

Minutes

CUYAHOGA COUNTY

AUDIT COMMITTEE

Regular Meeting

Thursday, March 11, 2021, 9:00 AM – 12:00 PM

1. Call to Order – meeting of March 11, 2021

The meeting was called to order at 9:01 a.m.

2. Roll Call

Attending:

Audit Committee Chairman, Michael Abouserhal

Yvette Ittu

Keith Libman

Trevor McAleer (alternate for Dan Brady)

Salvatore Talarico

County Executive Armond Budish

County Fiscal Office Michael Chambers

Absent:

None.

3. Public Comment - Related to Items on the Agenda

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

4. Election of Audit Committee Chairperson

Keith Libman nominated the appointment of Michael Abouserhal as Audit Committee Chairperson. Yvette Ittu seconded. There were no other nominations. Appointment of Michael Abouserhal as Audit Committee Chairperson was unanimously approved.

5. Approval of Minutes – December 3, 2020

Salvatore Talarico motioned to approve the December 3, 2020 Minutes, as written; Keith Libman seconded. The December 3, 2020 Minutes were unanimously approved.

6. Executive Session

Yvette Ittu motioned that the Committee go into Executive Session per ORC 121.22(G) to consider the investigation of charges or complaints against a public employee; Keith Libman seconded. A roll call was taken and the motion was unanimously approved: Yvette Ittu, yea; Keith Libman, yea; Trevor McAleer, yea; Salvatore Talarico, yea. Michael Abouserhal recused himself from the motion and left the meeting at 9:05 a.m.

The Executive Session was called to order at 9:06 am and was adjourned without objection at 10:55 am. Michael Abouserhal joined the Executive Session at 10:22 am. Monica Houston joined the Executive Session at 10:46 am. Executive Session was adjourned at 10:55 am.

Chairman Abouserhal reconvened the meeting at 10:56 with Trevor McAleer making a motion that the Committee set the following requirements for the Audit Department:

- Core hours for all staff and the Director are from 6 am to 6 pm
- Timesheets for the staff and Director are due no later than Saturday 11:59 pm of each week, and
- The Director may request up to 30 hours of exchange time, pre approved, per quarter, in advance of each quarter. The Audit Committee, as necessary, will approve the Director's request for exchange time at each Committee meeting for the upcoming quarter. Each request for exchange time will detail what work needs to be done and why the exchange time is needed to complete the work. The Director may continue to approve up to 30 hours of exchange time per quarter for the audit department staff.

Salvatore Talarico clarified that core hours are 6 am to 6 pm Monday through Friday. Monica Houston requested clarification as to the exact meaning of core hours and was provided the reply by Trevor that it was the hours that the Audit Team could work. Salvatore Talarico seconded the motion. The motion was unanimously approved.

Towards the end of the meeting, Trevor McAleer moved to waive attorney-client privilege on the investigation of charges or complaints against a public employee; Keith Libman seconded. The motion to waive attorney-client privilege on the Investigation Report was unanimously approved. Michael Abouserhal recused himself from the motion.

7. Old Business:

a. Follow-up Items from 4th Quarter Meeting

Monica Houston, Director of the Department Internal Audit presented the follow-up items as follows:

- AIG Treasury Follow Up Report provided to the Audit Committee on December 11, 2020.
- Review of 2019 monthly bank reconciliations completed. However, all 2020 reconciliations are not complete. Also, see Agenda item 7d for Bank Reconciliation update.
- Written estimate on additional resources needed to complete the ERP Implementation Review provided to Councilwoman Baker on December 8, 2020. Also, see Agenda item 8k for Annual Update to Council.
- See Agenda item 7e for Audit Committee Jurisdictional Review.

- Financial Audit Exit Conference with Auditor of State's Office held December 17, 2020. Also, see Agenda item 7b for Annual Auditor of State Post Audit Meeting.
- Auditor of State provided feedback on the Bank Reconciliation methodology at the 12/17/2020 meeting as part of the 2019 Financial Statement audit.
- Issue Tracking Log deferred to 2nd Quarter 2021 meeting, due to full Agenda for current meeting.
- 2021 Budget presented and approved at 4th Quarter 2020 meeting. 2022-23 Budget to be presented at 2nd Quarter 2021 meeting.
- Auditor of State established a timeline for the RFP for External Financial Statement Audit at the 1/25/2021 meeting. Also, see Agenda item 8c for Auditor of State RFP for External Financial Statement Audit.
- See Agenda item 8g for Director of Audit Annual Performance
- Monica Houston met with Trevor McAleer and County Executive Armond Budish on 3/5/2021 to provide clarification over ERP Implementation Review scope of work.

b. Annual Auditor of State Post Audit Meeting - 2019 Financial Statements

Michael Abouserhal noted that all members of the Audit Committee met with Auditor of State on December 17, 2020 at 1:00 pm to discuss the 2019 financial statement audit.

c. Management Update on 2019 Financial Audit Findings

Due to time constraints, this item was not discussed and deferred to the next Audit Committee meeting.

d. Bank Reconciliation

Towards the end of the meeting Chairman Abouserhal asked Leigh Tucker, Deputy Fiscal Officer, to provide a quick update to the Committee since her most recent communication. Leigh stated that the issue with the module used to perform the bank reconciliation has been recently escalated by the IT department to dedicate additional IT staff to address the issue in a timelier manner. Salvatore Talarico made inquiry as to whether Leigh had the resources she needed to get the work done. Leigh responded in the affirmative. She noted that she would provide the Audit Committee with monthly progress updates with the bank reconciliation.

e. Audit Committee Jurisdictional Review

Due to time constraints, this item was not discussed and deferred to the next Audit Committee meeting.

8. Other Business:

a. Recommendation and approval of Audit Manager selection

Salvatore Talarico motioned to approve the hiring of Joshua Ault as Audit Manager effective October 26, 2020; Keith Libman seconded. The recommendation and approval of Joshua Ault as Audit Manager was unanimously approved.

b. Annual Auditor of State Pre-Audit Discussion - 2020 Financial Statements

Subsequent to the discussion held for Agenda item 8e, Michael Abouserhal noted that the meeting with Auditor of State would take place tentatively on March 23, 2021, at 10:30 am to 11:30 am. Discussion ensued relative to the Committee's ability to extend the timing of the March 23rd meeting. It was noted that the meeting was being held at the direction of the AOS and as such would require the Committee to switch communication platforms (Zoom to MS Teams). It was decided that a separate meeting would be scheduled and Monica was directed to facilitate the coordination of such.

c. Auditor of State RFP for External Audit

Michael Abouserhal noted that Auditor of State would not be auditing the County's external audit for 2021 but instead is involved in the RFP process to identify an audit firm to conduct the audit.

Monica Houston noted she would be assisting Leigh Tucker, Assistant Fiscal Officer, to oversee the RFP process.

Leigh Tucker noted that the County's criteria for the selection of vendors for the RFP was submitted to the Auditor of State (AOS) by the due date and the RFP was due to be posted by the AOS February 16 to March 2 but is delayed. Leigh proceeded to talk about each item on the RFP Schedule and their relative timeline. She noted that the AOS was running about a week behind schedule and will be providing a list of candidate firms soon. Then, the County will have an opportunity to select two additional firms to add to the list. Leigh stated that she would provide the Audit Committee an updated schedule. Chairman Abouserhal requested that the final bid list be provided when it is available to which Leigh agreed.

d. Confirm Independence of Audit Personnel

Michael Abouserhal noted that the Audit Committee has the responsibility of ensuring that the Department of Audit staff maintain independence and requested Monica Houston to provide to the Committee the annual report on staff independence. Monica Houston stated that all staff members had completed the annual Statement of Independence and that there were no conflicts of interest or impairments to report.

e. Resident Member Independence Disclosure

Michael Abouserhal noted that all Audit Committee resident members had completed the independence disclosures. He requested that Monica Houston bring the Committee up to date on an issue brought forth relative to the annual process.

Monica Houston noted that Committee Member Sal Talarico did not provide his disclosure directly to her based upon his understanding of the County Code that such should be provided to the Inspector General. She stated that the County Code requires disclosure to the Inspector General only in the event of any conflicts of interest. She further noted that the Audit Charter requires annual disclosure but does not specify to whom. Monica Houston proposed a change in the Audit Charter that the disclosures be provided to the Inspector General for review.

Michael Abouserhal agreed and there were no objections from the Audit Committee, however, he noted that an official motion to change the Audit Charter to have the Inspector General review would be deferred to the next Audit Committee meeting when other proposed change in Audit Charter language can be reviewed.

f. Discussion on Department Annual Performance Process

Monica Houston noted that the Department of Internal Audit is still using the County's pilot Performance Appraisals for staff in 2021 and has finalized her review of the staff's Performance Appraisals in 2020.

Monica Houston discussed her own performance process noting that in the prior meeting the Committee had agreed to utilize the same Smart Goal process being piloted by the staff for her 2021 performance review and noted that as such there was an item on the current Agenda to approve her annual goals. She stated that for her 2020 performance review process, such was provided to and reviewed by the Audit Committee at the 2nd quarter meeting. She indicated that in prior year the review was provided to the Chairman for review first in late April early May and then to the Audit Committee for the meeting. Chairman Abouserhal requested that the review be provided to the full Audit Committee in late April. He additionally noted that the item would be an appropriate Executive Session item.

g. Director of Audit Annual Performance – 2021 Goals Approval

Monica Houston presented an overview of her 2021 Goals to the Audit Committee, there were a total of 6 goals:

- Identifying and establishing key performance indicators that provide the Audit Committee and other stakeholders insight into the effectiveness and efficiency of Internal Audit by no later than December 31, 2021.
- Ensuring timely and appropriate resolution of audit findings through consistent use of the newly established issue resolution process.
- Building the capabilities of team members through establishment of Performance Goals and the linkage of those goals to training as appropriate at the beginning of the Performance Management process.

- Achieving an audit completion rate of at least 65% of the approved 2021 Audit Plan inclusive of revisions.
- Developing cohesive relationships throughout the organization and a rapport with Council members as determined by the establishment of regular touchpoints during the year.
- Ensure the timely completion of the External Quality Peer Review.

Keith Libman made inquiry regarding the appropriateness of a completion rate that was less than 100% and a lengthy discussion ensued. Monica Houston explained that it is rare that an internal Audit Department completes a 100% of the Audit Plan. She further discussed the development of the Audit Plan and how such plans the use of 100% of the available personnel hours with the understanding that when needed the plan may be adjusted. Yvette Ittu asked Monica if she could provide the historical completion rate for the past 3 years. Monica provided the following historical completion rates:

Year	Rate
2017	60%
2018	56%
2019	57%
2020	56%

Chairman Abouserhal challenged the accuracy of the 2020 rate. Monica presented the Committee with a chart that detailed the calculation for all 4 years based upon information extracted from the Annual Audit Plan Report that is developed by the Audit Director and approved by the Audit Committee on an annual basis. Further discussion ensued relative to the completion of audits with Monica referring the Committee to the detail provided in the chart.

Keith raised the concern relative to the challenge of auditee availability and the Committee's obligation to perform their function of ensuring audits are completed. He inquired as to what tools or remedies were available to address Audit Department's inability to engage due to lack of cooperation and to perform a robust number of engagements. Monica discussed the role of the Audit Liaison which Executive Budish implemented as a mechanism to ensure cooperation with and timely completion of audits. She stated that it is her responsibility to escalate concerns to the Committee if the mechanism is not working effectively. Monica indicated that the previous year was one of exception and discussed the proactive action taken by Internal Audit to work collaboratively with County Directors as they were addressing the COVID crisis. She further discussed the continuous feedback provided to the Committee on the impact of resource availability on the department's utilization rate and that such rate had been consistently at less than 60% for much of the year.

Catherine Tkachyk, the appointed Audit Liaison, expressed appreciation on behalf of the County for the consideration given during the COVID crisis and stated that she did not believe that there would be resource availability concerns in the current

year as the County has returned to more normalized operations and that should such arise, she would be willing and ready to assist.

The meeting was moved on to other items on the Agenda. A motion to approve the Director of Audit Annual Performance – 2021 Goals was deferred to the next Audit Committee meeting due to time constraints.

h. Discussion on Audit Committee Approval Protocol

Due to time constraints, this item was not discussed and deferred to the next Audit Committee meeting.

i. Independent Peer Review Update

Due to time constraints, this item was not discussed and deferred to the next Audit Committee meeting.

j. Internal Audit Policy and Charter Updates

Due to time constraints, this item was not discussed and deferred to the next Audit Committee meeting.

k. Schedule Update to Council

Due to time constraints, this item was not discussed and deferred to the next Audit Committee meeting.

l. Report of Performance Relative to Prior Year Audit Plan

Aspects relative to this topic were addressed as part of the lengthy discussion that took part for Agenda item 8g. However full discussion was deferred to the next Audit Committee meeting

m. Discussion on Completion of Audits

Aspects relative to this topic were addressed as part of the lengthy discussion that took part for Agenda item 8g. However full discussion was deferred to the next Audit Committee meeting

n. Approval of 2021 Risk Assessment

Due to time constraints, this item was not discussed and deferred to the next Audit Committee meeting.

o. Approval of 2021 Audit Plan

Due to time constraints, this item was not discussed and deferred to the next Audit Committee meeting

p. Status of Current Engagements

Due to time constraints, this item was not discussed and deferred to the next Audit Committee meeting.

q. Current/Emerging Risks

Due to time constraints, this item was not discussed and deferred to the next Audit Committee meeting.

9. Public Comment – Unrelated to Agenda

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

10. Next Meeting – Thursday, June 3, 2021 9:00 AM – 12:00 PM

11. Adjournment

Keith Libman motioned to adjourn the meeting; Salvatore Talarico seconded. The motion to adjourn the meeting was unanimously approved at 12:00 p.m.

(signature on file)

Michael Abouserhal, Chair

MA/mh