

Minutes
CUYAHOGA COUNTY
AUDIT COMMITTEE
Friday, August 24th, 2018, 9:00 AM – 11:30 AM
Cuyahoga County Administrative Headquarters
2079 East Ninth Street, Cleveland, OH 44115
4th Floor, 4-407 - Committee Room B

1. Call to Order – Meeting of August 24, 2018
The meeting was called to order at 9:02 a.m.

2. Roll Call -
Attending:
Michael Abouserhal, Chairperson
Keith Libman
Gary Shamis
Trevor McAleer (alternate for Councilman Dan Brady)
Armond Budish
Dennis Kennedy

Absent:
Yvette Ittu

3. Public Comment - Related to Items on the Agenda
There was no public comment related to items on the agenda.

4. Approval of Minutes – June 7, 2018
There were no corrections to the minutes from the June 7, 2018 meeting.
Gary Shamis motioned to approve, as written; Trevor McAleer seconded. The minutes for the June 7, 2018 meeting were unanimously approved.

5. Executive Session (As Necessary)
Michael Abouserhal discussed whether there was a need to go into executive session. The determination was made that nothing on the agenda necessitated an executive session.

Michael Abouserhal introduced new Audit Committee member, Keith Libman. Keith Libman provided a brief professional background. Michael Abouserhal turned the Committee's attention to item 7(a) prior to addressing Old Business.

7. Other Business:
 - a. Presentation of External Peer Review Report
Michael Abouserhal stated that this is the Department of Internal Auditing's first external peer review and required under the Internal Audit

Charter and auditing standards. Kelly Crosby, Director of Internal Audit and Compliance at Georgia Southern University and the peer review team leader, presented the results of the peer review to the Audit Committee.

Kelly Crosby stated the peer review team concluded the review with a favorable opinion and the Department of Internal Audit's internal quality control system is suitably designed and operating effectively to provide reasonable assurance of compliance with auditing standards. Kelly Crosby commended the audit manual and good practices of the Department. She observed and acknowledged improvement in the Department over the peer review period (1/1/16 – 12/31/17). Kelly Crosby presented verbal recommendations to the Audit Committee: 1) The Department should consider narrowing the scope of audits to provide more timely reports; 2) The Audit Committee should consider using one set of standards to improve efficiency.

Trevor McAleer stated that a wider scope may be necessary since the Department has only existed for a short duration and County departments never had internal audits prior to the new form of charter government. Executive Budish inquired about the role of the Audit Committee and Kelly Crosby stated the Audit Committee should make sure the Department is doing their job, no conflicts/independence threats exist, and issues can be reported without management interference.

Michael Abouserhal commended the department for this significant accomplishment. Keith Libman motioned to approve the issuance of the peer review reports; Trevor McAleer seconded. The peer review reports were unanimously approved for public posting. *(Update: The reports were posted to the Audit Committee's website following the meeting on August 24, 2018 meeting)*

6. Old Business:

- a. Follow-up Items from 2nd Quarter Meeting
Michael Abouserhal introduced the follow up items from the previous meeting. Cory Swaisgood, Director of Internal Auditing, presented the work completed to address the follow up items, which were included in the attachments distributed to the Audit Committee members.
- b. Resident Member Ethics Training and Independence Statements
Michael Abouserhal discussed the County's requirement for Audit Committee members to complete ethics training and the Audit Committee's charter requirement for resident members of the Audit

Committee to complete annual independence statements. Cory Swaisgood noted that only a few ethics trainings and independence statements are outstanding from Audit Committee members.

c. Update on Charter Amendment

Michael Abouserhal introduced the topic and asked Cory Swaisgood to give an update on the charter amendment. Cory Swaisgood briefly summarized the proposed charter amendment as presented to the Audit Committee at the June 7, 2018 meeting. He stated that he presented the charter amendment to the Charter Review Commission, as recommended by the County Executive. Following approval from the Charter Commission, the proposed changes were approved by County Council in July 2018 and submitted to the Board of Elections for the November 2018 ballot.

7. Other Business:

a. Update from Fiscal on 2016 Financial Audit

Michael Abouserhal requested an update on the unreconciled cash balance and the progress of the 2017 external financial audit. Dennis Kennedy, Fiscal Officer, presented the process undertaken by the County to identify a consistent unreconciled amount and cause of the unreconciled balance. The Fiscal Office contracted with Plante Moran to research the balance and present a number to the Fiscal Office. Their preliminary findings indicated the unreconciled balance did not occur within the last few years and could have occurred long before the new form of government. Plante Moran's did not think it would be cost effective to extend the contract for them to review additional years. Dennis Kennedy will communicate future action to the Audit Committee as the Fiscal Office receives results from Plante Moran.

Trevor McAleer inquired as to whether the unreconciled balance had remained consistent. Dennis Kennedy stated it was difficult to determine consistency due to the multiple systems impacting the cash balance, but Plante Moran had indicated the unreconciled difference remained consistent during their review and calculated the unreconciled balance to be approximately \$500,000 book-over-bank. He did not have the final report from Plante Moran as of this meeting.

Dennis Kennedy also stated there were small technical findings in the 2017 financial audit to review. The number of findings, and repeat findings, has declined. An exit conference should be expected in October.

b. Schedule Financial Audit Exit Conference with Auditor of State's (AOS) Office

Michael Abouserhal described the need to schedule a post-audit meeting separately with the Auditor of State's Office for the 2017 external financial audit. Cory Swaisgood stated that no date has been set, but the earliest this would occur is October. Cory Swaisgood will notify the Committee once he received potential dates from the audit team.

c. Discussion on Internal Audit Draft Reports as a Public Record

Michael Abouserhal introduced this topic for discussion. He asked for the Audit Committee's opinion on next steps to address the Department of Internal Auditing's draft reports as a public record. Since the Audit Committee received conflicting opinions from the County as to whether draft internal audit reports are public records, he asked Audit Committee members if a legal opinion from an outside legal counsel is necessary. Michael Abouserhal also stated the internal Audit Committee Charter approved by the Audit Committee states the Committee shall review and approve all significant findings from the internal audit department before release to the public.

Keith Libman presented that an important step in drafting a report is getting managements feedback prior to issuance to ensure accurate information is contained in the report. Gary Shamis concurred and stated that it was dangerous and misleading to the public as the information could be misinterpreted. Trevor McAleer stated that the public record laws were clear on this subject and that resources should instead be put towards lobbying the state assembly to address confidentiality of draft audit reports until the audit has been completed and the report finalized. Executive Budish stated that he would be supportive of this if recommended by the Audit Committee. Cory Swaisgood noted that peer reviewers from other states recently on site stated their respective state codes protected internal audit draft reports from public record requests until the reports were final. Michael Abouserhal noted the Auditor of State's draft reports and the State Office of Internal Audit's draft reports are protected from public record by the Ohio Revised Code.

Executive Budish stated that legislation takes significant time and that procedures should be established in place for the Department in the meantime. Michael Abouserhal noted the Department needs to have the ability to draft findings and discuss with management prior to the issuance of a report. Keith Libman inquired about the process to select an independent counsel and if the County could request an opinion from

counsel that would suggest how the Department could keep draft findings from being a public record until final. Brendan Doyle from the Prosecutor's Office stated that Prosecutor O'Malley would have to pursue outside legal counsel.

Keith Libman motioned to obtain counsel to clarify how the public records laws apply to the Department's draft audit reports; Gary Shamis seconded. All were in favor of the motion with the exception of Trevor McAleer. *(Update: Following the August 24, 2018 meeting, the Audit Committee agreed to pursue an opinion on this topic from the Attorney General through Prosecutor O'Malley)*

Trevor McAleer agreed to draft a letter for the Ohio General Assembly to amend the Ohio Revised Code. Executive Budish thanked the Committee and supported any recommendation from the Committee. The Committee decided to formally vote on this topic.

Gary Shamis motioned to formally recommend the Audit Committee to support any action taken by the County to amend the Ohio Revised Code; Trevor McAleer seconded. The motion was unanimously approved.

d. Update of IT Position

The Inspector General and Cory Swaisgood made an offer to John Cornwell for the IT Investigative Analyst position. Although the Audit Committee approved the hiring of Mr. Cornwell through e-mail, Cory Swaisgood requested approval from the Audit Committee to be formalized in the minutes. Mr Cornwell will be starting on October 1st. His experience with local government and antiquated systems makes him an ideal fit for the position.

Trevor McAleer motioned to approve the hire; Gary Shamis seconded. The motion was unanimously approved.

f. Review of Current Year Budget to Actual Statements for Department

Michael Abouserhal noted the requirement for the Committee to review the current year budget to actual report for the Department. Cory Swaisgood noted a budget surplus due to position vacancies for most of the year. Cory Swaisgood noted that no additional appropriations will be required.

g. Prepare Subsequent Year(s) Budget

Cory Swaisgood described the Committee's responsibility to approve the

Department's annual budget. Cory Swaisgood presented the 2019 budget to the Audit Committee and stated the budget did not exceed the budget approved by Council for 2019. No additional appropriations will be requested.

Trevor McAleer motioned to approve the 2019 budget; Gary Shamis seconded. The motion was unanimously approved.

h. Revised Annual Audit Plan

Michael Abouserhal described the requirement of the Committee to approve changes to the annual audit plan. Cory Swaisgood presented the revised 2018 audit plan to the Audit Committee and discussed changes needed to accommodate review of the County's ERP project. The project became a priority over the IT inventory, which may not commence until 2019. He also stated the follow up for the commissary audit will not commence until 2019 since rollout of the new jail system was delayed. Budget hours for these engagements were moved to the ERP review.

Michael Abouserhal inquired into how many hours in total for the ERP project. Cory Swaisgood presented the estimated hours, total % of time involved and estimated completion date. Keith Libman inquired as to whether consideration was given to bring in outside resources to complete work on the core mission of internal audit's audit plan. Cory described the department's knowledge of the department's impacted by the new system and current involvement made internal Department staff better suited for the engagement. He also stated review of the ERP project is included in the Department's core mission at the beginning of 2018 and more hours are needed to review the project. Michael Abouserhal noted that due to the significant investment in resources this will need to be monitored to ensure completion with the audit plan.

Trevor McAleer motioned to approve the updated 2018 audit plan; Gary Shamis seconded. The motion was unanimously approved.

i. Employee Reimbursement Audit Report

Cory Swaisgood stated the Employee Reimbursement Audit Report was released on July 9, 2018, approved by the Audit Committee via email. Cory Swaisgood presented the high points of the audit results and noted the County established a new travel policy which addressed many of the recommendations. Cory Swaisgood asked the Audit Committee to approve the audit report to formalize in the minutes.

Gary Shamis motioned to approve the issuance of the expense

reimbursement report; Trevor McAleer seconded. The report was unanimously approved for public posting.

j. Parking Services Internal Audit Report

Cory Swaisgood described the main objectives of the Parking Services Audit as a review of the department's cash collection process for daily and special event parking. Cory Swaisgood commended the work of Parking Services and the Department of Public Works and thanked them for their cooperation during the audit. Cory Swaisgood was pleased with the progress in addressing the findings and Michael Abouserhal commended management for addressing the findings so swiftly. Cory Swaisgood requested approval to release the audit report on August 31, 2018.

Gary Shamis motioned to approve the issuance of the parking services report; Trevor McAleer seconded. The report was unanimously approved for release on August 31, 2018.

k. Procurement Audit on IT Contracts

Cory Swaisgood stated that he distributed the final report to the Audit Committee with management responses a week before the meeting. He also stated the main objectives of the audit before asking the Audit Committee for approval to release the report on August 29, 2018. Trevor McAleer inquired if the OneCommunity overpayment identified in the audit was addressed. Cory Swaisgood stated that he recommended the Law Department seek recovery from the company. Trevor McAleer requested that it be sent to the Prosecutor's Office, as well.

Keith Libman motioned to approve the issuance of the procurement audit report; Trevor McAleer seconded. The report was unanimously approved for release on August 29, 2018.

l. Independent Forensic Investigator Report

Cory Swaisgood described the purpose of the independent forensic investigator. The Inspector General and himself were tasked with procuring and overseeing the independent forensic investigator. Vestige was selected after receiving quotes from various vendors. The report distributed to the Audit Committee identified gaps in the subpoena response process from the County to subpoenas from the Prosecutor's Office. However, the gaps were addressed immediately by the County. Cory Swaisgood stated this was not included in the Department's audit plan and did not impact the audit plan. Executive Budish thanked the Inspector General and Cory Swaisgood for their involvement in the process. No further action required by the Committee.

Assessment of County's Conflict of Interest Process

Cory Swaisgood described the purpose of the assessment and referenced the Audit Committee members to the prior meeting in June where the objectives were discussed. The scope of this assessment did not impact the audit plan as the Inspector General worked with the Department on this assessment. Cory Swaisgood discussed the result of the assessment, which included surveying over 50 government agencies around the nation. He stated the Inspector General's current practice of disclosing conflicts of interest was considered best practice, and changes to the current process will only enhance disclosure of conflicts of interests. The Department made recommendations to identify potential conflicts of interest in the procurement process, as well. Cory Swaisgood asked for approval to post the assessment to the Audit Committee's website.

Keith Libman inquired as to one of the recommendations of making a searchable database. Cory described how the database could be utilized. Gary Shamis noted that there is software capable of performing analytics for identifying potential conflicts of interest. Michael Abouserhal noted the difficulty of this task due to the number of employees involved in the procurement process. Executive Budish thanked Cory Swaisgood for the work completed.

Trevor McAleer motioned to approve the issuance of the conflict of interest report; Keith Libman seconded. The report was unanimously approved for public posting. *(Update: The reports were posted to the Audit Committee's website following the meeting on August 24, 2018 meeting)*

m. Update of Current Internal Audit Engagement – ERP

Cory Swaisgood described the purpose of this engagement and referenced the Audit Committee members to the prior meeting in June where the scope of work was discussed. He stated preliminary findings have been developed based on the work performed to date and is awaiting formal management responses. He plans to distribute this report to the Audit Committee the week of September 3, 2018. *(Update: Report distributed September 7, 2018)*

Michael Abouserhal inquired about distribution of preliminary findings and a final report. Cory Swaisgood noted that preliminary findings are discussed with the ERP team implementing the project and the project management office. The Department distributes the report to the Chief of Staff, Chief Innovation Officer, Council's consultant for the project, and to the Audit Committee after receiving management responses. Trevor

McAleer noted that Council's consultant thought the Department's involvement has added value to the project.

Update of Current Internal Audit Engagement – Budget Commission
Cory Swaisgood described the purpose the Budget Commission engagement. The Department was requested to review the Budget Commission's policies and procedures. He stated that results of the review are currently with management of the Fiscal Office and he will distribute the report to the Audit Committee by the end of September. Cory Swaisgood commended the work of the Budget Commission Department, was impressed with the comprehensiveness of their procedures and stated the procedures represented a best practice in the state of Ohio. Michael Abouserhal inquired as to the Budget Commission's purpose and Dennis Kennedy described the Commission's purpose. Due to the statutory requirements for the Budget Commission and the limited staff Dennis Kennedy had requested the review of their operations. *(Update: The report was distributed to the Audit Committee in early October and released on October 24, 2018)*

n. Update of Treasurer's Office Follow-up Report

Cory Swaisgood provided an updated on the Treasurer's Office second follow-up review from the 2014 audit. Michael Abouserhal inquired as to whether a summary of high-risk items will be presented to the Committee as in the prior year. Cory Swaisgood noted the same summary will not be provided this year as most recommendations were implemented. The report will be distributed to the Audit Committee in early September. *(Update: The report was distributed to the Audit Committee in late September and released on October 9, 2018)*

o. Follow-up – Benefits

Cory Swaisgood provided an update on a follow-up with Benefits. This was a follow up on the review of benefits deductions and ineligible employees on insurance plans conducted in 2017. The Department completed a similar process this year to ensure results from last year were corrected. The follow-up should conclude in September and a report should be distributed in October. Executive Budish thanked the Department for their assistance with the review of the deductions. *(Update: Due to ERP and Open Enrollment, DIA allowed Benefits more time to address issues and DIA findings by pay period 26 in December. DIA will update the Committee at the 4th quarter meeting.)*

p. Update of Follow-up – Sheriff's Office

Cory Swaisgood stated the Department released four separate audit

reports in 2017 on the Sheriff's Office. The General Operations and Property Room follow-ups are expected to be distributed to the Committee by the end of October. The Commissary follow-up has been rescheduled for next year (see revised audit plan discussion). Civil's follow-up will commence in late September. *(Update: The Civil follow-up commenced in September. Due to issues in the Jail, DIA allowed more time for the Sheriff to address the other two follow-up reports. DIA will update the Committee at the 4th quarter meeting.)*

8. Public Comment – Unrelated to Agenda

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

9. Next Meeting – Friday, December 14, 2018 1:00 PM – 3:30 PM

There will also be a non-public meeting with the Auditor of State's Office for the 2017 financial statement audit's exit conference. This meeting will be specifically for the 2017 audit and most likely occur prior to the next scheduled meeting of December 14th.

10. Adjournment

Trevor McAleer motioned to adjourn; Gary Shamis seconded. The motion to adjourn was unanimously approved at 10:39 a.m.

(signature on file)

Michael Abouserhal, Chair

MA/ks