

2023 Audit Plan

Cuyahoga County, Ohio
Department of Internal Auditing



Director: Monica Houston, CPA, CGMA, CFE, CIDA

Audit Manager: Joshua Ault, CIA

**Staff Auditors: Jeremy Hejnal, CIA, CFE
Tom Schneider, CPA
Joseph A. Balbier, Esq.
Dawn Meredith**



**CUYAHOGA COUNTY
DEPARTMENT OF INTERNAL AUDITING**

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

December 31, 2022

To: Cuyahoga County Audit Committee

The Department of Internal Auditing (DIA) developed an audit plan for Fiscal Year 2023 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, 2022 through December 31, 2022. 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 2022, and the audit plan for 2023. This FY 2023 Audit Plan is reflective of the deferment of engagements from the 2022 Audit Plan approved by the Audit Committee at the March 24, 2022 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 2023 County-wide risk assessment through a questionnaire that was sent to various Directors and Managers of auditable units. Overall, DIA conducted 73 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 2023 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
Eric Wobster, 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 2023. 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 42 risk assessment questionnaires, requests from County stakeholders, and results from prior audits helped determine the 2023 audit plan.

This document presents our proposed audit services for the Fiscal Year 2023 and is inclusive of those engagements deferred from the 2022 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

2022 Engagements

The Audit Committee approved the 2022 audit plan at the first quarter meeting in 2022; several audits were deferred due to resource limitations. The 2022 audit plan was slightly revised in September 2022 with from the Audit Committee; the bank reconciliation audit was deferred. DIA completed and released five audit reports, and two Issue Tracker reports as well as closed out one consulting/non-audit project from the 2022 audit plan. The following table provides more details related to the 2022 audit plan.

2022 Audit Plan	Total Engagements	Released in 2022	In Progress as of January 2023	Engagements Not Started	Engagements Removed	Engagements Deferred/On Hold
Audits in Progress as of January 2022	2	2	0	0	0	0
Audits Planned*	17	6	5	1	0	5
Contingent Audits Planned	1	0	0	0	0	1
Consulting Services Planned	1	0	0	0	0	1
Totals	21	8	5	1	0	7

* Issue Tracker entails release of 2 separate reports and thus represents 2 engagements.

2022 Released Engagements

Audits in Progress as of January 2022:

- Cuyahoga Emergency Communication System (Released April 26, 2022)
- Senior and Adult Services Contracting Process (Released August 12, 2022)

Audits Planned for 2022:

- Employee Leave Payroll Review (Released October 28, 2022)
- Real Property Revenue and Receivables (Released November 18, 2022)
- 2022 Issue Tracker Update – June 30 (Completed June 9, 2022)
- 2022 Issue Tracker Update – December 31 (Completed December 8, 2022)
- Risk Assessment (Completed December 8, 2022)
- QAIP (Completed December 8, 2022)

Consulting Services Performed for 2022:

- None

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

Engagements in Progress as of January 1, 2023

DIA started the following engagements in 2022 with expectations to release in 2023:

Planned Audits for 2022:

- Facilities Revenues and Receivables
 - *Status:* Planning
 - *Estimated Date of Final Report:* 3/31/2023
- Motor Vehicle Revenues and Receivables
 - *Status:* Reporting
 - *Estimated Date of Final Report:* 2/17/2023
- Employee recruitment, hiring, and retention assessment
 - *Status:* Fieldwork impacted by restricted access to records
 - *Estimated Date of Final Report:* TBD
- Human Resources Compliance Audit
 - *Status:* Fieldwork impacted by restricted access to records
 - *Estimated Date of Final Report:* TBD
- OBM Encumbrance
 - *Status:* Reporting
 - *Estimated Date of Final Report:* 2/17/2023

Consulting Services:

- None

Engagements Not Started in 2022

The sole engagement not started was the IT General Controls Review, an external engagement that required the procurement of outside services.

2022 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 decreased by 35% from previous year's rate. Completion rates were significantly impacted by challenges to the department's authority to perform work in the two Human Resource focused audits, as well as the availability of the Director due to COVID and family FMLA leave. The average time to produce deliverables (cycle time) has remained relatively unchanged from prior year. Resource utilization remained steady and at a normal level of within 5% of the maximum achievable rate of 60%. We've made significant advancement in our coverage of the Audit Universe. The Audit Universe consists of all area/entities in which the Audit Committee has audit jurisdiction. Audit Coverage has increased to 41% of all areas and 67% of all areas identified as being high risk. This represents a cumulative overall change of over 400% since 2019 and 240% from prior year. Such advancement is the result of several changes to the way we audit including the planning of cross-functional audits, focus audits, and use of a contemporaneous methodology for follow-up audits. The department continues to maintain unfavorable budget variances but has demonstrated improvement. 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	2022
Percentage of Completion	60%	56%	53%	56%	92%	57%
Current Year Completion Rate	33%	47%	40%	36%	86%	50%
Resource Utilization	N/A	55%	54%	48%	57%	58%
Reports Issued/Projects Completed	9	10	8	9	12	8
Audit Coverage - Overall	6%	5%	6%	15%	12%	41%
Audit Coverage - Overall (adjusted)	8%	7%	8%	20%	12%	41%
Audit Coverage - High Risk	12%	10%	12%	35%	30%	67%
Audit Coverage - High Risk (adjusted)	16%	12%	14%	43%	30%	67%

Key Performance Index (KPI)	2017 - 2019	Post 2019 (PY)	Post 2019 (CY)
Cycle Time - Months			
Average Project	15.50	8.04	8.34
Average Follow Up	9.68	N/A	N/A

Average Initial	17.29	8.04	8.34
BVA - Hours			
Average Project	(381.28)	(331.00)	(281.71)
Average Follow Up	30.20	N/A	N/A
Average Initial	(467.00)	(331.00)	(281.71)
BVA - Percentage			
Average Project	-503%	-89%	-64%
Average Follow Up	5%	N/A	N/A
Average Initial	-609%	-89%	-64%

Planned Engagements

The 2023 risk assessment identified audit priorities for 74 auditable units based on specific risk factors. See the *2023 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 2023 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 2023 Risk Assessment Report.

From this ranking and discussion with County officials (Executive Officers, Council, and Inspector General), DIA identified audit engagements to perform in 2023. 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 2023 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. Previously, the Audit Committee approved 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 2023
- 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.

2023 Audit Plan

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

Current Engagements in Progress

Auditable Unit	Status of Audit as of 1/1/23	Description of Audit Scope	Estimated Audit Effort Remaining
Facilities Revenue and Receivables	In Progress - Fieldwork	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.	500
Motor Vehicle Revenue and Receivables	In Progress - Reporting	Financial/Operational/Compliance Audit – Assess the adequacy, completeness, and accuracy of the revenue generation process for motor vehicles from valuation to collection	150
Employee recruitment, hiring, and retention assessment	In Progress - Reporting	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	400
Human Resources Compliance Audit	In Progress - Reporting	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	300
OBM Encumbrance	In Progress - Fieldwork	Financial/Operational Audit – Review of the budget management process to ensure adequacy and accuracy of encumbrances.	50

Planned Audits for 2023

Priority	Auditable Unit	Description of Audit Scope	Reason for Selection	Estimated Audit Effort
2	Sanitary Revenues and Expenditures	Financial/Operational Audit – Assess the efficiency and effectiveness of the Sewer System Maintenance Program as it relates to revenue/expenditure processes	Carried Forward 2022 Audit Plan	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 External Hours
5	Bank Reconciliation Process	Financial Review – Assess the adequacy, completeness, and accuracy of the bank reconciliation process	Carried Forward 2022 Audit Plan	500
6	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	800
7	Development-Loan Portfolio Management	Operational Audit – Assess the effectiveness and adequacy of policy, procedures, and controls in mitigating the risk of servicing the county’s development loan portfolio including collection of payments.	Risk assessment	450
8	Development-Community & Housing Development	Compliance/Operational Review – Assess progress on any action plans developed in response to findings and recommendations by federal and state audits. Assess the effectiveness and adequacy of policy, procedures, and controls in mitigating the risk of fraud, waste, and abuse for the Emergency Rental Assistance Program.	Risk assessment	750
9	Microfilm	Operational\Compliance Audit – Assess the effectiveness and adequacy of policy, procedures,	Risk assessment	400

		and controls in mitigating the risk of managing the County's records. Evaluate compliance with County record retention policies and related state/federal laws for such.		
10	Criminal Justice Information Sharing	Financial\Operational Audit - Assess the effectiveness and adequacy of policy, procedures, and controls in mitigating the risk for the CRIS subscriber services. Evaluate compliance with Homeland Security related policies. Assess the adequacy, completeness, and accuracy of the subscriber fee revenue process.	Risk assessment	600
11	Hotel/Motel Tax	Financial Review - Assess the adequacy, completeness, and accuracy of the collection process for Hotel/Motel taxes	Risk assessment	600
12	Animal Shelter	Financial/Compliance Review – Assess the adequacy, completeness, and accuracy of fee and donation collection process. Evaluate compliance with any grants awarded.	Risk assessment	400
13	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	800
14	Risk Assessment	Performance of annual organizational risk assessment	Professional Standards	200
15	QAIP	Performance of annual internal quality assessment	Professional Standards	100

Contingency Audits for 2023

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	Governance/ Peer Review	225

		Ethics policies as well as organizational compliance relative to such		
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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 External Hours
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 **10,650** 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 blue to a subsequent audit year as they have a lesser risk impact based upon the 2023 Risk Assessment. The Audit Committee has directed that those audits highlighted in orange be removed and considered in a future year. This decision was made in consideration of the significant focus on and scrutiny of Jail Operations by multiple authorities, as well as the understanding that the resolution of current litigation will result in transformative measures. Further, DIA recommends the obtainment of an external IT consultant to perform those engagements for which our internal resources lack the technical expertise as professional standards require the use of competent professionals to perform work. 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 7,425 direct internal hours and 1,250 direct external hours for a total of **8,675** direct audit hours.

Audit Plan hours are allocated as follows:

Engagement	Hours	Percentage	Adj. Hours	Percent
Current Engagements	1,400	13%	1,400	16%
Planned Audit Engagements for 2023	6,925	65%	5,175	60%
Contingency Audit Engagements	225	2%	0	0%
Consulting Services	800	8%	800	9%
Other Audit Activities*	1,300	12%	1,300	15%

Totals	10,650	100%	8,675	100%
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**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.*