding the Homeland Security Grant. The \$300,000 grant was for an automated fingerprint identification system (AFIS) because the current system was becoming obsolete and would eventually not be supported by software vendors. The County had to return the \$300,000 to the granting agency because the County failed to create a detailed plan to properly execute the servers and follow all the grant requirements. Since the investigation was conducted, PSJS is now administering their grants properly and monitoring for purchases that require TAC review.

Keith Libman asked if the Medical Examiner's Office can now perform the AFIS function, and Mark Griffin confirmed they can, but they lost some upgrades and functionality by losing the \$300,000 grant funding.

The County hired an AFIS biometric consultant and Mark Griffin said \$850,000 is the cost for a bridge to keep the current AFIS system running through 2020, or \$2.5 million for a more permanent replacement solution. Hugh Shannon, Medical Examiner's Office Administrator, is showing good leadership on this front, but should continue to work closely with the consultant to determine the best course of action.

Michael Abouserhal asked for a motion to approve the Homeland Security Grant Report. Trevor McAleer motioned, and Keith Libman approved. The Homeland Security Grant Report was unanimously approved.

- g. Update of Current Internal Audit Engagement – HR Benefits Review
Due to time constraints, there was no discussion about the status of the ongoing engagement.
- g. Update of Current Internal Audit Engagement – Bank Reconciliation Review
Kim Seeley said overall the bank reconciliation review is 77% complete. September and October 2018 are complete and reviewed. November 2018 through May 2019 are 90% complete and still need review. This will be an agenda item for the next meeting, to include an updated status for November 2018 through May 2019, and whether the County can write-off the unreconciled amount at the December 11th Audit Committee meeting.

Going forward, the Fiscal Office will fully take over the reconciliation process under Controller Amy Himmelein's guidance. Kim Seeley has worked closely with Amy, ensuring she understands the new processes. The policy and procedure manual is over 50 pages and the staff is trained on it.

Dennis Kennedy confirmed that the process and methodology works. However, fiscal is understaffed, the process is time consuming, and it may be difficult to finish on schedule. In the meantime, they have a very knowledgeable consultant working on the reconciliation with the fiscal staff.

Kim Seeley stated the unreconciled discrepancy was \$2.145 million book over bank, meaning the County has less cash than reported on the books. This is close to the figure in Plante Moran's report. Dennis Kennedy stated once they finish reconciling the remaining months they can identify the causes for the discrepancy. The Fiscal Officer should share the figure and the reconciliation process with the AOS office, then propose the write-off amount to the Audit Committee for approval and then ask County Council for approval. Dennis Kennedy agreed this is the correct process.

Dennis Kennedy confirmed they are on track to finish reconciling the remaining months and have a write-off figure approved, both by the end of December.

- h. Update of Current Internal Audit Engagement – ERP
Due to time constraints, there was no discussion about the status of the ongoing engagement.
- i. Update of Current Internal Audit Engagement – Juvenile Court Audits
Cash Collection Audit
Due to time constraints, there was no discussion about the status of the ongoing engagement.
- j. Update of Current Internal Audit Engagement – IT Inventory Audit
Due to time constraints, there was no discussion about the status of the ongoing engagement.
- h. Update of Follow-up – Parking Services
Due to time constraints, there was no discussion about the status of the ongoing engagement.
- k. Update of Follow-up(s) – Sheriff's Office
Due to time constraints, there was no discussion about the status of the ongoing engagement.

22. Public Comment – Unrelated to Agenda

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

23. Next Meeting – Wednesday, December 11, 2019 9:00 AM – 11:30 AM

24. Adjournment – Keith Libman moved to adjourn, and Trevor McAleer seconded.
The motion to adjourn was unanimously approved at 12:03 p.m.

_____ (*signature on file*) _____
Michael Abouserhal, Chair
MA/ks