

Minutes
CUYAHOGA COUNTY
AUDIT COMMITTEE
REGULAR MEETING
Thursday, September 2, 2021, 9:00 AM – 12:00 PM

1. Call to Order – meeting of September 2, 2021

The meeting was called to order at 9:04 a.m.

2. Roll Call

Attending:

Audit Committee Chairman, Michael Abouserhal

Keith Libman

Trevor McAleer (alternate for Pernel Jones, Jr)

Yvette Ittu (arrived at 9:29 a.m.)

Salvatore Talarico

County Fiscal Officer, Michael Chambers (arrived at 9:49 a.m.)

County Executive, Armond Budish

Absent:

None.

3. Public Comment - Related to Items on the Agenda

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

4. Approval of Minutes – May 20, 2021, June 3, 2021, and July 1, 2021

Trevor McAleer motioned to approve the May 20, 2021, June 3, 2021, and July 1, 2021 Minutes, as written; Keith Libman seconded. The May 20, 2021, June 3, 2021, and July 1, 2021 Minutes were unanimously approved.

5. Executive Session (As Necessary)

a. Approval of Director Performance Review

Keith Libman motioned that the Committee go into Executive Session per ORC 121.22(G)(1) to consider the employment and/or discipline of a public employee; Trevor McAleer 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 12:04 p.m. and was adjourned without objection at 12:19 p.m.

6. Old Business:

a. Follow-up Items from 2nd Quarter Meeting

Monica Houston provided an update on follow-up items:

- Bank Reconciliation: Review of 2019 monthly bank reconciliations completed. However, all 2020 reconciliations are not complete. Leigh Tucker to discuss update, write off amount, and ERP impact in Agenda item 6b.
- Annual Update to Council: 2020 Update to Council Report approved at 6/3/2021 meeting. Presentation to the Council Operations & Intergovernmental Relations & Public Transportation Committee (COIT) Committee scheduled for 9/21/21.
- Prosecutor's Office Jurisdiction Review: See Agenda item 6d.
- AOS RFP for External Financial Statement Audit: Contract awarded to Clark, Schaffer, Hackett; Memorandum of Agreement (MOA) approved by Board of Control (BOC). See Agenda item 6c.
- 2022/23 DIA Budget: 2022/23 budget proposal prepared and dovetailed into Cuyahoga Budget Process on 7/30/21 as per Committee direction. See Agenda item 7b
- Management Update on 2019 Financial Audit Findings: Leigh Tucker provided Trevor McAleer documentation on BOC approvals of expenditures findings on 6/3.
- Performance management process for Director: 2021 Goal revisions approved at 6/3 meeting. This item is to be closed for follow-up.
- 2021 DIA Peer Review: Institute of Internal Auditors (IIA) approved by Audit Committee as reviewer. Contract approved by BOC. See Agenda item 6e
- Committee Discussion Relative to Audit Coverage Transparency: Item to be discussed with Trevor McAleer and Executive Budish. Based upon discussion include agenda item at 1st Quarter meeting for 2022.
- Semi-Annual Audit Issue Report: Comparative change report to be provided as a part of the Semi-Annual Issue Update at the 4th Quarter meeting.

- Committee To Readdress Recommended Revision to Cuyahoga County Charter related to unrestricted access to records: To be included as an agenda item at the 1st Quarter meeting for 2022.
- Update on ERP: See Agenda item 7d.

b. Bank Reconciliation

Leigh Tucker, Deputy Fiscal Officer, addressed the Audit Committee regarding the bank reconciliation along with technical input from Jack Rhyne, Deputy CIO:

- 40 out of 41 accounts have been reconciled through current period. The remaining operating account will be reconciled to current within a few weeks.
- A new contract with G-Force has been approved by the Board of Control and is effective 8/30/2021. The original contract with Infor only provided core tools within Lawson as it was limited to system configuration. The objective of the new contract is to provide consulting services to make the most of system capabilities through training of personnel and reconfiguration including automation of some reconciliation steps. Senior management is confident G-Force will provide services to sufficiently address current concerns.
- Fiscal is devoting three individuals to maintain timely reconciliations. Once all accounts have been fully reconciled, the targeted date to have monthly bank reconciliations of the preceding month complete will be by the 5th business day of the month. Shannon Keyes Ciucevich, Special Projects Manager, is overseeing the review process and updating the policy and procedure (to be completed by end of 2021). Quarterly meetings are scheduled for reconciliation status updates.
- As of 12/31/2019, the general ledger has not been adjusted for the \$2 million reconciling item. Management has been awaiting review by Auditor of State before seeking approval of County Council.
- Per Leigh Tucker, Auditor of State will feel comfortable with reviewing and validating if the new Bank Reconciliation process is adequate only when the County is reconciled through the current period using the new process. Leigh brought attention to the fact that there are new reconciling items as of 2020 and 2021, however, they now have a process in the new system to identify and resolve. These new items represent items posted to CTM (Treasurer's system) but that did not hit the general ledger. They will be working with the new consultants to resolve the posting issues.

Audit Committee members asked questions of Leigh Tucker pertaining to the bank reconciliation, which she answered accordingly:

- Keith Libman inquired as to the amount of reconciling items in the aggregate from 2020 and 2021; Leigh responded saying no more than \$100,000. Once they identify a reconciling item posted in CTM but not the general ledger, Leigh works with IT to make a corrective entry to post the transaction in the general ledger. G-Force is helping with these interfaces to ensure these types of items on the CTM side will post to the GL in the future.
- Michael Abouserhal expressed his concern relative to two separate write-off amounts and would not be comfortable with moving forward with the 2019 write off.
- Armond Budish suggested he would like to see a write off for the unresolved amount through 2019 but make it clear that they are current with reconciliations and are expecting to resolve any future reconciling items in a timely manner since they have been identifying and working to resolve the underlying issues.
- Salvatore Talarico inquired if a write off amount needs Audit Committee approval; Monica responded in the negative. Monica advised that the Audit Committee's role is to ensure management makes an informed decision. Leigh noted that she can brief Michael Chambers, Fiscal Officer, so he can decide whether he will move forward to recommend the 2019 write off to County Council.

Leigh requested the Committee's input on whether she should proceed with the 2019 write off or wait to determine a single write off once all reconciling items have been resolved:

- Monica Houston highlighted the time sensitivity with the Auditor of State's contract finishing soon and that it might be wise to take the 2019 write off since the incoming audit firm may not be comfortable with providing guidance on an issue that predates their tenure.
- Leigh indicated that from 2014 to 2019, the \$2 million reconciling item has stayed almost the same. The \$2 million reconciling item represents many items contributing to a growing outage going back many years. Leigh said she thinks it is a bank-over-book reconciling item.
- The Audit Committee members expressed that they were under the impression it was book-over-bank and asked Leigh to confirm and report back to the Audit Committee for the record.

Since a motion by the Audit Committee is not required, Michael Abouserhal closed the discussion by informing Leigh she could inform the County

Council that the Audit Committee was briefed and move forward with making a recommendation. At the conclusion of the meeting Salvatore Talarico recommended that Fiscal find out whether Council approval of the write-off is required.

Post Meeting Update: Per Leigh Tucker, the Legal Department has advised that Michael Chambers has the authority to do write-off without seeking Council approval. Additionally, Leigh confirmed that \$2 million reconciling item was book-over-bank.

c. External Auditor RFP Update

Leigh Tucker announced that the Memorandum of Agreement (MOA) was approved for the County Audit to transition from Auditor of State over to Clark, Schaffer, Hackett:

- A meeting is scheduled in November to discuss the transition with Clark, Schaffer, Hackett, Auditor of State, and the County's financial team.
- Auditor of State expects to finish work and issue its opinion for the 2020 County Financial audit on 10/31/2021.

d. Audit Committee Jurisdictional Review

Trevor motioned to remove attorney-client privilege over the County Charter Audit Committee Jurisdiction Entities Eligible to Receive Internal Auditing Services document; Salvatore Talarico seconded. The motion to remove attorney-client privilege was unanimously approved.

Mark Musson, Assistant Prosecuting Attorney, provided an overview of the jurisdictional review:

- Five tests were used to determine the County's jurisdiction for each entity. Mark highlighted the fact that an entity which receives County funding, or the County is the taxing authority over or fiscal agent for the entity, does not necessarily give the County jurisdiction. One such example is Destination Cleveland, which receives County funding.
- A table was presented which compares the 2017 opinion with the 2020 update. If the entity is "not within", this means there is no legal authority to compel the entity to comply with audit requests.
- Mark noted that based upon the County Charter and other tenants of law the Audit Committee in essence lacked authority to compel an audit of any entity and that the best tool available in an adverse situation relative to such would be to publicly shame an entity for not agreeing to be audited.

- Monica Houston pointed out that anything in red (“not within”) would not be risk assessed and therefore not part of the auditable universe for potential audits by DIA.

Audit Committee members asked questions of Mark Munson pertaining to the jurisdictional review, which he answered accordingly:

- Salvatore Talarico requested Mark explain why Board of Health is “not within”. Mark advised:
 - That while the County serves as a fiscal agent and maintains a custodial account, it does not qualify for jurisdiction because Board of Health is not a subordinate unit of the County and is audited by the Auditor of State and Ohio Department of Health
 - The Ohio Revised Code pertaining to each entity specifies any required audits, and in particular Ohio Revised Code Chapter 117, the audits required by the Auditor of State. Mark noted if you went to the Ohio Revised Code website, you would be able to see whether an entity has required audits.
- Armond Budish inquired if the State audits Ohio Means Jobs. Mark advised:
 - He was not sure to what extent, but what the Auditor of State does audit as part of the Federal Single Audit with respect to Ohio Means Jobs is likely to be less in depth than what an Internal Audit would provide.
 - Although the County Charter may not have a provision for Internal Audit’s right to audit a particular entity, it can be built into contracts. As an example, Armond suggested the County’s bond rating could be impacted by the \$30 million dollar contract with Metro Health, should Metro Health have an issue even if it was out of the County’s control. Henceforth, he would have some interest in the County pursuing a right to audit clause to provide some additional assurance.
 - Monica Houston suggested that it could be discussed with the Procurement Department (mentioning Catherine Tkachyk specifically) to see whether a standard right to audit clause could be added to the contract template so it can be a part of the standard process in future contract negotiations.

Further discussion ensued over right to audit clauses:

- Michael Chambers recommended he would like to meet with Law Department first to determine if they could move forward with adding clauses to contracts in time for the next budget process that is coming up.
- Yvette Ittu suggested that Mark's table is limited to legal statute and she would like to see any right to audit clauses in existing contracts that allow the County the right to audit, so the County knows which ones in red to prioritize.
- Monica Houston mentioned as an example, although in red, Juvenile Court, has in the past and is still open to future audits by Internal Audit, so other entities in red may also be amenable to agreed upon procedure audits or a right to audit clause.

Michael Abouserhal closed the discussion by suggesting Mark Musson and the County Executive go through the list of red items and determine a list of potential entities for a right to audit clause in future contracts.

e. Independent Peer Review Update

Monica Houston indicated that the peer review contract had been approved by Board of Control:

- The preliminary phone meetings are scheduled for September 13th.
- Peer Reviewer's fieldwork commences on the September 27th.
- Surveys were already sent out to Audit Committee members, past auditees, and DIA staff and management. All the surveys are due the September 7th.
- The Peer Review team will be meeting with certain Audit Committee members whom Monica has already notified.

f. Approval of Director Performance Review

Yvette Ittu motioned to approve the Director Performance Review, as written; Keith Libman seconded. The Director Performance Review was unanimously approved.

7. Other Business:

a. Update from Fiscal on 2020 Financial Audit

Leigh Tucker, Deputy Fiscal Officer, said there were no new findings to report. Aside from the bank reconciliation finding, the only other findings

were repeats from prior year audits relating to financial reporting and compliance issues with respect to the Federal Schedule of Expenditures.

b. Review and Approve Proposed 2022/23 Budget

Monica Houston addressed the Audit Committee regarding the proposed 2022/23 budget:

- Monica noted she had already met with Audit Committee members including the Council representative and the County Executive to discuss the budget prior to the meeting.
- Monica highlighted that DIA lacks the IT audit expertise necessary for adequate coverage of IT audits and requires either a new hire or external resource. She presented two budget options:
 - The first, to hire a full-time employee with IT audit expertise that Monica can supervise; or
 - The second, pay for an IT contractor.
- Monica calculated a 5.8% budget increase to have an IT audit manager employee full-time, but an IT contractor would stay within the 2% budget increase allowed by the County Executive.
- Monica pointed out there are two vacancies, a senior auditor and intern, available in the budget. In order to cover all high-risk audit areas, DIA would need to retain those available positions to have enough resources.
- Monica advised however that IT audit coverage is a relatively higher risk, and in order to afford the IT audit coverage, it would require giving up the senior position and intern positions.
- As well, Monica advised that DIA requires new software. The current software, Teammate, will sunset in 2023. Monica estimates \$70,000 for replacement software in the year of implementation and \$40,000 per year thereafter, which is based on highest quoted amount.

Audit Committee members asked questions of Monica Houston pertaining to the 2022/23 Budget, which she answered accordingly:

- Michael Abouserhal asked for pros and cons of hiring in-house versus a contractor, and a discussion ensued:

- A pro of hiring in-house is it offers internal knowledge that can be utilized year after year. However, contractors can still instill some knowledge to DIA with their workpapers since Monica would still be overseeing their work to a certain extent.
 - A pro of contractors is that they provide immediate technological expertise.
 - Michael Abouserhal indicated a con of contractors is you get fewer hours than an in-house employee. Monica responded saying an employee has roughly 1,820 workable hours, but contractors could provide the same number of hours if it is specified in the contract. Keith Libman pointed out that such contract would most likely exceed the cost estimated in the budget; Monica concurred.
 - Monica explained that she is neutral on the decision, however suggested an in-house employee would need to be at a manager level, so they have the requisite skills to lead the work.
- Armond Budish highlighted the fact that we are still in a pandemic and experiencing revenue loss, and the federal assistance is just a one-time funding and cannot be relied upon for long term spending. He said every department has imperatives and wants additional funding, no different than Internal Audit. Therefore, the budget increases can be only 2% across the board, with very few exceptions.
 - Salvatore Talarico indicated that if they were to hire an outside contractor for \$85,000, it's only an overall 1.3% increase over a two-year period.
 - Trevor McAleer expressed his concern with giving up the additional senior position to afford the IT contractor, because it may be difficult to justify adding a full-time equivalent (FTE) back in the future.
 - Michael Abouserhal inquired with Monica the estimated salary for an IT manager position in-house; Monica responded with an estimate of \$140,000 salary plus benefits based on her research. Michael Abouserhal noted this is roughly \$45,000 greater than the outside contractor and exceeds the allowable 2% budget increase.

Audit Committee members closed the discussion of the 2022/23 Budget with a couple requests and a motion:

- Mike Abouserhal asked Monica to put together new budget that does not exceed the allowable 2% budget increase, inclusive of paying for the IT

contractor, postponing the purchase of new audit software, and removing the available senior auditor position.

- Keith Libman suggested presenting to Council the two different budget proposals, the one with a 2% increase that can be approved, but also the one in excess of 2%, inclusive of all the resources necessary to meet professional auditing standards.

Salvatore Talarico motioned to approve a proposed DIA 2022/23 Budget that does not exceed the allowable 2% budget increase and addresses the IT Audit technical expertise concern, despite not meeting professional auditing standards with adequate resource capacity; Keith Libman seconded. The proposed DIA 2022/23 Budget was unanimously approved.

c. Schedule Financial Audit Exit Conference with Auditor of State's Office

Leigh Tucker indicated that the Auditor of State expects to wrap up their work sometime between October 2021 but before the Christmas holiday. Leigh suggested from past experience this is a busy time of year for Auditor of State, so it could be as late as January 2022 for Auditor of State to hold the exit conference. However, since this does not constitute a public meeting, she said she could ask if Auditor of State would conduct the meeting remotely to better accommodate schedules.

d. ERP Status Update

Jack Rhyne presented an update of ERP Implementation to the Audit Committee, discussing the following updates:

- 20 of the 26 of INFOR ERP modules have since been implemented.
- The payroll configuration is almost complete.
 - Work Force Management (WFM), the time entry side of payroll, has been through internal testing, user acceptance testing, and parallel testing set to begin on 9/12/21.
 - The parallel testing involves 1,110 to 1,200 employees entering hours in both systems and coincides with the actual pay period. After each pay period, the INFOR team will compare the results from both systems.
 - At Go Live, all employees who currently enter their time in the current system (MyHR) will enter their time in the new system (WFM).

- Before Go Live, both employee and supervisors will be required to complete training through the learning management system. Constant Contact will be used to monitor whether employees and supervisors have completed their training.
- Issues and risk mitigation is nearing completion.
 - 30 open issues, down from 120 in February.
 - Only 12 items were in progress over 41 days and no items pending over 6 days needing procurement department action.
 - Project stabilization is 72% complete; only 35 out of 125 open items remain.
 - Two high risk items that remain are the payroll parallel testing and the required update to the INFOR landing page to the more user friendly Mingle.CE interface.
- Recent audit requests were fulfilled.
 - The SOC1 type II report and Disaster Recovery Type 1 report were completed and submitted to Auditor of State. DoIT submitted to the Auditor of State 23 documented responses related to IT general controls (ITGC) as part of the external audit.
 - DoIT submitted responses to DIA's Fiscal Office Accounts Payable audit (Benford's Law on 2018 pre-ERP data), suggesting that most of the findings would be corrected with the ERP implementation.

Audit Committee members asked questions of Jack Rhyne pertaining to the item, which he answered accordingly:

- Salvatore Talarico inquired how soon DIA could audit payroll. Monica Houston suggested not until 2022-2023 to ensure they are fully implemented. However, in the meantime, she indicated DIA has been working with Jack Rhyne in identifying any interfaces that have already been implemented and could be tested.
- Salvatore Talarico asked whether the module interfaces are handled internally, such as the reconciling items with the bank reconciliation module. Jack Rhyne responded it is handled internally with a dashboard and if there is a failure with the

interfaces there are alerts and a determination can be made what steps were missed and how to resolve it. The County can also perform a root cause analysis to prevent future occurrence.

e. 2021 Audit Plan Update

Monica Houston presented the 2021 Audit Plan Update table:

- DIA is averaging a 60% utilization rate in 2021 thus far.
- The item in yellow, IT General Controls (ITGC) audit will not be conducted in 2021 due to budgetary constraints.
- Anything in blue was deferred by the Audit Committee in prior meetings.
- At the time the table was prepared, the unhighlighted items (CECOMS and DSAS) were projected to be started by 2021. However, on 9/1/2021, DIA was notified by DSAS they would like a deferral into 2022 because of resource constraints:
 - They are down 20% in personnel levels and have other State audits going on.
 - On 9/7/21, DIA has a meeting scheduled with DSAS, the HHS Director, and Catherine Tkachyk to discuss a path forward with DSAS.

Audit Committee members asked questions of Monica Houston pertaining to the item, which she answered accordingly:

- Keith Libman inquired how DIA intends to reallocate the 350 hours for the DSAS audit from the 2021 Audit Plan if it carries over to 2022.
 - Joshua Ault replied, explaining that the 2021 Project Excellence hours could be utilized instead.

As well, Joshua suggested he could also ask Leigh Tucker if she can provide Lawson training for DIA staff to apply in future audits.

- Keith Libman asked Monica to explain how any items in blue could be picked up in 2021 if DSAS is postponed. Monica indicated, of the items in blue, she already reached out to these agencies, and they are all too busy and would not likely be prepared.

The Audit Committee agreed to the postponement of the DSAS audit. Michael Abouserhal closed out the discussion by asking Monica to prepare a revised plan on how DIA will be able to utilize the 350 hours in 2021, either with DSAS and/or other projects, after considering the meeting with DSAS on 9/7/21.

f. Status of Current Engagements

Due to time constraints, this item was not discussed at the meeting.

g. Current/Emerging Risks

Due to time constraints, this item was not discussed at the meeting.

8. Public Comment – Unrelated to Agenda

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

9. Next Meeting – Thursday, November 30, 2021 9:00 AM – 12:00 PM

8. Adjournment

Salvatore Talarico motioned to adjourn the meeting; Trevor McAleer seconded. The motion to adjourn the meeting was unanimously approved at 12:22 p.m.

(signature on file)

Michael Abouserhal, Chair

MA/mh