

2016 – 2017 Audit Plan

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**

April 5, 2016

To: Audit Committee Chair and the current committee members of the Cuyahoga County Audit Committee:

The Department of Internal Auditing (DIA) has developed an audit plan for Fiscal Years 2016 and 2017 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, 2015 through December 31, 2015. The objectives were to assess objectives and risks associated with each auditable unit¹ of the County to identify and prioritize future audits.

To accomplish our objectives, we compiled a list of potential auditable units and researched their relationship with the County. We conducted interviews with management for each auditable unit.

Our assessments resulted in an audit plan of future audit considerations. This report provides the details of our audit plan.

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 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.

¹ A particular topic, subject, department, process, entity, or function that, due to the presence of risk, may warrant an audit.

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

Respectfully,

Valerie J. Harry, CPA

Valerie J. Harry, CPA
Director of Internal Auditing

Cc: Cuyahoga County Council
Sharon Sobol Jordan, Chief of Staff
Robert Triozzi, Law Director

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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 103 auditable units consisting of agencies, departments, offices, boards and commissions that were funded in whole or in part by the County in order to develop the audit plan for Fiscal Years 2016 and 2017.

This document presents our proposed audit services for Fiscal Years 2016 and 2017. 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 ultimate 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 Audit 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.

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 shall 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*
 - (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.

Planned Engagements

The 2015 risk assessment identified audit priorities for 103 auditable units based on specific risk factors. See the *2015 Risk Assessment Report* for more details. The audit prioritization process includes the following activities:

- Planning the assessment and identifying the audit universe.
- Conducting risk assessments with management.
- Internal analysis of the results.
- Build audit plan with results.

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

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

See total scores and heat maps in the 2015 Risk Assessment Report.

From this ranking, audits were identified for each of the high risk areas. Audit requests from various departments were also taken into consideration. DIA also identified which auditable units were not eligible for the 2016 and 2017 audit plan based on inherently low risk scores and the current audit plan. Lastly, we prioritized each potential project to determine which projects should be included in the proposed audit plan.

The schedule on the following page represents planned audit areas based on the evaluation of audit priorities.

2016 – 2017 Audit Plan			
Priority	Auditable Unit	Reason for Selection	Description of Audit Scope
1	Accounts Payable	2015 Risk Assessment	Full Scope – Substantive and Controls
2	Recorder’s Office/ Real Estate	2015 Risk Assessment	Full Scope – Substantive and Controls
3	Real Property Valuation	2015 Risk Assessment	Full Scope – Substantive and Controls
4	Budget Commission	2015 Risk Assessment	Full Scope – Substantive and Controls
5	Parking Services	2015 Risk Assessment	Limited Scope – Cash Controls Review
6	Estate Tax	2015 Risk Assessment	Full Scope – Substantive and Controls
7	Prosecutor’s Office	2015 Risk Assessment	Limited Scope – Cash Controls Review
8	Municipal Judicial Costs	2015 Risk Assessment	Full Scope – Substantive and Controls
9	Public Works	2015 Risk Assessment	Limited Scope – Cash Controls Review/Inventory/Chargebacks
10	Senior & Adult Services	2015 Risk Assessment	Full Scope – Substantive and Controls
11	Office of Procurement & Diversity	2015 Risk Assessment	Full Scope – Substantive and Controls
12	Office of Budget & Management	2015 Risk Assessment	Full Scope – Substantive and Controls

- Full Scope = Compliance, Financial, and Operational Audit.
- Detailed information on risk assessments for the above auditable units can be found in Appendix A

DIA will also consider funds distributed to or through various County agencies to health and human service providers. These providers are authorized by the County to receive funds from grants, HHS levy, and the County General Fund. See the following table for a few examples of funds received by such providers in 2015.

Provider	Funding Source	Amount Received in 2014
Applewood Centers	State & Federal Grants	\$3,993,341
Beech Brook	Federal Grants & HHS Levy	\$1,455,092
Lutheran Metropolitan Ministry	Federal Grants & HHS Levy	\$2,794,765
Carrington Youth Academy	Federal Grants & HHS Levy & General Fund	\$1,598,005
Oriana House	State Grants & HHS Levy & General Fund	\$6,893,147

We will consult with the Executive, Fiscal Officer, Council, and Audit Committee to adjust the plan as needed based on priorities, management requests, workloads, changes in operations, and availability of audit resources.

Although DIA identified other high risk areas in the 2015 Risk Assessment Report, the following table lists auditable units excluded from the 2016 and 2017 audit plan due to current audits with the departments.

List of High Risk Auditable Units Excluded from Audit Plan		
Auditable Unit	Status of Audit	Description of Audit Scope
Clerk of Courts	Final Report released 8/12/2013. Follow-up review released 11/6/2015. Bank Reconciliation Issue still outstanding.	Full Scope – Substantive and Control Testing
Treasurer’s Office	Final Report released 12/16/2014. Current Treasurer is updating responses. Follow-up review will begin shortly after.	Limited Scope – Review of Cash Controls
Sheriff’s Office	Reports in Draft (Civil, Operations, and Property Room). Commissary Report released 3/2/2014.	Full Scope – Substantive and Control Testing
County Benefits	Phase I Report in Draft. Phase II fieldwork in progress.	Full Scope – Substantive and Control Testing
Regionalization Benefits Program	Phase I Report in Draft. Phase II fieldwork in progress.	Full Scope – Substantive and Control Testing
County Payroll	Fieldwork in progress.	Full Scope – Substantive and Control Testing
HR Time and Attendance	Fieldwork in progress.	Full Scope – Substantive and Control Testing

Full Scope = Compliance, Financial, and Operational Audit.

Appendix A – Assessment Score by Entity

Accounts Payable

Risk Factors	Operational Impact	Financial Impact	Compliance Impact	Likelihood	TOTAL
Unbudgeted Funds	N/A	Low	N/A	Low	2.00
Inventory	N/A	Low	N/A	Low	1.00
Interest to Outside Parties	High	N/A	N/A	High	1.50
Handling of Cash	High	High	N/A	High	11.25
Instances of Fraud, Waste or Abuse	Medium	Medium	N/A	High	8.75
Complexity of Transactions	Medium	Medium	N/A	High	5.25
Departmental Changes	Low	Low	N/A	Low	2.25
Information Technology Changes	Medium	Medium	N/A	High	5.25
Quality of the Internal Control System	High	High	High	High	12.00
Regulations and Compliance	Medium	Medium	Medium	High	9.00
Prior Audit Results	High	High	High	High	6.00

N/A - Risk category was not deemed to impact risk factor. No score was added.

Total Inherent Score: 11.27

Custom Measures

2014 Actual Expenditures*	\$ 835,741,950
2015 Original Budget**	\$ -
FTEs	8

**Approximate amount of checks issued.*

***Salaries appropriated with Fiscal Officer's budget.*

Recorder's Office / Real Estate

Risk Factors	Operational Impact	Financial Impact	Compliance Impact	Likelihood	TOTAL
Unbudgeted Funds	N/A	High	N/A	High	6.00
Inventory	N/A	High	N/A	Medium	2.50
Interest to Outside Parties	High	N/A	N/A	Medium	1.25
Handling of Cash	High	High	N/A	High	11.25
Instances of Fraud, Waste or Abuse	Low	Low	N/A	Low	3.75
Complexity of Transactions	High	High	N/A	Medium	6.00
Departmental Changes	High	High	N/A	High	6.75
Information Technology Changes	High	High	N/A	Medium	6.00
Quality of the Internal Control System	High	High	High	High	12.00
Regulations and Compliance	High	High	High	Medium	11.00
Prior Audit Results	Low	Low	Low	Low	2.00

N/A - Risk category was not deemed to impact risk factor. No score was added.

Total Inherent Score: 8.34

Custom Measures

2014 Actual Expenditures*	\$	-
2015 Original Budget*	\$	-
FTEs		37

**Actual Expenditures and Budget are included with Fiscal Operations' activities.*

Real Property Valuation

Risk Factors	Operational Impact	Financial Impact	Compliance Impact	Likelihood	TOTAL
Unbudgeted Funds	N/A	High	N/A	High	6.00
Inventory	N/A	Medium	N/A	Medium	2.00
Interest to Outside Parties	Medium	N/A	N/A	Low	0.75
Handling of Cash	High	High	N/A	High	11.25
Instances of Fraud, Waste or Abuse	Low	Low	N/A	Medium	5.00
Complexity of Transactions	High	High	N/A	High	6.75
Departmental Changes	Low	Low	N/A	High	3.75
Information Technology Changes	High	High	N/A	High	6.75
Quality of the Internal Control System	High	High	High	High	12.00
Regulations and Compliance	High	High	High	High	12.00
Prior Audit Results	Medium	Medium	Medium	High	4.50

N/A - Risk category was not deemed to impact risk factor. No score was added.

Total Inherent Score: 8.56

Custom Measures

2014 Actual Expenditures*	\$	-
2015 Original Budget*	\$	-
FTEs		15

**Actual Expenditures and Budget are included with Fiscal Operations' activities.*

Budget Commission

Risk Factors	Operational Impact	Financial Impact	Compliance Impact	Likelihood	TOTAL
Unbudgeted Funds	N/A	High	N/A	High	6.00
Inventory	N/A	Low	N/A	Low	1.00
Interest to Outside Parties	High	N/A	N/A	High	1.50
Handling of Cash	Medium	Medium	N/A	Medium	7.50
Instances of Fraud, Waste or Abuse	Low	Low	N/A	Low	3.75
Complexity of Transactions	High	High	N/A	High	6.75
Departmental Changes	High	High	N/A	Medium	6.00
Information Technology Changes	High	High	N/A	Medium	6.00
Quality of the Internal Control System	High	High	High	Medium	11.00
Regulations and Compliance	High	High	High	High	12.00
Prior Audit Results	Low	Low	Low	Low	2.00

N/A - Risk category was not deemed to impact risk factor. No score was added.

Total Inherent Score: 10.81

Custom Measures

2014 Actual Expenditures*	\$ 2,336,192,182
2015 Original Budget**	\$ -
FTEs	2

**Approximate disbursements to taxing authorities.*

***Salaries appropriated with Fiscal Officer's budget.*

Parking Services

Risk Factors	Operational Impact	Financial Impact	Compliance Impact	Likelihood	TOTAL
Unbudgeted Funds	N/A	Low	N/A	Low	2.00
Inventory	N/A	High	N/A	Medium	2.50
Interest to Outside Parties	Medium	N/A	N/A	Medium	1.00
Handling of Cash	High	High	N/A	High	11.25
Instances of Fraud, Waste or Abuse	High	High	N/A	High	11.25
Complexity of Transactions	Medium	Medium	N/A	High	5.25
Departmental Changes	Medium	Medium	N/A	Low	3.75
Information Technology Changes	High	High	N/A	High	6.75
Quality of the Internal Control System	High	High	High	High	12.00
Regulations and Compliance	Medium	Medium	Medium	Medium	8.00
Prior Audit Results	High	High	High	High	6.00

N/A - Risk category was not deemed to impact risk factor. No score was added.

Total Inherent Score: 8.54

Custom Measures

2014 Actual Expenditures	\$3,181,001
2015 Original Budget	\$2,586,510
FTEs	12.5

Estate Tax

Risk Factors	Operational Impact	Financial Impact	Compliance Impact	Likelihood	TOTAL
Unbudgeted Funds	N/A	High	N/A	High	6.00
Inventory	N/A	Low	N/A	Medium	1.50
Interest to Outside Parties	Medium	N/A	N/A	Medium	1.00
Handling of Cash	High	High	N/A	High	11.25
Instances of Fraud, Waste or Abuse	Low	Low	N/A	Low	3.75
Complexity of Transactions	High	High	N/A	High	6.75
Departmental Changes	Low	Low	N/A	High	3.75
Information Technology Changes	High	High	N/A	Medium	6.00
Quality of the Internal Control System	High	High	High	High	12.00
Regulations and Compliance	High	High	High	High	12.00
Prior Audit Results	High	High	High	High	6.00

N/A - Risk category was not deemed to impact risk factor. No score was added.

Total Inherent Score: 8.56

Custom Measures

2014 Actual Expenditures*	\$	-
2015 Original Budget*	\$	-
FTEs		2

**Actual Expenditures and Budget are included with Fiscal Operations' activities.*

Prosecutor's Office

Risk Factors	Operational Impact	Financial Impact	Compliance Impact	Likelihood	TOTAL
Unbudgeted Funds	N/A	High	N/A	High	6.00
Inventory	N/A	Low	N/A	Low	1.00
Interest to Outside Parties	High	N/A	N/A	High	1.50
Handling of Cash	High	High	N/A	High	11.25
Instances of Fraud, Waste or Abuse	High	High	N/A	High	11.25
Complexity of Transactions	Low	Low	N/A	Low	2.25
Departmental Changes	High	High	N/A	High	6.75
Information Technology Changes	Medium	Medium	N/A	Medium	4.50
Quality of the Internal Control System	Medium	Medium	Medium	Medium	8.00
Regulations and Compliance	High	High	High	High	12.00
Prior Audit Results	Low	Low	Low	Low	2.00
Case Overload	High	N/A	N/A	High	4.50

N/A - Risk category was not deemed to impact risk factor. No score was added.

Total Inherent Score: 10.39

Custom Measures

2014 Actual Expenditures	\$30,137,961
2015 Original Budget	\$35,993,598
FTEs	378

Municipal Judicial Costs

Risk Factors	Operational Impact	Financial Impact	Compliance Impact	Likelihood	TOTAL
Unbudgeted Funds	N/A	Low	N/A	Low	2.00
Inventory	N/A	Low	N/A	Low	1.00
Interest to Outside Parties	High	N/A	N/A	High	1.50
Handling of Cash	Medium	Medium	N/A	High	8.75
Instances of Fraud, Waste or Abuse	Low	Low	N/A	High	6.25
Complexity of Transactions	High	High	N/A	High	6.75
Departmental Changes	Low	Low	N/A	Low	2.25
Information Technology Changes	Medium	Medium	N/A	Medium	4.50
Quality of the Internal Control System	High	High	High	High	12.00
Regulations and Compliance	High	High	High	High	12.00
Prior Audit Results	High	High	High	High	6.00

N/A - Risk category was not deemed to impact risk factor. No score was added.

Total Inherent Score: 8.22

Custom Measures

2014 Actual Expenditures	\$ 3,343,414
2015 Original Budget	\$ 3,150,053
FTEs	0

Public Works

Risk Factors	Operational Impact	Financial Impact	Compliance Impact	Likelihood	TOTAL
Unbudgeted Funds	N/A	Low	N/A	Low	2.00
Inventory	N/A	High	N/A	High	3.00
Interest to Outside Parties	High	N/A	N/A	High	1.50
Handling of Cash	High	High	N/A	High	11.25
Instances of Fraud, Waste or Abuse	Medium	Medium	N/A	Medium	7.50
Complexity of Transactions	High	High	N/A	High	6.75
Departmental Changes	Medium	Medium	N/A	Medium	4.50
Information Technology Changes	High	High	N/A	High	6.75
Quality of the Internal Control System	Medium	Medium	Medium	High	9.00
Regulations and Compliance	High	High	High	High	12.00
Prior Audit Results	Low	Low	Low	Low	2.00

N/A - Risk category was not deemed to impact risk factor. No score was added.

Total Inherent Score: 7.15

Custom Measures

2014 Actual Expenditures	\$ 120,959,008
2015 Original Budget	\$ 112,931,483
FTEs	479.5

Public Works includes the following Departments assessed by DIA:

Department	Score
Road/Bridge	9.19
Facilities	8.55
Parking Services	8.54
Sewer	8.19
Public Works Fiscal	7.99
County Airport	7.62
Fleet Services	7.53
Archives	6.68
Print Shop	6.60
Mailroom	6.24
Animal Shelter*	6.12
Architecture	5.23

**Audited by DIA in 2013*

Senior and Adult Services

Risk Factors	Operational Impact	Financial Impact	Compliance Impact	Likelihood	TOTAL
Unbudgeted Funds	N/A	Low	N/A	Low	2.00
Inventory	N/A	Medium	N/A	High	2.50
Interest to Outside Parties	High	N/A	N/A	High	1.50
Handling of Cash	High	High	N/A	High	11.25
Instances of Fraud, Waste or Abuse	High	High	N/A	Medium	10.00
Complexity of Transactions	High	High	N/A	Medium	6.00
Departmental Changes	High	High	N/A	Medium	6.00
Information Technology Changes	Medium	Medium	N/A	Low	3.75
Quality of the Internal Control System	High	High	High	Low	10.00
Regulations and Compliance	Medium	Medium	Medium	Medium	8.00
Prior Audit Results	Medium	Medium	Medium	Medium	4.00

N/A - Risk category was not deemed to impact risk factor. No score was added.

Total Inherent Score: 8.77

Custom Measures

2014 Actual Expenditures	\$ 16,480,279
2015 Original Budget	\$ 18,223,398
FTEs	177

Office of Procurement & Diversity

Risk Factors	Operational Impact	Financial Impact	Compliance Impact	Likelihood	TOTAL
Unbudgeted Funds	N/A	Low	N/A	Low	2.00
Inventory	N/A	Low	N/A	Low	1.00
Interest to Outside Parties	High	N/A	N/A	High	1.50
Handling of Cash	High	High	N/A	High	11.25
Instances of Fraud, Waste or Abuse	Medium	Medium	N/A	High	8.75
Complexity of Transactions	High	High	N/A	High	6.75
Departmental Changes	Medium	Medium	N/A	Medium	4.50
Information Technology Changes	Medium	Medium	N/A	Medium	4.50
Quality of the Internal Control System	High	High	High	Medium	11.00
Regulations and Compliance	High	High	High	High	12.00
Prior Audit Results	High	High	High	High	6.00

N/A - Risk category was not deemed to impact risk factor. No score was added.

Total Inherent Score: 8.63

Custom Measures

2014 Actual Expenditures	\$ 1,358,384
2015 Original Budget	\$ 1,317,988
FTEs	22

Office of Budget & Management

Risk Factors	Operational Impact	Financial Impact	Compliance Impact	Likelihood	TOTAL
Unbudgeted Funds	N/A	Low	N/A	Low	2.00
Inventory	N/A	Low	N/A	Low	1.00
Interest to Outside Parties	High	N/A	N/A	High	1.50
Handling of Cash	Medium	Medium	N/A	Medium	7.50
Instances of Fraud, Waste or Abuse	Low	Low	N/A	Low	3.75
Complexity of Transactions	High	High	N/A	High	6.75
Departmental Changes	High	High	N/A	High	6.75
Information Technology Changes	Medium	Medium	N/A	High	5.25
Quality of the Internal Control System	High	High	High	High	12.00
Regulations and Compliance	High	High	High	High	12.00
Prior Audit Results	High	High	High	Low	5.00

N/A - Risk category was not deemed to impact risk factor. No score was added.

Total Inherent Score: 8.02

Custom Measures

2014 Actual Expenditures	\$ 733,764
2015 Original Budget	\$ 1,040,335
FTEs	8

Addendum For Planned Engagements

2016 – 2017 AUDIT PLAN

April 12, 2016

During the April 5, 2016 Audit Committee Meeting and after the 2015 Risk Assessments concluded, DIA was made aware of operational changes in one auditable unit we identified as a priority in our 2016 – 2017 Audit Plan. We would also like to disclose a fact on another auditable unit we identified as a priority in this Audit Plan. This does not change our assessment of the auditable units, but may impact the priorities of our Audit Plan.

Parking Services, Priority 5

The County Executive and Public Works is strongly considering a management company to operate the County's Huntington Parking Garage on Lakeside Avenue in Cleveland, Ohio. DIA will consult with the Audit Committee on the priority of this audit and if an audit is necessary before or after the operational change.

Estate Tax, Priority 6

The Ohio Estate Tax was repealed by passage of the 2012-2013 Budget Bill, House Bill 153 effective January 1, 2013. Estate Tax returns are still required for estates of individuals with a date of death prior to January 1, 2013. As of the 2015 Risk Assessment, the County's Estate Tax Department was still receiving payments on estate tax returns. The Department is included in our Audit Plan due to the amount of estate tax (approximately \$2 million in 2015) still collected by the department and minimum resources used to manage collections.