

STATE AUDIT COMMITTEE

WEDNESDAY, SEPTEMBER 29, 2021, 10:00 A.M.
RHODES STATE OFFICE TOWER
30 EAST BROAD STREET, 35TH FLOOR, HUFFMAN PRAIRIE CONFERENCE ROOM
COLUMBUS, OHIO 43215

Members Present: Philip Renaud, Chair
David Beule
Ann Gabriel
Greg Long

Members Absent: Glenn Roberts

Call to Order

The meeting was called to order at 10:00 a.m. Chairman Renaud introduced the State Audit Committee's newest member, Greg Long. Michael Babin, OBM Chief Legal Counsel, then issued the Oath of Office to Mr. Long.

Approval of Minutes

Ms. Gabriel moved for the minutes of the June 29, 2021, meeting to be approved with no additions or corrections. Mr. Beule seconded the motion. The minutes were approved by majority vote with Chairman Renaud also voting to approve the minutes.

Bureau of Workers' Compensation (BWC) – Internal Audit Update

David Kooser, BWC Internal Audit Director, provided the Committee with a brief update on the BWC FY 2022 annual internal audit plan status and results of the prior year's plan.

Ohio Lottery Commission (OLC) – Internal Audit Update

Gregory Beyer, Director of Internal Audit, Lottery Commission, provided the Committee with a brief update on Lottery Commission's FY 2022 annual internal audit plan status and results of the prior year's plan.

OBM Financial Reporting Update

Linda Shook, OBM Financial Reporting Manager, provided a summary of the FY 2021 financial audit and Single Audit timeline, noting the OBM financial reporting team is currently in the heavy fieldwork phase and working to stay on track to meet key reporting dates. Ms. Shook reminded the Committee that GASB 84, dealing with fiduciary activities, went into effect for the FY 2021 financial statements. The impact of GASB 84 implementation resulted in the four major retirement systems, previously reported as agency funds, no longer being included as part of State's reporting entity.

Jim Kennedy, OBM Senior Deputy Director of Enterprise Services, discussed the material laws relevant to the State's financial statements with the Committee members. Mr. Kennedy also provided the Committee members with a summary of the activities making up the State's reporting entity.

External Audit Update

Steve Gibson, Assistant Chief Auditor of Information Systems Audit from the Auditor of State (AOS), provided a brief update on the FY 2021 SOC-1 audits over the Ohio Knowledge Administrative System (OAKS) and the State of Ohio Computer Center (SOCC). While slightly behind schedule, the fieldwork on both audits is primarily complete. Mr. Gibson anticipates the reports for these audits to be issued in the next several weeks.

Debbie Liddil, Chief Auditor from AOS – State Region, provided a brief status on the FY 2021 GAAP audit and Single Audit of the State. Testing began in the spring for key agencies and is still ongoing, with the financial statement opinion date planned for December 22, 2021. The Coronavirus Relief Fund (CRF) was a new opinion unit in FY 2020 and will continue into FY 2021, requiring additional testing for AOS. Ms. Liddil also noted AOS continues to evaluate the impact GASB 84 will have on their testing based upon the materiality changes that resulted from the four retirement systems no longer being included in the State's reporting entity.

For the Single Audit, Ms. Liddil noted draft federal guidance had been released earlier in the week for the American Rescue Plan Act (ARPA) funds issued in FY 2021. Upon initial analysis, Ms. Liddil noted it did not appear the guidance would have any significant impact on AOS' audit approach; however, she could not be sure until the FY 2021 Schedule of Expenditures of Federal Awards (SEFA) is completed to determine if there are new programs meeting the materiality threshold that the auditors will have to test.

Ms. Liddil also provided the Committee with a brief update regarding the special reviews that AOS is conducting at ODJFS related to unemployment compensation. The first review, a performance audit performed in response to Ohio House Bill 164, was completed and the report issued September 23, 2021. The second review, conducted in accordance with Ohio Revised Code §117.11(B) (Audit in Public's Interest), relates to unemployment fraud and is still in progress.

CAE Update

Cindy Klatt, OBM Internal Audit's Chief Audit Executive, provided a high-level summary on the first quarter audit activities, including a summary on the FY 2022 annual internal audit plan progress and the status of remediation activities.

Kelly Salomone, OBM Internal Audit's Chief of Quality Assurance, presented the results of the internal quality assessments completed over a sample of audit and consulting projects completed during the second through fourth quarters of FY 2021.

The Committee paused their meeting for lunch at 11:31 a.m. and reconvened with the four members present at 12:05 p.m.

Executive Session -- At 12:05 p.m., Katrina Flory, Department of Administrative Services (DAS) State CIO, and Anupam Srivastava, DAS State CISO, arrived at the meeting to provide the Committee an update on ransomware, a confidential matter. Chairman Renaud then asked for a motion 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, reports that constitute a security or infrastructure record, and records containing specific and unique vulnerability assessments or specific and unique response plans, either of which is intended to prevent or mitigate acts of terrorism, constitute a security record, and are required to be kept confidential under Ohio law. Mr. Beule made the motion to move into executive session, with Ms. Gabriel seconding the motion. Chairman Renaud requested a roll call vote; Ms. Gabriel, Mr. Beule, Mr. Long, and Chairman Renaud all approved. The Committee ended executive session at 1:37 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 Ms. Gabriel. With the four members present voting yea and zero nays, the motion of accepting the final assurance reports was approved.

Pursuant to this motion, the following three assurance reports were accepted in accordance with Revised Code Section 126.48:

1. Department of Commerce – Medical Marijuana Control Program
2. Department of Health – Nursing Home Inspections
3. Ohio Lottery Commission – Vendor Management Controls

Open Discussion

Ms. Klatt provided the members with the draft CAE/Internal Audit Assessment and asked whether the members wished to discuss any of the edits made before finalizing the assessment. The members indicated it could be finalized.

Ms. Klatt noted the next meeting will be held on December 16, 2021, in which the charters for the State Audit Committee and Internal Audit are scheduled for review. Ms. Klatt told the Committee members she and OBM legal counsel would review the charters for any necessary updates before she provided the members with copies for review prior to the December meeting.

Wrapping up the meeting, Ms. Klatt reminded the members about the State Audit Committee Self-Assessment. Chairman Renaud noted he would ask the members for feedback regarding the meeting and share the results with Ms. Klatt.

The meeting was adjourned at 1:50 p.m.