

MINUTES
NORTHEAST OHIO REGIONAL SEWER DISTRICT
AUDIT COMMITTEE
DECEMBER 4, 2014

The meeting of the Audit Committee of the Northeast Ohio Regional Sewer District was called to order at 2:05 p.m.

I. Roll Call

PRESENT: R. Sulik
K. Koncilja
M. Oleksa

ALSO

PRESENT: J. Ciaccia, Chief Executive Officer
J. Demmerle, Chief Financial Officer
K. Duplay, Controller
H. Sanchez, Director of Information Technology
M. Sundheimer, Chief Legal Officer & General Counsel
J. Wasko, Manager of Risk & Internal Audit

Mr. Sulik advised that a quorum was present.

II. Approval of Minutes

MOTION – Mr. Koncilja motioned and Mr. Oleksa seconded to approve the minutes of the November 7, 2014, Audit Committee Meeting. Without objection, the motion carried unanimously.

III. 2015 Audit Plan

Mr. Wasko stated that the planning process takes into account risk assessment scores from the last two risk assessments; process criticality scores, which are assessments from directors; control assessment scores based on previous audits with regards to controls in the area; a financial statement analysis to suggest where the resources have gone; and past audits. The factors are weighted and the audits are drawn from the higher risk areas and some total score areas.

Mr. Wasko explained that 75% of the 5,500 available hours within the department for auditing have been assigned, and approximately 1,000 hours have been budgeted for external staff. Staff hours will vary depending upon the audit. As discussed at the last Audit Committee meeting, staff overestimated how many direct hours were available based on benefit hours. A summary chart was presented showing 2014 hours available compared to 2015 hours available.

Mr. Koncilja asked in regard to the SSAE 16 reports (listed on the 2015 audit plan) how many were in the population and how many hours were focused on that matter. Ms. Demmerle responded that there are two reports: one through the City of Cleveland and one through ADP. The reports are issued during the District's audit period as the external auditors request them, as well. Mr. Koncilja asked if any control issues came out of the 2013 reports.

Mr. Wasko replied that there has been a lack of detail around controls with the Cleveland Water Department (CWD) report. Staff will follow up to obtain more specificity regarding which controls they should have. A review of the ADP SSAE 16 has been incorporated to see if we have the recommended internal controls in place; however, these two reports do not really influence the audit plan.

Mr. Wasko returned the discussion of the 2014 and 2015 audit plan summaries. He stated an adjustment of 300 hours will be made to the number of hours available within the audit function; the increase in benefit hours resulted in reduced hours available.

Mr. Oleksa inquired whether next year's audit plan was compressed due to a lack of resources. Mr. Wasko stated that it was not; staff can become more efficient with overhead and reallocate some of the 300 hours from overhead to direct. He has only allocated 75% of the time to the audit plan, leaving hours to cover monitoring and other non-auditing matters.

Mr. Koncilja advised that half the hours or less are actual auditing rather than overhead. The challenge is to become more efficient with staff hours. The challenge is to assess individual utilization rates to determine how to cut out non-value added practices some people may have and focus them on more in-depth auditing, as opposed to just adding more projects to audit.

Mr. Wasko advised that is the first step with regards to reallocation from overhead to direct time. There is a lot of staff time spent on budgets, performance management, training and committee prep. So, any time spent on work that does not lead to an audit is overhead. Mr. Wasko advised that the monitoring piece is one area that he has been emphasizing with the auditors, as is demonstrated with more developed background information in the audit reports. He wants his staff to be able to keep their fingers on the pulse of the organization and be able to explain the processes they are auditing. The time spent understanding internal processes may not lead to a direct audit, but it is necessary for understanding the environment they are auditing in. Explaining the process includes understanding the environment.

Mr. Koncilja added that he considered hours directed towards planning and understanding the environment part of direct auditing.

Mr. Oleksa questioned if staff is auditing the proper areas this year, or is there something glaring that we should be looking at. CEO Ciaccia advised that he and senior management reviewed the plan and they are comfortable with the proposed plan. Mr. Wasko explained that the plan was adjusted based on discussions with management.

Mr. Koncilja stated that the high-risk areas are always construction audits and outside service providers. He added that the Finance Department has made very good improvements the last couple of years, and so now it's time to focus elsewhere.

Mr. Wasko stated that a couple areas are redundant, but about half will stick. He wants to project resources going forward to 2016. Most audits will be on the financial control process review. Two thirds of the hours will be allocated in 2015. 2016 focuses more towards operation and construction audits.

Mr. Koncilja and Mr. Oleksa stated that they were fine with the 2015 budget and audit plan. With that Mr. Sulik entertained a motion to adopt the audit plan and budget.

MOTION – Mr. Koncilja moved and Mr. Oleksa seconded to accept the 2015 audit plan and budget. Without objection, the motion passed.

IV. Other Business

There were no items.

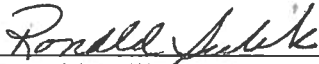
VII. Executive Session

MOTION – Mr. Sulik moved and Mr. Koncilja seconded to go into Executive Session to discuss the Law Department report. Without objection, the motion passed.

The Committee met in Executive Session from 2:30 p.m. to 3:04 p.m.

VIII. Adjournment

There being no further business to come before the Committee, Mr. Sulik adjourned the meeting at 3:04 p.m.



Ronald Sulik, Chairman
Audit Committee
Northeast Ohio Regional Sewer District