

# 2018 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**

January 5, 2018

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 Year 2018 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, 2017 through December 31, 2017. The following report outlines the purpose for the audit plan, engagements completed in 2017, and the final audit plan for 2018. No changes were made to the tentative audit plan approved by the Audit Committee at the December 7, 2017, meeting. The objective was to assess potential risks associated with each auditable unit<sup>1</sup> of the County, to better identify and prioritize future audits.

To accomplish our objectives, we reviewed and updated our audit universe<sup>2</sup> from the 2016 risk assessment. We distributed questionnaires to chiefs and directors under the County Executive and to non-Executive agencies. We also 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) 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.

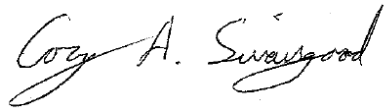
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<sup>1</sup> A particular topic, subject, department, process, entity, or function that, due to the presence of risk, may warrant an audit.

<sup>2</sup> 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 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 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**

DIA performed a County-wide risk assessment 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 2018. We developed a questionnaire for County Executive chiefs and directors and non-Executive outside agencies. Responses from the questionnaire, requests from County stakeholders, and results from prior audits determined the 2018 audit plan.

This document presents our proposed audit services for the Fiscal Year 2018. 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.*

## **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.*

## 2017 Engagements

The Audit Committee approved the 2017 audit plan at the first quarter meeting in 2017. DIA revised the 2017 audit plan in June of 2017 with approval from the Audit Committee. The revised audit plan removed two planned audits and added a request from the Executive. DIA completed and released six audit reports, two follow-up reviews reports, and one non-audit report from the 2017 audit plan. The following provides more details related to the 2017 audit plan.

2017 Audit Plan	Total Engagements	Released in 2017	In Progress as of January 2018
Audits in Progress as of January 2017	6	6	0
Audits Planned	6	0	3
Follow-up Reviews Planned	3	2	0
Non-Audit Services Planned	3	1	1

### 2017 Released Engagements

DIA completed the following engagements in 2017:

#### Audits in Progress as of January 2017:

- Sheriff's Office Property Room Audit (Released May 12, 2017)
- Sheriff's Office Civil Division Audit (Released May 19, 2017)
- Sheriff's Office General Operations Audit (Released June 2, 2017)
- Human Resources Healthcare Benefits – Phase II (Released September 29, 2017)
- Human Resources Payroll Audit (Released September 29, 2017)
- Fiscal Office Payroll Audit (Released October 20, 2017)

#### Follow-up Reviews Planned for 2017:

- Treasurer's Office Follow-up (Released April 5, 2017)
- Crime Stoppers Follow-up (Released November 3, 2017)

#### Non-Audit Services Planned for 2017:

- Cuyahoga County Benefits – Fully Insured Plans Review<sup>3</sup> (Released October 25, 2017)

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

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<sup>3</sup> Engagement added to the 2017 audit plan at the Executive's request, approved by the Audit Committee in June 2017.

## ***Engagements in Progress as of January 1, 2018***

DIA started the following engagements in 2017 with expectations to release in 2018:

### **Planned Audits for 2017:**

- Benford's Law Analysis on 2016 Transactions – Accounts Payable
  - *Status:* Report drafted. Pending management responses.
  - *Estimated Date of Final Report:* 1/19/2018
- Employee Reimbursement Audit on 2016 Transactions – Accounts Payable
  - *Status:* Drafting report.
  - *Estimated Date of Final Report:* 2/15/2018
- Compliance Audit on Category of Contracts – Office of Procurement & Diversity/IT
  - *Status:* Finalizing fieldwork.
  - *Estimated Date of Final Report:* 3/30/2018

### **Non-Audit Services:**

- County-wide Enterprise Resource Planning (ERP)
  - *Status:* Awaiting testing phase on financial module.
  - *Estimated Date of Implementation:* June 2018 for financial module.

## ***Engagements not Started in 2017***

DIA did not start on the following engagements from the 2017 audit plan:

- Compliance Audit on Sub-Recipient Monitoring – Health and Human Services
  - Audit is included on the 2018 audit plan.
- Municipal Judicial Cost Audit – Compliance Audit on Payments to Municipal Courts
  - Request to review Benefits' fully insured plan and audits planned for 2018 were deemed a higher risk and replaced this engagement on the audit plan.
- Parking Services Audit – Public Works
  - Request to review Benefits' fully insured plan was deemed a higher risk and replaced this engagement on the audit plan.
  - Audit is included on the 2018 audit plan. DIA commenced preliminary work on this audit in December 2017.
- Sheriff's Commissary Follow-up Review
  - Commenced preliminary work on follow-up review in 2017. However, implementation of the County's new jail system that will benefit Commissary was delayed until early 2018. DIA expects to complete the follow-up review in 2018.
- Budget Commission – Review of Policy and Procedure Manual
  - Other audits in 2017 and 2018 were deemed a higher risk.



## Planned Engagements

The 2017 risk assessment identified audit priorities for 102 auditable units based on specific risk factors. See the *2017 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 2018 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. communicates results of internal audit with stakeholders;
- 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 2017 Risk Assessment Report.*

From this ranking and discussion with County officials (Executive, Council, Fiscal Officer, and Inspector General), DIA identified audit engagements to perform in 2018. 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 2018 audit plan. Lastly, we prioritized each auditable unit to finalize the 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 engagements<sup>4</sup>:

- Current Audits in Progress
- Planned Audits for 2018
- 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.

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

## 2018 Audit Plan

### ***Current Audits in Progress***

<b>Auditable Unit</b>	<b>Status of Audit</b>	<b>Description of Audit Scope</b>	<b>Estimated Date of Final Report</b>
<b>Accounts Payable</b>	Pending management responses.	Financial Related Audit – Benford’s Law Analysis	January 19, 2018
<b>Accounts Payable</b>	Drafting Report	Financial Related Audit – Employee Reimbursements	February 15, 2018
<b>Office of Procurement &amp; Diversity / IT</b>	Final stage of fieldwork	Financial and Compliance Related Audit – Selected Category of Contracts	March 30, 2018

### ***Planned Audits for 2018***

<b>Priority</b>	<b>Auditable Unit</b>	<b>Reason for Selection</b>	<b>Description of Audit Scope</b>
<b>1</b>	Parking Services	Risk Assessment	Financial and Operational Related Audit – Cash Controls/Revenue
<b>2</b>	Accounts Payable	Recurring Audit	Financial Related Audit – Benford’s Law Analysis
<b>3</b>	Children & Family Services	Recurring Audit/Results from Prior Audit	Financial and Operational Related Audit – Duty-Related Travel
<b>4</b>	Invest in Children	Risk Assessment	Compliance Related Audit – Sub-Recipient Monitoring of Grants and Levies
<b>5</b>	Information Technology	Risk Assessment/Results from Prior Audit	Operational Related Audit – Inventory/Asset Audit

### ***Follow-Up Reviews on Released Audit Reports***

<b>Auditable Unit</b>	<b>Audit Report Released</b>	<b>Targeted Date to Begin Review</b>
<b>Treasurer’s Office (2<sup>nd</sup> Review)</b>	December 16, 2014. <i>Updated Responses Received May 4, 2016.</i>	March 2018
<b>Sheriff’s Commissary</b>	March 2, 2014	June 2018
<b>Sheriff’s Property Room</b>	May 12, 2017	September 2018
<b>Sheriffs General Operations</b>	June 6, 2017	September 2018
<b>Sheriff’s Civil Division</b>	May 19, 2017	October 2018

## Non-Audit Services

Project Name	Reason for Selection	Description of Service	Dates of Service
County-wide Enterprise Resource Planning (ERP)	Request	Engagement to assess and review implementation of the ERP.	December 2016 – End of Project
Review of 2018 Open Enrollment Process and Corrective Action Plan	Follow-up	Follow-up from results of the non-audit performed on 2017's open enrollment review.	February 2018
Budget Commission Policy and Procedure Manual	Request	Engagement to review polices and procedures in the Budget Commission	TBD 2018
Destination Cleveland	Request	Review budget documents and support submitted to Council during annual budget presentation	TBD 2018

Our audit plan is based on **7,804** direct audit hours to be provided by seven (7) audit professionals in 2018. 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	1,050	13%
Planned Audit Engagements for 2018	2,970	38%
Follow-up Reviews	1,530	20%
Non-Audit Services	740	10%
Other Audit Activities*	1,514	19%
<b>Totals</b>	<b>7,804</b>	<b>100%</b>

*\*The Audit Plan allocates an additional 1,550 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 Association of Local Government Auditors will conduct an external peer review on the Department of Internal Audit in 2018.*