

Minutes

CUYAHOGA COUNTY

AUDIT COMMITTEE

Regular Meeting

Thursday, April 1, 2021, 1:00 PM – 3:00 PM

1. Call to Order – meeting of March 11, 2021

The meeting was called to order at 1:03 p.m.

2. Roll Call

Attending:

Audit Committee Chairman, Michael Abouserhal

Yvette Ittu

Keith Libman

Trevor McAleer (alternate for Dan Brady)

Salvatore Talarico

County Executive Armond Budish

County Fiscal Officer Michael Chambers joined the meeting at 1:43 p.m.

Keith Libman left meeting at 2:49 p.m.

Absent:

None.

3. Public Comment - Related to Items on the Agenda

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

4. Executive Session

None.

5. Old Business:

- a. Follow-up Items from 4th Quarter Meeting

Monica Houston, Director of the Department Internal Audit, presented the follow-up items as follows:

- AIG Treasury Follow Up Report provided to the Audit Committee on December 11, 2020. No new items or concerns, item is closed.
- Review of 2019 monthly bank reconciliations completed. However, all 2020 reconciliations are not complete. Also, see Agenda item 5c for Bank Reconciliation.

- Written estimate on additional resources needed to complete the ERP Implementation Review provided to Councilwoman Baker on December 8, 2020. Also, see Agenda item 6f for Schedule Update to Council.
- See Agenda item 5d for Audit Committee Jurisdictional Review.
- 2019 Financial Audit Exit Conference with Auditor of State's Office held December 17, 2020. Also, see Agenda item 6a for 2020 Annual Auditor of State Pre-Audit Discussion.
- Auditor of State provided feedback on the Bank Reconciliation methodology at the 12/17/2020 meeting as part of the 2019 Financial Statement audit. Also, see Agenda item 5c for Bank Reconciliation.
- Issue Tracking Log deferred to 2nd Quarter 2021 meeting, due to full Agenda for current meeting.
- 2021 Budget presented and approved at 4th Quarter 2020 meeting. 2022-23 Budget to be presented at 2nd Quarter 2021 meeting. In the preplanning meeting County Executive Armond Budish indicated that the County's 2022-23 Budget process may be delayed until after the meeting, due to additional work factoring in effects of pandemic relief funding.
- Auditor of State established a timeline for the RFP for the External Financial Statement Audit at the 1/25/2021 meeting. Leigh Tucker noted she could provide the list of potential firms to Audit Committee. Also, see Agenda item 6a for 2020 Annual Auditor of State Pre-Audit Discussion.
- See Agenda item 6b for Director of Audit Annual Performance – 2021 Goals Approval
- Monica Houston met with Trevor McAleer and County Executive Armond Budish on 3/5/2021 to provide clarification over ERP Implementation Review scope of work. No further updates to report since last meeting.

b. Management Update on 2019 Financial Audit Findings

Leigh Tucker, Assistant Fiscal Officer, provided an update on the Financial Audit findings. She noted Jeremy Mio, Information Security Officer, was on the call to discuss IT related aspects for findings and Walter Parfejewiec, Director of Office of Budget and Management, for the Health and Human Services (HHS) findings. Due to time constraints, Jeremy Mio agreed to defer his discussion of IT related aspects for findings at the next scheduled meeting. Leigh noted there were seven findings.

- One finding was over the bank reconciliation and other six HHS related. Unreconciled book over bank balance finding. New reconciliation methodology was first developed in legacy system, FAMIS, but reconciliation methodology for new system, Lawson, is still being drafted. The revised method will be provided to Auditor of State for review. Book over bank unreconciled balance was about \$2 million and appears to be

consistent throughout each monthly reconciliation. Leigh believes 2020 reconciliations can be finished by end of 3rd quarter 2021.

Keith Libman asked Leigh if the unreconciled balance could be written off since it remains relatively stable over an extended period. Leigh noted she agreed and said she could ask the Fiscal Officer if a write off amount could be determined through January 2020. Leigh noted the write off would occur with the County's main account. Salvatore Talarico noted he agreed, since the amount has been stable, the amount should be considered for write-off.

Salvatore Talarico asked Leigh if there are still resource constraints with finishing the bank reconciliations. Leigh noted that the addition of the consultant has been a real help and since receiving additional technical support from IT, they are now receiving data and IT fixes more timely to facilitate the bank reconciliations. Leigh feels she now has adequate resources.

Monica Houston noted that the Fiscal Office has previously recommended write-off to the Auditor of State. Leigh Tucker noted that she would confirm with Auditor of State what they would like to see to accept the County's decision for a write-off amount.

- Cost pool finding for various HHS programs. Walter Parfejewiec noted that the County disagrees with the Auditor of State's finding. Auditor of State questioned the allocation of expenditures. Walter noted that he asked Patricia Gorman, ODJFS, for guidance and noted she provided information that supports his response. Walter noted that Auditor of State has not provided follow up to the County's response to the finding.
- Random Moment Sample (RMS) finding for various HHS programs. Walter noted that samples were not completed on time or did not include the required documentation. Time requirement changed since audit period, extending the time from 24 to 48 hours, which is expected to reduce the instances of out of compliance samples. Walter noted this affects roughly 1,200 HHS workers and their supervisors to complete these samples in a timely manner, so preventing out of compliance occurrences is challenging and requires ongoing monitoring and re-assessing their processes.
- Posting error to SNAP/TANF finding related to mandated share finding. Walter noted that mandated share is what the County must pay before the State will reimburse the County. The County is paying on time but posting to the wrong code in the general ledger. The general ledger in Lawson was set up with specific coding so that mandated share would very easily be picked up by the CFIS system used by the State to fix the issue in 2020, however the subsequent issue was that the appropriate mapping in the CFIS system did not occur. This has since been corrected in 2021.

- Allocation of indirect costs for various HHS programs finding. Walter noted that the County inappropriately included County Executive and other elected officials salary and fringe benefits. Indirect Cost Allocation Plan (ICAP) calculation was adjusted for the 2020 Plan for 2021 costs to remove these salary and fringe benefits which will fix the issue in 2021.
- Cost allocation plan and FAMIS postings for various HHS programs finding. Walter noted there were errors in the ICAP calculation due to the County's lack of knowledge, this has been corrected in 2020 for 2021 costs which will fix the issue in 2021.
- Lack of evidence of review or approval for Federal Expenditures of several HHS programs finding. Leigh Tucker noted that Chargebacks from other departments were not approved by HHS Fiscal staff when FAMIS was in use. With implementation of Lawson in 2020, there is now an automated approval function which fixes the issue. Lawson was implemented in February 2020, so this issue may still be a 2020 finding.

Monica Houston reminded the Committee that per previous Auditor of State discussions when it comes to the Single Audit it is an issue of compliance, not materiality, so this could be a finding even when small instances are found. Michael Abouserhal asked if any of these findings would impact County revenue or expenditures, either overstating or understating. Walter Parfejewiec noted he does not believe any of these findings would impact revenue or expenditures.

Leigh Tucker provided an update on the Management Letter findings.

- Leigh noted that County disagrees with the first finding. The first noncompliance finding was related to the owner occupancy credit where individuals were receiving the credit for properties not listed as principal place of residence and possibly receiving undue credit due to having other property listed under the same name. Leigh believes Auditor of State is only using name matches, which could be resulting in false positives, where the name matching in multiple properties could be different individuals with similar names. She indicated that it may be inefficient to go back and check anything prior to 1999. She further stated that the County would not have the ability to address any concerns that existed prior to 1990 until new software is implemented which will not occur until after December 2021. Michael Chambers, Fiscal Officer, noted this is a finding in all 88 Counties in Ohio and the consensus among Counties was there needs to be changes in legislation to provide Counties a more effective system to prevent residents from claiming more than one primary residence. Monica Houston noted that she and Leigh had lengthy discussions with the Auditor of State regarding this issue and that it appears that this is a pervasive issue that the County has no way to address until legislation is passed that allows them to obtain the information they would need. Monica further indicated that the County's ability to retroactively address the concern would depend upon availability of resources.

- Public Records request finding. Leigh noted that the County disagrees with this finding and believes they were fulfilling requests timely and meeting requirements. She noted there are policies and procedures in place to ensure timely responses. Armond Budish said he thought this was a Financial Audit and did not understand why this was included in the Auditor of State's audit program. Monica Houston noted she asked Auditor of State why this was included and the response she received was there was public interest that prompted statewide testing in this area. A discussion ensued wherein Michael Abouserhal noted that this type of audit procedure should already be covered in Auditor of State's Compliance Supplement and available for management to review to ensure future compliance. Salvatore Talarico noted that because of changes in legislation in 2019 relating to public records, the Auditor of State instructed its auditors to audit the compliance with the new provisions in 2020.
- Appropriations exceeding estimated resources and expenditures plus encumbrances in excess of appropriations findings. Walter Parfejewiec noted they would start a new process to monitor and prevent excess appropriations and any unappropriated expenditures.
- Immaterial errors findings. Leigh Tucker noted new reconciliation procedures should fix this issue in 2020.
- Board of Control approvals of expenditures not met finding. Leigh Tucker noted she disagreed with the finding. 5 out of the 6 items did not require Board of Control approval based on threshold requirements, and the 6th did include support of BOC approval. Trevor McAleer made inquiry for clarification of the issue as he had a different understanding. Leigh provided further details and agreed to send the information to Trevor after the meeting.
- Adjustments to Federal Schedule finding. Walter Parfejewiec noted Matt Hrubey, Grants Administrator, would work with departments to fix the issue.
- Central service cost allocation plan requirements finding. The plan is due to ODJFS by December 31 of each year but was not submitted in 2019 timely due to turnover of management. Walter Parfejewiec noted it was submitted timely in 2020 and should not be an issue going forward.
- TANF Summer Youth Program finding. Walter Parfejewiec noted that the HHS department contracted with Ohio Means Jobs to administer the contract with Youth Opportunities Unlimited as a subrecipient. Contract department had a lot of turnover in 2020 and the contract was not closely monitored to ensure compliance. New hires in contract department should fix the issue in 2021.
- Delinquent loans finding. Leigh Tucker noted since the finding they started monitoring delinquent loan procedures more closely. They started monitoring the mailroom more closely to make sure all loan checks are

posted to the system. Lastly, they are ensuring a proper “hard close” in Portfol to ensure a proper cutoff for their reconciliation reports.

- Lack of procedures over HHS Federal programs finding. Walter Parfejewiec noted the County does not agree with the finding and believes sufficient procedures exist. ODJFS already provides policies and procedures which HHS follows.
- Contract Procedures and Checklist Support finding. Vendor did not have performance bond and RFP did not require one. Auditor of State noted the County did not provide support for the reason a performance bond was not required. Leigh Tucker noted she disagreed because the supporting checklist was provided.
- Lack of supporting documentation for Court invoices finding. Auditor of State could not find adequate support for the FTE allocation on invoices. Leigh Tucker and Walter Parfejewiec could not speak on a status update or resolution to this finding, as it relates to Domestic Relations and Juvenile Court.

Michael Abouserhal noted that there was a net reduction of 2 findings and 8 management letter comments which he believes shows progress with the remediation efforts over the financial audit.

Leigh Tucker noted there is a call with Auditor of State scheduled for April 8th, 2021 with herself, the Fiscal Officer, and Monica Houston.

c. Bank Reconciliation

Leigh Tucker noted she would continue to provide the Audit Committee with monthly progress updates on the bank reconciliation. Additional information over the bank reconciliation was discussed earlier in Agenda Item 6b, as it relates to the 2019 Financial Audit Findings.

d. Audit Committee Jurisdictional Review

Mark Musson, Assistant Prosecuting Attorney, noted he has good direction from the Audit Committee and has no updates at this time.

8. Other Business:

a. Annual Auditor of State Pre-Audit Discussion - 2020 Financial Statements

Michael Abouserhal noted that a meeting was held on March 23, 2021 with the Audit Committee and Auditor of State to discuss the timing, scope, cost, and other details in preparation of the upcoming audit.

b. Director of Audit Annual Performance – 2021 Goals Approval

Keith Libman asked, as it relates to one of the goals, whether ensuring resolution of audit findings includes audits other than DIA's, such as the County's Financial Audit. Monica Houston noted that DIA's Issue Tracking Log only tracks DIA report issues, so this goal only pertains to those issues. Monica noted that although she cannot facilitate the resolution of County's Financial Audit findings, she can monitor and provide feedback to County management as it relates to addressing those findings. Monica noted she would change the word "ensuring" to "monitoring" for that goal to clarify.

Armond Budish asked, as it relates to one of the goals, how developing rapport with Council members relates to the role of the Internal Auditor. Monica Houston noted that the Audit Committee expressed an interest in her meeting with the Council so there is a communication of County matters between the Audit Committee and Council members, so Council can provide its feedback. Michael Abouserhal noted that Council oversees the Audit Committee, which is why the Audit Committee encouraged this.

Yvette Ittu noted that the goals should be more specific to ensure there is a clear and measurable way to meet the objective. Yvette noted, where possible, each goal should have dates specifying a target deadline. Michael Abouserhal suggested that Monica make revisions to the goals based on the Committee's feedback and provide the revised 2021 goals to the Committee.

Yvette Ittu motioned to approve the DIA Director's 2021 Goals contingent upon the revisions requested; Salvatore Talarico seconded. The DIA Director's 2021 Goals contingent upon the revisions were unanimously approved.

c. Discussion on Audit Committee Approval Protocol

Michael Abouserhal noted in the past there were emails from DIA's Director to the Audit Committee for a tentative approval of items prior to the meeting where a formal approval would occur. This includes tentative approvals of cost-of-living adjustments (COLA), DIA audit reports, and hiring.

Michael noted that he met with Trevor McAleer and Monica Houston as a sub group to come up with some alternatives that would ensure approvals only occur during open meetings.

Mark Musson stated that this item was primarily dealing with making sure that the Audit Committee was taking action in a public meeting rather than by email. He presented the options that were developed for the Committee's consideration.

- COLA:
 - Approve COLA during fourth quarter meeting indicating that if the Executive grants COLA the Committee authorizes COLA in the amount that the Executive grants to the employees under his authority
 - Approve COLA at the first meeting following the Executive's decision to grant COLA and if necessary make retroactive to the effective date for the other County employees

- Designate the Director of Internal Audit the authority to grant COLA when COLA is granted by the Executive and the COLA amount was included in the budget approved by the Committee, with proper notice given to the Committee to allow Committee members the opportunity to request that the item be placed on the Agenda for the next meeting in which case the Director shall take no action until discussed by the Committee at the next meeting.

A discussion ensued as to which option was being recommended by the sub-group. Mark indicated that the group decision had been split. After requesting some clarifications Michael Abouserhal stated that he would be in agreement with the process wherein the DIA Director approves the COLA as the other alternatives had concerns. Mike Abouserhal asked if any Committee members had a concern or did not agree with that option to which there was no response. Mike Abouserhal declared that the Committee had approved that option.

- Hiring of Audit Staff:
 - The Director of Internal audit will administer and manage the hiring process to sync with the Audit Committee meetings

Monica Houston noted she would try to coordinate a hire date of a DIA staff member with the day of an Audit Committee meeting to ensure formal approval at a public meeting. Monica and Mark both indicated that there really were no other options other than a public meeting given the County Charter provision that requires the Committee to approve hires. Keith Libman noted that it seems impractical to coordinate a hire date with an existing Audit Committee meeting, and that the Committee would just have to have a special meeting to prevent delays in hiring. Trevor McAleer and Yvette Ittu agreed.

- Approval of Audit Reports:
 - Reports will be released at the direction of the DIA Director after providing the Committee with two weeks to review unless prior to the two-week time period elapsing a Committee member requests the release be postponed until discussion and approval of the report at the next meeting.

Trevor McAleer and Monica Houston presented the rationale for the recommended audit report release process. A discussion ensued with several members of the Committee. Monica discussed the alignment of the recommendation with professional standards and industry best practice. Mike Abouserhal stated that the Committee would go with the recommended course of action and asked for any objections to which there were none.

d. Independent Peer Review Update

Michael Abouserhal noted that the Committee adopted a 3-year peer review process for DIA, and the next cycle is due in 2021 which covers years 2018, 2019, and 2020.

As of a 2019 resolution, DIA was required to follow Red Book. Although Red Book requires every 5 year, the resolution requires DIA have a peer review every 3 years. Monica Houston noted that Red Book allows a peer review by IIA or ALGA. Monica presented pros and cons for each.

Keith Libman asked if DIA has room in its budget for the peer review. Monica Houston said the budget was based on the cost of the past ALGA peer review, which was about \$4,700. The cost of IIA is \$20,500. The ALGA cost is only based on the peer reviewers travel expenditures, but this lower cost requires a reciprocation of the DIA Director or staff member to serve as a peer reviewer of another internal audit shop.

Monica Houston recommended the IIA peer review to the Audit Committee. Michael Abouserhal suggested they stay with ALGA review because of the limited amount in the budget and he was comfortable with the past experience with ALGA.

Salvatore Talarico cited the Audit Charter Section 11.04 which he noted allows DIA to follow Red Book or Yellow Book.

Keith Liman motioned for DIA using ALGA for its 2021 Independent Peer Review; Yvette Ittu seconded. The motion for DIA using ALGA for its 2021 Independent Peer Review was unanimously approved.

e. Internal Audit Policy and Charter Updates

Monica Houston noted what Audit Committee approved on August 27, 2020, requiring DIA follow the County's HR Employee manual, may conflict with what they approved in Internal Audit Policy and Charter Updates. She recommended that the previous directive be modified to allow for the department's adherence to policies and procedures that were previously approved by the Audit Committee and to allow the Committee future flexibility.

Committee members made inquiry into what specific policies existed and requested examples of conflicts. Monica Houston noted one example is employee reimbursements for licenses. A lengthy discussion ensued.

Committee decided to take no action on the proposed motion to modify the prior directive. Monica Houston was asked to provide a list of all the policies that the Audit Committee approved and to identify all relative areas of conflict for presentation and discussion at the June 3 meeting.

Keith Libman motioned to temporarily (until next meeting) delegate authority of approving DIA employee reimbursement expenditures to the Audit Committee Chairperson on behalf of the Audit Committee, Trevor McAleer seconded. The motion to temporarily delegate authority of approving DIA employee reimbursement expenditures to the Audit Committee Chairperson on behalf of the Audit Committee was unanimously approved.

f. Schedule Update to Council

Trevor McAleer noted that he and Monica would work with Councilwoman Baker to present an update to the Council in June. Monica Houston agreed she would present the report to the Audit Committee for review and/or approval at the June meeting as consistent with prior year.

g. Report of Performance Relative to Prior Year Audit Plan

Due to time constraints this agenda item was not discussed and deferred to the next schedule meeting.

h. Discussion on Completion of Audits

Due to time constraints this agenda item was not discussed and deferred to the next schedule meeting.

i. Approval of 2021 Risk Assessment

Monica Houston presented an overview of the 2021 risk assessment, which was provided originally in December 2020 to the Audit Committee.

Salvatore Talarico motioned to approve the 2021 Risk Assessment; Yvette Ittu seconded. The 2021 Risk Assessment was unanimously approved.

j. Approval of 2021 Audit Plan

Monica Houston presented an overview of the 2021 audit plan, a draft of which was provided in December 2020 to the Audit Committee. She discussed the highlighted changes that were made based upon feedback from the Committee as well as a new management request from the Sheriff.

Michael Abouserhal noted a concern that there might be insufficient staff since total resource capacity of 6,800 hours is less than the 9,065 hours needed to complete the engagements on the audit plan. Monica Houston noted that the plan includes contingency hours to address the concern of ensuring adequate work for the staff in the event County staff may still be unavailable due to COVID recovery efforts.

Trevor McAleer asked Monica Houston to provide a breakout for the time budgeted to Administrative Projects. Trevor had questions over the time budgeted for DIA tracking its hours.

Yvette noted there are 11 audits on the plan and is concerned with so many concurrent audits it could be difficult for DIA to complete audits and issue reports in a timely manner. She suggested possibly eliminating two audits from the plan for a more realistic rate of completion.

Monica Houston indicated that as per her professional responsibility she presented a plan to the Committee that was risk based and which matched to the degree possible the department's resource capacity.

Armond Budish noted that 2020 was a trying year for the County as due to the COVID situation many departments had challenges with resource availability and that he understands how such would have impacted DIA's rate of completion.

Monica Houston indicated she could provide an update by April 30 to the Audit Committee on any availability concerns relative to the 2021 Audit Plan. Monica noted the Audit Committee has the ability to amend the Audit Plan at a later date.

Salvatore Talarico motioned to approve the 2021 Audit Plan to include the Sheriff's Office requests engagement; Yvette Ittu seconded. The motion to approve the 2021 Audit Plan to include the Sheriff's Office requests engagement was unanimously approved.

k. Status of Current Engagements

Due to time constraints this agenda item was not discussed and deferred to the next schedule meeting.

l. Current/Emerging Risks

Monica Houston presented the current/emerging risks.

There was a public request from Cleveland.com relating to One Community. Monica noted the initial request was too broad and unrealistic to fulfill. Cleveland.com since revised its initial request and Monica noted the requested information is being provided at this time.

There was a public inquiry email from a taxpayer claiming the Treasurer's Office was not applying credit for payments to their account in a timely manner. Monica noted this issue was reported by the Treasurer's Office as resolved and communicated as such to the taxpayer. However, she noted that this process area would be reviewed in an engagement on the Audit Plan as it relates to the Treasurer's Office.

7. Public Comment – Unrelated to Agenda

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

8. Next Meeting – Thursday, June 3, 2021 9:00 AM – 12:00 PM

9. Adjournment

Keith Libman motioned to adjourn the meeting; Salvatore Talarico seconded. The motion to adjourn the meeting was unanimously approved at 4:16 p.m.

(signature on file)

Michael Abouserhal, Chair

MA/mh