

STATE AUDIT COMMITTEE

WEDNESDAY, MARCH 31, 2021, 10:00 A.M.
VIRTUAL CONFERENCE HELD VIA MICROSOFT TEAMS

Members Present: Philip Renaud, Chair
Ann Gabriel
Andrea Weaver
Glenn Roberts

Members Absent: None

Call to Order

The meeting was called to order at 10:00 a.m.

Approval of Minutes

Chairman Renaud motioned to approve the minutes from the last State Audit Committee meeting held December 16, 2020. Ms. Gabriel seconded the motion, with the four Committee members present finding in favor of approving the meeting minutes.

OBM Financial Reporting Update

Jim Kennedy, OBM Senior Deputy Director of Enterprise Services, discussed the FY 2020 financial audit and Single Audit timeline, noting the deadlines and targets that were met. He indicated the financial audit was completed on December 28, 2020 and the comprehensive financial statements and audit report were posted to OBM's website early January. The financial reporting team then focused their efforts on wrapping up the single audit. There were minor delays with exit conference scheduling, but everything was completed with the opinion issued on March 17, 2021 as planned. Mr. Kennedy said this was a significant accomplishment given the amount of Coronavirus Relief Funds and remote work hurdles that occurred during the year.

Laura Swank, OBM Financial Reporting Assistant Manager, discussed the new GASB pronouncements that go into effect for the FY 2021 and FY 2022 financial statements. GASB Statement 84-Fiduciary Activities, effective for the FY 2021 financial statements, establishes criteria for categorizing fiduciary activities and will result in agency fund reporting to cease for Ohio and custodial fund reporting to begin. GASB Statements 90 and 93, which are also slated for FY 2021 financial statement implementation, are not expected to have a material impact to the financial statements. Ms. Swank also noted the financial reporting team is preparing for implementation of GASB Statement 87-Leases, which takes effect for the FY 2022 financial statements. GASB 87 requires leases to be recognized as an asset with an offsetting liability. Internal Audit has been engaged to help the financial reporting team assess implementation needs. GASB Statements 89 and 97, which are also slated for FY 2022 implementation, are not expected to have a material impact to the financial statements.

External Audit Update

Steve Gibson, Senior Audit Manager of Information Systems Audit from the Auditor of State (AOS), provided an update on the FY 2021 SOC-1 audits over the Ohio Knowledge Administrative System (OAKS) and the State of Ohio Computer Center (SOCC). The entrance meeting for OAKS was held February 9, 2021 and the entrance meeting for the SOCC was held February 10th; both projects are currently early in the field work phase.

Debbie Liddil, Chief Auditor from AOS - State Region, provided the members with an overview of the results of the FY 2020 financial statement audit and the Single Audit of the State. Ms. Liddil indicated the financial statement audit opinion, issued on December 28, 2020, was unmodified except for Unemployment Compensation and the Business-Type activities, which were qualified. 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 28, 2020, was issued, with two findings noted.

Ms. Liddil indicated the Single Audit opinion, issued March 17, 2021 and released on the AOS website March 25th, was based on testing related to 23 major programs at 13 state agencies, totaling more than \$38 billion. There were 19 significant audit findings, which resulted in AOS issuing a qualified opinion on compliance. There were 40 findings identified across ten state agencies. Twenty were repeat findings and seven related to questioned costs of more than \$426,470. A communication to those charged with governance was sent on March 26, 2021.

Ms. Liddil indicated they would be starting initial planning soon for the FY 2021 State of Ohio Audit, with significant impacts to both the financial statements and federal programs anticipated as a result for the pandemic funding that continued into FY 2021.

CAE Update

Cindy Klatt, OBM Internal Audit Chief Audit Executive, provided a high-level summary on the third quarter audit activities, including a summary on the FY 2021 annual internal audit plan progress and the status of remediation activities. Ms. Klatt discussed the initiative that started this quarter which involved meeting with DAS Office of Information Technology to share information about long standing remediation items.

Kelly Salomone, OBM Internal Audit's Quality Assurance Chief, discussed the results of the internal reviews performed for Q4 FY 2020 and Q1 FY 2021 activities. Ms. Salomone then discussed the results of the BWC and Ohio Lottery Commission assurance reviews she conducted covering calendar year 2020 audit activities.

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

Executive Session -- At 12:01 p.m., Chairman Renaud 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. Ms. Gabriel made a motion with Mr. Roberts seconding the motion. A roll call vote was taken with Ms. Gabriel, Ms. Weaver, Mr. Roberts, and Chairman Renaud all voting yes to enter executive session. The Committee ended executive session at 2:06 p.m.

After confirming there were no questions or abstentions, Chairman Renaud made a motion to accept the final assurance reports submitted by the Office of Internal Audit; the motion was seconded by Mr. Roberts. All members voted in favor to approve.

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

1. Department of Agriculture - Hemp Program
2. Development Services Agency - Access Controls
3. Department of Education - Procurement
4. Department of Higher Education - Ohio Tech Centers
5. Department of Job and Family Services - IT Security Controls (SACWIS)
6. Department of Job and Family Services - IT Security Controls (SETS)
7. Ohio Lottery Commission - Mobile Claiming
8. Department of Natural Resources - Dock Fee Receipts
9. Department of Public Safety - Access Controls
10. Department of Public Safety - BASS Refunds
11. Public Utilities Commission - Access Controls
12. Department of Youth Services - Title IV-E Grant Program

Open Discussion

Chairman Renaud reminded the committee members to submit financial disclosure forms by May 17, 2021.

Ms. Klatt provided the committee with a summary of items planned for the June committee meeting, including the FY 2022 Audit Plan, FY 2021 Annual Report, and the State Audit Committee Self-Assessment. Ms. Klatt also informed the Committee that the FY 2022 Internal Audit activities will be subject to the routine external review that occurs every five years.

Chairman Renaud asked the committee members for feedback, comments, or observations on areas for improvement to make meetings valuable for everyone. No feedback was provided.

The meeting was adjourned at 2:09 p.m.