

MINUTES
NORTHEAST OHIO REGIONAL SEWER DISTRICT
AUDIT COMMITTEE
AUGUST 22, 2014

The meeting of the Audit Committee of the Northeast Ohio Regional Sewer District was called to order at 9:57 a.m.

I. Roll Call

PRESENT: R. Sulik
K. Koncilja
M. Oleksa

ALSO

PRESENT: J. Ciaccia, Executive Director
M. Bucci, Deputy Executive Director
J. Demmerle, Director of Finance
K. Duplay, Controller
M. Sundheimer, Director of Law
J. Wasko, Manager of Risk & Internal Audit
D. Bell, Manager of IT Project Management Services
S. Horvath, Manager of IT Infrastructure

Mr. Sulik advised that a quorum was present.

II. Approval of Minutes

Mr. Oleksa requested clarifying a paragraph regarding the accounts payable audit. Mr. Koncilja recalled that the essence of the discussion centered on the accounts payable process review and that there were issues in the report that had not been addressed, including what is the remediation plan and target dates.

The Committee agreed that Ms. Sundheimer would revise that portion of the minutes and e-mail them to ensure they captured what was discussed.

Mr. Sulik stated that the minutes of the May 22, 2014, Audit Committee Meeting was approved as amended. Without objection, the motion carried unanimously.

III. Executive Session

MOTION – Mr. Koncilja motioned and Mr. Oleksa seconded to go into Executive Session to discuss the External Audit Update. Without objection, the motion passed.

The Committee met in Executive Session from 10:01 a.m. to 10:18 a.m.

IV. Audit Plan Update

Mr. Koncilja recalled previous discussion regarding filtering out risk hours and focusing on the audit work. Mr. Wasko understood but stated it is consistent with the planning items staff has provided the Committee this year and staff wished to maintain consistency with the plan.

Mr. Koncilja stated that the Committee wanted increased visibility on outside consultants; they want to see the audit plan for audit hours, outsourced audit hours and how staff is doing because it is very confusing. Mr. Sulik asked Mr. Wasko to exclude risk hours and include externals.

Mr. Koncilja stated that the most important metric is the completion of fieldwork to the report being issued. Mr. Oleksa stated that they need to know if staff met its audit plan and explain why if they have not.

After discussion, the Committee and staff clarified that from the time the report is created and issued to the department should be less than 30 days. Executive Director Ciaccia wanted to make sure he was clear on the topic because fieldwork being complete does not mean the report is complete.

The Committee and senior staff agreed that the metric would be to get a report to management for review within an average of 30 days from the end of fieldwork. Following management review it would then go to the Audit Committee. Should it not, there should be an explanation. Staff agreed that the 30 days will include management comments.

V. Audit Report Update

Mr. Oleksa stated that red flag items were not able to be further validated because vendor creation was not archived in system conversion. He questioned why that was not an audit finding. Mr. Wasko advised that an audit was being performed on vendors and the payments were subsequently validated. He was comfortable that no payments resulted in fraud due to the extent of the testing on issues with vendors.

Mr. Oleksa observed that some reports have high-level summaries while others have no summary at all. He would like to see an executive summary on the report.

VI. Audit Follow-Up Update

Mr. Koncilja referenced e-mails he sent with in-depth questions on the audit reports created more questions and concerns. The responses implied there are control deficiencies and that Audit has advice that is not incorporated into the final report and agreed to by management. He requested staff review the e-mails and responses.

Mr. Wasko advised that he brought the reports to demonstrate the extent of testing that led to the report. Mr. Koncilja stated that he was concerned that the reports contain repetitive issues that have not been corrected. Deputy Executive Director Bucci explained that the deficiencies were in the source document that comes into Payroll, which would create an audit in HR next year.

Mr. Koncilja stated that sample testing should be expanded when deficiencies are found. The responses to his questions were that there are other deficiencies not being tracked because there are so many. That should tell management there are issues in need of corrective action.

Mr. Koncilja stated that there are opportunities to strengthen the control framework; relying on manual checks and balances and controls will result in deficiencies and exceptions. He asked staff to go back with the reports, look at the dialogue and see if there is room for improvement.

Mr. Duplay advised that the framework indicated this is an issue even though it gets fixed and payroll goes out correctly. Mr. Koncilja asked staff to brainstorm the assertions regarding what staff relies upon to state that all cash going out is properly authorized; the manual checks and balances are weak.

VII. Information Technology Update

Ms. Bell advised that the first three items under the strategic plan which had a high-risk recommendation have been completed. They are part of the development of IT governance. The governance committee would set up a prioritization process to assess project requests throughout the District. They develop business cases with each of the business units to discuss the requests.

The governance committee has met three times and consists of Executive Director Ciaccia, Ms. Demmerle, Kellie Rotunno, the Director of Engineering & Construction, and Ron Czerski of Operations & Maintenance. Executive Director Ciaccia stated that it has not yet been finalized.

Mr. Koncilja stated that Mr. Wasko should have an optional invitation to committee meetings because changing the system changes controls.

Mr. Sulik noted that the audit has been outstanding since March 2013 and inquired regarding the completion date. Ms. Bell stated that staff places specific milestones on the project. The project defining the prioritization process is coming to an end in the next couple months. Mr. Koncilja stated that the strategic plan review was performed in 2013. There appeared to be no framework, alignment or project management.

Mr. Horvath stated that staff has been working steadily on a n information security charter working draft. The draft is that top-level document with principles to approach security and drives the policies and procedures that will be developed. There will be measurable progress by late October.

Mr. Koncilja stated that policies must involve the law department and HR because if there is enforceability not following the policies they need to understand how that applies to the organization. He requested an update in the future. Executive Director Ciaccia agreed and noted the lack of milestones; they have to be fully developed.

Mr. Koncilja stated that some of the corrective actions require IT controls. Mr. Horvath advised that when the reports come out if they manifest into work orders then IT makes the changes.

VIII. Supplemental Materials

The Committee noted that on July 3, 2014, Mr. Sulik presented the Board of Trustees with the Audit Committee report. Mr. Sulik advised that there was no feedback from the Board members at that time and following this meeting he will give a report at the next Board Meeting that includes what was discussed so they are informed that the Committee is working.

The Committee noted its obligation to meet at least four times per year and suggested future meetings in October and December. The October agenda should contain an item regarding COSO and the December agenda should contain an IT update and the 2015 plan.

IX. Executive Session

MOTION – Mr. Koncilja motioned and Mr. Oleksa seconded to go into Executive Session to discuss personnel matters. Without objection, the motion passed.

The Committee met in Executive Session from 11:22 a.m. to 11:42 a.m.

X. Adjournment

There being no further business to come before the Committee, Mr. Sulik adjourned the meeting at 11:42 a.m.



Ronald Sulik, Chair

Audit Committee

Northeast Ohio Regional Sewer District