

2022 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**

December 31, 2021

To: Cuyahoga County Audit Committee

The Department of Internal Auditing (DIA) developed an audit plan for Fiscal Year 2022 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 wherein audit jurisdiction has been legally determined, for the period of January 1, 2021 through December 31, 2021. 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 2021, and the audit plan for 2022. This FY 2022 Audit Plan is reflective of the deferment of engagements from the 2021 Audit Plan approved by the Audit Committee at the May 20, 2021 meeting due to the limitation of available resources.

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 2022 County-wide risk assessment through a questionnaire that was sent to various Directors and Managers of auditable units. 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 2022 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 blue ink that reads "Monica Houston". The signature is written in a cursive, flowing style.

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
Catherine Tkachyk, Chief Innovation Officer, (Executive Agency Audit Liaison)

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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 74 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 2022. 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 questionnaires, requests from County stakeholders, and results from prior audits helped determine the 2022 audit plan.

This document presents our proposed audit services for the Fiscal Year 2022 and is inclusive of those engagements deferred from the 2021 Audit Plan due to limitation of available resources. 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

2021 Engagements

The Audit Committee approved the 2021 audit plan at the first quarter meeting in 2021. DIA revised the 2021 audit plan in May of 2021 with approval from the Audit Committee; there was significant impact to the audit plan due to limitation of available resources. The revised audit plan deferred five planned engagements, placed one engagement on hold (pending budgetary authorization), removed one planned engagement, and eliminated contingency hours allocated to internal projects. DIA completed and released eight audit reports, and two Issue Tracker reports as well as closed out one consulting/non-audit project from the 2021 audit plan. The following table provides more details related to the 2021 audit plan.

2021 Audit Plan	Total Engagements	Released in 2021	In Progress as of January 2022	Engagements Not Started	Engagements Removed	Engagements Deferred/On Hold
Audits in Progress as of January 2021	6	6	0	0	0	0
Audits Planned	13	5	1	0	0	7
Follow-up Reviews Planned*	0	0	0	0	0	0
Consulting Services Planned	3	1	0	0	1	1
Totals	22	12	1	0	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. Work performed to resolve tracked findings will be included in Audits Planned.

2021 Released Engagements

Audits in Progress as of January 2021:

- Accounts Payable Benford (Released August 9, 2021)
- HHS – Homeless Services (Released April 30, 2021)
- Capital Projects (Released June 30, 2021)
- Medical Examiner’s Report (Released September 13, 2021)
- CSEA Child Support Enforcement (Released August 9, 2021)
- Juvenile Court IT General Controls Review (Completed April 22, 2021)

Audits Planned for 2021:

- DCFS – Programs (Released November 30, 2021)
- JFS Benefits Compliance (Released November 12, 2021)
- Sheriff’s Office – Discretionary Funds and Accounts (September 27, 2021)
- 2021 Issue Tracker Update – June 30 (Completed June 3, 2021)
- 2021 Issue Tracker Update – December 31 (Completed November 30, 2021)

Consulting Services Performed for 2021:

- Peer Review (Released November 30, 2021)

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

Engagements in Progress as of January 1, 2022

DIA started the following engagements in 2021 with expectations to release in 2022:

Planned Audits for 2021:

- Cuyahoga Emergency Communication System
 - *Status:* Issuing Report
 - *Estimated Date of Final Report:* 4/8/2022
- Senior and Adult Services Contracting Process
 - *Status:* Fieldwork on hold (awaiting client availability in April 2022)
 - *Estimated Date of Final Report:* 7/29/2022

Consulting Services:

- None

Engagements Not Started in 2021

There were no engagements that DIA did not start from the 2021 audit plan.

2021 Performance

The Institute of Internal Auditors (IIA) International Standards for the Professional Practice of Internal Auditing on Quality Assurance and Improvement (IPPF 1300) require that internal audit units carry out internal assessments including “ongoing monitoring of the performance of the internal audit activity”. In compliance with this standard, as well as to communicate the effectiveness of internal audit activities and alignment with organizational objectives to the audit committee and senior management, DIA has developed Key Performance Indicators (KPIs). KPIs are quantifiable measurements that demonstrate the effectiveness of an individual, department, or organization in achieving key goals. Clearly defining goals and tracking meaningful KPIs can provide valuable evidence to show that internal audit’s activities are supporting strategic objectives. Below

are the KPIs that measure the current departmental objectives relative to work completion, product delivery time, and resource utilization. DIA's overall percentage of completion rate improved by 50% over any previous year's rate. The average time to produce deliverables (cycle time) decreased by 46%. Resource utilization returned to a normal, pre-COVID level of within 5% of the maximum achievable rate of 60%. The department continues to maintain unfavorable budget variances. A recent peer review performed by IIA Quality Services, indicated that such would most likely continue until DIA redefines the audit universe with more emphasis on function and process. DIA will continue to utilize and develop procedures and methods, such as the scoping and control condition forms recently implemented, to gain efficiency in this area.

Key Performance Index (KPI)	2017	2018	2019	2020	2021
Percentage of Completion	60%	56%	53%	56%	92%
Current Year Completion Rate	33%	47%	40%	36%	86%
Resource Utilization	N/A	55%	54%	48%	57%
Reports Issued/Projects Completed	9	10	8	9	12
Audit Coverage - Overall	6%	5%	6%	15%	12%
Audit Coverage - Overall (adjusted)	8%	7%	8%	20%	12%
Audit Coverage - High Risk	12%	10%	12%	35%	30%
Audit Coverage - High Risk (adjusted)	16%	12%	14%	43%	30%

Key Performance Index (KPI)	2017 - 2019	2020-2021
Cycle Time - Months		
Average Project	15.50	8.04
Average Follow Up	9.68	N/A
Average Initial	17.29	8.04
BVA - Hours		
Average Project	(381.28)	(331.00)
Average Follow Up	30.20	N/A
Average Initial	(467.00)	(331.00)
BVA - Percentage		
Average Project	-503%	-89%
Average Follow Up	5%	N/A
Average Initial	-609%	-89%

Planned Engagements

The 2022 risk assessment identified audit priorities for 74 auditable units based on specific risk factors. See the *2022 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 2022 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 2022 Risk Assessment Report.

From this ranking and discussion with County officials (Executive Officers, Council, and Inspector General), DIA identified audit engagements to perform in 2022. 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 2022 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 2022
- Consulting Services

As a reminder, DIA now utilizes a continuous process for tracking the findings, recommendations, and management action taken; results are 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 process allows for maximum use of organizational resources.

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.

2022 Audit Plan

Current Engagements in Progress

Auditable Unit	Status of Audit as of 1/1/22	Description of Audit Scope	Estimated Audit Effort Remaining	Revised Budget
Cuyahoga Emergency	Fieldwork	Operational/Compliance Review – Assess the effectiveness of CECS operations and compliance with	500	1000

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

Communications System		related emergency response guidelines		
Senior and Adult Services Contracting Process	On Hold	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	585	650

Planned Audits for 2022

Priority	Auditable Unit	Description of Audit Scope	Reason for Selection	Estimated Audit Effort
1	Payroll Process Review	Financial/Operational Review – Determine the extent of any additional payment inaccuracies relative to employees on leave. Assess current leave payment process for control deficiencies.	External Auditor Finding	350
2	Sanitary Revenues and Expenditures	Financial/Operational Audit – Assess the efficiency and effectiveness of the Sewer System Maintenance Program	Risk Assessment	325
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 2021 Audit Plan	350
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 2021 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 2021 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 2021 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 for reasonableness and consistency with operations	Carried Forward 2021 Audit Plan	1000
8	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	Carried Forward 2021 Audit Plan	450
9	Employee recruitment, hiring, and retention assessment	Operational Review – Assess the effectiveness and efficiency of employee policy and procedures (especially those related to benefits and compensation) on the recruitment, hiring, and retention of new and current employees	Risk Assessment/Direct or Recommendation	750
10	Bank Reconciliation Process	Financial Review – Assess the adequacy, completeness, and accuracy of the bank reconciliation process	AC Directive	220
11	OBM Encumbrance Process	Financial/Operational Audit – Review of the budget management process to ensure adequacy and accuracy of encumbrances.	Carried Forward 2021 Audit Plan	300
12	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	Carried Forward 2021 Audit Plan	500

13	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.	Carried Forward 2021 Audit Plan	160
14	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	500
15	Risk Assessment	Performance of annual organizational risk assessment	Professional Standards	250
16	QAIP	Performance of annual internal quality assessment	Professional Standards	100

Contingency Audits for 2022

Priority	Auditable Unit	Description of Audit Scope	Reason for Selection	Estimated Audit Effort
1	Ethics Review	Compliance/Operational Review – Assess the adequacy of the County’s Ethics policies as well as organizational compliance relative to such	Governance/ Peer Review	225

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
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	100
Management Requests	Allocation of hours to be utilized to fulfil request by Council or Management	Director Recommendation	100

A risk-based audit plan which utilizes the coverage strategy previously discussed would require an effort of **9,835** direct audit hours (after excluding audits removed) which **exceeds** the available resources provided by six audit professionals. DIA recommends deferral of the performance of

those audits highlighted yellow to a subsequent audit year as they have a lesser risk impact based upon the 2022 Risk Assessment. The Audit Committee has directed that those audits highlighted in red be removed and considered in a future year. Additionally, DIA recommends removal of the audit highlighted gray as, per further risk review, the item represents lower risk impact to the organization. Lastly, 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. Engagements for which third party resources will be utilized are identified with red text and represent a total of 1,250 hours. Modifying the risk-based plan as recommended would result in an effort of 7,535 direct internal hours and 1,250 direct external hours for a total of **8,785** direct audit hours.

Audit Plan hours are allocated as follows:

Engagement	Hours	Percentage	Adj. Hours	Percentage
Current Engagements	1,085	11%	1,085	12%
Planned Audit Engagements for 2022	6,425	65%	5,600	64%
Contingency Audit Engagements	225	2%	0	0%
Consulting Services	800	8%	800	9%
Other Audit Activities*	1,300	14%	1,370	15%
Totals	9,835	100%	8,785	100%

**The Audit Plan allocates an additional 1,300 hours for Other Audit Activities such as providing technical assistance to departments on practical internal control concepts and application, collaborating with external financial and information systems auditors, identifying and researching emerging risks, promoting the value of internal audit, and compiling and presenting audit activity to the Audit Committee amongst other things.*