



# State Audit Committee

Mike DeWine, Governor  
Jon Husted, Lt. Governor

Larry L. Long, Chairman

## STATE AUDIT COMMITTEE

WEDNESDAY, JUNE 26, 2019, 10:00 A.M.

RHODES STATE OFFICE TOWER

30 EAST BROAD STREET, 35<sup>TH</sup> FLOOR, JUPITER/SATURN CONFERENCE ROOMS  
COLUMBUS, OHIO 43215

Members Present: Ann Gabriel  
David Beule  
Ranjan Manoranjan  
Andrea Weaver

Members Absent: Larry Long

### Call to Order

Committee member Gabriel called the meeting to order at 10:00 a.m.

### Approval of Minutes

Ms. Weaver moved for the minutes of the meeting held March 21, 2019, be approved with no additions or corrections. Mr. Beule seconded the motion, with all committee members present finding in favor of approving the meeting minutes with no objections.

### OBM Financial Reporting Update

Mr. Jim Kennedy, OBM Senior Deputy Director for Enterprise Services, provided a brief update on the financial audit timeline and early stages of collecting information from the state agencies to compile the FY 2019 Comprehensive Annual Financial Report (CAFR). Mr. Kennedy highlighted the key dates for the committee members, specifically the CAFR opinion date scheduled for December 20 and CAFR publish date on December 30, 2019, as well as the single audit release date scheduled for February 19, 2020. Mr. Kennedy noted a key retirement within the OBM financial reporting group, but with staff cross-training and no significant reporting requirement changes this year, Mr. Kennedy felt these deadlines were achievable.

Mr. Kennedy also informed the committee members that he testified last week, on behalf of the State Audit Committee, to the Sunset Review Committee. Mr. Kennedy noted the Sunset Review Committee is tasked with holding hearings and receiving testimony from various state agencies, boards and commissions to evaluate their usefulness, performance and effectiveness. Mr. Kennedy noted the Sunset Review Committee did not have any questions after his testimony. The final recommendation of the Sunset Review Committee should be forthcoming in the next several months. Mr. Kennedy also noted the State Audit Committee has been in existence for ten years now, with the FY20 Audit Plan being the eleventh plan submitted for Committee review.

## External Audit Update

Ms. Maria Jackson, Assistant Chief Auditor of Information Systems Audit from the Auditor of State, provided a brief update of the FY 2019 SOC-1 audit over the Ohio Knowledge Administrative System (OAKS); her team is completing fieldwork now and plans to issue the SOC-1 report in September. Ms. Jackson briefly explained the SOC-1 is the service organization of controls report over the State's financial and human resources system (OAKS). Ms. Jackson also noted the SOC-1 audit over the State of Ohio Computer Center (SOCC) for FY 2017 and FY 2018 are still delayed, but she anticipates the reports to be released within the coming weeks.

Ms. Debbie Liddil, Chief Auditor from the Auditor of State, State Region, provided an update on the financial audit for the upcoming FY 2019 cycle. The entrance meeting was held with OBM on June 12, 2019, and the Letter of Arrangement was distributed to those charged with governance, including the State Audit Committee Chairman, on June 10<sup>th</sup>. Testing has started at the support agencies and will continue through the end of the audit. Staff should move onsite at OBM by early October to begin testing over the draft financial statements. Ms. Liddil noted her staff have also been working with the OBM Financial Reporting team in anticipation of significant changes to GASB 84 (Fiduciary Activities) which will take effect for the FY 2020 financial statements. As to changes impacting the Single Audit, Ms. Liddil noted the federal government has not yet issued the 2019 compliance supplement, but she anticipates some changes to the Auditor of State's approach over auditing federal compliance will be necessary once the supplement is released.

## CAE Update

Ms. Cindy Klatt and Ms. Kelly Salomone, OBM Internal Audit's Chief Audit Executive and Quality Assurance Chief, respectively, provided a summary of the draft FY 2020 Annual Audit Plan and discussed the selected engagements for each state agency. Ms. Klatt informed the Committee that the Plan was developed using an enterprise risk approach, where Internal Audit considered risks to the enterprise (i.e. State) rather than individually at each agency as had been done in past years. Based on the results of the risk assessment, there were approximately fifteen risk areas identified as high risk which presented audit engagement opportunities with many of the agencies within Internal Audit's oversight. Due to a requirement in the *Standards* promulgated by the Institute of Internal Auditors (IIA), Internal Audit also included several engagements addressing governance. Ms. Klatt also notified the Committee regarding Internal Audit management meeting with Auditor of State-State Region management to coordinate audit efforts and avoid duplication of effort as required by IIA standards.

Ms. Klatt informed the committee members that Jennifer Wilson, the Internal Audit Director at the Ohio Lottery Commission, was taking a new position with the Treasurer of State's Office. Her replacement at the Ohio Lottery Commission has already been identified and Ms. Klatt is scheduled to meet with the new Internal Audit Director in the coming weeks.

Ms. Klatt then discussed the draft FY 2019 Annual Report and highlighted significant achievements. She also provided an update on the FY 2019 fourth quarter activities, discussing the Annual Audit Plan status; staffing levels; percentage of engagements completed per the Annual Plan; and the remediation dashboard, which included outstanding observations from

previously issued assurance reports. Ms. Klatt also provided the Committee with a high-level summary of the proposed FY 2020 budget and staffing levels for Internal Audit.

The Committee paused their meeting for lunch at 11:30 a.m. and reconvened with all four attending members present at 12:00 p.m.

*Executive Session* -- At 12:00 p.m., committee member Gabriel moved that the Committee enter into executive session for the purpose of discussing confidential matters exempted from public disclosure under Ohio Revised Code Sections 126.48 and 149.433. Preliminary reports of the Office of Internal Audit of the Office of Budget and Management and reports that constitute a security or infrastructure record are required to be kept confidential under Ohio law. Mr. Manoranjan seconded the motion and a roll call vote was taken, with Mr. Beule, Ms. Gabriel, Mr. Manoranjan, and Ms. Weaver all approving the motion to move into executive session. The Committee moved out of Executive Session at 1:55 p.m.

Committee member Gabriel moved that the State Audit Committee accept the assurance reports submitted by the Office of Internal Audit, except for the Ohio Department of Transportation reports; the motion was seconded by Ms. Weaver and all members approved the motion.

Committee member Gabriel moved that the State Audit Committee accept the assurance reports submitted by the Office of Internal Audit for the Ohio Department of Transportation; the motion was seconded by Mr. Beule. A roll call vote was taken with Mr. Beule, Ms. Gabriel, and Ms. Weaver approving the motion and Mr. Manoranjan abstaining.

Pursuant to these motions, the following eighteen assurance reports were accepted in accordance with Revised Code Section 126.48:

1. Department of Administrative Services – Commercial Lease Billing
2. Department of Commerce – Unclaimed Funds 1099 Process
3. Department of Developmental Disabilities – Private ICF Billing Process Review
4. Department of Health – Physician and Dental Loan Programs
5. Department of Health – Database Security
6. Department of Job and Family Services – Child Care Licensing
7. Department of Job and Family Services – IT General Controls (SETS, OFIS, CFIS systems)
8. Ohio Lottery Commission – Withheld Taxes for Prizes
9. Department of Medicaid – Ohio Benefits Death Master File
10. Opportunities for Ohioans with Disabilities – Community Centers for the Deaf
11. Department of Public Safety – Ohio Traffic Safety Office (OTSO) Grant Awarding Process
12. Department of Public Safety – IT Governance

13. Public Utilities Commission – Accounts Receivable and Revenues
14. Department of Taxation – Pass-Through Entity Returns Processing
15. Department of Taxation – IT Change Management
16. Department of Transportation – Ohio Rail Development Commission Billing/Payment Process
17. Department of Transportation – Airport Grants
18. Department of Youth Services – Parole Professional Service Suppliers

### **Open Discussion**

Ms. Klatt discussed the State Audit Committee Self-Assessment handout with the committee members. She briefly explained the purpose of the self-assessment is to assess whether the members are satisfied with the information they are receiving from Internal Audit, how the meetings are progressing, and whether the Committee is meeting its statutory obligations. The committee members had no issues with the suggested edits.

Ms. Klatt also presented the committee members with an updated Internal Audit Charter. Although the Committee approved the charter in December 2018, the charter needed to be updated to reflect the new OBM Director and other minor edits. The committee members had no questions regarding the updates.

Mr. Manoranjan moved for the Committee to approve the edits made to the Internal Audit Charter. Ms. Weaver seconded the motion, with all committee members present finding in favor of approving the updated Internal Audit Charter.

Ms. Klatt recognized Mr. Manoranjan for his three years of service on the State Audit Committee. Mr. Manoranjan's term ends June 30, 2019.

Ms. Klatt discussed the planned activities for the September meeting, including discussion over the CAE/Internal Audit assessment; an update on the material laws and regulations; and an update on the Bureau of Workers' Compensation Internal Audit Department. Ms. Klatt indicated it was possible the Committee would also hear an update on the Ohio Lottery Commission's Internal Audit Department.

The meeting was adjourned at 2:02 p.m.

### **Open Items for September 19, 2019 meeting**

None