

2015 Risk Assessment

Cuyahoga County, Ohio
Department of Internal Auditing

2015 Risk Assessment Report
January 1, 2015 – December 31, 2015

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**CUYAHOGA COUNTY
DEPARTMENT OF INTERNAL AUDITING**

**RISK ASSESSMENT REPORT
Cuyahoga County
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 conducted a risk assessment 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 and identify potential auditable units for the audit plan.

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 assessments.

We conducted this assessment 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 assessments.

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 these assessments.

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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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. Development of the assessment was based on various risk factors to the County, as well as interviews with various members of management and other stakeholders. We conscientiously reviewed risks related to internal agency processes, expenditures and revenue, and information technology.

Purpose

DIA is required to perform an annual risk assessment in accordance with the County's charter and Internal Audit Standards. 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.

Risk Assessment Methodology

Risk assessment, as defined by the IIA, is a *systematic process for assessing and integrating professional judgments about probable adverse conditions and/or events*. Risk is defined as *the possibility of an event occurring that will have an impact on the achievement of objectives*. Risk is measured in terms of impact and likelihood.

DIA developed the audit universe² and performed a risk analysis on 103 auditable units utilizing 11 risk factors. Other risk factors were added to some auditable units based on risks communicated to DIA from the unit.

DIA received input from directors and managers through formal facilitated interviews. Additional information was collected through research of the County website and County financial records. In conducting our risk assessment, the DIA developed a questionnaire to compile information on the unit and to address all risk factors. The following information was requested from each unit:

- Description of unit's activities and functions
- Business objectives, risks, and exposures
- Systems utilized
- List of major vendors and estimated annual payments
- Questions to address 11 risk factors. *See page 5 for a list of Risk Factors.*
- 2014 total expenditures
- 2015 original budget
- Number of FTEs
- Additional risks identified by unit

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. See total scores and heat maps in Appendix B.

² A list of potential risk areas where opportunities and threats to business objectives reside.

Audit Universe

The County audit universe was constructed to execute the risk assessment and enhance the ability to create an audit plan. The audit universe is broken into auditable units.

The primary sources for determining the audit universe was the 2014/2015 Biennial Operating Budget resolution and research of the County's website for other agencies funded in whole or in part by County funds. The audit universe will be reviewed and updated on an annual basis. Appendix A displays the audit universe as compiled by DIA.

Risk Factors

DIA identified 11 risk factors for the assessment. The risk factors were developed using IIA guidance and historical knowledge of the County government, as well as best practices in internal auditing. Each risk factor was scored based on the impact and likelihood of the risk occurring to the unit. The likelihood is the measure of the probability of an unfavorable event occurring while impact is the measure of the consequence of an unfavorable event occurring. The impact and likelihood was scored low, medium, or high based on information and research on each auditable unit.

In addition, risk categories were used for each risk factor. The impact of each risk factor was scored based on the financial, operational, and/or compliance impact to the County. The overall goal of the risk scoring approach is to ensure DIA include high risk areas in the audit plan and consider routine audits on these areas. The three risk categories are defined as follows:

- *Financial Risk* – Impact related to revenues, expenditures, assets, liabilities, and equity decisions.
- *Operational Risk* – Risk is exposed if operating objectives are not being met through the effective and efficient use of resources. This includes potential for fraud, business disruptions, customer service, and safety.
- *Compliance Risk* – Risk is exposed if operating (or potentially operating) outside of applicable laws and regulations.

Once the various risk factors were rated, they were weighted in order to arrive at a composite risk score for each auditable unit which was used to determine areas to prioritize for 2016 and 2017 audit plan. Each risk factor was weighted between 1 and 5 based on the risk factor effect to the County (a weight of 5 being the highest risk). In addition, DIA included custom measures and added an additional weight on 2014 actual expenditures for each auditable unit. A weight between 0 and 3 was added to the total risk score for each auditable unit based on actual expenditures in 2014.

The 11 risk factors and assigned weighting are as follows:

Risk Factors	Risk Category	Weight	Description
Unbudgeted Funds	F	4	Funding not approved by Council may increase the risk of misappropriated assets and reduce monitoring controls.
Inventory	F	2	Risk of asset misappropriation, depreciation of obsolete items, or nonexistent items recorded as inventory.
Interest to Outside Parties	O	1	Impact of negative exposure on the County if reported in the media.
Handling of Cash	O, F	5	Impact and likelihood of risk increases with more cash collection and less resources to monitor.
Instances of Fraud, Waste, & Abuse	O, F	5	The impact of illegal acts or wasteful spending can result in a heightened consequence with public funds regardless of dollar amount.
Complexity of Transactions	O, F	3	Risk could increase the more complex transactions that exists and with prior issues noted.
Departmental Changes	O, F	3	A dynamic change in employees increases the probability of inefficiencies as well as errors occurring.
Information Technology Changes	O, F	3	Awareness of information technology changes and information security controls is crucial to data security and data processing efficiencies.
Quality of Internal Control System	O, F, C	4	Reliability of internal control system is important in detecting and preventing operational and systemic errors.
Regulations and Compliance	O, F, C	4	Impact of compliance risk increases with more reliance on federal/state funds and prior issues.
Prior Audit Results	O, F, C	2	The recency of prior audits (DIA, Auditor of State, etc.) may more accurately predict the likelihood of future outcomes.

O – Operational Risk Impact; F – Financial Risk Impact; C – Compliance Risk Impact

Outstanding Assessments

DIA formally discussed and assessed the risk of 97 auditable units out of 103 in total. DIA was unable to have a formal meeting with the other six units. These units have been assessed based on DIA's research of the County's website and financial records.

During the 2016 risk assessment, DIA plans to assess the risk of the other six auditable units. We determined five of the six units to be low to medium risk to the County. Risk assessment scores and the audit plan, if necessary, will be updated once DIA completes a formal risk assessment with the units. See the following table for more details:

Auditable Unit	Date of Assessment	Risk to the County
HR – Personnel	During 2016 Risk Assessment	Low
HR – Employment Relations	During 2016 Risk Assessment	Low
County Executive	During 2016 Risk Assessment	Low
Global Center for Health and Innovation	During 2016 Risk Assessment	Medium
Cuyahoga Arts and Culture	During 2016 Risk Assessment	Low
MetroHealth System	During 2016 Risk Assessment	High

Appendix A – Audit Universe

Organization	Organizational Units	Agencies / Departments / Offices / Boards
Cuyahoga County	Justice	Clerk of Courts <hr/> Agency of Inspector General <hr/> Department of Law <hr/> Medical Examiner <hr/> Prosecutor's Office <hr/> Public Defender <hr/> Public Safety & Justice Services <ul style="list-style-type: none"> Regional Enterprise Data Sharing System (REDSS) Office of Emergency Management • Cuyahoga Emergency Communications System (CECOMS) Witness/Victim Service Center Mediation <hr/> Sheriff's Office <hr/> Crime Stoppers
	Courts	Common Pleas Court - 8th District Court of Appeals <hr/> Common Pleas Court - Civil & Criminal <ul style="list-style-type: none"> Community Based Correctional Facility Adult Probation (Restitutions) <hr/> Domestic Relations Court <hr/> Probate Court <hr/> Juvenile Court <hr/> Municipal Judicial Costs
	Economic Development	Department of Development <ul style="list-style-type: none"> Property Demolition Program <hr/> Regional Collaboration
	Health & Human Services	Children & Family Services <ul style="list-style-type: none"> Cuyahoga Tapestry System of Care <hr/> Employment & Family Services <ul style="list-style-type: none"> Child Support Enforcement <hr/> Family & Children First Council <hr/> Homeless Services <hr/> Invest in Children <hr/> Senior & Adult Services <hr/> Office of Reentry
	Operations	County Council <hr/> County Executive <hr/> Fiscal Officer <ul style="list-style-type: none"> Board of Revisions Office of Budget & Management Budget Commission Fiscal Office Controller • General Accounting/Financial Reporting • County Payroll • Hotel/Motel Tax • Accounts Payable Office of Procurement & Diversity

Cuyahoga
County
(cont'd)

Operations
(cont'd)

Fiscal Office (cont'd)

Fiscal Office Operations

- Auto Title
- Estate Tax
- Map & Digital Imaging
- Microfilm
- Recorder's Office / Real Estate
- Real Property Valuation
- Fiscal Office General Services
- Appraisal

Weights & Measurers/Consumer Affairs

Fiscal Office Special Projects (IT Contracts)

Treasurer's Office

Public Works

Animal Shelter
Sewer
Facilities
Fleet Services
Road/Bridge
Parking Services
Mailroom
Print Shop
Public Works Fiscal
County Airport
Architecture
Archives (County Records Commission)

Human Resources (HR)

Regionalization Benefits Program
County Benefits
HR Time and Attendance
HR Personnel
Compliance and Worker's Compensation
HR Employment Relations

Information Technology

IT Security
Geographical Information Systems (GIS)

Global Center for Health and Innovation

Boards &
Commissions

Alcohol, Drug Addiction, & Mental Health Services (ADAMHS)

Board of Control

Board of Elections

Convention and Visitors Bureau

Cuyahoga Arts and Culture

Cuyahoga Corrections Planning

Personnel Review Commission (PRC)

Internal Audit Committee

Metrohealth System Board of Trustees

Public Defender's Commission

Soldiers' and Sailors' Monument

Veterans Service Commission

Ohio Means Jobs

Local Emergency Planning Committee

Board of Developmental Disabilities

Board of Health

Ryan White Part A Program

Solid Waste District / Planning

Cuyahoga Soil and Water Conservation District

County Law Library Resource Board

Planning Commission

Appendix B – Tables and Heatmaps

Risk Score Legend

Priority	Risk Score
Very High	Greater than 9.50
High	8.00 – 9.50
Medium	6.50 – 8.00
Low	4.50 – 6.50
Very Low	Lower than 4.50

Total Inherent Risk Score

Total Inherent Risk Score by Organizational Unit

Organizational Unit	Score	Priority
Operations	10.35	Very High
Health & Human Services	9.80	Very High
Courts	9.73	Very High
Justice	9.61	Very High
Boards & Commissions	9.05	High
Economic Development	7.15	Medium

Total Inherent Risk by Auditable Unit

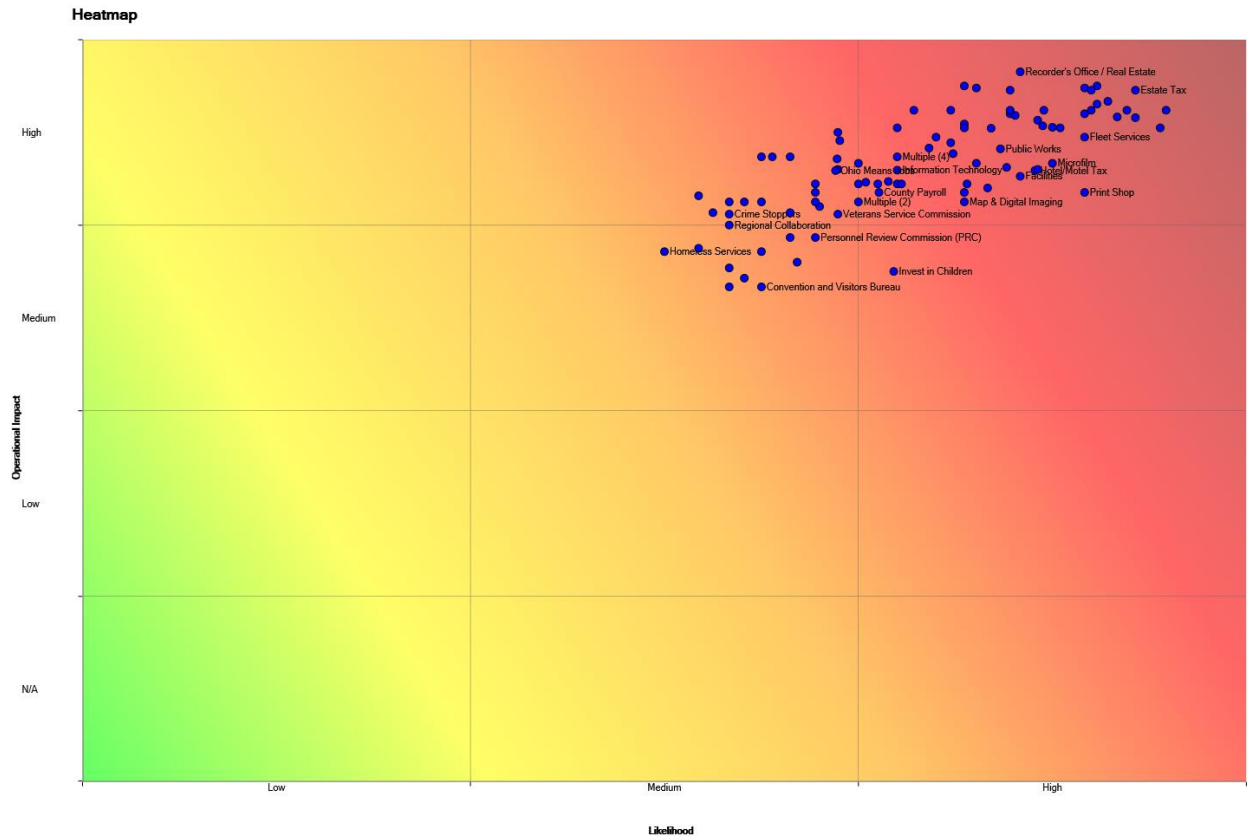
Auditable Unit	Score	2014 Actual Expenditures	2015 Original Budget	FTE Count
Sheriff's Office	11.30	\$ 98,507,162	\$ 98,655,492	1,209.0
Accounts Payable	11.27	835,741,950	-	8.0
Employment and Family Services	10.93	78,210,744	79,612,682	1,165.0
County Benefits	10.88	82,880,773	79,247,103	8.0
Budget Commission	10.81	2,336,192,182	-	2.0
County Payroll	10.78	39,345,811,320	-	4.0
Prosecutor's Office	10.39	30,137,961	35,993,598	378.0
Child Support Enforcement	9.80	29,997,518	33,125,022	335.0
Regionalization Benefits Program	9.68	10,689,109	16,034,969	1.5
Board of Developmental Disabilities	9.56	195,063,531	201,236,439	1,016.0
MetroHealth System Board Of Trustees	9.23	869,665,000	931,281,000	6,617.0
Children and Family Services	9.22	127,341,568	142,428,510	868.0
Road/Bridge	9.19	54,741,996	30,539,428	35.0
Juvenile Court	8.86	58,595,453	56,826,003	550.0
Public Defender	8.84	10,847,841	11,221,205	102.5
Senior & Adult Services	8.77	16,480,279	18,223,398	177.0
Office of Procurement & Diversity	8.63	1,358,384	1,317,988	22.0
Fiscal Office Operations	8.62	9,345,522	9,489,339	140.0
Estate Tax	8.56	-	-	2.0
Real Property Valuation	8.56	-	-	15.0
Facilities	8.55	35,387,215	35,526,241	232.0
Parking Services	8.54	3,181,001	2,586,510	12.5
Common Pleas Court - Civil & Criminal	8.53	17,030,291	35,900,599	522.0
Fiscal Office Special Projects (IT Contracts)	8.43	934,293	1,155,891	9.0
Treasurer's Office	8.42	10,261,850	12,403,306	43.0
Alcohol, Drug Addiction & Mental Health Services (ADAMHS)	8.34	58,673,313	76,925,309	45.5
Recorder's Office / Real Estate	8.34	-	-	37.0
Clerk of Courts	8.28	9,679,380	10,727,308	117.0
Information Technology	8.26	25,155,380	22,203,423	150.0
Municipal Judicial Costs	8.22	3,343,414	3,150,053	-
Sewer	8.19	16,845,828	32,324,406	120.0
Medical Examiner	8.13	8,964,931	10,127,247	87.0
Adult Probation (Restitutions)	8.10	9,279,495	12,637,444	200.0
Fiscal Office General Services	8.10	-	-	8.0
Community Based Correctional Facility	8.07	5,464,254	-	50.0
Office of Budget & Management	8.02	733,764	1,040,335	8.0
Public Works Fiscal	7.99	1,212,766	-	20.0
Board of Health	7.95	15,023,911	19,314,420	145.0
General Accounting/Financial Reporting	7.92	-	-	7.0
Microfilm	7.92	373	-	28.0
Department of Development	7.87	18,794,938	18,399,527	12.0
Global Center for Health and Innovation	7.85	8,760,500	4,525,104	-

Fiscal Officer	7.74	-	-	331.0
Fiscal Office Controller	7.70	2,761,455	3,404,723	23.0
Probate Court	7.66	6,234,493	6,891,858	77.0
County Airport	7.62	1,364,493	2,013,133	5.0
Fleet Services	7.53	1,471,747	2,036,274	12.0
Human Resources (HR)	7.53	3,690,610	3,610,463	52.0
HR Time and Attendance	7.40	-	-	11.0
Ohio Means Jobs	7.31	10,773,291	10,099,894	12.0
IT Security	7.28	323,939	344,959	3.0
Board of Revisions	7.21	4,808,035	3,526,189	25.0
Public Works	7.15	-	-	580.0
Cuyahoga Soil and Water Conservation District	7.04	702,624	827,061	10.0
Compliance and Worker's Compensation	6.98	4,909,935	3,028,426	6.0
Appraisal	6.90	-	-	41.0
Office of Reentry	6.89	-	-	-
Veterans Service Commission	6.89	6,355,194	6,951,118	31.0
Board of Control	6.88	-	-	-
Solid Waste District / Planning	6.88	1,869,296	2,208,147	6.0
Homeless Services	6.86	13,766,357	14,401,523	5.0
Public Safety & Justice Services	6.83	6,462,629	2,886,866	85.0
County Law Library Resource Board	6.79	532,205	566,245	3.0
Hotel/Motel Tax	6.76	166,400	-	3.0
Invest in Children	6.76	12,076,217	13,078,001	6.0
Board of Elections	6.75	12,967,132	15,184,479	92.0
Cuyahoga Emergency Communications System (GECOMS)	6.73	8,151,254	5,398,387	25.0
Archives	6.68	495,273	907,718	4.0
Print Shop	6.60	2,783,429	3,347,179	9.0
Cuyahoga Corrections Planning	6.55	3,511,365	-	-
Ryan White Part A Program	6.51	3,599,300	4,616,076	5.5
Witness/Victim Service Center	6.51	2,874,129	9,024,472	22.0
Auto Title	6.40	4,421,268	4,277,451	62.0
Cuyahoga Arts & Culture	6.33	17,302,118	-	7.0
Domestic Relations Court	6.32	7,724,960	8,054,451	85.0
Mailroom	6.24	1,534,662	1,817,869	11.0
Local Emergency Planning Committee	6.21	158,005	-	-
Mediation	6.20	643,728	825,187	9.0
Property Demolition Program	6.18	-	13,045,390	5.5
Department of Law	6.16	1,852,201	2,163,626	22.0
Animal Shelter	6.12	1,940,598	1,832,725	15.0
Common Pleas Court - 8th District Court of Appeals	5.99	833,529	721,640	50.0
Map & Digital Imaging	5.99	-	-	7.0
Regional Enterprise Data Sharing System (REDSS)	5.93	1,331,443	2,082,362	4.0
Weights & Measurers/Consumer Affairs	5.70	537,820	799,200	8.0
Family & Children First Council	5.57	4,134,574	4,751,256	8.0
Agency of Inspector General	5.38	804,126	824,876	7.0
Office of Emergency Management	5.30	1,308,554	1,417,689	12.0
HR Employment Relations	5.28	-	-	-

Cuyahoga Tapestry System of Care	5.27	4,142,199	4,888,095	2.0
Architecture	5.23	-	-	4.0
Planning Commission	5.21	1,355,872	1,382,760	17.0
HR Personnel	5.20	-	-	-
Geographical Information Systems (GIS)	5.16	816,703	1,076,274	4.0
Personnel Review Commission (PRC)	5.12	487,417	888,222	11.0
Convention and Visitors Bureau	4.88	10,443,803	-	50.0
County Council	4.63	1,646,358	1,699,005	20.0
Crime Stoppers	4.62	20,418	-	1.0
County Executive	4.61	1,412,273	1,425,478	15.0
Public Defender's Commission	4.61	-	-	-
Soldiers' & Sailors' Monument	4.43	225,549	221,711	3.0
Internal Audit Committee	4.30	454,758	499,996	5.5
Regional Collaboration	3.83	151,653	283,734	2.5

Risk Category Heatmaps

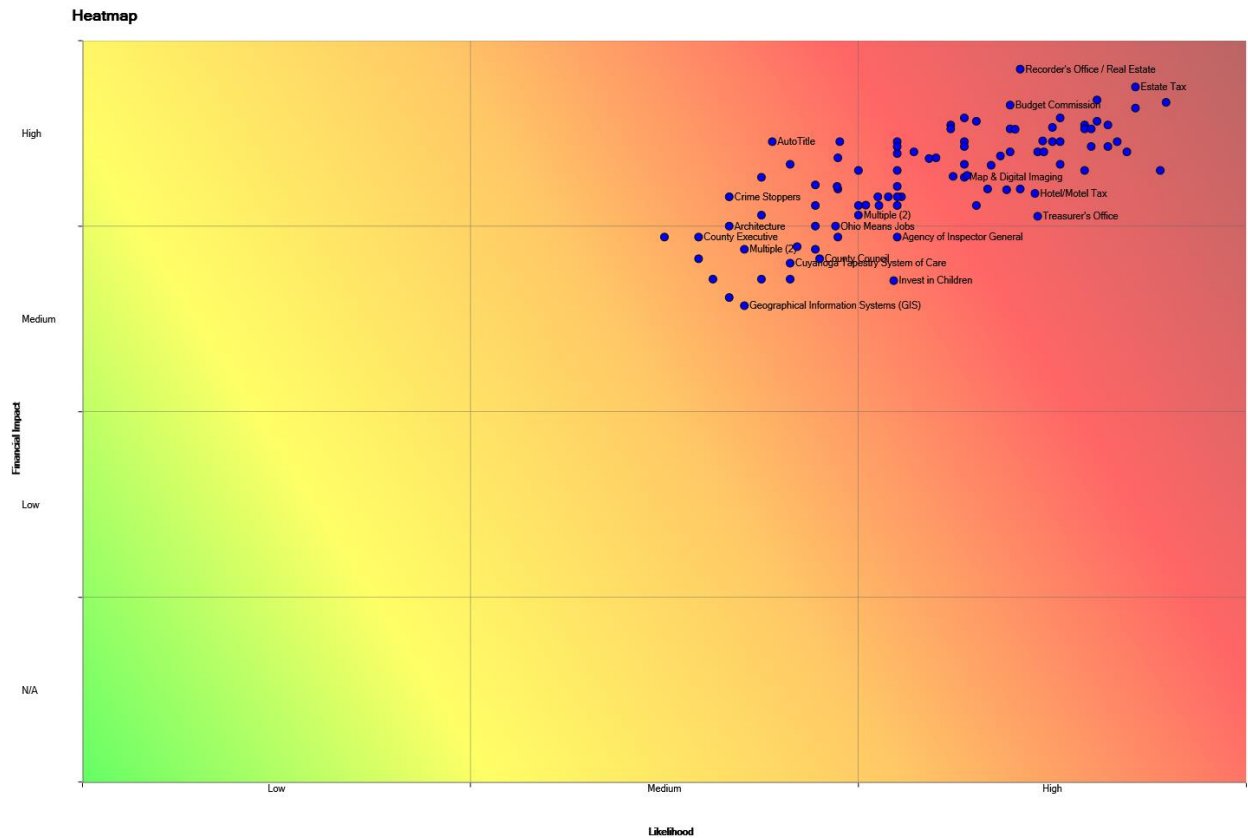
Operational Impact



Legend of 15 Highest - Operational Risk Impact

Auditable Unit	Likelihood	Operational Impact
Recorder's Office / Real Estate	2.417	2.826
Senior & Adult Services	2.273	2.75
Office of Procurement & Diversity	2.615	2.75
Board of Revisions	2.304	2.739
Office of Budget & Management	2.583	2.739
Budget Commission	2.391	2.727
Estate Tax	2.714	2.727
Regionalization Benefits Program	2.6	2.727
Prosecutor's Office	2.643	2.667
Appraisal	2.643	2.667
Parking Services	2.615	2.652
Municipal Judicial Costs	2.692	2.619
Real Property Valuation	2.793	2.619
Public Works Fiscal	2.6	2.619
County Benefits	2.391	2.619

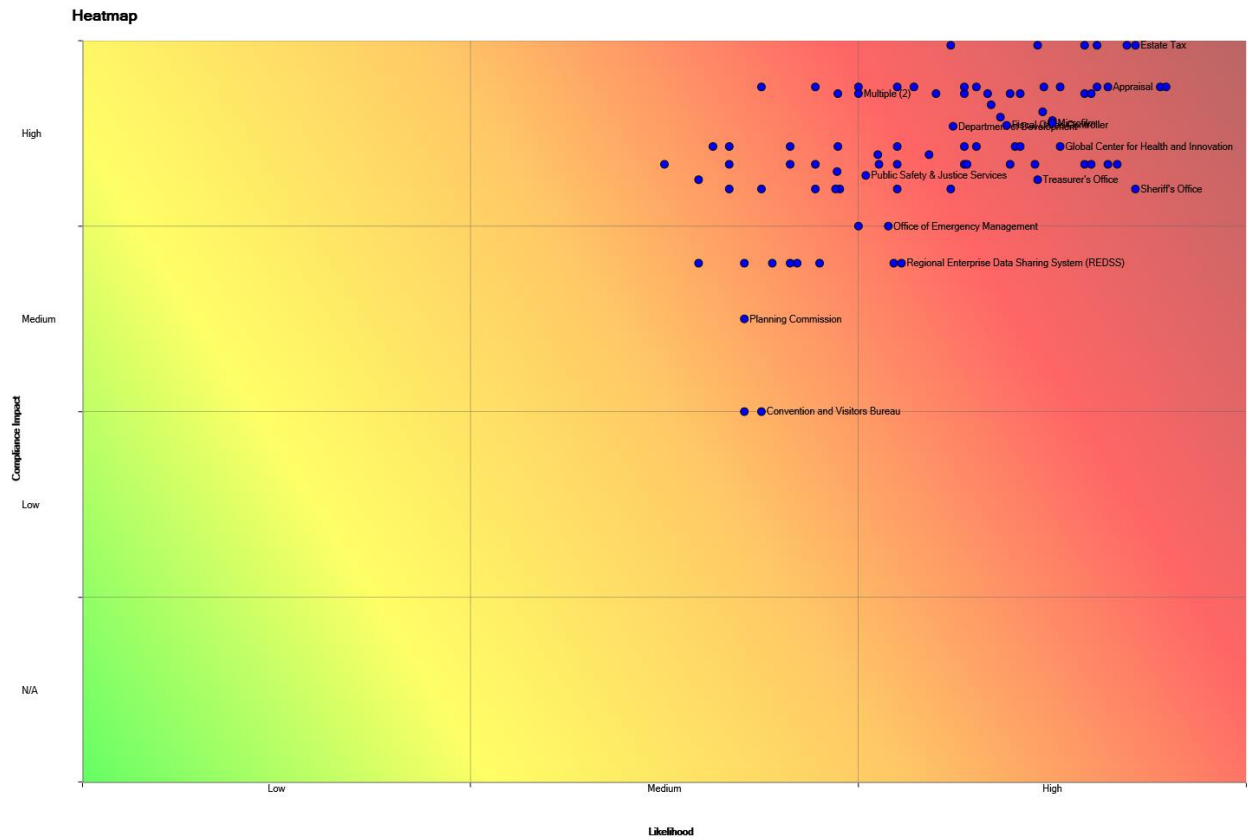
Financial Impact



Legend of 15 Highest - Financial Risk Impact

Auditable Unit	Likelihood	Financial Impact
Recorder's Office / Real Estate	2.417	2.846
Estate Tax	2.714	2.75
Parking Services	2.615	2.68
Real Property Valuation	2.793	2.667
Budget Commission	2.391	2.652
Sheriff's Office	2.714	2.636
Medical Examiner	2.52	2.583
Senior & Adult Services	2.273	2.583
Board of Revisions	2.304	2.565
Office of Procurement & Diversity	2.615	2.565
Prosecutor's Office	2.643	2.545
Office of Budget & Management	2.583	2.545
Fleet Services	2.583	2.545
IT Security	2.238	2.545
Fiscal Office Operations	2.5	2.532

Compliance Impact



Legend of 15 Highest - Compliance Risk Impact

Auditable Unit	Likelihood	Compliance Impact
Public Defender	2.462	3
Municipal Judicial Costs	2.692	3
Office of Budget & Management	2.583	3
Office of Procurement & Diversity	2.615	3
Estate Tax	2.714	3
County Airport	2.583	3
IT Security	2.238	3
Department of Law	1.889	2.75
Medical Examiner	2.52	2.75
Office of Reentry	1.75	2.75
Board of Revisions	2.304	2.75
General Accounting/Financial Reporting	2	2.75
Accounts Payable	2.778	2.75
Real Property Valuation	2.793	2.75
Fiscal Office General Services	2.52	2.75

Likelihood of Operational, Financial and Compliance Risk – Combined Scores

Top 15

Auditable Unit	Likelihood
Real Property Valuation	2.793
Accounts Payable	2.778
Estate Tax	2.714
Sheriff's Office	2.714
Municipal Judicial Costs	2.692
Fiscal Office Special Projects (IT Contracts)	2.667
Appraisal	2.643
Prosecutor's Office	2.643
Office of Procurement & Diversity	2.615
Parking Services	2.615
Regionalization Benefits Program	2.6
Public Works Fiscal	2.6
Office of Budget & Management	2.583
County Airport	2.583
Fleet Services	2.583