

Minutes

CUYAHOGA COUNTY

AUDIT COMMITTEE

Regular Meeting*

Thursday, May 28, 2020, 9:00 AM – 12:15 PM and 4:10 PM – 5:20 PM

***Due to the COVID-19 pandemic, the Cuyahoga County Administration Building is closed to the public at this time. As this meeting was conducted remotely, in accordance with HB 197, interested persons were able to access the meeting via Zoom meeting ID: 911 3403 9298.**

1. Call to Order – meeting of May 28, 2020
The meeting was called to order at 9:05 a.m.
2. Roll Call - Attending:
Michael Abouserhal
Trevor McAleer (alternate for Dan Brady)
Yvette Ittu
Salvatore Talarico
Keith Libman
Armond Budish
Leigh Tucker (alternate for Michael Chambers)
3. Public Comment - Related to Items on the Agenda
There was no public comment related to items on the agenda.
4. Approval of Minutes – February 27, 2020
There were no corrections to the minutes from the February 27, 2020 meeting. Trevor McAleer motioned to approve as written; Keith Libman seconded. The minutes for the February 27, 2020 meeting were unanimously approved.
5. Executive Session (As Necessary)
 - a. Discussion of appointment, promotion and compensation of public employees. An Executive Session was necessary for the discussion of appointment, employment and compensation of public employees. Trevor McAleer motioned that the Committee go into Executive Session; Salvatore Talarico seconded. The motion was unanimously approved. The Executive Session to discuss the compensation of public employees was called to order at 11:48 am and was adjourned without objection at 12:15 pm. Michael Abouserhal then reconvened the general meeting.

Michael Abouserhal motioned to approve recessing the general meeting at 12:15 pm. Yvette Ittu motioned to approve, as written; Keith Libman seconded. The motion was approved.

The meeting reconvened at 4:05 pm. Michael Abouserhal motioned to approve the authority of the Director of Internal Audit in pursuing the Shared Work Ohio program for DIA employees. After further discussion, Yvette Ittu motioned to approve, as written; Keith Libman seconded. The motion was unanimously approved.

Trevor McAleer motioned that the Committee go into Executive Session to discuss department personnel matters; Yvette Ittu seconded. A roll call was taken, and the motion was unanimously approved. The Executive Session was called to order at 4:10 pm and was adjourned without objection at 5:20 pm. Michael Abouserhal then reconvened the general meeting.

6. Old Business:

a. Follow-up Items from 1st Quarter Meeting

Monica Houston presented the follow-up items from the 2020 1st quarter meeting:

-) The Agency of the Inspector General just finished their follow up review of the County Treasurer's remediation efforts relative to the findings from the 2018 Auditor of State financial audit. Monica will follow up with Mark Griffin on his expected timeline to present their follow up report to the committee.
-) Monica Houston asked Assistant Fiscal Officer Leigh Tucker to follow up on the bank reconciliation efforts and training plan for Finance reconciliation personnel. (See agenda item '6.c' below.)
-) Allen Allred, Chief Auditor for the State confirmed at the 1/9/2020 Audit Committee meeting that Ohio Auditor of State would include review of Destination Cleveland in their 2020 Audit Plan. Monica Houston will follow up with AOS and update the audit committee once the AOS review has started.
-) Based on the Confidential Internal Document provided at the February 10, 2017 Audit Committee meeting, jurisdiction over the Convention Center had not historically fallen within the jurisdiction of the Audit Committee, whereas MetroHealth may arguably fall within the jurisdiction and has been included in DIA's annual risk assessment. Trevor McAleer said the last opinion was in 2017 from the Law Department, prior to the Prosecutor's Office taking over as legal counsel for the committee, so he suggested they ask for a new opinion by the Prosecutor's Office. Mark Munson informed the Committee that the Board of Elections had recently asked the Prosecutor for an opinion on whether the Audit Committee and DIA has jurisdiction over

Board of Elections, and the Prosecutor could conduct a similar review for other agencies like the Convention Center and MetroHealth.

Trevor McAleer motioned to request a legal opinion from the Prosecutor's Office regarding the Audit Committee's jurisdiction over County agencies. Yvette Ittu seconded. The motion to request a legal opinion was unanimously approved.

-) Review of Annual Update to Council Report (agenda item '7.i' below.)
-) AOS agreed to the Audit Committee's request to provide feedback on the bank reconciliation methodology as part of the 2019 financial statement audit. Monica Houston will update the Audit Committee once AOS has started that work.
-) Monica Houston said that DIA's Issue Tracking Log will be finalized and provided to the Audit Committee by the 3rd quarter meeting. Thereafter, the log would be presented on a semiannual basis.

- b. Audit Committee Welcome of New Member Salvatore Talarico
Michael Abouserhal welcomed Salvatore Talarico.

- c. Bank Reconciliation

Assistant Fiscal Officer Leigh Tucker stated the monthly bank reconciliations were complete through December 2019, but only reviewed through December 2018. Fiscal wants the reviews completed at least through January 2020 before determining an official write-off amount, to ensure the slightly more than \$2 million figure has stayed consistent. Fiscal expects to have the write off amount identified by 3rd quarter 2020, and ready for approval by Council and actual write-off by the end of 2020.

Their department has identified a resource that has been dedicated to reviewing the bank reconciliations and hopes to hire the resource as a County employee by the end of June.

Michael Abouserhal wants the Ohio Auditor of State to provide feedback on the bank reconciliation process during the course of its audit of the County to ensure the process is working properly and the appropriateness of the write-off amount.

The Excel training has been completed by all bank reconciliation personnel and Leigh will send Monica Houston a listing of the training received.

d. Review of Audit Plan Regarding IT Audits

At the last meeting the Audit Committee approved the 2020 Audit Plan, other than two IT-related items, due to questions surrounding the budget. Monica Houston said they needed to hire an outside resource in order to complete the IT-related audits. However, due to new budget constraints resulting from COVID19 she requested the IT audits be deferred at this time.

The County's IT department identified unused dollars from the RSM McGladrey contract (relative to implementation of ERP). The IT department said the money could likely be allocated to help cover some of the costs to hire the outside resource. Monica will follow up with the IT department to confirm if the unused contract dollars could be allocated.

7. Other Business:

a. Director Evaluation

The Audit Committee has the responsibility to approve an evaluation of the Internal Audit Director. Michael Abouserhal said the director's evaluation was complete and all comments by the Committee members were received. The Director was given a good review and he commended her for her good work on behalf of the Committee.

b. Discussion on Department Salaries

A discussion on department salaries is an Audit Committee responsibility on a scheduled basis. Monica Houston said there were no proposals for changes and no need for any related discussions of department salaries.

c. 2020 Budget Update and Approval

Monica Houston presented the update to the 2020 Budget. The County Executive had asked County agencies to determine a potential 15% cut to their budget because of the projected budget shortfalls due to the COVID-19 situation. Monica proposed cutting the dollars budgeted for the department's two vacant positions (the Senior Auditor and Intern positions). The department's budget consists only of essential costs (salaries, training, and software) necessary for the department to function and meet professional standards.

Walter Parfejewiec, Director of OBM, said the proposed cuts did in fact come very close to 15% (\$111,000 out of the \$119,000) of the department's budgeted dollars. Michael Abouserhal asked Monica to prepare an updated budget schedule by the next (3rd quarter) committee meeting so the committee would be able to review and approve the budget before it is presented to the Council for approval.

Executive Budish said that Fiscal Officer Michael Chambers was developing a targeted approach to determine the actual cuts for each

department, but they are waiting for decisions on additional Federal assistance and upcoming County tax collections to better understand actual shortfalls due to the COVID-19 situation.

Based on a Federal report, the current outlook for State and City funding does not look good. There is an estimated 20% loss of sales tax revenue to the County and admission/bed tax collections is close to 0%. In response, the County furloughed employees for two weeks, instituted a hiring freeze, and deferred projects to avoid employee layoffs.

While the Audit Committee has been approving budgets for DIA annually, the County has been using a biannual budget process for all County agencies, including Internal Audit. Michael Abouserhal proposed that the Audit Committee consider following a biannual budget approval process as well.

Michael Abouserhal said that the Audit Committee has approved a budget for 2020, but not yet for 2021. However, Council has already approved a 2021 budget. Michael suggested that Monica present a schedule comparing the current 2021 budget schedule to a proposed revised 2021 budget schedule at the 3rd quarter meeting, since the 2021 budget was determined before the potential budget cuts due to the COVID-19 situation. This would give the Audit Committee time to review the 2021 budget and approve it at the 3rd quarter meeting.

For the Audit Committee to switch over to the biannual budget process, the Audit Committee would need to approve a proposed two-year budget by June 2021. Michael Abouserhal asked that by the 2nd quarter 2021 meeting, Monica Houston present a two-year budget for review.

d. Update on Internal Audit Team Status During COVID-19 Situation

Monica Houston commended her team's work in adjusting to working remotely and continuing to make progress on the 2020 Audit Plan and stated that they are operating effectively under a work-at-home environment. Monica noted that DIA depends on the availability of other departments to complete their audit work and that due to the COVID-19 situation such dependency was impacting utilization. Monica stated that she has been proactively looking for ways to ensure that department is able to maximize taxpayer value with the resources given.

Monica Houston commenced a discussion on Shared Work Ohio, a program designed to help organizations avoid layoffs. Based on the tenets of the plan, she believes the program is compatible with current needs of the Internal Audit department but said it may not be appropriate for every County department. Monica Houston said after the meeting she would continue discussing this option with Patrick Smock, members of the

County's Law Department, and Mark Musson, to ensure DIA participation in the program would be a viable solution.

e. 2020 Audit Plan Revisions and Approval

Monica Houston presented the revised Audit Plan to the Audit Committee and recommended certain audits be deferred into the next audit year and cautioned that additional revisions may need to be considered if there are changes in availability, access to process owners, or resources. Because agencies are staffed at minimum work levels, their focus is on the items immediately at hand, such as those relative to COVID-19 or needed to maintain their essential levels of services.

Keith Libman made inquiry about the Board of Elections review on the Audit Plan. Monica said that based on her prior discussions with the Director of the Board of Elections, they conduct their own audits. She noted that after meeting with BOE she believed that if DIA were allowed to review that audit process, such could provide assurance that controls are effective in mitigating risks surrounding voting fraud, and thereby limit the extent of work DIA would need to perform.

Michael Abouserhal said that by approving the revised Audit Plan, there is a contingency on whether the budgetary resources from the IT department would be available for the ERP implementation engagement.

Michael Abouserhal asked the committee for a motion to approve the revised Audit Plan as presented at the May 28th, 2020, meeting. Keith Libman motioned to approve, as written; Mike Abouserhal seconded. The revised Audit Plan was unanimously approved.

) Approval of 2020 Risk Assessment

Michael Abouserhal asked for a motion to approve the 2020 Risk Assessment Report as presented at the 1st quarter meeting. Keith Libman motioned to approve, as written; Yvette Ittu seconded. The 2020 Risk Assessment Report was unanimously approved.

f. Status of Current Audits Engagements

) Update on Completion of Prior Year Audits and Follow-up Reviews

The Juvenile Court Cash Collection and Ancillary Services audit reports are nearing completion and should be completed and delivered to the committee by the June 8 deadline. Management responses have been received for Cash Collection and should be received soon for Ancillary Services.

) Update on Current Consulting Engagements

No discussion was held.

) Update on Current Audit Engagements

The IT inventory report is in draft stage, and Monica Houston expects the report should be completed and submitted to the committee by June 15th.

A couple of audits have been put on hold due to lack of availability by process owners, which include the HHS Homeless Services, Board of Elections, and Jurisdictional Review. Progress has been made with the Capital Projects and Accounts Payable engagements. An 300 additional hours needs to be allocated to Capital Projects because of the unanticipated complexity and cross-cutting nature of capital projects with several agencies requiring additional testing (e.g. Airport, Facilities, Roads & Bridges).

The planned Jurisdictional Review is relevant to the AC inquiry relative to jurisdiction over the Convention Center, so Monica believes the AC request for the Prosecutor's Office to perform a jurisdictional review could allow for some traction and progress with this engagement during the current year.

) Update on Follow-up Engagements

The Sheriff's Office Civil Division follow up report has been released.

g. Current/Emerging Risks

Monica Houston presented an overview of current and emerging risks to the County:

) Amy Himmelein, Controller, and Rich Petrunyak, Financial Reporting Manager, have both resigned. Holly Woods, Interim HR Director, also resigned. (Patrick Smock is currently assuming the responsibilities of the Interim HR Director, but Council has confirmed a replacement for the HR Director.)

Leigh Tucker said that GASB 87 (Leases) was originally in effect January 2021 over the financials ending 2020, but due to COVID-19 the required implementation date has been postponed to January 2022 for financials ending 2021.

) Monica Houston reviewed H.R. 748 (CARES Act) extensively to understand the funding options to the County and the compliance issues/risks the County would need to be aware of, depending on the types of funding the County utilized. Monica spoke with Jack Rhyne regarding the use of COVID funds for related ERP items and the need to ensure compliance with CARES Act.

) Leigh Tucker has put compensating controls in place to address potential segregation of duty risks posed by the purchasing exemptions

during the COVID-19 situation. The IT department has set up reports that she can review on a weekly basis to monitor the activity for the exempted areas and ensure the compensating controls are working.

) Leigh Tucker said that with the new ERP system she has identified some instances where certain agencies are not recording sufficient payment information (e.g. invoice number). Leigh said she will ensure the end users receive the training they need to prevent future issues or delays paying vendors.

h. Progress Report – 2019 Financial Statement Audit

Monica Houston has been attending the status meetings with Auditor of State (AOS) and she will be communicating any high-level material weaknesses to the Committee. The Auditor of State is still in the early stages and it does not appear there are any potential delays that would impede their ability to complete the 2019 financial statements by June 30th, 2020, the AOS targeted completion date. Leigh Tucker confirmed the financials would be ready to submit by June 30th, and the only remaining item to complete for the financials is the Management Discussion & Analysis section. Leigh believes that AOS has committed to audit the County through 2022 before they will require a transition of auditors.

i. Review of Annual Update to Council Report

The Annual Update to Council Report was distributed to the committee members and any comments were received. Michael Abouserhal asked for a motion to approve the release of the Annual Update to Council Report. Trevor McAleer motioned to approve, as written; Yvette Ittu seconded. The release of the Annual Update to Council Report was unanimously approved.

Trevor McAleer said the Council's Rules Committee would have a Zoom meeting and invite Monica to present the Council Report, as was done last year.

j. Annual Review of Audit Committee Charter

One of the committee's responsibilities is to review the Audit Committee Charter and Internal Audit Charter on an annual basis to determine if any modifications to either document is needed. Monica Houston indicated that she had reviewed both documents and did not propose any changes at this time.

k. Annual Review of Internal Audit Charter

As stated in agenda item 7j above, there were no changes proposed for either the Audit Committee Charter or Internal Audit Charter.

8. Public Comment – Unrelated to Agenda

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

9. Next Meeting – Thursday, August 27, 2020 9:00 AM – 11:30 AM

10. Adjournment

Yvette Ittu motioned to adjourn, and Trevor McAleer seconded. The motion to adjourn was unanimously approved at 5:20 pm.

(signature on file)

Michael Abouserhal, Chair

MA/mh