

## **Minutes**

### **CUYAHOGA COUNTY**

#### **AUDIT COMMITTEE**

**Wednesday, December 11th, 2019, 9:00 AM – 11:30 AM**

**Cuyahoga County Administrative Headquarters**

**2079 East Ninth Street, Cleveland, OH 44115**

**4th Floor, 4-407 - Committee Room B**

1. Call to Order – meeting of December 11th, 2019

The meeting was called to order at 9:07 a.m.

2. Roll Call

Attending:

Michael Abouserhal

Trevor McAleer (alternate for Dan Brady)

Keith Libman

Michael Chambers

Absent:

Yvette Ittu

Armond Budish

3. Public Comment - Related to Items on the Agenda

There was no public comment related to items on the agenda.

4. Introduction of new Internal Audit Director

Monica Houston, Internal Audit Director, was welcomed and introduced.

Interim Fiscal Officer, Michael Chambers, was also welcomed and introduced.

Michael Chambers informed the Audit Committee that the permanent Fiscal Officer position was recently posted on the County's job board.

5. Approval of Minutes – September 5, 2019 (full session)

There were no corrections to the minutes from the September 5, 2019 meeting.

Keith Libman motioned to approve, as written; Trevor McAleer seconded. The minutes for the September 5, 2019 meeting were unanimously approved.

Approval of Minutes – September 25, 2019 (executive session)

There were no corrections to the minutes from the September 25, 2019 meeting.

Trevor McAleer motioned to approve, as written; Keith Libman seconded. The minutes for the September 25, 2019 meeting were unanimously approved.

Approval of Minutes – October 3, 2019 (executive session)

There were no corrections to the minutes from the October 3, 2019 meeting. Keith Libman motioned to approve, as written; Trevor McAleer seconded. The minutes for the October 3, 2019 meeting were unanimously approved.

6. Executive Session (As Necessary)

An Executive Session was not required.

7. Old Business:

a. Follow-up Items from 3<sup>rd</sup> Quarter Meeting

Rose Karam presented the follow-up items from the 2019 3<sup>rd</sup> quarter meeting:

- Regarding the discussion of an ORC amendment, Mike Abouserhal and Keith Libman had no updates to report relating to discussions with Summit County about the ORC amendment.
- Catherine Tkachyk, Chief Innovation & Performance Officer, reported that she referred John Cornwell, Investigative Systems Analyst, to Robert Noll, ERP Business System Analyst, to obtain access to all systems within the ERP for DIA to perform its testing. Michael Abouserhal requested that confirmation on resolution of this access issue, specifically relative to IPA, be obtained.
- Rose Karam stated the senior auditor position vacancy was posted December 10<sup>th</sup>, 2019. Also, Council approved the funds in DIA's 2020 budget to cover the additional salary to advance an existing staff auditor to a senior auditor. The Audit Committee requested that an organizational chart that conforms to the budget be presented at the next regularly scheduled meeting.
- Rose Karam noted that Council approved the internship in the budget. Rose is working with local universities to implement an internship program.
- Rose Karam presented an overview of the 2020 and 2021 budgets approved by Council. A discussion relative to the differences in the budget approved by Council versus that approved by the Audit Committee took place. Rose explained that Council did not approve the request of \$5,000 for a conference room and that the \$10,000 request for outside services was not included in the budget presented

to the Council due to an oversight during the Council presentation portion of the budget process. The Audit Committee requested that a budget variance analysis reconciling Council approved and Audit Committee approved budgets be prepared and presented to the Audit Committee for the next meeting.

- Rose Karam presented an update to the Treasurer's Office remediation efforts. DIA met on September 16, 2019, with management involved in the process. Chris Murray, County Treasurer, has since presented a plan of action to resolve any remaining issues. Mark Griffin, Inspector General, has stated his office is performing follow-up testing and his results will be presented to the Audit Committee once complete. The Audit Committee requested that details of when the follow-up work will be done be obtained and an update be provided at the next regularly scheduled meeting.
- Additional follow-up items below were also addressed, see minutes for each as address in the Old Business and New Business sections as appropriate.
  - Destination Cleveland
  - Bank Reconciliation
  - 2018 GAAP conversion financials
  - Homeland Security Grant Report
- b. Resident Member Annual Independence Statements  
DIA provided Annual Independence Statements to the Audit Committee members. Michael Abouserhal requested the Audit Committee members complete and return their Independence Statements by January 31, 2020.
- c. Progress on Amending the ORC for public records  
Michael Abouserhal discussed the potential assistance from the Auditor of State's (AOS). He stated that the AOS was willing to consider helping if consensus and participation from other government agencies could be obtained. The Audit Committee decided to revisit this issue once the new Director of Audit was acclimated to the position and to at that time determine the allocation of resources, if any, towards the pursuit of this endeavor.
- d. Audit Committee Vacancy  
The vacancy remains since Gary Shamis resigned. Michael Abouserhal reported that candidates were reviewed, and one promising candidate is being interviewed.

e. Destination Cleveland

Michael Abouserhal noted that the Auditor of State (AOS) has completed their review of Destination Cleveland's 2018 financials and have reported that Destination Cleveland appeared to be using its funds properly. He requested DIA reach out to AOS for a follow up on their 2019 financials.

8. Other Business:

a. Introduction of new audit team members

DIA's two new staff auditors, Joseph Balbier and Dawn Meredith, were introduced and welcomed.

b. Update on Internal Audit Staff, Open Positions and Audit Resources

Rose Karam presented an update on staffing and noted she would continue to work on developing an internship position and filling current staff vacancies.

c. Update from Fiscal on 2018 Financial Audit

Amy Himmelein, Controller, presented the current status of the County's 2018 Financial Audit. AOS auditors are still in-house but will render an opinion by the end of the year. AOS meeting with the Audit Committee scheduled for January 9<sup>th</sup>, before County Council's meeting on January 14, 2020, subject to confirmation with the AOS.

The AOS identified one issue in their draft report relative to a material audit adjustment for the Sanitary/Sewer Capital Project Fund. Although the correcting adjustment was made, it will still appear on the AOS audit report as a material weakness; AOS noted that the financials were filed with the State on Sept. 27 in compliance with the deadline and thus any changes to the financials thereafter are considered to be adjustments. Amy noted that some prior year issues persist, including the bank reconciliation discrepancy. Amy said she will have management responses to the 2018 AOS Financial Audit finished in time for the Audit Committee meeting. Michael Abouserhal requested that responses be tracked and presented to the Audit Committee as per the previously established process.

d. 2019 Annual Risk Assessment Report

Rose Karam presented the annual risk assessment (RA). This is the 5th year that a county-wide RA has been completed. Rose Karam discussed the RA process. DIA had an 89% response rate (72 out of 81) for the

questionnaires distributed in November. There were nine outstanding questionnaires at the time of the meeting.

Last year's RA response rate was higher at 94% (50 out of 53); however, this may be due to considerably more questionnaires being sent out in 2019 (81 vs 53). Trevor McAleer and Catherine Tkachyk requested that details relative to non-responsive audit entities be provided to them; Catherine indicated she will follow up with the non-responsive agencies/departments.

Keith Libman believes that the Risk Assessment questionnaires should not be optional and wants to know how to prevent any nonresponses. Monica Houston stated that she would re-evaluate the entire risk assessment process to include determining the best method to ensure that all respond.

e. Discuss and Tentatively Approve 2020 Audit Plan

Rose Karam presented the tentative 2020 Audit Plan's anticipated engagements, including follow-ups and consulting services.

The Audit Committee (AC) discussed in detail the request for consulting services relative to the Opioid Settlement Funds. The Audit Committee indicated its preference that the County obtain the assistance of an outside party or the Office of Innovation in the development of metrics to ensure consistent and beneficial use of the funds awarded to service organizations. The AC directed the resources of DIA to be used to perform any related compliance testing.

Additionally, Michael Abouserhal made several inquiries relative to the scope of various audits. Monica Houston indicated that the entire audit planning process including the Risk Assessment would be reviewed and revisions presented to the AC at the next regularly scheduled meeting.

Lastly, Catherine Tkachyk, Chief Innovation & Performance Officer, presented an update on her follow-ups with the agencies audited by DIA that occur six months following the report date, prior to DIA's follow-up which is typically after a year. Michael Abouserhal requested that DIA check with Catherine at the six-month mark for all follow up engagements.

f. Review of Audit Staff's Continuing Professional Education Credits

Rose Karam reported that all DIA staff have met or exceeded their 2019 CPE requirements.

- g. Update of Current Internal Audit Engagement – HR Benefits Review  
Rose Karam presented the current status and scope of the HR Benefits Review. This is the third year of this review and DIA noted significant improvement. DIA provided the results to HR Benefits in August, but the department has not been able to validate and address all the results due to 2020's open enrollment. DIA noted that the number of potential instances of deductions being inaccurate and ineligible subscribers receiving benefits coverage have reduced dramatically compared to the review of 2018. Rose expects to provide the draft report to the Audit Committee in late December 2019 for review and approval to release.
- h. Update of Current Internal Audit Engagement – Bank Reconciliation Review  
Amy Himmelein presented the current status of the Bank Reconciliation Review. The remaining 2018 months and 2019 through October have been completed at the staff level and all but 2 months are awaiting management review. Amy stated that the review at the management level can and does significantly impact the overall completion of the reconciliation. Completion of the reconciliations has been challenging due to resource availability. She has been working on hiring staff to prevent any additional backlog. Two new staff were recently hired to perform reconciliations, however there is still a resource challenge at the management level and Finance is working to hire a resource. Amy expects she can have the reconciliations completed and reviewed by the end of 1<sup>st</sup> quarter 2020.

Keith Libman asked Amy if she could hire additional independent contractors. Amy noted that many candidates lack the relevant qualifications to handle her department's needs, in particular the GAAP conversion process.

Amy confirmed that her department was successful in using the new methodology and written procedures to perform the bank reconciliations, which has resulted in improved accuracy and expediency. Amy also confirmed that bank reconciliation and ERP-related projects are authorized by HR for overtime compensation to ensure they finish the projects in a timely manner and prevent a backlog at all costs. The AOS has received the new written procedures for the bank reconciliation process and it appears they agree that the methodology is sound and accurate. Mike Abouserhal stated he will confirm with AOS at the Financial Audit meeting that they agree with the methodology and have not identified any issues.

Amy stated that no adjustment to the books has been made. She indicated that the current plan was to use current balance for the ERP implementation on February 1 and to make the adjustment thereafter. Additional inquiry was made by members of the Audit Committee and discussion relative to the timing of the adjustment and the reason for the variance occurred. Amy indicated that the adjustment will be provided to Council and effected by next quarter. She believes the main cause for the variance is due to issues in the process of compiling book transactions from several separate systems that persisted for many years.

Michael Abouserhal made inquiry and held discussion on the resolution of previously identified Technical Expertise and Professional Growth concerns amongst the reconciliation personnel. A follow-up on the completion of the Training Plan recommended by DIA was requested.

- i. Update of Current Internal Audit Engagement – ERP  
Rose Karam presented the current status and scope of the ERP Engagement. John Cornwell determined in his testing that there were no segregation of duties issues identified for the roles within the fiscal modules of the ERP system due to correction made based on previous DIA recommendations. John will have ongoing meetings with management to discuss any issues that arise as the ERP system is implemented. As additional ERP system modules are scheduled to be implemented, he will also request access to perform further testing.
- j. Update of Current Internal Audit Engagement – Juvenile Court Audits  
Rose Karam presented the current status and scope of the Juvenile Court Audits. Fieldwork is completed and in the reporting phase for both audits, Ancillary/Grants and Cash Collection. Rose thinks the reports will be completed and sent to the Committee for review by the end of January 2020.
- k. Update of Current Internal Audit Engagement – IT Inventory Audit  
Rose Karam presented the current status and scope of the IT Inventory Audit. Physical inventory is almost completed (13 out of 15 agencies). Issues were identified in recording and tracking inventory but IT is working on improving processes based on DIA's recommendations. IT is actively developing new workflows, and policies and procedures are in development.
- l. Update of Public Works Follow-up – Parking Services  
Rose Karam presented the current status and scope of the Parking Services Follow-Up. It was previously approved for release by the Audit

Committee through email and posted on the Audit Committee's website on Nov. 27, 2019. A formal vote was taken to approve the report.

Keith Libman motioned to approve the Parking Services Follow-up Report, as written; Trevor McAleer seconded. The Parking Services Report was unanimously approved.

m. Update of Sheriff's Office Follow-up – Commissary

Rose Karam presented the current status and scope of the Commissary Follow-Up. The report was previously approved through email by the Audit Committee for release and posted to the Audit Committee's website on Nov. 27, 2019. Keith Libman motioned to approve the Sheriff's Office – Commissary Follow-up report, as written; Trevor McAleer seconded. The Sheriff's Office Follow-up – Commissary report was unanimously approved.

n. Update of Sheriff's Office Follow-up – Civil

Rose Karam presented the current status and scope of the Civil Follow-up. It is in the reporting stage. The report will be sent to the Audit Committee for approval in January 2020.

9. Public Comment – Unrelated to Agenda

There was no further public comment on items unrelated to the agenda.

10. Next Meeting – February 27, 2020 9:00 AM – 11:30 AM

No discussion or comment.

11. Adjournment

Keith Libman moved to adjourn, and Trevor McAleer seconded. The motion to adjourn was unanimously approved at 11:23 a.m.

*(signature on file)*

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Michael Abouserhal, Chair

MA/mh