

2021 Audit Report

Cuyahoga County, Ohio
Department of Internal Auditing



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**CUYAHOGA COUNTY
DEPARTMENT OF INTERNAL AUDITING**

**AUDIT PLAN REPORT
Cuyahoga County Department of Internal Audit
Cover Letter**

November 30, 2020

To: Cuyahoga County Audit Committee

The Department of Internal Auditing (DIA) developed an audit plan for Fiscal Year 2021 based on a risk assessment conducted over all departments, institutions, boards, commissions, authorities, organizations, and agencies of the County government funded in whole or in part by County funds, for the period of January 1, 2020 through December 31, 2020. The objective was to identify current perceived areas of risk and prioritize the use of resources in performing future audits and projects that ensure the appropriate mitigation of those risks. The following report outlines the purpose for the audit plan, engagements completed in 2020, and the audit plan for 2021. This FY 2021 Audit Plan is reflective of the deferment of engagements from the 2020 Audit Plan approved by the Audit Committee at the May 28, 2020 meeting due to the overall impact of COVID-19 on the organization.

To accomplish our objectives, we reviewed and updated our audit universe¹ from prior year assessments. As questions have arisen to what entities DIA has the authority to audit, DIA focused this risk assessment on entities that it is clear is within DIA's jurisdiction. This includes the Executive agencies of the County and the Personnel Review Commission. For this year's risk assessment DIA removed the Prosecutor's Office, Public Defender, Courts, and most outside Boards and Agencies. DIA performed the 2021 County-wide risk assessment to develop the 2021 audit plan through phone interviews (in person interviews were restricted due to COVID-19). Overall, DIA conducted 74 risk assessments with primarily Executive agencies. Additionally, we queried County stakeholders for audit requests. Our assessments resulted in an audit plan of future audit considerations.

We developed the audit plan in accordance with the Institute of Internal Auditors' (IIA) International Standards set forth in the International Professional Practices Framework (IPPF). Those standards require that we develop an audit plan based on a documented risk assessment, undertaken at least annually. Generally Accepted Governmental Auditing Standards (GAGAS)

¹ A list of potential risk areas where opportunities and threats to business objectives reside. See DIA's Audit Universe in the 2021 Risk Assessment Report.

does not contain requirements pertaining to the overall audit planning for internal audit organizations. We believe the evidence obtained provides a reasonable basis for our audit plan.

The Department of Internal Auditing would like to express our appreciation to the County Executive and management of the departments and agencies that assisted throughout the process for their courtesy and cooperation during our risk assessments and audit prioritization.

Respectfully,

A handwritten signature in cursive script, appearing to read "Monica Houston".

Monica Houston, CPA, CGMA, CFE, CIDA
Director of Internal Auditing

Cc: Cuyahoga County Council
William Mason, Chief of Staff
Greg Huth, Law Director
Michael C. O'Malley, Cuyahoga County Prosecutor

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Mission Statement

The Cuyahoga County Department of Internal Auditing (DIA) will provide independent, objective assurance and consulting activities designed to add value and improve operations. DIA aims to help the County accomplish its objectives, identify operational improvement, and reduce risk exposure.

Introduction

DIA performed a County-wide risk assessment of 114 auditable units consisting of agencies, departments, offices, boards and commissions that were funded in whole or in part by the County to develop the audit plan for Fiscal Year 2021. As questions have arisen to what entities DIA has the authority to audit, DIA focused this risk assessment on entities that it is clear is within DIA's jurisdiction. This includes the Executive agencies of the County and the Personnel Review Commission. For this year's risk assessment DIA removed the Prosecutor's Office, Public Defender, Courts, and most outside Boards and Agencies. Responses from the 74 risk assessment interviews, requests from County stakeholders, and results from prior audits helped determine the 2021 audit plan.

This document presents our proposed audit services for the Fiscal Year 2021 and is inclusive of those engagements deferred from the 2020 Audit Plan due to the impact of COVID-19 on the organization. The goal of the audit prioritization and audit plan is to facilitate a process of continuous improvement in both business processes and internal controls throughout the County, with the goal of improving services to the County's constituency. We believe the areas identified for audit will result in the best return on DIA's services.

Purpose

DIA is required to develop an annual audit plan in accordance with the County's charter and Internal Auditing Standards. DIA provides assurance and advisory services that help County management meet agency goals and objectives. DIA also provides independent and objective information, analysis, and recommendations to assist management in effecting constructive change, managing business risk, and/or improving compliance and accountability of the regulated government.

Standard 2010 in the International Professional Practices Framework (IPPF) of Internal Auditing states the following:

The chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organization's goals. The internal audit activity's plan of engagements must be based on a documented risk assessment, undertaken at least annually.

Professional best practices and some oversight agencies require that the internal audit function also determine a coverage strategy that is suitable to the risk profile and complexity of the organization it audits.

Audit Charter and Internal Auditing Definition

The Audit Committee Charter Article XI, approved by Cuyahoga County citizens effective January 1, 2010 authorizes the Committee to *provide internal auditing to assist the County Executive, Fiscal Officer, the Council, and other county officers and departments, institutions, board, commissions, authorities, organizations, and agencies of the County government funded in whole or in part by County funds*. The Department of Internal Auditing was established under this article to perform the following duties:

- (1) Prepare its annual budget and the work program for the Department of Internal Auditing;*
- (2) Develop a schedule of department audit fees, which may¹ be billed to each department as it is audited;*
- (3) Guide the internal audit process through employment of:*
 - (a) Government Auditing Standards, United States General Accounting Office developed by the Comptroller General of the United States; and/or¹*
 - (b) Professional Standards of the Institute of Internal Auditors, American Institute of Certified Public Accountants, generally accepted auditing standards or generally accepted successor to such standards;*
- (4) Prepare a preliminary financial and performance auditing report for the department being audited; and*
- (5) Perform any other duties or responsibilities prescribed by the County Audit Committee.*

The Cuyahoga County Department of Internal Auditing adopts the IIA's definition of internal audit:

An independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

¹ Effective November 6, 2018, the electors amended Article XI, Section 11.04, with two changes. The changes allow DIA to have the option of billing audited departments instead of a requirement; and to give DIA the option of complying with one instead of two sets of auditing standards.

2020 Engagements

The Audit Committee approved the 2020 audit plan at the first quarter meeting in 2020. DIA revised the 2020 audit plan in May of 2020 with approval from the Audit Committee; there was significant impact to the audit plan due to the COVID crisis. The revised audit plan deferred five planned engagements, placed three engagements on hold (one pending budgetary authorization and two pending legal consultation), removed one planned follow-up, and added additional hours to one audit in progress. DIA completed and released three audit reports, and one follow-up review report as well as closed out one consulting/non-audit project from the 2020 audit plan. The following table provides more details related to the 2020 audit plan.

2020 Audit Plan	Total Engagements	Released/Completed in 2020	In Progress as of January 2021	Engagements Not Started	Engagements Removed	Engagements Deferred/On Hold
Audits in Progress as of January 2020	6	5	0	0	1	0
Audits Planned	14	0	5	2	0	7
Follow-up Reviews Planned*	1	1	0	0	0	0
Consulting Services Planned	1	0	0	0	0	1
Significant Internal Projects	3	3	0	0	0	0
Totals	25	9	5	2	1	8

* Because of the newly implemented Issue Tracking process, which provides for the contemporaneous review and resolution of findings. Follow-up Reviews will no longer be performed. However, at the request of the Audit Committee Chair a limited scope follow-up review was performed relative to the OPD-IT Contract Audit.

2020 Released Engagements

Audits in Progress as of January 2020:

- Juvenile Court – Cash Collection (Released June 15, 2020)
- Juvenile Court – Ancillary Services (Released June 15, 2020)
- Sheriff’s Civil Division (Released April 14, 2020)
- IT Asset Inventory (Released August 5, 2020)
- ERP Project (Completed December 2020)

Audits Planned for 2020:

- None due to impact of COVID-19 on County and Department resources

Follow-up Reviews Planned for 2020:

- OPD-IT Contract Limited Scope Follow-up (Completed August 8, 2020)

Special Request Consulting Services Performed for 2020:

- None

Significant Internal Projects Performed for 2020:

- Risk Assessment Process Revision (Completed February 2020)
- Audit Issue Tracker (Implemented September 2020)
- In-depth Risk Assessment (Completed December 2020)

Reports of all released engagements are located on the [Audit Committee’s website](#).

Engagements in Progress as of January 1, 2021

DIA started the following engagements in 2020 with expectations to release in 2021:

Planned Audits for 2020:

- Accounts Payable
 - *Status:* Manager Review.
 - *Estimated Date of Final Report:* 5/30/2021
- HHS – Homeless Services
 - *Status:* Manager Review.
 - *Estimated Date of Final Report:* 4/16/2021
- Capital Projects
 - *Status:* Manager Review.
 - *Estimated Date of Final Report:* 4/30/2021
- Medical Examiner’s Report
 - *Status:* Planning.
 - *Estimated Date of Final Report:* 5/30/2021

- CSEA Child Support Enforcement
 - *Status:* Fieldwork in progress.
 - *Estimated Date of Final Report:* 6/30/2021

Consulting Services:

- Juvenile Court IT General Controls Review (Outsourced)
 - *Status:* Drafting Report.
 - *Estimated Date of Final Report:* 4/16/2021

Engagements Not Started in 2020

DIA did not start on the following engagements from the 2020 audit plan:

- DCFS – Programs
- JFS Benefits Compliance
 - Due to significant impact of COVID-19 on the availability of resources at these agencies, DIA did not commence work on the audits listed. These audits are included on the 2021 audit plan.

Planned Engagements

The 2021 risk assessment identified audit priorities for 114 auditable units based on specific risk factors. See the *2021 Risk Assessment Report* for more details. The audit prioritization process included the following activities:

- Planning the County-wide risk assessment and identifying the audit universe.
- Conducting risk assessments with Executive management and non-Executive agencies.
- Internally analyzing the results.
- Considering requests from stakeholders and results from prior audits.
- Analyzing data to prioritize the 2021 audit plan.

DIA utilized TeamRisk, audit management software, to record and calculate risk scores. TeamRisk was also used to generate risk ranking to further analyze our assessments. The following was taken into consideration when determining high-risk areas to audit:

- Total residual score.
- Total residual score by risk category:
 - Operational risk impact.
 - Financial risk impact.
 - Compliance risk impact.
 - Strategic risk impact.
- Total Likelihood of risk occurring.

See total scores in the 2021 Risk Assessment Report.

From this ranking and discussion with County officials (Executive, Council, Fiscal Officer, and Inspector General), DIA identified audit engagements to perform in 2021. We also considered audit requests from various departments and upper management. Current audit engagements, as of the date of the report, are also included in the 2021 audit plan. Lastly, we prioritized each auditable unit to finalize the audit plan.

Professional standards and best practice require that the internal audit activity's plan of engagements be based on a documented risk assessment, undertaken at least annually. The input of senior management and the board must be considered in this process. Additionally, the audit function should determine its coverage strategy suitable to the risk profile and complexity of the organization it audits. In prior year DIA presented and recommended the use of a Cyclical model as a coverage strategy. A Cyclical model establishes an audit cycle based on an assessment of the inherent risk and control environment of the auditable entities or its constituent elements (e.g. processes or risks). Thus, higher risk-rated auditable entities may be subject to an annual audit, medium risk-rated entities may be subject to an audit every two or three years and lower risk-rated entities may be subject to an audit every four years. Irrespective of the coverage strategy, professional practice necessitates the design of an Audit Plan that covers all areas of risk within a 3 – 5 year period.

The schedule on the following page represents planned engagements based on the evaluation of audit priorities and the coverage strategy. Such schedule, in compliance with professional best practices, presents to the Audit Committee a complete plan designed to cover all high risk-rated auditable entities as, in line with the coverage model, these areas should be addressed annually. Presentation of a complete audit plan provides the Audit Committee with the requisite insight into resource needs in comparison to organizational risk and allows them to make appropriate decisions relative to the adequacy of DIA resourcing. The audit plan is presented and categorized into the following types of engagements²:

- Current Audits in Progress
- Planned Audits for 2021
- Consulting Services

As a reminder, DIA has made a 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 was implemented and such information is now reported to the Audit Committee on a semi-annual basis. Thus, follow up reviews on released reports are determined solely based upon the judgement of the chief audit executive after consideration of risk. DIA believes such change allows the maximum use of organizational resources.

² All engagements will be conducted in accordance with the County's Internal Audit Charter, GAGAS, and IIA Standards.

Professional standards require the chief audit executive to review and adjust the plan, as necessary, in response to changes in the organization’s business, risks, operations, programs, systems, and controls. Thus, DIA will consult with the Audit Committee to adjust the plan throughout the year as needed based on priorities, management requests, workloads, changes in operations, and availability of audit resources.

2021 Audit Plan

Current Engagements in Progress

Auditable Unit	Status of Audit as of 2/28/21	Description of Audit Scope	Estimated Audit Effort Remaining
Accounts Payable	Review	Financial Audit – Review of all 2018 A/P checks using Benford’s Law	80
HHS - Homeless Services	Report Drafted	Compliance Audit - Sub-recipient monitoring audit to ensure compliance with regulations and contracts	20
Capital Projects	Review	Financial/Operational Audit – Review the organization’s processes and procedures over the establishment, funding, execution, and recordation of capital projects	60
Medical Examiner’s Reports	In progress	Operational – Assess the completeness and accuracy of the Statistical Report published annually by the Medical Examiner and the effectiveness of the processes utilized to produce the report	125
CSEA Support Payment Process	In progress	Financial/Compliance Audit – perform procedures to ensure child support payments are accurately determined and that adequate controls exist over the collection of payments	150

Planned Audits for 2021

Priority	Auditable Unit	Description of Audit Scope	Reason for Selection	Estimated Audit Effort
1	DCFS - Programs	Financial/Compliance Audit – Identify high risk programs (e.g.	Carried Forward 2020 Audit Plan	500

		Ohio Kinship Permanency) and assess the internal controls relative to each programs mitigation of fraud and compliance with program guidelines.		
2	JFS Benefits Compliance Review	Compliance/Operational Review – assess progress on any action plans developed in response to findings and recommendations by federal and state audits.	Carried Forward 2020 Audit Plan	220
3	Jail Operations Compliance Review	Compliance/Operational Review – assess progress on any action plans developed in response to findings and recommendations by federal, state, and/or local authorities.	Carried Forward 2020 Audit Plan	300
4	IT General Controls Review	IT Audit – Identify and determine effectiveness of general IT controls (Governance, Software Development and Implementation, Change Management, Security, Access Management, Operations, Back-up and Recovery)	Carried Forward 2020 Audit Plan	650
5	Facilities Revenue and Receivables	Financial/Operational Audit – Assess the adequacy of monitoring activities regarding lease agreements. Identify and review processes which ensure ongoing compliance with leasing policies and procedures and the ongoing activities of property management including billings, collections, lease increases, etc.	Carried Forward 2020 Audit Plan	550
6	Motor Vehicle Revenue and Receivables	Financial/Operational/Compliance Audit – Assess the adequacy, completeness, and accuracy of the revenue generation process for motor vehicles from valuation to collection	Carried Forward 2020 Audit Plan	480
7	Real Property Revenue and Receivables	Financial/Operational/Compliance Audit – Assess the adequacy, completeness, and accuracy of the revenue generation process for real property from appraisal to collection. Audit may also include a review of the business requirements for the Harris System	Carried Forward 2020 Audit Plan	1000

		for reasonableness and consistency with operations		
8	Cuyahoga Emergency Communications System	Operational/Compliance Review – Assess the effectiveness of CECS operations and compliance with related emergency response guidelines	Risk Assessment	450
9	Senior and Adult Services Contracting Process	Operational/Compliance Audit – review documentation and support to determine that contracts which support senior aging programs are compliance with policy and procedures as well as applicable federal and state regulations	Risk Assessment	350
10	Human Resources Compliance Audit	Operational/Compliance Review – Assess the effectiveness and adequacy of HR policy, procedures, and controls in mitigating the risk of non-compliance with significant federal and state requirements in the following processes: Recruitment, Hiring, Onboarding, Employee Leave, Performance Management, Terminations, Compensation, Benefits, Payroll, Safety and Training	Risk Assessment/AC Directive	450
11	Issue Tracker	Ongoing Review – Management and review of audit issues from reports. Work relative to the resolution and close out of audit issues uses a risk based methodology and is ongoing	Professional Standards	600
12	Bank Reconciliation Process	Financial Review – Assess the adequacy, completeness, and accuracy of the bank reconciliation process	AC Directive	220
13	OBM Encumbrance Process	Financial/Operational Audit – Review of the budget management process to ensure adequacy and accuracy of encumbrances.	PY Risk Assessment	180

14	Grants Management and Funding	Compliance/Operational Audit – Evaluate the grant management and funding life cycle for largest grants received and/or awarded by DCFS, JFS, BODD, and ADAMHS, including processes and controls in place for grant/funding tracking, reporting, and compliance	PY Risk Assessment	500
15	Sheriff Law Enforcement/ Protective Services	Strategic review – Assess the alignment of the entity’s goals, performance targets, and/or key performance indexes with the overall County strategic plan.	PY Risk Assessment	160

Consulting Services

Project Name	Description of Service	Reason for Selection	Estimated Audit Effort
ERP Implementation	IT Services: review system interfaces and custom coding developed as part of the ERP implementation	Risk Assessment/Council request	600
ERP Post Implementation	Assist ERP team in addressing post implementation concerns relative to operational hindrances	Risk Assessment/Management Request	160
COVID Compliance	Review organizational compliance with COVID legislation (CARES Act, FFCRA)	Emerging Risk/ Director Recommendation	400
2021 Peer Review	Quality review of the Department of Internal Audit in accordance with professional standards of the IIA	Professional Standards	220
DIA Project Excellence	Allocation of hours to be utilized to fulfil internal projects focused on developing audit excellence in the areas of documentation, performance measurements, standards, and transparency	Director Recommendation	1200
Management Requests	Allocation of hours to be utilized to fulfil request by Council or Management	Director Recommendation	200

A risk-based audit plan which utilizes the coverage strategy previously discussed would require an effort of **11,525** direct audit hours which **exceeds** the available resource hours provided by seven audit professionals (six full time and one part time). The plan also includes audits totaling 1,250 hours (identified in red) that cannot be performed by current audit staff due to lack of requisite expertise. DIA recommends deferral of the performance of those audits highlighted yellow to a subsequent audit year as they continue to have a lesser risk impact based upon the 2021 Risk Assessment. The Audit Committee has directed that those audits highlighted in red be moved to a future year. Additionally, professional standards require the use of competent professionals to perform work and thus DIA recommends the obtainment of an external IT consultant to perform those engagements for which our internal resources lack the technical expertise. Further, the plan contains work that is contingent in nature; it is highly probable that the work relative Bank Reconciliations will not be able to be performed due to lack of control readiness. Lastly, time allocated to DIA Project Readiness consists of multiple internal projects (see attachment) and was designed to provide work to the department on an as needed and time available basis in anticipation of continuing COVID impact to County resource availability. Modifying the risk-based plan as recommended, while considering the contingent and discretionary work, would result in an effort

of 7,715 – 9,135 direct internal hours and 1,250 direct external hours for a total minimum of **8,965** direct audit hours.

Audit Plan hours are allocated as follows:

Engagement	Hours	Percentage	Adj. Hours	Percentage
Current Engagements	435	4%	435	5%
Planned Audit Engagements for 2021	6,610	57%	5,250	59%
Consulting Services	2,780	24%	1,580	18%
Other Audit Activities*	1,800	15%	1,800	19%
Totals	11,525	100%	8,965	100%

**The Audit Plan allocates an additional 1,800 hours for Other Audit Activities such as providing technical assistance to departments on practical internal control concepts and application, performing the annual risk assessment, collaborating with external financial and information systems auditors, identifying and addressing emerging risks, and compiling and presenting audit activity to the Audit Committee and external Stakeholders.*