

Minutes

CUYAHOGA COUNTY

AUDIT COMMITTEE

Thursday, February 1st, 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 – Audit Committee meeting of February 1, 2018
The meeting was called to order at 9:03 a.m.
2. Roll Call –
Attending:
Michael Abouserhal, Chairperson
Gary Shamis
Yvette Ittu
Trevor McAleer (alternate for Councilman Dan Brady)
Armond Budish
Dennis Kennedy
3. Public Comment - Related to Items on the Agenda
There was no public comment related to items on the agenda.
4. Approval of Minutes – December 7, 2017
There were no corrections to the minutes from the December 7, 2017 meeting. Gary Shamis motioned to approve, as written; Yvette Ittu seconded. The minutes for the December 7, 2017 meeting were unanimously approved.

To allow time for the State's Auditor's pre conference, the Committee addressed each item on the agenda out of order, and listed below in the order discussed.

6. Old Business:
 - a. Reappointment of Audit Committee Member, Yvette Ittu
Armond Budish stated his office is currently working on the reappointment.
7. Other Business:
 - c. Audit Committee Vacancy
Armond Budish stated that his office is working on getting another appointee for the vacant audit committee position.
 - a. Election of Audit Committee Chairperson
Gary Shamis thanked Michael Abouserhal for his service as Chairperson over the past year. Gary Shamis motioned to reappoint the current chair. Yvette Ittu seconded. The motion to reappoint the current chair was unanimously approved.

5. Executive Session (As Necessary)
 - a. Auditor of State Pre-Audit Conference

Michael Abouserhal discussed the purpose to go into executive session for the Auditor of State's (AOS) pre-audit conference.

Executive Session was adjourned without objection and Michael Abouserhal then reconvened the meeting. Michael Abouserhal turned the Committee's attention to item 7(d).

7. Other Business:
 - b. Pre-Audit Discussion with Auditor of State on 2017 Financial Audit

This item was addressed with 5(a).

- d. Report of Performance Relative to Prior Year Audit Plan

Per the Internal Audit Charter, Cory Swaisgood presented performance relative to the prior year audit plan and the status of the 2017 engagements. The rationale for changes to the audit plan were discussed. Trevor McAleer requested that the Budget Commission audit be added back into the 2018 audit plan.

Cory Swaisgood presented the status of the follow up audits listed on the 2017 audit plan. Michael Abouserhal commended Cory Swaisgood and staff for work completed in the prior year.

- e. Approval of 2017 Risk Assessment Report
- Michael Abouserhal discussed the requirement for the Committee to approve the annual risk assessment completed by internal audit and its importance in the creation of the annual audit plan. Cory Swaisgood noted there were no major changes to the risk assessment and discussed the scope of work completed to prepare the risk assessment report. He requested approval of the report to be released on February 9.

Yvette Ittu motioned to approve. Gary Shamis seconded. The motion was unanimously approved.

- f. Approval of 2018 Audit Plan Report
- Cory Swaisgood briefly presented the current audit plan. He requested approval of the report to be released on February 9. The Senior Auditor position which was added to the Internal Audit Budget by Council, has not been filled, was incorporated into the preparation and total available audit

hours of the annual audit plan. Trevor McAleer requested that the Budget Commission engagement to review the policies and procedures manual be added back into the annual audit plan due to the importance of the function to the County's operations. Dennis Kennedy noted some of the controls that have been implemented since the engagement was originally requested. Michael Abouserhal requested a potential scope for a Budget Commission engagement and everyone agreed that it should include compliance to ORC and a review of the comprehensiveness and operating effectiveness of existing policies and procedures.

Yvette Ittu motioned to approve; Gary Shamis seconded. The motion was approved unanimously.

g. Scheduling of Update to Council

Michael Abouserhal discussed the format, content, and timing of what will be presented from the Committee to County Council. The same format will be followed as last year's report, unless requested differently from Council. The Committee will present the information and Council can request feedback as needed. The Audit Committee Charter requires an annual update to Council. The timeline is to have material prepared by the end of February for Audit Committee review.

h. Approval of 2017 Benford's Law Audit

Michael Abouserhal stated that the primary purpose of this audit was to identify duplicate payments made. None were discovered in the audit and Michael Abouserhal commended the County's Fiscal Office for this, due to the detective controls in place that identified duplicates prior to them being paid. Cory Swaisgood gave a brief summary of the audit and noted recommendations that were made to enhance internal controls. He requested approval of the report to be released on February 9. The Fiscal Office has accepted all findings and is actively working to address the recommendations. Armond Budish commended Cory Swaisgood and the presentation of the audit report which included commendable practices as well as areas for improvement.

Gary Shamis motioned to approve; Yvette Ittu seconded. The motion to approve the issuance of the audit report was unanimously approved.

i. Request for Approvals

Cory Swaisgood requested formal approval to hire Kim Seeley as Staff Auditor.

Gary Shamis motioned to approve; Yvette Ittu seconded. The motion was unanimously approved.

Cory Swaisgood requested formal approval that all employees of the Internal Audit Department, except the most recent hire, receive the cost of living adjustment approved by the County Executive for all County non-bargaining employees.

Yvette Ittu motioned to approve; Gary Shamis seconded. The motion was unanimously approved.

Cory Swaisgood discussed the training program and importance of attending the Association of Local Government Auditors annual conference in Colorado Springs, CO. Cory Swaisgood requested that one staff member be able to attend the conference specifically for the peer review training offered and networking with other local government internal auditors.

Gary Shamis motioned to approve; Yvette Ittu seconded. The motion was unanimously approved.

j. Update of Senior Staff Auditor and IT Positions

Michael Abouserhal discussed the proper structure of the department. He thanked County Council for approving two new positions to assist the department. He congratulated the department on their work and stated that the addition of new audit roles speaks to the quality of work that the department does. The Senior Auditor position was sent to HR for review on January 10th and is intended to be an auditor in charge role.

The Investigative Systems Analyst was sent to HR on January 16th. The position will be shared between the Department of Internal Audit and the Inspector General's office. A meeting was held with relevant departments on the duties for the position and expectation for unrestricted access to information systems. All parties were in agreement. Michael Abouserhal recommended potentially giving access to department staff in addition to the new newly created position.

Cory Swaisgood will update the Committee as progress is made in filling these roles.

k. External Peer Review Request

Michael Abouserhal discussed the requirement for an external peer review process per the Audit Charter and professional auditing standards. Cory Swaisgood described the external peer review process to verify the Department's compliance to auditing standards. The County is not responsible for any fees related to the peer review, only travel costs for the external reviewers. Cory Swaisgood presented the standard agreement to the Audit Committee for approval. The total requested estimated funding for the external reviewer's travel costs for the external

peer review is not to exceed \$8,000 and was been included in the department's approved budget.

Trevor McAleer motioned to approve; Gary Shamis seconded. This motion to approve up to \$8,000 for the external peer review was unanimously approved. The standard agreement will be submitted to the Board of Control with the Audit Committee's recommendation to approve.

I. Confirm Independence of Audit Personnel

Michael Abouserhal noted the Committee is required on an annual basis to confirm the independence of audit personnel, per the County's audit charter and professional auditing standards. Cory Swaisgood presented that staff of the department has signed independence forms and confirmed there are no conflicts that will impact the independence of the department. If any changes arise throughout the year that create an impairment to independence safeguards will be implemented to ensure that it does not become a conflict and the committee will be notified.

Gary Shamis motioned to approve; Yvette Ittu seconded. The motion was unanimously approved.

After the motion was approved discussion ensued regarding the process for ensuring that all committee members are independent as well. Gary Shamis discussed that there was no process currently for Committee members to report possible conflicts of interest, which is inconsistent with other Boards and Committees that he serves on. The County Executive recommended using the process from other boards to reduce the research and implementation time. Michael Abouserhal requested Cory Swaisgood to research and provide feedback to the Committee members before the next meeting.

m. Update of Internal Audit Policies

Cory Swaisgood discussed the preparation of the DIA's first ever audit manual. The manual reinforces the authority of the department, is a resource for training, and helps to ensure compliance with auditing standards. The final audit manual will be presented at the next meeting for approval, subject to feedback from committee members. Michael Abouserhal commended Cory on the work put into the preparation of the Audit Manual.

Michael Abouserhal noted that the Committee is required to review existing policies and approve any changes made on an annual basis. Cory Swaisgood noted that no recommended changes were made to existing policies, however once County Council enacts a travel policy the department will adopt it as well.

Trevor McAleer motioned to approve that there will be no changes to existing policies. Gary Shamis seconded. The motion was unanimously approved.

- n. Update of Current Internal Audit Engagement – Employee Reimbursement Expense Audit
Cory Swaisgood presented a brief overview of the scope and status of the County-wide employee reimbursement audit. Cory commended the Fiscal Office for quickly addressing control weaknesses identified. Michael Abouserhal described the complexity of managing expense reimbursements for such a diverse organization and noted that the audit findings that had been presented to date were minor. A draft report is expected by mid-March.
 - o. Update of Current Internal Audit Engagement – Procurement Audit on Select Category of Contracts
Cory Swaisgood presented a brief overview of the scope and status of the Procurement Audit on Select Category of Contracts. The original scope of the audit was July 2016 thru June 2017, however the Department extended the audit period through December 2017 for additional testing and review. The audit is to test compliance with State and County procurement laws and policies as well as the controls over the issuance of payments and tracking of inventory purchased. A draft report is expected by May.
 - p. Update of Current Internal Audit Engagement – Parking Services Audit
Cory Swaisgood presented a brief overview of the scope and status of the Parking Service Audit. This audit is to review controls over cash, including the depositing of cash and recording of revenue. Access controls over parking systems also under review. A draft report is expected to be completed by May.
8. Public Comment – Unrelated to Agenda
There was no further public comment on items unrelated to the agenda.
9. Next Meeting – Friday, June 1, 2018, 1:00 PM – 3:30 PM
10. Adjournment
- Gary Shamis motioned to adjourn; Yvette Ittu seconded. The motion to adjourn was unanimously approved at 11:12 a.m.

(signature on file)

Michael Abouserhal, Chair
MA/mb