

Minutes

CUYAHOGA COUNTY

AUDIT COMMITTEE

Regular Meeting

Thursday, May 20, 2021, 1:30 PM – 4:00 PM

1. Call to Order – meeting of May 20, 2021

The meeting was called to order at 1:34 p.m.

2. Roll Call

Attending:

Audit Committee Chairman, Michael Abouserhal

Yvette Ittu

Keith Libman

Trevor McAleer (alternate for Pernell Jones, Jr.)

Salvatore Talarico

County Fiscal Officer Michael Chambers

Absent:

County Executive Armond Budish

3. Public Comment - Related to Items on the Agenda

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

4. Approval of Minutes – March 11, 2021 and April 1, 2021

Deferred to next regularly scheduled meeting on June 3, 2021.

5. Executive Session (As Necessary)

Keith Libman motioned that the Committee go into Executive Session per ORC 121.22(G)(1) to discuss matters relating to employment of a public employee; Yvette Ittu seconded. A roll call was taken, and the motion was unanimously approved: Michael Abouserhal, yea; Yvette Ittu, yea; Keith Libman, yea; Trevor McAleer, yea; Salvatore Talarico, yea.

The Executive Session was called to order at 2:40 pm and was adjourned without objection at 3:40 pm. Chairman Abouserhal then reconvened the general meeting at 3:42 pm.

6. Other Business:

a. 2020 Current Audit Engagements in Process

Monica Houston presented an update on 2020 audit engagements currently in process, specifically budget versus actual hours, current status, and date reports

will be sent to the Committee, as requested. Monica noted that most of these engagements were first time audits that required gaining an understanding of area/department/process, documenting processes and controls, and then further scoping out the work to be performed based on the risks identified, so it was difficult to accurately budget the hours needed. As of January, there were six carryover projects started in the prior year and still in progress:

- **Accounts Payable:** A carryover project from 2018, is still in progress. In 2020, the staff auditor and audit manager worked to get the project closed out based on the scope that had been previously planned by the previous Director. Monica noted that upon review she had concerns as to the alignment of the work performed with the scope. Monica discussed differences in the work documentation that created a challenge with ensuring the work performed met and did not exceed the scope. She noted there was an approximate audit effort of 80 hours remaining to finish the project and that she was currently the only one with the skill set and time to complete the work as the Audit Manager was stretched thin. Monica provided an expected Committee report date of 7/23/2021 contingent on her availability which she stated has been and currently is the challenge.
- **Homeless Services:** Monica noted this project was no longer in progress as of the report release date of 4/30/2021. Majority of work was performed in 2020 and the report was issued to the Committee on 4/16/2021. Budgeted hours were 200, actual hours were 588. Variance was due to implementation of new audit processes such as Control Condition Forms, as well as training of less experienced staff and onboarding of new Audit Manager.
- **Capital Projects:** Monica noted that this audit was a cross cutting engagement wherein multiple areas were included; Capital Projects covers several major divisions at the County (Roads/Bridges, Airport, Sewer, Facilities, and Fiscal). She further noted that the scope of work was greater than initially anticipated as the process was highly decentralized and contained multiple sub-processes. Original budget was 700 hours and last May the Audit Committee approved an additional 300 hours. Approximately 780 hours were spent, in excess of the 1,000 previously budgeted; 1300 hours in 2020 and 500 in 2021. Project is currently under Director review and is in the reporting phase. Expected Committee report date is 6/16/2021.
- **Medical Examiner's:** Monica noted that the process was not streamlined or centralized as originally anticipated. She further noted that whereas the scope initially seemed simple and straightforward, obtain the Medical Examiner's report and review it for accuracy and completeness, it turned out to be much more complex. Monica noted there were multiple entities feeding into the report and that each must be looked at in order to understand the scope and risk that each one presents to the completion of the report. Therefore, additional audit effort was required. Original budget was 220 hours, a total of 452 hours has been spent, and an

additional 208 hours are anticipated. Audit recently moved from planning to fieldwork phase. Expected Committee report date is 7/16/2021.

- Child Support Enforcement Agency: Monica noted this was currently in the fieldwork stage. Budget was 300 hours. Monica noted this was a massive project. 370 hours spent in 2020, 531 hours in 2021 to date, and an additional 130 hours are anticipated. During this audit, the audit manager and staff auditor developed and implemented an extensive scoping memorandum which is tied to the audit program. Monica noted although this process was time-consuming, it focuses more time in the planning stage but ensures greater efficiencies in the fieldwork and reporting stage. Expected Committee report date is 6/16/2021.
- Juvenile Court IT General Controls Review: Monica noted that this was a request from the Juvenile Court Administrator and DIA's efforts allocated to this engagement were mostly that of herself. This was an outsourced engagement, so Monica performed the work needed to identify, procure, and manage contract resources on behalf of the Juvenile Court. 32 hours were spent in 2020, and 22 hours in 2021. The contractor issued their report to the Juvenile Court on 4/22/21.

Also, as of January, there was one new project started and still in progress:

- DCFS Programs: Monica noted the budget was 500 hours. 431 hours were spent to date. Monica noted that the scope of work is greater than initially anticipated. She noted there are a large number of DCFS programs with potentially high risk (including Adoption, Foster Care, Long Term Services, Short Term Services, Emergency). Monica anticipates an additional 500 hours are needed to complete. Expected Committee report date is 8/15/2021.

Keith Libman made inquiry as to whether consideration is given to decreasing the scope rather than increasing the budget. Monica indicated that such is considered when appropriate and noted the example of Capital Projects wherein Sewer, was determined not to pose a high enough risk and was excluded from the scope. Keith Libman requested clarification as to who is involved in the scoping. Monica noted scoping is within DIA and is a team effort.

Michael Abouserhal noted that there were roughly 6,800 budgeted hours available based upon the 60% utilization rate. He inquired as to how that correlates to the 2,700 hours spent in 2020 on audit engagements. Monica presented and discussed the 2020 Audit Department Utilization chart and noted that the utilization rate (when calculated using the normal base utilization hours) was significantly less than 60% for most months after the onset of COVID. Monica further noted that when the base utilization hours (which equates to the total hours all employees are available to work) was properly adjusted for the 50% cut in work availability during the implementation of Shared Work Ohio, the utilization rate improved to over 70%. She further noted that due to the reduced hours relative to Shared Work Ohio, vacated manager position, County mandated furloughs, and the granting of emergency leave as well as other COVID related leave, DIA had significantly less hours available than those

stated in the 2020 Audit Plan. Monica also noted that due to the department's inability to perform some audit work because of the unavailability of auditee resources, a significant amount of time was spent in the completion of non-audit work such as the Issue Tracker and Risk Assessment Deep Dive.

There was some further inquiry and discussion from a few of the Committee members regarding available hours and it was noted that DIA's workday is 6.5 hours.

b. 2021 Audit Plan

Michael Abouserhal noted that in this portion of the meeting he wished to address two concerns which he and perhaps others of the Audit Committee had. The first concern was relative to DIA's ability to complete the 2021 audits based upon the current completion status of the 2020 carryover audits. The other concern was relative to auditee availability; will the departments be available and ready for DIA to complete the audits scheduled for 2021.

Monica Houston discussed her prior experience with audit plans noting that revisions were a normal part of the process as the Director seeks to balance resources with audit scope and auditee availability. She presented a revised version of the 2021 Audit Plan noting that adjustments were made based upon the extra hours required to complete carryover audits from the 2020 Audit Plan. Monica provided rationale for the engagements recommended for deferment which included 3 revenue/receivable thematic audits:

The items highlighted in yellow indicated a request to the Audit Committee for removal from the plan due to a lack of available hours. Monica shared the reasoning for why the selected engagements were being recommended for removal:

- Audits of Fiscal divisions – stretched resources due to challenges with both the County's Financial Audit and implementation of systems (additional ERP modules and the Harris system). Also desire to complete the audits during the same time period as, due to their potential correlation, synergies in the performance of the work may exist.
- HR Compliance Audit – scheduling limitation due to request for audit not take place during open enrollment, October through November. Scheduling at another time in 2021 was not feasible giving other commitments and engagements scheduled.
- COVID Compliance Audit – recently learned that Auditor of State planned to perform Compliance Review of this area as part of the 2020 financial audit and thus risk potentially covered by a third party.

The item highlighted orange, the Bank Reconciliation engagement, is deferred as the process for completion of the reconciliation is still in flux and not expected to stabilize until late in the year. The process would therefore not have been operational long enough to appropriately determine effectiveness if DIA attempted to complete the audit prior to yearend.

The item highlighted blue, DIA Project Excellence, was a contingency engagement. Monica noted item was eliminated from the audit plan to minimize the confusion that was experienced with total plan hours. As an alternative DIA will continue the selection and assignment of administrative projects as was done previously.

Monica Houston noted that as presented in the 2021 Audit Plan total hours were:

- rollover engagements – 1,863,
- planned audit engagements – 6,010
- consulting services – 2,040, and
- other audit activities – 1,800.

The total of these hours is 11,713 and this represents resources needed for DIA to adhere to the original audit plan given the budget revisions to work performed thus far. However, DIA only has 6,800 hours available. Therefore, a recommendation was made to adjust the plan. The adjustment does include the external project of 650 hours. Therefore, the total of 7,413 adjusted plan hours includes the 650 hours, so subtracted out there are 6,763 plan hours that DIA needs to provide for plan completion. Monica noted DIA's resource capacity, given a 60% utilization rate, is approximately 6,800 hours, and therefore the audit plan is balanced with DIA's resource capacity

Keith Libman made inquiry regarding whether the 60% utilization takes into account subtracting the time spent at lunch and breaks. Monica Houston responded in the affirmative.

Michael Abouserhal asked if the 3,310 adjusted hours for planned audit engagements for 2021 equates to the unhighlighted audit projects from 2021 audit plan. Monica responded in the affirmative. Michael Abouserhal asked Monica to confirm in a perfect world, as long as DIA hits its budgets, if DIA could get through the unhighlighted audit projects by the end of the year. Monica indicated that such was a correct statement.

Michael Abouserhal made inquiry regarding the initial audit hours budgeting process, expressing concern that actual hours for some engagements were almost double that which was budgeted. Monica Houston discussed the challenges that currently make the budgeting process difficult. Such challenges include the fact that only one member of the team has some knowledge of County operations, her knowledge and that of the newly hired manger is limited due to the short length of time working for the County. Monica noted that the ability to gain such knowledge has been significantly hindered by COVID. She further discussed the additional challenge of the limited coverage history of the department; work previously performed by DIA primarily covered only a small portion of the County's operations (Sheriff's Office, Accounts Payable, and some Human Resources). She also noted that the risk assessment questionnaire utilized captures only basic, high level information and so DIA does not really know the scope of the agency's processes until DIA performs the requisite work to understand and document processes once the engagement is commenced, which is well after the Audit Plan has been developed and approved. Monica

discussed the option of curtailing the scope of an audit including any requisite notification to the Committee when such occurs since the scope of an engagement is approved as a part of the Audit Plan.

Mike Abouserhal expressed concern about department productivity noting that there are a lot of reasons DIA could be overbudget, including reasons not articulated during the meeting. Monica Houston responded by discussing the management oversight process which included her receipt and review of daily check in emails. She further noted that staff was working as diligently as they could and reminded the Committee of the relative newness of most of the staff including two members who were hired by her predecessor with no prior audit experience. Monica also noted that per her experience, and that which she has observed as past practice of the department, many government entities do not manage to budget and simply push audits out.

Mike Abouserhal made a statement and inquiry regarding the outreach performed to the departments relative to the audits planned for 2021. Monica stated that, as was done in prior year, all the departments had been contacted and have provided confirmation of their availability. She noted that Catherine Tkachyk was included and involved in the outreach process.

Trevor McAleer made inquiry as to whether DIA is on track to complete the 5 audits by the end of 2021 and whether start dates had been determined. Monica responded that based on the estimated budgets per the audit plan it appears that the audits would be completed and that start dates were included in the materials provided to the Audit Committee as part of the update on audit progress. Trevor requested that the Audit Committee be notified if DIA misses any of the start dates.

Salvatore Talarico made inquiry as to audit division employee exemption status. Monica Houston responded that employees are exempt, but that staff are also classified employees. She indicated that she needed to confirm how such classification impacted exempt status.

Salvatore Talarico made additional inquiry regarding the spectrum of the audits performed within the 10 years of DIA's existence, specifically, the coverage provided by such audits of the full population. Monica Houston noted that DIA coverage has been limited primarily to the Sheriff's Office, Accounts Payable, and some HR. She noted that this is the reason there is little to no historical information available for work currently being performed and that DIA is now attempting to gain coverage of the full population through the audits planned. Mike Abouserhal directed members to the listing of audit reports available on the County website and indicated that Monica had accurately summarized the previous audits performed.

Joshua Ault noted that accountability exists with daily time tracking, weekly team meetings, weekly one-on-one with managers, and daily check-in emails. Josh noted that the remediation testing with the issue tracker project is helpful to fill in any gaps if there is ever a lack of work. Michael Abouserhal noted that productivity is not necessarily a question of people accounting for every hour, and rather whether people are working on audits and either the audit objective is

not clearly defined or if you have new staff sitting out there and they are not sure that they understand the scope or the objective and spinning their wheels due to a lack of guidance and direction. Josh noted that there is an open-door policy and that door is always open for questions and guidance. Monica Houston discussed the process she uses to monitor staff productivity and audit progress. She also noted that the creation and use of formal audit programs has been incorporated into the department's process to ensure work is clearly defined.

Trevor McAleer inquired as to the remote work status of employees. Monica Houston noted that she and Josh have been coming into the office from time to time throughout COVID to keep an eye on things. She further noted that there was concern as to whether DIA had the appropriate facilities to ensure the necessary spatial distancing and that she had reached out to Public Works to obtain assistance. Until such was received DIA staff would be in the office on a rotating basis consisting of 2 staff members to ensure the necessary spacing.

7. Public Comment – Unrelated to Agenda

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

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

9. Adjournment

Trevor McAleer motioned to adjourn the meeting; Yvette Ittu seconded. The motion to adjourn the meeting was unanimously approved at 3:42 p.m.

(signature on file)

Michael Abouserhal, Chair

MA/mh