



State Audit Committee

Mike DeWine, Governor
Jon Husted, Lt. Governor

Larry L. Long, Chairman

STATE AUDIT COMMITTEE

TUESDAY, JUNE 23, 2020, 9:00 A.M.
VIRTUAL CONFERENCE HELD VIA WEBEX
COLUMBUS, OHIO 43215

Members Present: Larry Long, Chair
Ann Gabriel
Andrea Weaver
Glenn Roberts
David Beule (entered at 9:35 a.m.)

Call to Order

Chairman Long called the meeting to order at 9:04 a.m.

Approval of Minutes

Chairman Long asked for a motion to approve the minutes from the last State Audit Committee meeting held December 18, 2019. Ms. Gabriel noted that the number of committee members who had returned from executive session during the December meeting was listed as four but should have been five members. Chairman Long asked that the minutes be updated to reflect this change. Ms. Gabriel motioned to approve the minutes with the correction noted. Ms. Weaver seconded the motion, with the four committee members present finding in favor of approving the amended meeting minutes.

OBM Financial Reporting Update

Jim Kennedy, OBM Senior Deputy Director for Enterprise Services, provided a brief summary of the FY 2019 financial audit timeline, noting that the financial reporting team is in the early stages of collecting information from the state agencies to compile the FY 2020 State of Ohio Comprehensive Annual Financial Report (CAFR). The anticipated CAFR audit opinion and Single Audit opinion dates remain similar to prior years, with the current pandemic not anticipated to have much impact on achieving those dates.

External Audit Update

Debbie Liddil, Chief Auditor from the Auditor of State (AOS), State Region, directed the members to the packet she had provided containing a highlight of the FY 2019 State of Ohio CAFR and Single Audit results they could refer to during her presentation. The FY 2019 CAFR opinion, dated December 20, 2019, was unmodified. Additionally, the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by Government Auditing Standards, also dated December 20, 2019, was issued, with three findings noted, one of which was repeated from FY 2018, Drug Rebate Monitoring for the Medicaid/CHIP

programs. The FY 2019 State Single Audit was issued March 31, 2020, and Ms. Liddil noted that the State reported 339 federal programs from 24 federal agencies, with total federal expenditures of nearly \$28.4 billion in FY 2019. Of the nearly \$28.4 billion, \$4.1 billion was passed through to subrecipients. There were 40 audit findings identified at 12 state agencies, of which 19 were repeated findings from FY 2018. Ms. Gabriel asked about how the pandemic would affect the FY 2020 audit plans, and Ms. Liddil responded that program guidance from the federal government is changing each day and federal audit guidance is not expected to be issued until Fall 2020, well after the start of the FY 2020 audit cycle. Additionally, Ohio is adding an additional reporting unit for the pandemic funding in FY 2020 which will have an impact to the CAFR audit. However, Ms. Liddil noted the Auditor of State's Office is in continuous contact with OBM to determine federal spend results as June 30, 2020. After questions from both Chairman Long and Ms. Gabriel regarding agency responses to Single Audit findings, Ms. Liddil shared that agencies have six months to submit their responses/updates to the federal grantor agency. The Auditor of State team is currently preparing for the FY 2020 audit cycle, with the engagement letter already provided.

Steve Gibson, Senior Audit Manager of Information Systems Audit from the Auditor's State Region, provided a brief update of the FY 2020 SOC-1 audit over the Ohio Knowledge Administrative System (OAKS). An entrance was held February 27, 2020 with an anticipated reporting date in mid-October 2020. The scope of the SOC-1 audit will include the human resources, financial and reporting components of OAKS, as well as the Warrant Writing application. Fieldwork is currently in process with no major delays experienced as a result of the pandemic which mandated that state employees work remotely.

CAE Update

Cindy Klatt and Kelly Salomone, OBM Internal Audit's Chief Audit Executive and Quality Assurance Chief, respectively, provided a summary of the draft FY 2021 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, similar to FY 2020, where Internal Audit considered risks to the enterprise (i.e. State). However, due to the pandemic commanding the attention of agencies' leadership, Internal Audit developed the Plan based on the results of an interim risk assessment that was heavily weighted based on Internal Audit input. Internal Audit plans to reassess risk with agency leadership input later in the year which may result in changes to the planned audits. This will also allow Internal Audit to gather more information related to the COVID-related funding to be spent by the State to determine where Internal Audit's resources should be utilized. Ms. Gabriel asked about agency activities that continue to rate as high risk after formally accepting the risk. Ms. Klatt indicated these agency activities could also be audited by the AOS and/or the Inspector General as state agencies are also under AOS/Inspector General purview. Ms. Klatt updated the Committee on the meeting held with AOS management to coordinate audit efforts as required by IIA standards. She also provided updates on the FY 2020 third and fourth quarter audit activities, FY 2020 Internal Audit budget and staffing, and audit comment remediation efforts.

Ms. Salomone presented the results of her assurance review of the BWC Internal Audit Department, as well as the results of the internal quality assessments completed over a sample

of audit and consulting projects completed during FY 2020. She noted the assurance review over the OLC Internal Audit Department was in progress with results to be presented at the September 2020 meeting.

The Committee paused their meeting for lunch at 11:20 a.m. and reconvened with all five members present at 11:45 a.m.

Executive Session -- At 11:45 a.m., Chairman Long moved that the Committee enter into executive session to discuss 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. Roberts seconded the motion and a roll call vote was taken; Ms. Gabriel, Ms. Weaver, Mr. Roberts, Mr. Beule, and Chairman Long all approved. The Committee moved out of Executive Session at 1:48 p.m.

After confirming there were no questions or abstentions, Chairman Long moved that the State Audit Committee accept the assurance reports submitted by the Office of Internal Audit; the motion was seconded by Ms. Gabriel and a roll call vote was taken; Ms. Gabriel, Ms. Weaver, Mr. Roberts, Mr. Beule, and Chairman Long all approved.

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

1. Adjutant General – Payment Card
2. Department of Agriculture – Amusement Ride Safety
3. Office of Budget and Management – Access Controls
4. Department of Developmental Disabilities – Early Intervention Grant
5. Department of Education – Pupil Transportation
6. Department of Education – Early Learning Program
7. Department of Education – Contracted Service Provider Management
8. Department of Health – Maternal and Child Health Services Block Grant
9. Department of Higher Education – Incident Response and System & Information Integrity
10. Department of Job and Family Services – IT Security Controls (OJI system)
11. Ohio Lottery Commission – Advertising Vendor Management
12. Department of Medicaid – Interagency Agreements
13. Department of Medicaid – IT Security Controls (MITS system)
14. Department of Transportation – Fixed Asset Procurement
15. Bureau of Workers Compensation – Incident Response and System & Information Integrity



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Open Discussion

Ms. Klatt briefly discussed the State Audit Committee Self-Assessment, explaining 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. Ms. Klatt stated she would work with Chairman Long to incorporate any suggested edits the committee members had.

The meeting was adjourned at 1:49 p.m.

Open Items for September 23, 2020 meeting

None