

2016 – 2017 Audit Plan

Cuyahoga County, Ohio
Department of Internal Auditing

Revised Audit Plan Following 2016 Risk Assessment

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**CUYAHOGA COUNTY
DEPARTMENT OF INTERNAL AUDITING**

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

March 10, 2017

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

The Department of Internal Auditing (DIA) 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 audit plan was approved by the Audit Committee at the May 6, 2016 meeting. The following report is a revised audit plan based on the annual risk assessment for the period of January 1, 2016 through December 31, 2016. 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 reviewed and updated our audit universe² from the prior year risk assessment. We distributed questionnaires and 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 for the remainder of 2017 as well as engagements performed in 2016.

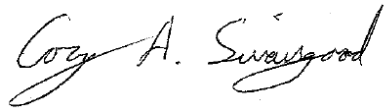
We developed the audit plan in accordance with the Institute of Internal Auditors' (IIA) International Standards set forth in the International Professional Practices Framework (IPPF). Those standards require that we develop an audit plan based on a documented risk assessment, undertaken at least annually.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

² A list of potential risk areas where opportunities and threats to business objectives reside. See DIA's Audit Universe in the 2016 Risk Assessment Report.

The Department of Internal Auditing would like to express our appreciation to the 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 black ink that reads "Cory A. Swaisgood". The signature is written in a cursive style with a large initial 'C'.

Cory A. Swaisgood, 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

In 2015, 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. The audit universe was updated during the 2016 risk assessment and reduced to 102 auditable units. The annual risk assessment was also performed in 2016 to determine if revisions were needed to the 2016 – 2017 audit plan.

This document presents our proposed audit services for the Fiscal Year 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 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.

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.

2016 Engagements

Since inception of DIA in 2012, all engagements have been conducted by request. Details on engagements performed in 2016 are listed below. Reports on all completed engagements are located on the [Audit Committee's website](#). Due to the resources needed on high profile audits in 2016, DIA was unable to commence any audit engagements from the 2016 – 2017 audit plan approved by the Audit Committee on May 6, 2016.

2016 Completed Engagements

Cuyahoga County Health Care Benefits Audit – Phase I – Released September 23, 2016

Phase I of the Health Care Benefits audit commenced in 2015. The full scope audit was conducted on the County's regional healthcare program. The audit objectives were to ensure the County implemented proper preventive and detective controls on the regional healthcare program, and to ensure the program was financially viable to the County. Issues disclosed from the audit included lack of effective monitoring controls on the regional healthcare program and the County's healthcare consultant at the time, comingling of County and regional program funds, and non-compliance with the Ohio Revised Code and federal regulations.

Cuyahoga County Crime Stoppers Audit – Released February 17, 2016

DIA performed a full scope audit on the Cuyahoga County Crime Stoppers program. We conducted audit tests and walkthroughs on procedures in place during the audit. We also traced Crime Stoppers' fees from the municipal courts to Crime Stoppers, and ultimately to the tipsters. Segregation of duties recommendations were reported to the Crime Stoppers Board along with recommendations to improve collection of Crime Stoppers fees. No non-compliance issues were found during the audit.

2015 County-wide Risk Assessment – Released May 6, 2016

DIA performed a County-wide risk assessment on 103 auditable units identified by DIA. This was the County's first risk assessment conducted by DIA. The risk assessment results were used to compile and prioritize DIA's 2016 – 2017 audit plan. See "2016 – 2017 Audit Plan" on the [Audit Committee's website](#).

2016 Engagements Currently in Progress³

Cuyahoga County Health Care Benefits Audit – Phase II

The Phase II audit is a continuation of the Phase I audit released in 2016. The audit period is from January 1, 2014 through June 30, 2015. DIA is conducting a full scope audit on the Benefits Department within Human Resources to ensure the County's benefit program has effective controls in place and in compliance with local, state, and federal regulations. DIA will report on the regional program's cash balance at June 30, 2016. We are also performing analytical procedures to identify any anomalies between employee benefits and personnel actions.

³ See more information on current engagements in progress on page 7.

Cuyahoga County Payroll Audit

DIA is performing a full scope audit on the County's payroll process in the Fiscal Office and Human Resources. We are performing tests and conducting walkthroughs on procedures in place to ensure the current processes are effective and conformance with statutory regulations. We are also performing analytical procedures to identify any anomalies between payroll data and personnel actions.

Planned Engagements

The 2016 County-wide risk assessment identified audit priorities for 102 auditable units based on specific risk factors. See the *2016 Risk Assessment Report* for more details. The audit prioritization process included the following activities:

- Planned the County-wide risk assessment and identified the audit universe.
- Conducted risk assessments with management.
- Internally analyzed the results.
- Prioritized and revised the 2016 – 2017 audit plan.

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 2016 Risk Assessment Report.

From this ranking and discussion with County officials (Executive, Council President, Fiscal Officer, and Inspector General), DIA identified audit engagements to perform in 2017. Audit requests from various departments and upper management were also considered. Current audit engagements, as of the date of the report, are also included in the revised 2016 – 2017 audit plan. Lastly, we prioritized each auditable unit to finalize the revised audit plan.

The schedule on the following page represents planned engagements based on the evaluation of audit priorities. The revised audit plan is presented and prioritized to address the following types of engagements⁴:

- Current Audits in Progress
- Planned Audits for 2017
- Follow-up Reviews on Released Audit Reports
- Non-Audit Services

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

⁴ All engagements will be conducted in accordance with the County's Internal Audit Charter, GAGAS, and IIA Standards.

2016 – 2017 Audit Plan (Revised)

Current Audits in Progress

| Auditable Unit | Status of Audit | Description of Audit Scope | Estimated Date of Final Report |
|-------------------------------|--|----------------------------|--------------------------------|
| Sheriff's Office | Pending management responses on three audits performed (Civil, Operations, and Property Room). | Full Scope | April 30, 2017 |
| County Benefits | Phase II fieldwork near completion. Drafting report. | Full Scope | May 31, 2017 |
| County Payroll | Fieldwork in progress | Full Scope | June 30, 2017 |
| HR Time and Attendance | Fieldwork in progress | Full Scope | June 30, 2017 |

- Full Scope = Compliance, Financial, and Operational Audit.

Planned Audits for 2017

| Priority | Auditable Unit | Reason for Selection | Description of Audit Scope |
|----------|-----------------------------------|----------------------|---|
| 1 | Accounts Payable | Risk Assessment | Financial Audit – Benford's Law Analysis* |
| 2 | Accounts Payable | Risk Assessment | Financial Audit – Employee Reimbursements* |
| 3 | Office of Procurement & Diversity | Risk Assessment | Financial and Compliance Audit – Selected Category of Contracts* |
| 4 | Health and Human Services | Risk Assessment | Compliance Audit – Sub-Recipient Monitoring of Grants and Levies* |
| 5 | Municipal Judicial Cost | Risk Assessment | Full Scope – Includes Assigned Counsel from County |
| 6 | Parking Services | Risk Assessment | Financial and Operational Audit – Cash Controls/Revenue |

*Rotational audit performed going forward. DIA will assess frequency of audits for 2018 audit plan. DIA will also consider other rotational audits based on prior audits performed. For example, DIA will consider audits on cash collection points in the County and audits on the County's medical claims in future audit plans.

Follow-Up Reviews on Released Audit Reports

| Auditable Unit | Audit Report Released | Targeted Date to Begin Review |
|--|--|--|
| Treasurer's Office | December 16, 2014. <i>Updated Responses Received May 4, 2016.</i> | Release Date of Report – April 5, 2017 |
| Sheriff's Office – Commissary | December 30, 2014 | August 1, 2017 |
| Crime Stoppers | February 17, 2016 | March 1, 2017 |
| County Benefits – Phase I | September 23, 2016 | January 2018 |

Non-Audit Services

| Project Name | Reason for Selection | Description of Service | Dates of Service |
|---|-----------------------------|---|--------------------------------|
| County-wide Enterprise Resource Planning (ERP) | Request | Consulting engagement to assess and review implementation of the ERP. | December 2016 – End of Project |
| Budget Commission Policy and Procedure Manual | Request | Consulting engagement to review new policies and procedures in Budget Commission. | October 2017 |

Our audit plan is based on **7,259** direct audit hours to be provided by six (6) audit professionals in 2017. DIA utilizes audit positions to perform administrative duties. We also adjust the audit plan as needed to reserve for absences, trainings and vacancies. We prioritize our audits to areas that are assessed a high level of risk and limit the work to what realistically can be accomplished with the staff resources available.

Audit Plan hours are allocated as follows:

| Engagement | Hours | Percentage |
|------------------------------------|--------------|-------------------|
| Current Audit Engagements | 1,904 | 26% |
| Planned Audit Engagements for 2017 | 3,400 | 47% |
| Follow-up Reviews | 430 | 6% |
| Non-Audit Services | 400 | 6% |
| Other Audit Activities* | 1,125 | 15% |
| Totals | 7,259 | 100% |

**The Audit Plan allocates an additional 1,125 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, and compiling and presenting audit activity to the Audit Committee. In addition, the Director will serve on a peer review team for the Association of Local Government Auditors in 2017.*