



Risk and Audit Committee

Agenda Item 4c

November 15, 2022

Item Name: Quarterly Status Report – Office of Audit Services

Program: Audit Services

Item Type: Information Consent

Executive Summary

In accordance with the International Standards for the Professional Practice of Internal Auditing (Standards), the Office of Audit Services (OFAS) presents its Quarterly Status Report of audit activity. The following provides the status of projects and activities as of June 30, 2022.

Strategic Plan

This item is not a specific product of the Strategic Plan but is required by the OFAS Audit Resolution Policy and Charter.

Background

On a quarterly basis, OFAS updates the Risk and Audit Committee (RAC) on audit activity and audit resolution status.

Analysis

Employer Compliance Reviews

During the fourth quarter, OFAS completed 60 reviews with a total of 122 observations. Currently, 120 reviews are in progress.

The Employer Account Management Division (EAMD), Pension Contracts and Prefunding Programs (PCPP), and Retirement Benefit Services Division (RBSD) reported 73 observations were resolved, leaving 208 observations open as of June 30, 2021. In addition, OFAS validated 72 resolved observations during the quarter. As of June 30, 2022, there were no unresolved employer observations over one year old. Please refer to Attachment 1 for additional information on the employer observations.

Internal Audits

During the fourth quarter, OFAS completed ten internal audits with 12 observations. The observations were in operational areas relating to risk assessment, tracking and monitoring, incomplete or missing timesheets, user access, segregation of duties, compliance, and record retention.

As of June 30, 2022, there were no unresolved internal audit observations over one year old, continuing the enterprise's compliance with OFAS Audit Resolution Policy. During the quarter, seven were resolved, leaving 17 observations open. Please refer to Attachment 1 for additional information on internal audit observations.

Financial Statement Audit Report and Management Letter

The management letter prepared by BDO USA, LLP for the fiscal year ending June 30, 2021, was presented during the November 16, 2021, RAC. The observation in the Management Letter will be reported to RAC until its fully resolved. The summarized status of the current year observation is in Attachment 2.

Status of 2020-21 Audit Plan

- OFAS completed 241 employer compliance reviews.
- OFAS completed 30 internal audit reviews, issued three draft reports, and completed two internal audit-related projects by June 30, 2022. The draft reports will be issued as final after we receive the divisions' responses.

Budget and Fiscal Impacts

Not Applicable.

Benefits and Risks

The Quarterly Status Report of audit activity provides periodic reporting to the Board regarding performance relative to the audit plan and other matters needed or requested. The periodic reporting of this information to the Board is in accordance with the Standards, OFAS Audit Resolution Policy, and OFAS Charter. The risk of not reporting periodically is non-compliance with the Standards.

Attachments

Attachment 1 – Status of Audit Observations Dashboard

Attachment 2 – Summary of Financial Statement Audit Management Letter Comments Current Year Report

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