

2019 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 18, 2019

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 2019 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, 2018 through December 31, 2018. The following report outlines the purpose for the audit plan, engagements completed in 2018, and the audit plan for 2019. No changes were made to the tentative audit plan approved by the Audit Committee at the December 19, 2018, meeting. The objective was to assess potential risks associated with each auditable unit¹ of the County, to better identify and prioritize future audits.

To accomplish our objectives, we reviewed and updated our audit universe² from prior year assessments. We distributed questionnaires to County chiefs and directors under the County Executive and to non-Executive agencies. We also conducted in-person interviews with agencies or departments deemed a high risk to the County. Additionally, we queried County stakeholders for audit requests. Our assessments resulted in an audit plan of future audit considerations.

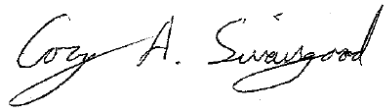
We developed the audit plan in accordance with the Institute of Internal Auditors' (IIA) International Standards set forth in the International Professional Practices Framework (IPPF). Those standards require that we develop an audit plan based on a documented risk assessment, undertaken at least annually. Generally Accepted Governmental Auditing Standards (GAGAS) 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 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 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
Matt Carroll, Acting Chief of Staff
Nora Hurley, Interim Law Director
Michael C. O'Malley, Cuyahoga County Prosecutor

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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 105 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 2019. We developed a questionnaire for 39 County Executive chiefs and directors and non-Executive outside agencies. We also conducted in-person interviews with 14 departments deemed a high risk to the County. Responses from the questionnaires, interviews, requests from County stakeholders, and results from prior audits helped determine the 2019 audit plan.

This document presents our proposed audit services for the Fiscal Year 2019. 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 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.

2018 Engagements

The Audit Committee approved the 2018 audit plan at the first quarter meeting in 2018. DIA revised the 2018 audit plan in August of 2018 with approval from the Audit Committee. The revised audit plan removed three planned engagements, added two requests from management and additional hours to two audits in progress. DIA completed and released four audit reports, three follow-up review reports, and three consulting/non-audit reports from the 2018 audit plan. The following table provides more details related to the 2018 audit plan.

| 2018 Audit Plan | Total Engagements | Released in 2018 | In Progress as of January 2019 | Engagements Removed |
|---------------------------------------|-------------------|------------------|--------------------------------|---------------------|
| Audits in Progress as of January 2018 | 3 | 3 | 0 | 0 |
| Audits Planned | 5 | 1 | 2 | 2 |
| Follow-up Reviews Planned | 5 | 3 | 1 | 1 |
| Consulting Services Planned | 6 | 3 | 3 | 0 |
| Totals | 19 | 10 | 6 | 3 |

2018 Released Engagements

Audits in Progress as of January 2018:

- Benford's Law Analysis on 2016 Transactions (Released February 9, 2018)
- Employee Reimbursement Audit (Released July 9, 2018)
- Office of Procurement & Diversity/IT Contracts (Released August 29, 2018)

Audits Planned for 2018:

- Parking Services Audit (Released August 31, 2018)

Follow-up Reviews Planned for 2018:

- Treasurer's Office (2nd) Follow-up (Released October 9, 2018)
- Sheriff's Office Property Room Follow-up (Released December 21, 2018)
- Sheriff's Office General Operations Follow-up (Released December 31, 2018)

Special Request Consulting Services Planned for 2018:

- Assessment on Conflicts of Interest Process (Released July 16, 2018)
- Budget Commission Policy and Procedures (Released October 24, 2018)
- Destination Cleveland Review (Issued December 26, 2018)

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

Engagements in Progress as of January 1, 2019

DIA started the following engagements in 2018 with expectations to release in 2019:

Planned Audits for 2018:

- Children and Family Services – Duty-Related Travel
 - *Status:* Drafting report.
 - *Estimated Date of Final Report:* 2/28/2019
- Invest in Children – Sub-recipient Monitoring
 - *Status:* Starting fieldwork.
 - *Estimated Date of Final Report:* 3/31/2019

Follow-up Reviews:

- Sheriff's Office Civil Division Audit Follow-up
 - *Status:* Fieldwork in progress.
 - *Estimated Date of Final Report:* 4/30/2019

Consulting Services:

- Review of 2018 Open Enrollment Process and Corrective Action Plan
 - *Status:* Management addressing findings.
 - *Estimated Date of Final Report:* 2/8/2019
- Fiscal Officer - Bank Reconciliation Review
 - *Status:* Fieldwork in progress.
 - *Estimated Date of Final Report:* 3/31/2019
- County-wide Enterprise Resource Planning (ERP)
 - *Status:* Fieldwork in progress.
 - *Estimated Date of Implementation:* Following implementation of final module (expected July 2019).

Engagements Not Started in 2018

DIA did not start on the following engagements from the 2018 audit plan:

- Benford's Law Analysis – Accounts Payable (recurring audit)
 - Due to other priorities in 2018, DIA did not commence on the recurring Benford's Law analysis. This audit is included on the 2019 audit plan.
- Information Technology – Inventory / Asset
 - Due to other priorities in 2018, DIA did not commence on an inventory and asset audit of Information Technology. This audit is included on the 2019 audit plan.
- Sheriff's Commissary Follow-up Review
 - Implementation of the County's new jail system was delayed until December 2018. DIA will conclude the follow-up review in 2019.

Planned Engagements

The 2018 risk assessment identified audit priorities for 105 auditable units based on specific risk factors. See the *2018 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 2019 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 2018 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 2019. 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 2019 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 audit plan is presented and prioritized to address the following types of engagements³:

- Current Audits in Progress
- Planned Audits for 2019
- Follow-up Reviews on Released Audit Reports
- Consulting 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.

³ All engagements will be conducted in accordance with the County's Internal Audit Charter, GAGAS, and IIA Standards.

2019 Audit Plan

Current Engagements in Progress

| Auditable Unit | Status of Audit | Description of Audit Scope | Estimated Date of Final Report |
|---------------------------------------|-----------------------------|--|---------------------------------------|
| Review of 2018 Open Enrollment | Pending management response | Follow-up on 2017's Open Enrollment Review | February 2019 |
| Children & Family Services | Drafting report | Financial and Operational Audit – Duty-Related Travel | February 2019 |
| Invest in Children | Fieldwork in progress | Compliance Audit – Sub-Recipient Monitoring of Grants and Levies | March 2019 |
| Fiscal Office | Fieldwork in progress | Review County's Monthly Bank Reconciliation Process | March 2019 |
| Sheriff's Civil Division | Fieldwork in progress | Follow-up Review on 2017 Audit | April 2019 |
| ERP Project | Fieldwork in progress | Assess and Review Implementation of ERP | September 2019 |

Planned Audits for 2019

| Priority | Auditable Unit | Reason for Selection | Description of Audit Scope |
|-----------------|-------------------------------|--|--|
| 1 | Juvenile Court | Risk Assessment/Request | Financial and Operational Audit – Ancillary Services |
| 2 | Juvenile Court | Risk Assessment/Request | Financial and Operational Audit – Cash Collection Review |
| 3 | Information Technology | Risk Assessment/Results from Prior Audit | Operational Audit – County Inventory/Asset Audit |
| 4 | Accounts Payable | Recurring Audit | Financial Audit – Benford's Law Analysis |
| 5 | Public Works – Fiscal | Risk Assessment/Request | Compliance Audit – Purchasing Procedures/Voucher Review |

Follow-Up Reviews on Released Audit Reports

| Auditable Unit | Audit Report Released | Targeted Date to Begin Review |
|---|------------------------------|--------------------------------------|
| Sheriff's Commissary | March 2, 2014 | June 2019 |
| Parking Services | August 31, 2018 | September 2019 |
| Procurement Process – IT Contracts | August 29, 2018 | November 2019 |
| Human Resources Payroll | September 29, 2017 | December 2019 |
| Fiscal Office Payroll | October 20, 2017 | December 2019 |

Consulting Services

| Project Name | Reason for Selection | Description of Service | Dates of Service |
|---------------------------------------|-----------------------------|---|-------------------------|
| Review of 2019 Open Enrollment | Follow-up | Follow-up on 2018's Open Enrollment Review and Re-perform for 2019. | February 2019 |

Our audit plan is based on **9,107** direct audit hours provided by seven audit professionals in 2019. DIA utilizes audit positions to perform administrative duties. We adjust the audit plan as needed to reserve for absences, trainings and vacancies. We prioritize our audits to high risk areas 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 Engagements | 3,250 | 36% |
| Planned Audit Engagements for 2019 | 3,007 | 33% |
| Follow-up Reviews | 1,100 | 12% |
| Consulting Services | 400 | 4% |
| Other Audit Activities* | 1,350 | 15% |
| Totals | 9,107 | 100% |

**The Audit Plan allocates an additional 1,350 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.*