Audit Report Highlights

Cuyahoga County Opioid Settlement Compliance Audit **September 2026**

Opioid Mitigation Fund = $139.2 million[1] **County Annual Budget[2] = $1.7 billion**

Why DIA Did This Audit



An audit was conducted to provide an examination of the Opioid Mitigation Fund. The audit was included in the DIA's 2025 Audit Plan.

The Opioid Mitigation Fund was identified as an area to audit due to a moderate high risk on the Annual Risk Assessment because of its reputational sensitivity and the substantial influx of funds available for opioid mitigation. We conducted our review through inquiry and testing of revenue, expenditures, as well as a review and evaluation of procedures, practices, and internal controls as deemed necessary.

What DIA Found

The Opioid Mitigation Fund, funded by Opioid settlement proceeds, is generally well managed. However, DIA identified the following areas that require further attention:

- Opioid settlement proceeds were not appropriately monitored or received through a consistent process.
- Service provider contracts did not require adequate supporting documentation for certain expenses, such as payroll. As a result, $433,232 (9% of the total sample tested) was not sufficiently supported.
- Some contracts were not reviewed to ensure compliance with County Code.
- There was a lack of program specific policies and procedures.
- Program reporting could be enhanced with consistent stakeholder reporting.

Recommendations have been rated by priority: High, Moderate, Low, or Business Process Improvement.
The report contains 7 recommendations:

1 ***High*** *– 30 days to complete*
3 ***Moderate*** *– 90 days to complete*
0 ***Low*** *– 180 days to complete*
3 ***Process Improvements-*** *No action required*

[1] *Approximate recorded revenue during the audit period of 2019-2025.*
[2] *The County Annual Budget includes operating appropriations from all County funds.*

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Background

Cuyahoga County suffered greatly due to the opioid epidemic. Opioid and opiates caused 556 deaths in the County during 2017, per the 2017 Medical Examiner's Statistical Report (pg. 13).

The severity of the crisis prompted Cuyahoga County to take a leading role in national opioid litigation.

Along with Summit County, it advanced one of the first bellwether cases in federal multidistrict litigation.

As a result of the litigation, the County received approximately $139.2M in Opioid settlement proceeds during the period of 2019-2025.

PSJS provides oversight of the Opioid Mitigation Fund directed toward initiatives intended to address opioid-related harm.



What DIA Recommended

DIA provided PSJS, the Law Department, and various departments with recommendations to strengthen controls over Opioid Settlement funds, as well as similar programs that may be implemented in the future.

PSJS began working to resolve issues identified in this report during the audit. Based on their responses and actions, we believe corrective action has been or will be taken to mitigate the risks noted. Management responses follow each recommendation in the report.

DIA's recommendations to PSJS and other departments included, but were not limited to:

- Ensure future County contracts require detailed supporting documentation for reimbursable expenses, including time-and-effort records, payroll support (when applicable), and itemized justification for non-labor charges.
- Maintain and monitor a complete and accurate listing of past and anticipated proceeds from Opioid settlements.
- Review all remaining proposed contracts funded by the Opioid Mitigation Fund for County Code compliance.
- Create written program specific policies and procedure guidance.
- Implement a formalized stakeholder reporting process.

Internal Audit would like to express our appreciation for the cooperation and assistance received from PSJS and the Law Department during this audit. The strides made help improve the County's efficiency and accountability.

Internal Audit Report

Cuyahoga County, Ohio
Department of Internal Auditing

Opioid Settlement Compliance Audit
Department of Public Safety and Justice Services
Department of Law

January 1, 2019 – March 31, 2026

Director of Internal Auditing: Cory Swaisgood, CPA, CIA

Audit Manager: Joshua Ault, CIA

Staff Auditor: Dawn Meredith

Release Date: 10/21/2026

INTERNAL AUDIT REPORT
Opioid Settlement Compliance Audit
Cover Letter

September 10, 2026

To: Brandy Carney, Director of Public Safety and Justice Services, and current management of Public Safety/Justice Services; Greg Huth, Interim Director of Law, and current management of Department of Law,

The Department of Internal Auditing (DIA) has conducted an audit of Opioid Settlement Compliance. The Report Details section of this report provides the objective, scope, and methodology. This report also includes our findings and recommendations. We are confident management has or will take corrective action to mitigate the risks identified in this audit report.

We conducted this audit in accordance with the Global Internal Audit Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Because of the inherent limitations of internal controls, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the internal control structure to future periods is subject to the risk that procedures may become inadequate due to changes in conditions, or that the degree of compliance with the procedures may weaken.

DIA would like to express our appreciation to the Department of Public Safety and Justice Services (PSJS) staff and management, and interrelated departments that assisted throughout the process for their courtesy and cooperation during this audit. A draft report was provided to PSJS management for review. Management responses are included within the audit report.

Respectfully,

Cory A. Swaisgood

Cory Swaisgood, CPA, CIA
Director of Internal Auditing

Cc: Audit Committee
Cuyahoga County Council
Erik Janas, Chief of Staff
Katie Gallagher, Chief of Operations and Innovation
Michael C. O'Malley, Cuyahoga County Prosecutor
Harold, Pretel, Cuyahoga County Sheriff

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Glossary

Bellwether case	This is a representative test case chosen from a large group of similar lawsuits (mass torts or multidistrict litigation) to go to trial first and gauge how juries respond to the evidence and legal arguments. The County filed early lawsuits against opioid manufactures and distributors, that served as the bellwether case.
Opioid Mitigation Fund	Fund established by County Code 725 for the purpose of collecting and expending any and all funds received by Cuyahoga County as part of any action related to national prescription opiate litigation. All funds are to be used solely for the remediation, mitigation, and rectification of the opioid epidemic in Cuyahoga County.

Report Details

Purpose

The purpose of this audit was to conduct an examination of the County Opioid Mitigation Fund.

The Audit Committee approved DIA's 2025 audit plan, which included an audit of the Opioid Mitigation Fund. It was identified as moderate to high risk on the Annual Risk Assessment due to its reputational sensitivity and the substantial influx of funds available for opioid mitigation. We conducted our review through inquiry and testing of revenue and disbursements.

The audit included review and evaluation of procedures, practices, and controls as deemed necessary.

Audit Objectives

The objectives of this audit were the following:

- Assess and evaluate compliance with the County's Opioid Settlement Agreement.
- Examine the level of operational results achieved and determine if such met stated expectations.

Scope

To achieve our objectives, we focused on compliance with opioid settlement agreements and County Code as it relates to accuracy of revenue, use of funds, and tracking of operational results achieved during the audit period of January 1, 20219 through March 31, 2026.

Methodology

DIA made inquiries to gain a general understanding of the County's processes relating to the Opioid Mitigation Fund. This included receipt of funds, strategic planning, expenditures, and monitoring the impact of results. We also reviewed Ohio Revised Code (ORC), County Code, and the various settlement agreements to identify compliance requirements. Requirements were found to be minimal in settlement agreements, absent in the ORC, and most stringent in County Code; therefore, County Code served as the compliance criteria for testing. DIA also assessed procedures for design of controls to identify potential gaps.

DIA tested a sample of settlement revenues and Opioid Mitigation Fund disbursements including the following:

1. Verified the settlement proceeds received by the County agreed to settlement agreement terms including the portion distributed to the County's outside counsel.
2. Reviewed budget and/or strategic planning for appropriate governance.
3. Verified contracts with vendors include appropriate use of funds and require impact measurements/KPIs.
4. Verified vendor payments comply with contractual requirements and adequate documentation was provided to ensure funds were used as intended.
5. Assessed adequacy of stakeholder reporting on results of operational impacts.

Audit Procedures

Although every audit conducted by the DIA is unique, the audit process for most engagements consists of the following three phases:

- *Planning* - Obtaining sufficient understanding of the area being audited to identify and reduce key audit risks to an appropriate level.
- *Fieldwork* - Executing the audit steps including testing, reviewing, and analyzing data. See Methodology for a summary of fieldwork performed.
- *Reporting* – Draft and release of written reports to communicate the results of each engagement.

At the time of the report's release, DIA required one auditor and a total of 643 hours to complete the audit.

Background

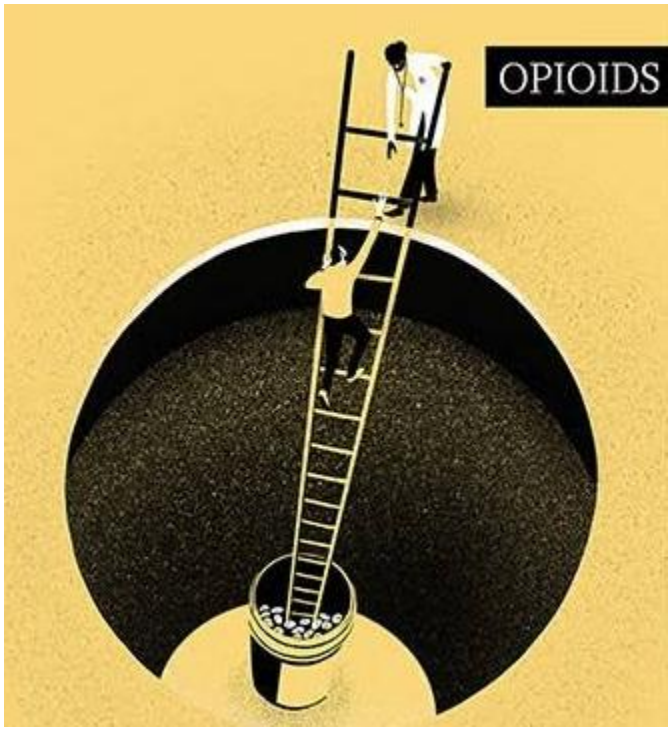
Cuyahoga County endured significant impacts from the opioid epidemic, with overdose deaths increasing over time and placing mounting strain on public health, social service, and safety systems. The growing prevalence of fentanyl and other synthetic opioids intensified these challenges, affecting communities across the County and driving the need for coordinated, long-term mitigation efforts. The severity of the crisis prompted Cuyahoga County to take a leading role in national opioid litigation, with support from the Law Department in coordinating legal efforts and related functions.

Along with Summit County, it advanced one of the first bellwether cases in federal multidistrict litigation, alleging that opioid manufacturers and distributors engaged in misleading marketing and distribution practices that contributed to widespread addiction and increased overdose fatalities. This bellwether case helped shape the structure of broader national settlements and guided how local governments pursued remediation for the epidemic.

As a result of the opioid litigation and subsequent settlements, Cuyahoga County codified the Opioid Mitigation Fund within County Code Chapter 725. The Code established a dedicated fund to receive, hold, and expend all monies the County obtains through settlement agreements, trial verdicts, court orders, or other actions related to the federal multidistrict opioid litigation. It also directs that all such revenues be automatically transferred from the General Fund into the Opioid Mitigation Fund, and that any interest earned be deposited back into the Fund monthly. Between January 1, 2019 and December 31, 2025, the County has recorded revenue of approximately $139.2M in the Opioid Mitigation Fund including:

- $128.6M - Various settlement agreements.
- $ 10.6M - Interest earned on invested opioid funds.

The Law Department was responsible for reviewing settlement statements prior to payment receipt from the various opioid manufacturers. This ensured payments received were appropriate and agreed with terms of manufacturer settlement agreements and the contract for outside counsel.



Following the core strategies for abatement included within the national Distributor Settlement Agreement, PSJS provides oversight of the Opioid Mitigation Fund and related initiatives. They work in coordination with the County Executive and County Council to help ensure that settlement proceeds placed into the Opioid Mitigation Fund are monitored, aligned with County priorities, and directed toward initiatives intended to address opioid-related harm. This collaborative structure is intended to support consistent oversight and facilitates informed decision-making around the use of opioid settlement resources.

Opioid fund expenditures have largely been directed toward contractual services supporting treatment and diversion initiatives, with significant funding provided to providers such as Stella Maris, MetroHealth, Alcohol, Drug Addition & Mental Health Services Board (ADAMHS Board), and other community partners. The Law Department reviews all contracts during the contract negotiation stage of procurement.

Major spending categories included diversion centers, treatment beds, peer recovery services, and prevention and awareness programs. Personnel, administrative, and equipment costs represented a relatively small portion of total expenditures. As of December 31, 2025, the Opioid Mitigation Fund balance was approximately $76.5 million. Most of which has already been informally allocated to future opioid abatement efforts.

Commendable Practices

We commend and thank PSJS and Law Department for their cooperation during the audit. DIA especially thanks all the employees for their time and effort. Based upon the results of our audit, we believe the Opioid Mitigation Fund is generally well managed. Key commendable practices include:

- Managing a novel fund with several components.
- Ensuring the Opioid Abatement Tenets are met.
- Coordinating programs aimed at opioid addition prevention, treatment, research, and harm reduction. Such programs include advertising campaigns, funding assistance of the diversion center, and additional housing support.

Priority Level Criteria for Recommendations

High **(P1)**	**Highest-Ranking Officer's immediate attention** is required. Corrective action is strongly recommended (30 days).
	• Financially material loss or potential loss – 7% of budget of function under review • Lack of or failure of internal controls requiring considerable time and resources to correct • Non-compliance with laws, regulations, and policies resulting in significant loss of funds, fines, or restrictions • Significantly negative effect on the County's reputation or public perception
Moderate **(P2)**	**Senior Management's attention** is required. Corrective action is recommended (90 days).
	• Financial loss or potential loss • Internal controls exist but they are not effective, or they are not consistently applied • Non-compliance with laws, regulations, and policies resulting in loss of funds, fines, or restrictions • Negative effect on the County's reputation or public perception
Low **(P3)**	**Management's attention** is required. Corrective action is recommended (180 days).
	• Financial loss or potential loss is minimal • Internal controls exist, but could be improved • Non-compliance with laws, regulations, and policies is a minimal risk • No effect on the County's reputation or public perception
Business Process Improvement **(P4)**	**Management or supervisory attention** recommended but not required
	• Process improvement recommendation • Financial loss or potential loss is minimal or not applicable • Non-compliance with laws, regulations, and policies is a minimal risk or not applicable • No effect on County's reputation or public perception

In an effort to assist the auditee in making the best use of their resources, we have prioritized the recommendations according to the table above.

Findings and Recommendations

FINDING Lack of Consistent Revenue Receipt & Monitoring

Opioid settlement funds were not appropriately monitored or received through a consistent process. During the audit, DIA noted:

- Contracted outside legal counsel was relied upon to track and monitor anticipated opioid settlement funds. However, the tracking information provided by legal counsel was incomplete (missing payments). The County did not maintain an internal process to validate, reconcile, or independently monitor expected settlement amounts, timelines, or distribution requirements and settlement statements.
- Settlement payments were received via ACH or paper checks. Paper checks were sometimes received by the Prosecutor's Office or Executive's Office unbeknownst to PSJS. The County established an informal process with the Prosecutor's Office and the Executive's Office during the audit to ensure PSJS is aware of all opioid settlement fund receipts going forward.

To ensure payment receipts were accurate, DIA reviewed and reconciled receipts based on settlement terms, payment settlement statements, and deposits for $123 million of the $128 million (96%) received through March 31, 2026. No material differences were identified.

Criteria

It is considered a financial management best practice to maintain internal processes that monitor anticipated revenue for completeness, accuracy, and eventual receipt. Relying solely on external parties without internal validation can limit an organization’s ability to ensure that anticipated funds are received and managed appropriately.

Root Cause

Monitoring responsibilities were delegated to outside legal counsel without establishing internal procedures within the County for oversight. Additionally, a formalized process for receiving, monitoring, and validating settlement receipts was not initially implemented.

Risk to the County if Not Corrected

Without adequate revenue receipt and monitoring processes, missed or inaccurate payments may go undetected.

Recommendations:

1. PSJS should coordinate with the Law Department to obtain supporting documentation from the County's outside attorney or internal legal team to verify that the funds received are accurate and supported before posting revenue to the Opioid Fund.

Priority Rating: **P2 - Moderate**

Management's Response:

This recommendation reflects a known challenge that PSJS has worked hard to mitigate. It is an ongoing effort due to the complex nature of the national litigation and settlement process. As each defendant settles their liability, Cuyahoga County ultimately receives a portion of the settlement. Settlements, in many cases, are not public and Cuyahoga County, including PSJS as well as legal counsel, may or may not receive timely notice of its share.

To further complicate this issue, PSJS received the initial bellwether settlement dollars at the end of 2019 but did not receive any additional revenue from subsequent settlements until late 2024. Thus, it was not known in the initial phases of the Opioid Mitigation Fund that additional revenue was to be expected and no process for tracking additional revenue was developed. However, once PSJS was notified of subsequent payments, PSJS began convening meetings with internal and external counsel, as appropriate. PSJS did not set regular meetings because payments were not expected on a routine or timed basis. Additionally, with the assistance of external legal counsel, a spreadsheet was developed to document funds received to date and funds still to be expected.

To help establish regularity for this audit objective and overcome the complexity of the settlement process, PSJS will continue to convene meetings with outside counsel, the law department, and the Cuyahoga County Prosecutor's Office, *but will formalize said meetings quarterly beginning in 2027*. The purpose of the meetings will be to review funds that have been received to date, document funds that are to be expected in the near future, and confirm or review the timeline for receipt. The spreadsheet referenced above will continue to be used and built upon to document the fund going forward. It will be updated and shared at each meeting to ensure proper records are maintained. Any discrepancies between revenue expected and revenue received will be flagged and addressed in this quarterly meeting.

Between meetings, funds will continue to be deposited by the PSJS Business Services Manager according to county fiscal policy. Once PSJS receives notification of any settlement revenue received, they will use and update the tracking spreadsheet. It will be used to see if that revenue was expected and if the dollar amount received matches the dollar amount expected. If the revenue was received as expected, the fiscal process will continue. However, if the revenue was not on

the spreadsheet as an anticipated fund, or if the amount received is different than the amount expected, PSJS's Business Services Manager will notify the PSJS Director immediately. The item will be flagged to discuss at the next quarterly meeting.

PSJS will also remind all parties in each quarterly meeting that any payments or settlement terms/agreements received by any party (Law Department, Cuyahoga County Prosecutor or external counsel), must be delivered to PSJS or county OBM immediately.

Target Date of Completion: Ongoing with first meeting in quarter 1 of 2027.

2. PSJS should receive and maintain an accurate and complete listing of past and anticipated proceeds from Opioid settlements from the Law Department and/or the County's outside attorney.

Priority Rating: **P2 - Moderate**

Management's Response:
PSJS provided to the audit team a spreadsheet of past/received and anticipated revenue. This spreadsheet is described above and will be updated on a routine basis by PSJS's Business Services Manager. It will be reviewed for accuracy at the quarterly meetings discussed above. To address this finding further, PSJS will modify the spreadsheet to add a column that identifies whether the amount received is different than what was expected. If a discrepancy exists, it will be flagged for investigation and discussion between PSJS and legal counsel. PSJS will also schedule the first quarterly meeting for the first quarter of 2027, as discussed above.

Target Date of Completion: Ongoing with first meeting in quarter 1 of 2027.

FINDING Expenses lacked adequate supporting documentation

From January 1, 2025 through December 31, 2025, over $58.2 million of Opioid Mitigation Funds were spent on contractual services. DIA reviewed 60 invoices from 12 vendors totaling $5,057,415 to verify allowable use, proper authorization, and adequate support. One contract administered by the Sheriff's Office reimbursed payroll expenses and necessary supplies in the jail. DIA noted invoicing lacked sufficient support specifically for labor (time and effort documentation and payroll records) to confirm that services were provided. The vendor submitted only a spreadsheet with the invoice listing names, hours, and dollar amounts, with no evidence the individuals worked in the jail during the billing period. Unsupported labor costs totaled up to $433,232 (9% of the sample).

Support documentation on related supplies was included with invoices.

Criteria

Expenses should be supported by documentation demonstrating that costs are allowable, reasonable, and aligned with contractual terms and approved budgets. Supporting documentation should justify all labor and non-labor charges and provide sufficient detail to confirm that services were delivered. This includes:

- Labor – Time and efforts reporting along with support of actual expenditures when applicable.
- Required purchases – Copy of invoices and proof of payment.

Root Cause

Contracts did not require detailed supporting documentation for reimbursable expenses such as time-and-effort records, payroll support, or other justification for labor and non-labor charges. As a result, vendors were not expected or prompted to provide sufficient evidence to validate billed expenses.

Risk to the County if Not Corrected

Without sufficient supporting documentation or required program reporting, billed expenses cannot be verified as appropriate, accurate, or aligned with contractual objectives. This increases the risk of improper payments, reduces accountability for vendor performance, and limits the ability to demonstrate that Opioid Mitigation Funds were used effectively to achieve intended program outcomes.

Recommendations:

1. The Law Department should ensure all future County contracts require detailed supporting documentation for reimbursable expenses, including time-and-effort records, payroll support (when applicable), and itemized justification for non-labor charges.

Priority Rating: **P1 - High**

Management's Response:

The Law Department will add broad language to the contract template and, going forward, will discuss with the client any additional language the client thinks may be helpful to support requesting documentation of reimbursed costs.

Target Date of Completion: March 30, 2027

2. The Sheriff's Office should consider requiring adequate support documentation to confirm services were provided prior to making payment of expenditures funded by the Opioid Mitigation Fund.

Priority Rating: **P4 - Process Improvement**

FINDING Contract Review for County Code or Settlement Compliance

Vendor contracts funded with opioid settlement money were not reviewed by the County to verify compliance with County Code or settlement terms during the procurement process. During the audit, DIA met with the Law Department who confirmed the scope of contract reviews were limited to legal form and correctness.

DIA reviewed a sample of Opioid Mitigation Funded contracts. All appeared to comply with the County Code and requirements establishing the Opioid Fund.

Criteria

Best practice is to verify vendor contracts conform with local, state, and federal laws and any applicable settlement terms. County Code Section 725 establishes an Opioid Mitigation Fund sourced by any opioid related settlements or related interest earned. Section 725.02 specifically requires "...the funds in the Opioid Mitigation Fund shall be used solely for the remediation, mitigation, and rectification of the opioid epidemic in Cuyahoga County".

Root Cause

Based on communication during procurement of some contracts funded through the Opioid Mitigation Fund, PSJS presumed the Law Department reviewed all contracts for compliance.

Risk to the County if Not Corrected

A lack of adequate legal review of vendor contracts during procurement may lead to the funding of projects or services which do not comply with laws and/or regulations.

Recommendations:

1. The Law Department should perform a documented review all remaining proposed contracts funded by the Opioid Mitigation Fund for County Code compliance.

Priority Rating: **P2 - Moderate**

Management's Response:

Although compliance with the various settlement terms is complex, most settlements have substantially similar requirements. The Law Department will review how PSJS is managing funds from each settlement to ensure they fully understand the requirements and to understand how they are tracking sources and uses. This will enable the Law Department to perform a County Code compliance review on proposed contracts funded by the Opioid Fund.

Target Date of Completion: March 31, 2027

FINDING Lack of Program Specific Policies and Procedures

PSJS staff followed County revenue recording and procurement procedures. However, the PSJS Opioid Fund program did not have formally established policies and procedures in place to ensure consistency and provide clear guidance throughout the program's lifecycle.

Criteria

Written policies and procedures are essential for ensuring operational effectiveness, efficiency, accountability, and regulatory compliance. They also help reinforce management's expectations and promote consistency in employee performance.

Root Cause

The Opioid Fund program was the first of its kind, established as a result of a sizable legal settlement and a program of this nature is not expected to recur.

Risk to the County if Not Corrected

The absence of written internal guidance increases the risk of inconsistent operations and program monitoring.

Recommendations:

1. Should a similar program occur in the future, PSJS should create written policies and procedure guidance that includes, but not limited to:
    - Revenue Receipt *(See Lack of Consistent Revenue Receipt & Monitoring finding)*
    - Compliance review during procurement *(See Contract Review for County Code or Settlement Compliance finding)*
    - Program monitoring and reporting *(See Implement Formal Monitoring and Reporting of Program Effectiveness finding)*

Priority Rating: **P4 - Process Improvement**

FINDING Program Reporting and Data Accuracy

PSJS currently provides status updates on the Opioid Settlement–funded programs to County Council on an informal and ad-hoc basis. These updates are not supported by a formal reporting process.

DIA reviewed PSJS's January 2026 presentation and found it to be consistent with the external source reports utilized in its preparation.

Criteria

Effective program oversight and governance requires timely, accurate, and consistently prepared reporting to stakeholders. Good practice for public-program administration includes:

1. Establishing formal reporting protocols
2. Ensuring data used in external reporting is complete, accurate, and supported
3. Providing routine visibility into program status, performance, and use of funds

Root Cause

A formalized reporting process or schedule had not been established. This resulted in informal update schedule.

Risk to the County if Not Corrected

Without a standardized reporting process, stakeholders may not receive consistent and reliable information on program status which could impact decision-making regarding program prioritization.

Recommendations:

1. In conjunction with County Council, PSJS should consider implementation of a formalized stakeholder reporting process for the remainder of the Opioid Mitigation Fund sourced programs. Consideration should include defined reporting timing (such as quarterly or semiannual updates) and required content elements.

Priority Rating: P4 - **Process Improvement**