

**Minutes  
CUYAHOGA COUNTY  
AUDIT COMMITTEE  
REGULAR MEETING  
March 23<sup>rd</sup>, 2023, 9:00 AM - 12:00 PM**

1. Call to Order – meeting of March 23, 2023

The meeting was called to order at 9:05 a.m.

2. Roll Call

Attending:

Michael Abouserhal, Audit Committee Chairman

Trevor McAleer (alternate for Council President Pernel Jones, Jr.)

Salvatore Talarico

Leigh Tucker, Assistant Fiscal Officer (alternate for Fiscal Officer Michael Chambers)

Chris Ronayne, County Executive

Katherine “Katie” Gallagher, Chief Operations Officer (alternate for County Executive Chris Ronayne)

Absent:

None.

Keith Libman’s term expired 12-31-22. However, he was in attendance and participated in discussions at the request of Chairman Abouserhal.

Executive Ronayne left the meeting at 11:35 a.m. and delegated Chief Operations Officer Katie Gallagher as his alternate.

3. Public Comment - Related to Items on the Agenda

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

4. Introductions/Welcome New Executive and Team

Michael Abouserhal welcomed the new County Executive. Resident committee members in attendance provided introductions. Executive Ronayne praised the work of the Audit Committee and Department of Internal Audit. Executive Ronayne introduced Katherine (Katie) Gallagher, Chief Operations Officer, who will occasionally participate on the Committee as his alternate. He also introduced Brendan Doyle, Special Council for the Executive (formerly Special Council for County Council).

5. Election of Chairperson

**Trevor McAleer motioned the Audit Committee's approval to elect Michael Abouserhal as the Audit Committee Chair for another term; Salvatore Talarico seconded. The motion of the Audit Committee to approve the election was unanimously approved.**

6. Approval of Minutes – December 8, 2022

**Trevor McAleer motioned to approve the December 8, 2022 minutes; Salvatore Talarico seconded. The motion to approve the December 8, 2022 minutes was unanimously approved.**

7. Executive Session (As Necessary)

**Salvatore Talarico motioned that the Committee go into Executive Session per ORC 121.22(G)(1) to consider the employment and compensation of a public employee; Trevor McAleer seconded. A roll call was taken and the motion was unanimously approved: Michael Abouserhal, yea; Trevor McAleer, yea; Salvatore Talarico, yea.**

(Chairman Abouserhal requested that Keith Libman and Katherine Gallagher attend the Executive Session and requested that Leigh Tucker not attend.)

The Executive Session was called to order at 11:50 a.m. The Executive Session adjourned at 12:36pm. Michael Abouserhal then reconvened the general meeting.

Monica Houston addressed the Committee with a request to authorize an extension of her ability to work remote through the end of November 2023, due to FMLA needs.

**Trevor McAleer motioned to approve the extension of the Director's authorization to work remotely through the end of July 2023; Salvatore Talarico seconded. The motion to approve the extension was unanimously approved.**

8. Approval of Audit Committee 2023 Meeting Schedule

Monica Houston recommended deferring the committee's request to adjust the meeting schedule until the new committee member (replacement for Yvette Ittu) is appointed. Discussion ensued.

In closing, it was determined Monica would work with committee members to identify a mutually agreeable time for the second quarter meeting subsequent to the meeting.

9. Old Business:

a. Member Reappointment and Vacancy

Yvette Ittu resigned effective 12/2/2022 and reappointment is necessary for the remainder of the term through 12/31/2025. Zoë Toscos, Special Projects Manager, manages boards and commissions appointments. Executive Ronayne will help recommend candidates and ensure Council understands their approval for the appointment will need to be expedited.

b. Follow-up Items from 4<sup>th</sup> Quarter Meeting

Monica Houston, Director of Internal Audit, addressed the committee regarding the follow-up items. No discussions or questions were raised, as follow-up items needing discussion were covered in subsequent agenda items.

c. Bank Reconciliation

Leigh Tucker, Deputy Fiscal Officer, addressed the committee regarding the bank reconciliation. All accounts reconciled through February 2023, except for the payroll account which is reconciled through January 2023. Anticipating all accounts reconciled through February by end of March. Leigh has been having weekly meetings with the consultants and they are scheduled to come back either in May or June for training over the Cash and Treasury Management (CTM) module. Training will be provided to both the Treasury department and the bank reconciliation team. After training, the consultants will provide an updated procedure manual.

d. Annual External Auditor Pre-Planning Audit Meeting - 2022 Financial Statements

Michael Abouserhal reminded the Committee that the Charter requires the Committee to oversee the external financial audit for the County. One of those responsibilities would be to attend the pre-planning meeting with the external auditors. That meeting was held on December 20, 2022 and all Audit Committee members were present.

Committee members received an email from Monica Houston regarding some additional audit work by the Auditor of State over pension payments by the County and that they would be in receipt of the report when it is issued. Discussion ensued amongst the committee members pertaining to the item.

e. Audit Jurisdictional Sub-Committee

Chairman Abouserhal briefed the Committee over the history and status with this agenda item. The Committee requested the external auditor (Clark Schaefer Hackett) review the “grey area” entities (assessed by the Prosecutor’s Office to be outside the Committee’s jurisdiction) and alert the Committee of any risks posed to the County. Additionally, the external auditor was asked to provide insight into what level of coverage they provide over said entities. On 1/3/2023, Chairman Abouserhal provided the Audit Committee with a document prepared by CSH which entailed the following information:

- 1) Identify if the organization is included within the County reporting entity and how they are classified (i.e., included in the reporting entity and the type of fund classification; discretely presented; jointly governed; completely separate; related organization)
- 2) For those separate entities, are they audited, who does the audit and when was the last audit completed?

Chairman Abouserhal requested committee members provide questions, concerns, or thoughts. Hearing none, it was determined to remove this item as its own agenda item, as the sub-committee has completed its scope of work.

f. Recommendation for Revision to Cuyahoga County Charter

Chairman Abouserhal addressed the need to revise the charter in a way that resolves the jurisdictional issue, particularly that relative to the ambiguity of the “to assist” language for which the Prosecutor’s office has recently provided an opinion.

Monica Houston provided proposed language to Mark Musson, Assistant Prosecuting Attorney for review. Mark advised that the Prosecutor’s Office does not have a position for amended charter language; rather, suggests that the Committee decide upon language and take it up with the voters.

Discussion ensued amongst the Committee as to the best approach for deciding and adopting the revised charter language. In closing, it was determined that Monica will work with the Law Department to obtain an abridged version of the Charter language proposal while maintaining the objectives of clarifying authority and protecting independence of DIA.

g. Management Update on 2021 Financial Audit Findings

Monica Houston reported that as requested at the prior meeting IT related management responses to the 2021 Financial Audit Findings were forwarded to committee members. A request relative to questions, concerns, or comments from committee members was made. Hearing none, Monica provided an update relative to the Information Technology General Controls (ITGC) review portion of the 2022 Financial Audit.

10. Other Business:

a. Confirm Independence of Audit Personnel

Monica Houston reported that disclosures were received for all audit personnel, and there were no areas of concern to report.

b. Resident Member Independence Disclosure

Monica Houston reported that per discussion with the Inspector General, disclosures were received for all current resident committee members and there were no areas of concern to report. Keith Libman will complete his disclosure upon re-appointment.

c. Director of Audit Annual Performance – 2023 Goals Approval

Monica Houston presented the departmental goals noting that the performance goals of individual team members support the department goals. A new goal was added, serving in excellence. This includes the new survey process for feedback from auditees and other stakeholders. A conservative goal of 70% satisfaction rate was set due to the recent authority concerns/pushback by departments. DIA expects to set a goal of 85-90% once the Charter issue is resolved. Education of auditees regarding the operation and value of internal audit is needed.

Discussion ensued amongst the committee members and inquiry was made relative to the consideration of a goal directed towards the education of auditees. Monica Houston advised she has considered this; however, SMART goals are intended to be measurable. It is difficult to measure a goal around education and she will continue to give consideration to how a goal may be developed for the future.

**Salvatore Talarico motioned to approve the 2023 goals; Trevor McAleer seconded. The motion to approve the 2023 goals was unanimously approved.**

d. Schedule Update to Council

Monica Houston reported that the Department of Internal Audit will draft the update to Council during the usual time frame. Once complete, the Committee will have an opportunity to review it before she presents it to the Council.

e. Presentation from Office of Inspector General

Michael Abouserhal introduced the Committee to the new Inspector General, Alexa Beeler. Alexa Beeler presented an overview of the Inspector General (IG) office and its most recent semi-annual report. Committee members made inquiry relative to IG's roles and Alexa answered accordingly.

Monica Houston inquired about how assurance is obtained on the Inspector General's work. In response, Alexa shared that the Inspector General is planning on obtaining more assurance by having a peer review by the Association of Inspector Generals in 2024, which would then occur every 3 years. In the meantime, the agency would review its process to adopt the "Green Book" standards. Monica discussed in detail the areas of work performed by the IG office wherein it is believed audit assurance is necessary based upon the "Three Lines of Defense" governance model, including areas wherein the PRC provides assurance but gaps exist. Discussion ensued wherein committee members provided their thoughts and made further inquiries. Chairman Abouserhal stated that the audit would remain Contingent, pending further discussion in the future.

f. Report of Performance Relative to Prior Year Audit Plan

Monica presented the 2023 audit plan report. Page 4 provided a comparison of the work completed with 2022 engagements versus the budgeted audit plan. The report reflected the revised audit plan as of May of 2022 resulting from approved deferrals and resource limitations. 21 engagements originally planned, 8 released in 2022, 5 in progress at beginning 2023, 1 not started, and 7 deferred/on hold. It was noted that due to a 92% completion rate in 2021, only 2 audits were in progress at the beginning of 2022.

g. Discussion on Completion of Audits

In 2022, 57% completion rate due to Director's availability (FMLA during the entire year and out with COVID at year-end) and delays in two of the HR audits because of challenges to authority and restrictions on access to records.

There was a significant increase in coverage of the audit universe due to the use of cross-functional and cycle-focused audits. Additionally, full implementation of the new issue tracking follow-up system has allowed for greater audit coverage and efficiency, as opposed to single follow up audits.

Cycle time has remained steady from prior years; it takes 8 months on average from start to finish. Most audits are finished within the current year of the audit plan. Improvement has been made but more is needed, in decreasing the Budget Variance. The reason for the larger variances in budget versus actual hours is that most engagements are first-time audits and thus require significant planning and present challenges in properly identifying relevant areas of the scope.

h. Approval of 2023 Audit Plan

Monica Houston presented the 2023 audit plan. The proposed audits took into consideration the audit committee's requests, in addition to the areas which were based on scores from the annual risk assessment. A risk-based plan would require an estimated 10,650 hours to complete. The adjusted plan is 8,675 hours. Available resources total 6,240 for a staff of 5. To account for the shortage, this would require the Audit Committee's to decide which audits to remove.

Monica provided an explanation as to the reasoning of which audits to include or propose for removal. Discussion ensued and an inquiry regarding what appears to be a consistent delta relative to resources needed to achieve completion of an audit plan that aligns with the stated risk methodology. Monica responded accordingly mentioning the potential need for resources in the future.

**Salvatore Talarico motioned to approve the 2023 Audit Plan; Trevor McAleer seconded. The motion to approve the 2023 Audit Plan was unanimously approved.**

Katie Gallagher raised a question relative to the ERP implementation engagement on the audit plan. Monica Houston replied indicating that since the IT Department has undertaken a "self-review" of the ERP implementation at the direction of Katie, the ERP Post Implementation audit may no longer be necessary.

Katie replied in agreement, explaining that a decision needs to be made in the next two years either to enhance the ERP or implement an entirely new ERP. Katie suggested to the Committee that she could provide a schedule for checks and implementation from the IT department. Currently, she is working diligently with the IT department to roll out the remaining modules for the ERP, and thus she is still in the process of understanding the system to assess how ERP is working to better inform a decision later down the line.

i. Status of Current Engagements

Monica Houston presented the status of current engagements.

- HR Recruitment, Hiring and Retention Assessment and HR Compliance audit. In addition to the refusal by the Personnel Review Commission (PRC) to submit an audit, Internal Audit has more recently experienced resistance from HR to provide certain records. The Interim HR Director informed Internal Audit that she has been seeking a legal opinion from the Law Department. However, the Interim HR Director also advised we need to “go back to the drawing board” relative to providing Internal Audit this support documentation.

Discussion ensued. It was determined that Katie Gallagher would work with HR and DIA to identify potential solutions.

Regarding the response to the PRC denial to the public record request:

- Chairman Abouserhal reported that the Committee received a draft of the response letter prepared by Monica Houston and reviewed by Mark Musson. Salvatore Talarico had provided recommended revision to draft response letter. Committee members were requested to provide further guidance relative to revisions for the response letter.
- Discussion ensued with several members expressing their thoughts and concerns relative to the matter. Overall the sentiment was to focus on how to move the audits forward in the most positive way despite any disagreement with PRC actions. The Committee decided to direct Monica to issue the rebuttal letter as revised by Salvatore Talarico. Monica Houston advised the response would be sent same day.
- Monica Houston indicated that the HR audits are currently expected to be released by April 28.

- OBM Encumbrance audit. Work is completed, however, one issue is still being addressed with management before the report can be finalized.

j. Current/Emerging Risks

Monica Houston addressed the Committee relative to current and emerging risks. The only emerging risks to report are those being brought to light through Internal Audit's attendance at the meetings with the external auditors (Clark Schaefer Hackett) over the IT portion of the audit. Internal Audit has been documenting what was discussed and support received in an effort to shed light on what areas may be covered in the upcoming IT General Controls audit. Of note, it was identified that some non-executive agencies are holding cash equivalents in large amounts. Monica Houston has been consulting with Leigh Tucker to identify the full extent of the risk and mitigate it appropriately.

k. Travel Request

Monica Houston reported a need to the Committee for travel that requires their approval, as per the policy. Two auditors are requesting to attend the 2023 Association of Local Governmental Auditors (ALGA) conference in Baltimore. Historically, the department has sent two people to this conference pre-COVID and all in the department have attended on a remote basis during and post COVID. Although there is a remote option, certain classes and workshops are only offered on-site. Additionally, the benefit of attending in person allows for a more focused experience and expansion of department resources through meeting peers and network opportunities. Costs are estimated at \$740 for one and \$988 for the other.

**Salvatore Talarico motioned to approve the travel request; Trevor McAleer seconded. The motion to approve the travel request was unanimously approved.**

l. Audit Software

Monica Houston discussed the need for new audit software. This will be discussed more in-depth at the June meeting as part of the budget discussion. The software vendor, Wolters Kluwer, had said they will be sunsetting the current software (Teammate AM), so Internal Audit either must upgrade or find new software. Additionally, there has been an issue with this vendor over renewing the license, because they decided not to fulfill the Inspector General's requirement to provide certain disclosures.

As a result, Internal Audit would like to switch to a different vendor Carasoft. Carasoft can provide the new version of the software provided by Wolters Kluwer, except that they are already on a registered contractor with the Inspector General. Monica pointed out that this would only require approval by the Audit Committee to reallocate funds. These funds became available due to the ITGC assessment coming under budget. The additional cost of the new software, (setup/migration) is roughly \$20,000.

**Salvatore Talarico motioned to approve the reallocation of funds for the new audit software; Trevor McAleer seconded. The motion to approve the reallocation of funds was unanimously approved.**

11. Public Comment – Unrelated to Agenda

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

12. Next Meeting – Thursday, June 8, 2023, 9:00 AM – 12:00 PM

13. Adjournment

**Trevor McAleer motioned to adjourn the meeting; Salvatore Talarico seconded. The motion to adjourn the meeting was unanimously approved at 12:40 p.m.**

*(signature on file)*

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Michael Abouserhal, Chair

MA/ts