

Minutes
CUYAHOGA COUNTY
AUDIT COMMITTEE
Thursday, February 27, 2020, 9:00 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 February 27, 2020
The meeting was called to order at 9:05 a.m.

2. Roll Call
Attending:
Michael Abouserhal
Trevor McAleer (alternate for Dan Brady)
Yvette Ittu
Keith Libman
Leigh Tucker (alternate for Michael Chambers)
Armond Budish (left meeting early)

Absent:
None

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 11, 2019
There were no corrections to the minutes from the December 11, 2019 meeting. Keith Libman motioned to approve, as written; Trevor McAleer seconded. The minutes for the December 11, 2019 meeting were unanimously approved.

5. Executive Session (As Necessary)
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 and the motion was unanimously approved. The Executive Session was called to order at 12:25pm and was adjourned without objection at 12:45pm. Michael Abouserhal then reconvened the general meeting.

The following action was taken by the Committee: Committee unanimously approved the promotion of Jeremy Hejnal to Senior Auditor effective March 1, 2020.

6. Old Business:
 - a. Follow-up Items from 4th Quarter 2019 Meeting

- Monica Houston, Director of Internal Audit, explained the budget variance reconciling what Council and the Audit Committee approved. She noted that the most significant variance was relative to Personnel Services and Benefits. Internal Audit's budget analyst determined that amounts approved by Council for Personnel Services and Benefits will be sufficient to cover the actual amounts that are forecasted for 2020.
 - The organizational chart was updated to reflect the approved budget. This included dollars for the promotion of a staff auditor to senior and hiring of an intern.
 - The County Treasurer is actively working with the Inspector General on remediation efforts presented by the Treasurer in response to the findings in the 2018 Auditor of State (AOS) financial audit.
 - Investigative Systems Analyst John Cornwell has gained the access he needs to perform testing on all ERP modules.
 - Amy Himmelein, Controller, provided an update on the bank reconciliation efforts. Reconciliations are being prepared on a current monthly basis but the backlog for review and final completion still exists. They are still recruiting for the supervisory position to review the Bank Reconciliations. Leigh Tucker, Assistant Fiscal Officer has recently started playing an active role in overseeing fiscal staff's bank reconciliation progress. Ms. Tucker indicated that only some training has been completed because focus has been on the ERP and that the remainder training has been scheduled for the near future.
 - Internal Audit prepared and provided a tracking log for the management responses to the 2018 AOS financial audit issues. The issues will be included in the overall Issue Tracking process to ensure that action is being taken as written.
- b. Annual Auditor of State Post Audit Meeting - 2018 Financial Statements
Chairman Abouserhal stated that the Auditor of State Post Audit meeting was held on January 9, 2020 to discuss findings and recommendations, thereby fulfilling the Audit Committee's responsibilities under the charter. County management was asked to present detailed responses to the findings and recommendations to the Committee at the next meeting.
- c. Audit Committee Vacancy
Director Houston informed the committee that Executive Budish has recommended the appointment of Salvatore Talarico for the vacant audit committee member position. Mr. Talarico has vast experience, having previously served as the Deputy Auditor of the City of Parma and now as the Finance Director for the City of Oberlin. Trevor McAleer stated County

Council would vote on approval at a meeting in approximately three weeks. If approved by Council, Director Houston will prepare and provide an Audit Committee orientation packet.

d. Management Update on 2018 Financial Audit Findings

As per request at the January 9, 2020 AOS Post Audit meeting, management discussed the responses to the findings and recommendations for the 2018 Financial Statements as documented on the attached Tracking Log.

e. Bank Reconciliation

Ms. Himmelein presented an update on the bank reconciliation. She still needs to hire a manager to assist with bank reconciliation reviews and is currently working with PRC to screen candidates. Staff started using ERP and it appears it is working as designed to streamline the bank reconciliation process, with small exceptions that have not migrated over.

She was not able to provide an official write-off amount because the management review of reconciliations has not been completed. Amy was only comfortable with the \$2.1 million write-off amount as of the September 2018 reconciliation. She thinks it will take to the end of 2020 to hire and train a manager to review all the monthly reconciliations.

Ms. Tucker has reviewed the bank reconciliations to see if the number is consistent enough to determine that processes are working properly and that they are closer to a write-off amount. She is currently reviewing with staff quarter by quarter, starting with 1st quarter 2019, to determine any issues that cause the fluctuations in the unreconciled balance.

7. Other Business:

a. Election of Audit Committee Chairperson. Trevor McAleer motioned to reappoint the current chair, Mike Abouserhal. Keith Libman seconded. The motion to reappoint the current chair was unanimously approved.

b. Annual Auditor of State Pre-Audit Discussion - 2019 Financial Statements
In compliance with ORC 121.22(D)(2), audit conference conducted by the Auditor of State, Michael Abouserhal called for a Closed Session to allow the AOS post-audit meeting and pre-audit discussion. At 10:40am Yvette Ittu motioned to go into closed session, Keith Libman seconded. The motion passed unanimously. The Committee came out of closed session at 11:30am

AOS shared the planned audit scope and approach for the 2019 financial audit and responded to County management's concerns over reporting of

implementation timing and how it is reflected in the audit report if implemented outside the audit period.

Discussion was also held relative to the County's compliance with the new 2017 requirements for GASB 84, Fiduciary Activities (agency funds) and its readiness to comply with GASB 87, Leases which has an effective date of 2021.

The Audit Committee requested that the AOS provide feedback on the new methodology for the bank reconciliation. Discussion also was held relative to the audit work performed by AOS for the Convention Center, which reports to the Convention Center Board and the County Executive. It was noted that when compared to MetroHealth (which is contracted out to RMS McGladrey) the Convention Center audit is small. The Audit Committee requested that Director Houston check on the Audit Committee's responsibility/jurisdiction over the Convention Center and MetroHealth.

Upon inquiry by Yvette Ittu, the AOS discussed the time limitations for the AOS to audit a particular entity versus contracting the audit out. AOS policy usually prohibits the contracting of audit services for one entity for a period more than 10 consecutive years. Additionally, Mr. Allred noted that resource constraints prevent the AOS from auditing both the City of Cleveland and the County at the same time. Thus, audit services for the County may need to be outsourced for 2020 or the 2021 financial audit, as the City of Cleveland's audit has reached the maximum outsource period. The AOS will need to make a decision within the next 6 months.

c. Confirm Independence of Audit Personnel

Director Houston reported that all audit personnel have completed their independence statements and that no conflicts of interest or impairment to independence exist.

d. Resident Member Independence Disclosure

Director Houston reported that she received all resident member independence disclosures and that there were no conflicts of interest or impairment to independence to report.

e. Update on Internal Audit Positions

See item (5b) in Executive Session.

Senior Auditor position posted 12/10/2019. DIA budget has provision for two senior auditors (one internal promotion and one external hire). Director Houston recommended filling the internal promotion position and using the budget for the external hire to obtain external resources to augment IT technical deficiencies in performing ERP and IT General Control reviews.

f. Update of Internal Audit Policies

There were no proposed changes to the Audit Manual.

g. Schedule Update to Council

Director Houston along with Trevor McAleer will make a presentation to Council sometime in June or July, during a scheduled Council Meeting. The Audit Committee will review the annual update at the May meeting before it is presented to Council.

h. Report of Performance Relative to Prior Year Audit Plan

Seven engagements and one large project were completed in 2019. The bank reconciliation project will be monitored in 2020 with respect to the issues in the AOS report to ensure the fiscal team is making progress implementing the reconciliation process in a timely manner.

i. Approval of 2020 Risk Assessment

Revisions to the Risk Assessment process were discussed and included enhancements to ensure risk is addressed across the entire County, additional auditable units, and added residual and inherent impact scores.

j. Approval of 2020 Audit Plan

The proposed audit plan was sent to the Audit Committee on 2/25/2020. Director Houston provided an overview of the 2020 Audit Plan. She discussed the methodology behind the creation of the Plan as well the accompanying Resource Plan.

- Determination of a coverage strategy suitable to the risk profile and complexity of the organization. using one of the following models: cyclical, annual prioritized and responsive. Director Houston recommended use of the cyclical model and noted the proposed 2020 audit plan uses that method. The cyclical model provides coverage of all high and moderate high risk areas annually and coverage of all risks within a five year period.
- Revision to the Follow-up Review Audit protocol. Commencing with the audit year 2020, a consistent and documented process for tracking

the findings, recommendations, and management action taken will be implemented and reporting of such information will be given to the Audit Committee on a semi-annual basis. DIA will leverage the resources provided by Catherine Tkachyk with the Department of Innovation and Performance to keep tracking log updated and focus on priority issues. It was noted that management has the right to accept risk and that lack of management action after an extended period of time could be deemed acceptance of the risk by management. Follow up reviews on released reports will be determined solely based upon the judgement of the chief audit executive after consideration of risk

- Increase in number of audits to be performed over prior year due to use of cyclical coverage model. Professional standards require that risk be addressed with an appropriate level of work but does not mandate DIA complete a full audit in every instance. Therefore, plan includes engagements of various scopes and service models. Plan also includes engagements that cross-cut multiple risk areas.
- Audit effort to complete a full plan using a cyclical plan for all high-risk areas would require 9000 hours. Therefore, the plan was modified to fit the available resources. The Encumbrance Process, Grants Management and Sheriff/Protective Service engagements were recommended for deferment to 2021. The plan was also modified by removing follow-ups carried over from the prior audit plan.
- Director Houston noted that external resources would be necessary to obtain the level of competence and expertise to perform the IT general controls review: Governance (allocate resources for strategy and implementation), Change Management (completeness and accuracy of financial data), and Security (ransomware) as well as the review of ERP interfaces and custom code. Such would require revision to current budget allocations requiring Council approval as well as additional funding.
- Trevor McAleer asked if the Board of Elections review is in DIA's jurisdiction. Director Houston made reference to the jurisdictional opinion received by legal several years ago and that the Audit item was designed to provide an opportunity to ascertain the level of actual authority.

Chairman Abouserhal recommended that the Audit Plan be approved contingent of the IT related engagements (marked in red) and that budget resources for those engagements be included for discussion at the next meeting. Chairman Abouserhal call for a motion to approve the proposed 2020 audit plan exclusive of the IT engagements. Trevor McAleer moved, Yvette Ittu seconded. The 2020 Audit Plan was unanimously approved.

- k. Update on Current Internal Audit Engagements
 - HR Benefits Review – Approved 12/11/19, released 12/30/19
 - Juvenile Court Cash Collection Audit – In Progress: Reporting Phase, expected report release (“ERR”) 3/16.
 - Juvenile Ancillary Services Audit (includes Grants Audit) – In Progress: Reporting Phase, ERR 3/30.
 - IT Asset Inventory – In Progress: Fieldwork Phase. This is expected to be provided to the Audit Committee to review by the end of April.

- l. Update on Current Consulting Engagements
 - ERP – In Progress: Segregation of Duties Testing.
 - Director Houston provide update noting that there will be additional work in this area as part of the 2020 audit plan, as Phase 1 go-live (payroll module) is expected by the end of September. It was noted that there have been interface issues with timeclock systems and that there are 200 rules to reconfigure and reconcile. The ERP team was finished with about 120 out of the 200 rules, so the timeline has been pushed out.

- m. Update on Follow-up Engagements
 - Sheriff’s Office Civil – In Progress: Reporting Phase, ERR 3/16.
 - OPD/IT Contracts – In Progress: Planning Phase, Deferral needed. DIA is not getting a lot of response from OPD (Procurement), because they are inudated with the recent ERP implementation as well as that of the next go live phase. Director Houston asked the Audit Committee for deferral of OPD/IT Contracts Follow-Up. The Audit Committee granted the request with the approval of the 2020 Audit Plan.

- 8. Public Comment – Unrelated to Agenda
 - There was no public comment unrelated to items on the agenda.

- 9. Next Meeting – Thursday, May 28, 2020 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 12:50pm.

(signature on file)

Michael Abouserhal, Chair

MA/mh

List of 2018 Findings and Management Letter Comments

SD - Significant Deficiency
MN - Material Noncompliance
MW - Material Weakness
QC - Questioned Cost
FFR - Finding for Recovery
NC - Noncompliance
Rec - Recommendation

HR - Human Resources
HHS - Health and Human Services
CSEA - Child Support Enforcement Agency
DCFS - Department of Children and Family Services
CJFS - County Jobs and Family Services

Should not be repeated in 2019 Audit according to business unit

Due to timing of remediation may repeat in 2019 Audit but should not be repeated in audits subsequent to 2019.

2018 Findings	Type	Noted in Prior Audit Years								Respon	
		2017	2016	2015	2014	2013	2012	2011	2010	Department	Agency
2018-001 Financial Reporting	MW									Fiscal Office	Executive
2018-002 Unreconciled Book Balance Over Bank Balance	SD	X	X	X	X	X				Fiscal Office	Executive
2018-003 Tracking Department of Development Loans	SD	X	X							Development	Executive
2018-004 Federal - SNAP and Medicaid - Posting Errors	MW,MN	X	X							HHS (CJFS)	Executive
2018-005 Federal - SNAP, TANF, and Medicaid - Costs Claimed to Incorrect Cost Pool	MW,MN,QC									HHS (CJFS)	Executive
2018-006 Federal - SNAP, TANF, Medicaid - Random Moment Sampling	MW,MN	X								HHS (CSEA/CJFS)	Executive
2018-007 Federal - SNAP, Child Support, and Medicaid-Allocation of Indirect Costs	MW,MN,QC									HHS (CSEA/CJFS)	Executive
2018-008 Federal - SNAP, TANF, and Medicaid - Lack of Evidence of Review/Approval of Federal Expenditures	MW									HHS (CJFS)	Executive
2018-009 Federal - Adoption Assistance, Foster Care - RMS	Fed. NC	X								HHS (CJFS)	Executive

Findings 9 - 11 findings in 2017 report

2018 Management Letter Comments	Type	Noted in Prior Audit Years								Respon	
		2017	2016	2015	2014	2013	2012	2011	2010	Department	Agency
1 Prepaid Bus / Rapid Transit Passes Charged to SNAP Program Before Benefit Received	NC									HHS	Executive
2 Tracking Federal Equipment at Health and Human Services	NC	X	X							HHS (CSEA/DCFS)	Executive
3 Owner's Occupancy Credit	NC									Fiscal Office	Executive
4 Public Records Requests – Communication and Human Resources	NC	X	X			X	X	X		Communications/HR	Executive
5 Child Support Enforcement (Title IV-D) - Lack of Supporting Documentation	NC									Development	Executive
6 Commingling of Fatherhood Program Cash into the CSEA Administrative Fund	NC									Fiscal Office	Executive
7 Indirect Cost Allocation Plans (ICAPs) Submission Requirements	NC									Fiscal Office	Executive
8 Appropriations Exceeding Estimated Resources	NC									Fiscal Office	Executive
9 Expenditures Plus Encumbrances in Excess of Appropriations	NC	X	X	X	X	X	X		X	Fiscal Office	Executive
10 Other Federal - Adjustments to Federal Schedule	NC	X	X	X	X	X	X	X	X	Fiscal Office	Executive
11 Financial Reporting - Immaterial Errors	NC									Fiscal Office	Executive
12 Investment Policy Required Signatures	NC									Fiscal Office	Executive
13 Board of Control Approval of Expenditures	NC									Fiscal Office	Executive
1 Safeguarding Personal Information	Rec	X	X	X	X	X	X	X	X	Fiscal Office/IT	Executive
2 Written Policies Required by New Uniform Guidance for Fed. Programs	Rec	X	X	X						Fiscal Office/HHS	Executive
3 Sheriff Civil Division – Bank Account Reconciliation	Rec	X	X	X	X	X	X	X		Sheriff	Executive

4	Capital Asset Policies and Procedures	Rec	X	X	X	X	X	X	X	X	Fiscal Office	Executive
5	County's Budgetary Process	Rec	X	X	X	X	X	X			Fiscal Office	Executive
6	One Stop Payment Process	Rec									Fiscal Office	Executive
7	Contract Procedures and Checklist Support	Rec	X								Fiscal Office	Executive
8	Sheriff Department's Process Servers Unit	Rec	X	X							Sheriff	Executive
9	IT - User Off-Boarding Procedures	Rec	X	X	X	X					Information Tech.	Executive
10	IT - Program Change Control	Rec	X	X	X	X	X	X	X	X	Information Tech.	Executive
11	IT - User Application Access Process (Real Estate System [MVP, Sigma] and SAP)	Rec	X	X	X	X	X	X	X	X	Information Tech.	Executive
12	IT - Password Changes - UNIX/Linux	Rec									Information Tech.	Executive
13	IT - Batch Processing Procedures (Real Estate)	Rec	X	X	X	X	X	X	X	X	Information Tech.	Executive
14	IT - Password and Account Lockout Policies (Active Directory)	Rec	X	X	X	X	X	X	X	X	Information Tech.	Executive
15	IT - Disaster Recovery Plan (Juvenile Court)	Rec									Information Tech.	Executive
16	IT - Payroll Data Transfer and Processing	Rec									Information Tech.	Executive

Comments 29 - 29 comments in 2017 report

Number of Findings/Comments per Department	#
Fiscal Office	17
IT	8
HR	0
HHS	8
Sheriff	2
Development	2
Communications	1
Clerk of Courts	0

Executive	38
NonExecutive	0
	38

Findings and Comments in 2017 Report Addressed in 2018

2017 Findings Addressed in 2018	Type	For the Year Under Audit								Responsible Area	
		2017	2016	2015	2014	2013	2012	2011	2010	Department	Agency
2017-003 Finding for Recovery Resolved Under Audit	FFR, N	X								Fiscal Office	Executive
2017-004 Finding for Recovery Resolved Under Audit	FFR, N	X								Fiscal Office	Executive
2017-005 Finding for Recovery Resolved Under Audit	FFR, N	X								Fiscal Office	Executive
2017-007 Federal - SNAP - Procurement Weaknesses	MW,MN	X								HHS (CJFS)	Executive
2017-008 Federal - Home Investment Partnership Program - Reporting	MW,MN	X								Development	Executive
2017-009 Federal - SNAP - Questionable Expenditures	MW,MN,QC	X								HHS (CJFS)	Executive

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2017 Management Letter Comments Addressed in 2018	Type	For the Year Under Audit								Responsible Area	
		2017	2016	2015	2014	2013	2012	2011	2010	Department	Agency
Fraud Reporting System	NC	X	X							HR	Executive
Fiscal Officer's Certification of Funds	NC	X	X	X	X	X	X	X	X	Fiscal Office	Executive
Mandated Share Req. for SNAP, TANF, and Medicaid	NC	X								Fiscal Office	Executive
2 Financial Reporting	Rec	X								Fiscal Office	Executive
3 Payroll Operations	Rec	X								HR	Executive
4 Clerk of Common Pleas Courts – Applying Court Monies to Cases	Rec	X	X	X	X		X	X		Clerk of Courts	Executive
10 Retaining Personnel Request Forms for SNAP, TANF, and Medicaid	Rec	X								HHS (CSEA/CJFS)	Executive
13 IT - New User Policy Acknowledgement (Human Resources)	Rec	X	X							HR	Executive
16 IT - Disaster Recovery Plan (County Wide)	Rec	X	X	X	X	X	X	X	X	Information Tech.	Executive
17 IT - Payroll Data Transfer and Processing	Rec	X	X	X						Information Tech.	Executive
21 IT - Technical Advisory Committee Meetings	Rec	X								Information Tech.	Executive
22 IT - Employee Evaluations	Rec	X								Information Tech.	Executive
23 IT - IBM Mainframe New User Requests (Financial and Payroll)	Rec	X								Information Tech.	Executive

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Total 19