

STATE AUDIT COMMITTEE

THURSDAY, MARCH 31, 2022, 10:00 A.M.
VIRTUAL CONFERENCE HELD VIA MICROSOFT TEAMS

Members Present: Ann Gabriel
Gregory Long
David Beule
Glenn Roberts

Members Absent: Philip Renaud, Chair

Ms. Gabriel informed the State Audit Committee members that Chairman Renaud was unable to attend the Committee meeting and requested a motion to allow her to participate as Chair in order to have a designee for the meeting. Mr. Long motioned to allow Ms. Gabriel serve as Chair in Chairman Renaud's absence. Mr. Roberts seconded the motion. The decision was approved with all members present voting in favor to accept Ms. Gabriel participating as Chair.

Call to Order

The meeting was called to order at 10:04 a.m.

Approval of Minutes

After confirming no corrections were necessary, Ms. Gabriel asked for a motion to approve the minutes of the December 16, 2021 meeting. Mr. Long moved for the minutes to be approved and Mr. Beule seconded the motion. The minutes were approved with the four members present voting in favor to approve.

OBM Financial Reporting Update

Jim Kennedy, OBM Senior Deputy Director of Enterprise Services, discussed the final FY 2021 financial audit and Single Audit timeline, noting the deadlines and targets that were met. He indicated the financial audit was completed on December 22, 2021 and the comprehensive financial statements and audit report were posted to OBM's website on January 14, 2022. The financial reporting team then focused their efforts on wrapping up the Single Audit. There were a few delays with receiving federal schedules from agencies. Overall, however, it was a very successful year with almost all deadlines met.

Linda Shook, OBM Financial Reporting Manager, discussed the new GASB pronouncements that go into effect for the FY 2022 and FY 2023 financial statements. GASB 87, covering leases, will be the more significant pronouncement for the financial reporting team to have implemented for the FY22 financial audit.

External Audit Update

Steve Gibson, Assistant Chief Auditor of Information Systems Audit from the Auditor of State (AOS), provided an update on the FY 2022 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 23, 2021 and the entrance meeting for the SOCC was waived; 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 2021 financial statement audit and the Single Audit of the State. Ms. Liddil indicated the financial statement audit opinion, issued on December 22, 2021, 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 22, 2021, was issued, with one finding noted.

Ms. Liddil indicated the Single Audit opinion, dated March 23, 2022 and released on the AOS website March 31st, was based on testing related to 24 major programs at 12 state agencies, totaling more than \$50 billion. There were 17 significant audit findings, which resulted in AOS issuing a qualified opinion on compliance. There was a total of 27 findings identified across nine state agencies. Fourteen were findings repeated from prior years and four related to questioned costs of more than \$1.3 million. A copy of the Single Audit report was sent to those charged with governance on March 31, 2022.

Ms. Liddil indicated they would be starting initial planning soon for the FY 2022 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 2022.

CAE Update

Cindy Klatt, OBM Internal Audit Chief Audit Executive, provided a staffing update and high-level summary on the third 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 Quality Assurance Chief, discussed the results of the internal reviews performed for Q1 and Q2 FY 2022 activities. Ms. Salomone then discussed the results of the BWC and Ohio Lottery Commission assurance reviews she conducted covering calendar year 2021 audit activities.

The Committee paused their meeting for lunch at 11:34 a.m. and reconvened with the four members present at 12:04 p.m.

Executive Session -- At 12:07 p.m., Ms. Gabriel 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. Beule seconded the motion, and a roll

call vote was taken: Ms. Gabriel, Mr. Long, Mr. Beule, and Mr. Roberts all approved. The Committee returned from executive session at 1:39 p.m.

After confirming there were no questions or abstentions, Ms. Gabriel moved that the State Audit Committee accept the assurance reports submitted by the Office of Internal Audit; the motion was seconded by Mr. Long. No objections were noted and all members in attendance voted in favor to approve.

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

1. Department of Agriculture – Vendor Management
2. Department of Education – Grant Reporting and Closeout
3. Department of Medicaid – System Access Management Application
4. Department of Natural Resources – Federal Grants
5. Opportunities for Ohioans with Disabilities – Procurement Process
6. Public Utilities Commission – Endpoint Patching
7. Bureau of Workers Compensation – Data Privacy and Classification

Open Discussion

Ms. Klatt reminded the committee members to submit the annual Ohio Ethics Commission financial disclosure forms by May 15, 2022. She also informed the Committee that the Office of Internal Audit's policies and procedures were updated with minor changes identified; they are currently under review before being finalized.

Ms. Klatt informed the committee members that a Request for Proposal (RFP) had been issued for the external assessment of the Office of Internal Audit. She mentioned that internal auditing standards require an external assessment of internal audit functions every five years to confirm adherence to the Standards. The external assessment will cover fiscal year 2022 Internal Audit activities. Proposals were received and are being reviewed with a plan to select a firm that will perform the review. Ms. Klatt also informed the Committee she was seeking proposals to provide IT specific training.

Ms. Klatt provided the committee with a summary of items planned for the June committee meeting.

The meeting was adjourned at 1:46 p.m.