



Cuyahoga County  
Audit Committee

Department of Internal Auditing

# Budget Presentation

## FY 2024/25

Cuyahoga County Council Committee of the Whole  
Meeting

Monica Houston, Director

Thursday, November 2, 2023

# Cuyahoga County Internal Audit Strategic Plan

Our Vision

Department of excellence where everything we do models the value of internal audit

Our Mission

Provide independent, objective assurance and advisory services that hold true to the concept of Semper pro Populus which means "always for the public"

Our Goals

Accountability

Integrity

Reliability

Value

Respect

Equity

Our Foundation



Invest in people



Good governance



Commitment to evolve

Our Initiatives

Establish KPIs

Develop Consolidated Issue Tracker

Assess Capabilities

Create Audit Efficiency

Promote the Value of Internal Audit

Develop Staff



# Cuyahoga County Department of Internal Audit (DIA)

- Established in Article XI of the Cuyahoga County Charter to provide internal auditing services.
- Charter requires that the internal auditing services be guided through the employment of Government Auditing Standards and/or the Professional Standards of the Institute of Internal Auditors (IIA), American Institute of Certified Public Accountants (AICPA), generally accepted auditing standards (GAAS) or generally accepted successor to such standards.
- Charter requires the Director of Internal Audit to be a Certified Internal Auditor or member of the IIA and to be subject to, and **follow at all times**, the Code of Ethics established by the IIA.
- The IIA Code of Ethics requires internal auditors to uphold 4 Principles and related Rules of Conduct: Integrity, Objectivity, Confidentiality, and Competency



## PRINCIPLES

Internal auditors are expected to apply and uphold the following principles:

- ***Integrity***

The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgment.

- ***Objectivity***

Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments.

- ***Confidentiality***

Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

- ***Competency***

Internal auditors apply the knowledge, skills, and experience needed in the performance of internal audit services.

# Topic of Relevance

## 4. *Competency*

### Internal Auditors:

- 4.1. Shall engage only in those services for which they have the necessary knowledge, skills, and experience.
- 4.2. Shall perform internal audit services in accordance with the *International Standards for the Professional Practice of Internal Auditing*.
- 4.3. Shall continually improve their proficiency and the effectiveness and quality of their services.

# IIA Standards

2120.A1 – The internal audit activity must **evaluate risk exposures** relating to the organization's governance, operations, and information systems regarding the:

- Achievement of the organization's strategic objectives. **(Strategic)**
- Reliability and integrity of financial and operational information. **(Financial)**
- Effectiveness and efficiency of operations and programs. **(Operational)**
- Safeguarding of assets. **(Fraud)**
- Compliance with laws, regulations, policies, procedures, and contracts. **(Compliance)**

2130.A1 – The internal audit activity must **evaluate the adequacy and effectiveness of controls in responding to risks within the organization's governance, operations, and information systems regarding the:**

- Achievement of the organization's strategic objectives. **(Strategic)**
- Reliability and integrity of financial and operational information. **(Operational)**
- Effectiveness and efficiency of operations and programs. **(Financial)**
- Safeguarding of assets. **(Fraud)**
- Compliance with laws, regulations, policies, procedures, and contracts. **(Compliance)**

# Compliance w/Standards Adds Value

## Audit or Advisory Services

Financial  
Compliance  
Operational  
Information Technology

Cuyahoga County axing \$6.4 million property tax system overhaul after 7 years of delays; ERP project also incomplete but 'workable'



Diabetic Cuyahoga County Jail officer died because supervisors wouldn't let him take break to check blood levels, lawsuit says



Cuyahoga County paid employees thousands in unauthorized funds, state auditor's office says



# Request for Additional Budget

In compliance with the Cuyahoga County Charter, DIA prepared its annual budget which was approved by the Audit Committee

Total Proposed 2024 Budget	Audit Comm	Exec	
	\$ 986,149	\$ 789,117	\$ (197,032)

Total Proposed 2025 Budget	Audit Comm	Exec	
	\$ 1,034,671	\$ 806,922	\$ (227,749)

**Total Difference**  
from budget approved by Audit Committee



**\$ (424,781)**



## 2024 Budget Comparison

<b>Total Proposed 2024 Budget</b>	<b>Audit Comm</b>	<b>Exec</b>	
	\$ 986,149	\$ 789,117	\$ (197,032)

### Personnel Services and Benefits

Description	Audit Comm	Exec	
	2024	2024	
Current Salaries FTE*	\$ 574,538	\$ 442,375	
Current Salaries PTE*	\$ -	\$ 132,154	
Flex Benefits - Employer**	\$ 110,295	\$ 90,788	
PERS - Employer (14%)	\$ 80,435	\$ 80,434	
Medicare - Employer (1.45%)	\$ 8,331	\$ 8,331	
Vacancies (Intern, Staff Auditor, IT Resource)***	\$ 41,787	\$ -	
	\$ 815,386	\$ 754,082	\$ (61,304)

\* Assuming 2% COLA

\*\* Assuming 6% annual increase

\*\*\* 2024 includes available funds after split AIG/DIA shared position and Sr. Auditor promotion. 2025 also includes transfer back of \$100,000 previously used for IT Audit Services

### Other Operating Expenses

Description	Audit Comm	Exec	
	2024	2024	
Local Travel	\$ 204		
Webinars/Trainings	\$ 1,326	\$ 8,376	
Conf. Fees	\$ 7,329		
Training Travel	\$ 7,446		
Supplies	\$ 230		
Copier/Printer	\$ 459	\$ 862	
Paper	\$ 204		
Dues/Continuing Education	\$ 6,375	\$ 605	
Staff Member Certifications	\$ 4,182		
Cellphones	\$ 1,469		
Space maintenance	\$ 4,794		
Mail Delivery Charges	\$ 2,754	\$ 3,166	
County GFOA Charge	\$ 673		
	\$ 37,445	\$ 13,009	\$ (24,436)

Assuming 2% increase on all expenses.

### Contracts

Description	Audit Comm	Exec	
	2024	2024	
IDEA*	\$ 2,652	\$ 19,666	
Audit Software	\$ 20,000		
Audit Committee Contracts**	\$ 5,000		
IT Audit Services***	\$ 105,000		
QAIP****			
	\$ 132,652	\$ 19,666	\$ (112,986)

\*Assuming 2% increase from 2023 expense.

\*\* The Audit Committee has the ability to contract outside services to assist audits or get legal advice. This reserves room in the budget for these types of contracts. 2025 restores this to prior budget years amount.

\*\*\* The County has several high risk areas in the IT area which need to be audited during 2024. This provides for an external resource as DIA does not currently have the expertise needed. Budget Resources return to Personnel Services Vacancies in 2025.

\*\*\*\* Triannual QAIP Assessment should be performed in 2025

### Capital Outlay

Description	Audit Comm	Exec	
	2024	2024	
Non-Supply Equipment	\$ 666	\$ 2,360	
	\$ 666	\$ 2,360	\$ 1,694

Assuming 2% increase.



## 2025 Budget Comparison

Total Proposed 2025 Budget	Audit Comm	Exec	
	\$ 1,034,671	\$ 806,922	\$ (227,749)

### Personnel Services and Benefits

Description	Audit Comm	Exec	
	2025	2025	
Current Salaries FTE*	\$ 586,040	\$ 451,222	
Current Salaries PTE*	\$ -	\$ 134,797	
Flex Benefits - Employer**	\$ 116,913	\$ 95,328	
PERS - Employer (14%)	\$ 82,046	\$ 82,043	
Medicare - Employer (1.45%)	\$ 8,498	\$ 8,497	
Vacancies (Intern, Staff Auditor, IT Resource)***	\$ 144,623	\$ -	
	\$ 938,119	\$ 771,887	\$ (166,232)

\* Assuming 2% COLA

\*\* Assuming 6% annual increase

\*\*\* 2024 includes available funds after split AIG/DIA shared position and Sr. Auditor promotion. 2025 also includes transfer back of \$100,000 previously used for IT Audit Services

### Contracts

Description	Audit Comm	Exec	
	2025	2025	
IDEA*	\$ 2,705	\$ 19,666	
Audit Software	\$ 20,000		
Audit Committee Contracts**	\$ 10,000		
IT Audit Services***	\$ -		
QAIP****	\$ 25,000		
	\$ 57,705	\$ 19,666	\$ (38,039)

\*Assuming 2% increase from 2023 expense.

\*\* The Audit Committee has the ability to contract outside services to assist audits or get legal advice. This reserves room in the budget for these types of contracts. 2025 restores this to prior budget years amount.

\*\*\* The County has several high risk areas in the IT area which need to be audited during 2024. This provides for an external resource as DIA does not currently have the expertise needed. Budget Resources return to Personnel Services Vacancies in 2025.

\*\*\*\* Triannual QAIP Assessment should be performed in 2025

### Other Operating Expenses

Description	Audit Comm	Exec	
	2025	2025	
Local Travel	\$ 208		
Webinars/Trainings	\$ 1,326		
Conf. Fees	\$ 7,476	\$ 8,376	
Training Travel	\$ 7,595		
Supplies	\$ 235		
Copier/Printer	\$ 468	\$ 862	
Paper	\$ 208		
Dues/Continuing Education	\$ 6,503	\$ 605	
Staff Member Certifications	\$ 4,266		
Cellphones	\$ 1,498		
Space maintenance	\$ 4,890		
Mail Delivery Charges	\$ 2,809	\$ 3,166	
County GFOA Charge	\$ 686		
	\$ 38,168	\$ 13,009	\$ (25,159)

Assuming 2% increase on all expenses.

### Capital Outlay

Description	Audit Comm	Exec	
	2025	2025	
Non-Supply Equipment	\$ 679	\$ 2,360	
	\$ 679	\$ 2,360	\$ 1,681

Assuming 2% increase.



# Impact of Budget Cuts

## 2024

- Co-sourced Audit Services for IT Audits (utilizes funds allocated to FTE Vacancy approved by Council in 2019)
- Personnel – Senior IT Auditor New Hire – partial year (utilizes Part-Time Vacancy approved by Council in 2019)
- Continuing Education (40 hours required per staff annually by IIA Standards/Audit Charter)

## 2025

- Personnel – Senior IT Auditor (utilizes FTE Vacancy and Part-Time Vacancy approved by Council in 2019)
- Tri-annual Quality Assessment (required per IIA Standards/Audit Charter)
- Continuing Education (40 hours required per staff annually by IIA Standards/Audit Charter)

# Why IT Audit Services Are Needed

- **IT related processes, systems, and services pose SIGNIFICANT operational, financial, compliance, and strategic risk to Cuyahoga County**
  - Recent IT implementations across multiple areas
  - Pending IT implementations across multiple areas
  - Significant IT Expenditures/Budget (IT Dept only)
    - \$2.4 million increase in 2024/25 Budget
    - \$29.7 million (2024), \$30 million (2025)
  - Recent/Impending changes in regulations
    - Cyber Incident Reporting for Critical Infrastructure Act (CIRCA)
    - DOJ Proposed ADA Regulations For State and Local Government Websites
    - GASB Statement No. 96 – Subscription-Based Information Technology Arrangements
    - GASB Statement No. 101 – Compensated Absences
  - Increase in IT Risk Events
    - Hardware and software failures
    - Spam, viruses, and malicious attacks
    - Vendor or third-party failures
    - Natural Disasters
  - New Technology/dynamic IT Landscape
- **DIA Compliance with Cuyahoga County Charter**



# Executive Summary

## Key Observations

# EXCERPT FROM 2021 EXTERNAL QUALITY ASSESSMENT

### Gaps to Conformance with the Standards Noted

<i>Standard 1010</i>	<b>Recognizing Mandatory Guidance in the Internal Audit Charter</b> – Revise the DIA Charter to recognize the mandatory nature of the IIA guidance regarding the Core Principles, Standards, Code of Ethics and definition of internal auditing.
<i>Standard 1320</i>	<b>Reporting on the Quality Assurance and Improvement Program</b> – Strengthen reporting on the QAIP to senior management and the AC by including results of the QAIP, as well as improvement plans, in DIA status reporting.
<i>Standard 2030</i>	<b>Resource Management</b> – Ensure the DIA resources are appropriate, sufficient, and effectively deployed to achieve the approved annual audit plan, including resources needed to outsource some planned DIA activities.
<i>Standard 2110</i>	<b>Nature of Work: Governance</b> – Increase activity to assess and make recommendations to improve CC Governance processes, including IT Governance and the County ethics program. Include these as mandatory audit engagements in the annual plan and consider elements of County Governance when planning audit engagements.

### Opportunities for Continuous Improvement Noted: DIA Management

<i>Implementation Guide 1000</i>	<b>DIA Charter</b> – The CAE could enhance the DIA Charter by revising it, using the guidance provided within the IIA <i>Model Internal Audit Charter</i> .
<i>Implementation Guide 1210 Standard 1210.A3</i>	<b>Proficiency in Information Technology</b> – The CAE should increase the DIA proficiency the knowledge and skills regarding key IT risks and controls and available technology-based audit techniques.
<i>Implementation Guide 2010</i>	<b>DIA Annual Planning</b> – The DIA could enhance the annual planning process by redefining the “Audit Universe” to focus more on CC functions and processes.
<i>Implementation Guide 2050</i>	<b>Coordination and Reliance</b> – Ensure the DIA is aware of all providers of assurance and advisory type services, both internal and external, to determine any needs for coordination and potential to place reliance on their work.

Profession's global voice, recognized authority, acknowledged leader, chief advocate, and principal educator.



IIA  
Quality  
Services, LLC

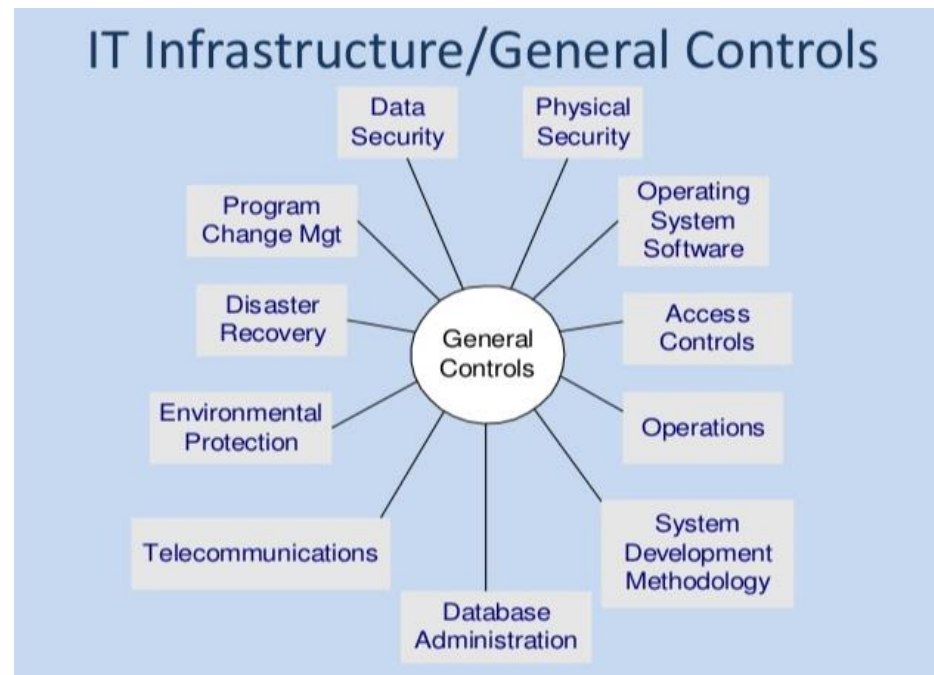


# Why IT Audit Services Are Needed

IT Controls exist within an organization's internal control framework to provide assurance over the confidentiality, integrity and availability of data. There are 2 main categories of IT controls:

1. **IT General Controls – providing general control over the IT environment (e.g. change management, user and access management, etc);** and
2. IT Application Controls – providing automated system-based controls over business transaction processing (e.g. system configuration settings).

IT General Controls are the foundation for the overall IT control environment as they provide the assurance that systems operate as intended and that output is reliable. Failure to ensure these controls are designed and operating effectively means you will not have assurance over the IT Application Controls, or any reports supporting IT Dependent manual controls, both of which directly support your business processes.





# How IT Audit Services Budget Will Be Utilized

## 5 Categories of Audit

### Client/Server, Intranets, and Extranets

This audit focuses on telecommunication control are in place because they serve as the bridge between the client and the server.



### Management of IT and Enterprise Architecture

This audit ensures that the process and structure of IT Management are precise and effective.

### Systems & Application

This audit focuses on verifying that systems and applications are valid, appropriate, reliable, timely, and secure at all system activity levels. This audit's objective is to assist financial auditors.

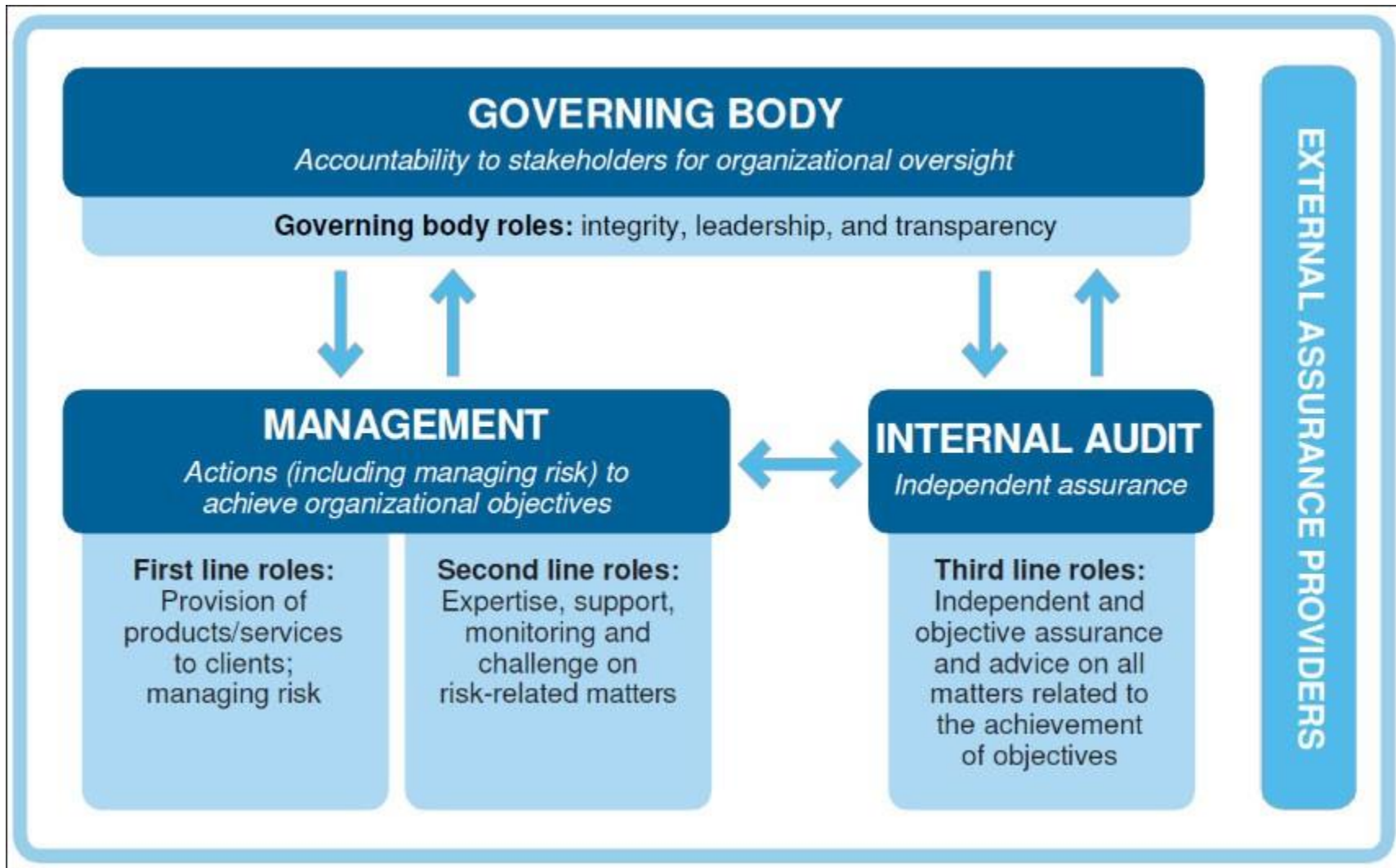
### Information Processing Facilities

This audit ensures that the process is working correctly, timely, and precisely, whether in a typical or disruptive situation.

### Systems Development

This audit verifies that the systems are developed in compliance with the organization's standards.

# IIA Three Lines of Defense Model





# Football and Internal Audit

## The First Line of Defense: 5 Defensive Linemen (Business Operations)

- People who work to prevent a touchdown either by proactively thwarting a play by running a blitz, or by stopping the ball at the line of scrimmage.
- Perform without getting a good look at where the ball is going

## The Second Line of Defense: 2 Linebackers and 2 Cornerbacks (Business Support Functions)

- They can see a play develop, and can either proactively tell the first line of defense to modify their play or react to attempt to capture the ball themselves.
- Perform with broader field of view

## The Third Line of Defense: 2 Safetys (Internal Audit)

- The last option to stop a play if it gets past the first two lines of defense
- **Fast, agile, and nimble**, and has the biggest field of view in the entire organization
- Can see the quarterback call an audible, and can proactively tell the first or second lines of defense to change their approach
- Can run an interception himself to catch the ball before it makes it into the endzone for a touchdown



# TEAM AUDIT

Cuyahoga County's  
Safetys



Questions?

