

STATE AUDIT COMMITTEE

THURSDAY, MARCH 30, 2023, 10:00 A.M.
RHODES STATE OFFICE TOWER
30 EAST BROAD STREET, 35TH FLOOR, HUFFMAN PRAIRIE CONFERENCE ROOM
COLUMBUS, OHIO 43215

Members Present: Ann Gabriel
Gregory Long
David Beule

Members Absent: Philip Renaud, Chair
Donald Wells

Call to Order

The meeting was called to order at 10:01 a.m.

Appointment of 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 for the meeting. Mr. Long so moved, seconded by Mr. Beule. The decision was approved with all members present voting in favor to accept Ms. Gabriel participating as Chair.

Approval of Minutes

After confirming no corrections were necessary, Ms. Gabriel requested a motion to approve the December 15, 2022, State Audit Committee meeting minutes. Mr. Beule so moved, seconded by Mr. Long. The three members present voted in favor of approving the meeting minutes.

OBM Financial Reporting Update

Linda Shook, OBM Financial Reporting Manager, discussed the final FY 2022 financial audit and Single Audit timeline, noting the deadlines and targets that were met. She indicated the financial audit was completed on December 21, 2022, and the annual comprehensive financial statements and audit report were posted to OBM's website. The financial reporting team then focused their efforts on wrapping up the Single Audit. With the Single Audit opinion issued March 22, 2023, the FY 2022 timeline is now complete.

Ms. Shook also discussed the new GASB pronouncements that go into effect for the State's FY 2023 financial statements. GASB 94 requires recognition of assets and liabilities for certain Public-Private and Public-Public Partnerships (PPP) and Availability Payment Arrangements, as well as disclosure of significant PPP transactions. GASB 96 addresses Subscription-Based IT Arrangements (SBITA) and requires recognition of right-to-use assets and corresponding subscription liabilities for certain SBITAs. Ms. Shook indicated GASB 91, dealing with Conduit

Debt Obligations, will also be in effect for the FY 2023 financial statements but is not anticipated to have a material impact on the State's financial statement.

External Audit Update

Steve Gibson, Assistant Chief Auditor of Information Systems Audit from the Auditor of State (AOS), provided an update on the FY 2023 SOC-1 audits over the Ohio Administrative Knowledge System (OAKS) and the State of Ohio Computer Center (SOCC). The entrance meeting for OAKS was held on March 2, 2023, and the entrance meeting for the SOCC was held on February 28, 2023; 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 2022 financial statement audit and the Single Audit of the State. Ms. Liddil indicated the financial statement audit opinion, issued on December 21, 2022, 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 21, 2022, was issued with no findings noted.

Ms. Liddil indicated the Single Audit opinion, dated March 22, 2023, and released on the AOS website on March 30th, was based on testing related to 24 major programs at 12 state agencies, totaling more than \$40.3 billion. There were 16 significant audit findings, which resulted in AOS issuing a qualified opinion on compliance. There was a total of 26 findings identified across nine state agencies. Seventeen findings were repeated from prior years and four related to questioned costs of more than \$2.8 million. A copy of the Single Audit report was sent to those charged with governance on March 30, 2023.

Ms. Liddil indicated they would be starting initial planning soon for the FY 2023 State of Ohio Audit, with continued impacts to both the financial statements and federal programs anticipated as a result of the pandemic funding that continued into FY 2023.

CAE Update

Kelly Salomone, 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 2023 annual internal audit plan progress and the status of remediation activities. Ms. Salomone also provided the members with a brief update on Internal Audit's compliance with the *Standards*, in accordance with QAIP procedure.

Erin Brown and Catharine Vandewalle, Audit Chiefs within OBM Internal Audit, discussed the results of the internal quality reviews performed over a sample of audit projects completed during the first and second quarters of FY 2023.

Ms. Salomone provided the members with a brief status on the Bureau of Workers' Compensation (BWC) and Ohio Lottery Commission ("Lottery") assurance reviews. OBM Internal Audit will defer performing an independent assurance review of the Lottery's internal audit activities for calendar year 2022 and will rely on the results of the external review Lottery

will be obtaining in early fall 2023. Results of the BWC assurance review will be shared at the June Committee meeting.

Ms. Salomone provided an update on OBM Internal Audit's audit workpaper software upgrade, which has a planned go-live date in early June 2023. She also informed the Committee of the IIA's drafted revisions to the *Standards*, as well as the open comment period and anticipated effective date. At Ms. Gabriel's inquiry, Ms. Salomone noted that she would provide the members with a summary of the revision highlights.

Open Discussion

Ms. Salomone reminded the committee members to submit the annual Ohio Ethics Commission financial disclosure forms by May 15, 2023. She also provided the committee with a summary of items planned for the June committee meeting.

The Committee paused their meeting for lunch at 11:17 a.m. and reconvened with the three members present at 12:01 p.m.

Executive Session -- At 12:01 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. Long seconded the motion, and a roll call vote was taken: Ms. Gabriel, Mr. Long, and Mr. Beule all approved. The Committee ended executive session at 1:23 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. Beule, with the three members present voting in favor to accept the final assurance reports.

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

1. Adjutant General's Department – Co-Op Procurement
2. Department of Administrative Services – OIT Requisition Review Process
3. Department of Education – Child Nutrition Inventory
4. Department of Education – Community School Sponsor Evaluation
5. Environmental Protection Agency – Procurement
6. Department of Natural Resources – Forestry Federal Programs
7. Public Utilities Commission – Third Party Risk Management
8. Department of Taxation – Pass-Thru Entity Credit Carry Forward Process
9. Department of Taxation – Access Controls
10. Department of Transportation – Procurement
11. Bureau of Workers Compensation – Vulnerability/Patch Management
12. Bureau of Workers Compensation – IT Contingency Planning



**State Audit
Committee**

Mike DeWine, Governor
Jon Husted, Lt. Governor

Philip S. Renaud II, Chairman

With no other items to discuss, the meeting was adjourned at 1:27 p.m.