



Risk and Audit Committee

Agenda Item 4c

November 15, 2023

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, 2023.

Strategic Plan

This item is not a specific product of the Strategic Plan but is required by 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 32 reviews with a total of 27 observations and 27 reviews were in progress.

The Employer Account Management Division (EAMD) and Health Account Management Division (HAMD) reported 133 observations were resolved, of which 73 were aged one to two years, and 60 were aged less than one year. This leaves 104 observations open as of June 30, 2023, of which 34 were aged one to two years, and 70 were aged less than one year. In addition, OFAS validated 159 observations during the quarter. Please refer to Attachment 1 for additional information on employer compliance observations.

Internal Audits

During the fourth quarter, OFAS completed four internal audits with four observations. The observations were in strategic and operational areas relating to providing oversight over the divisions' business continuity training, defining IT governance framework, developing a process

for conducting and maintaining a comprehensive assessment of IT risks, and timely updating the restricted securities watch list to monitor trades.

As of June 30, 2023, there were two unresolved internal audit observations over one year old. These two observations are related to the Review of Compliance Program. The division provided corrective action plans and will continue working toward resolving the observations. During the quarter, three observations were resolved, leaving seven observations open.

Status of Audit Plan

As of June 30, 2023, OFAS completed 192 employer compliance reviews, 14 internal audit reviews, one consulting engagement, and two internal audit-related projects, and issued two draft reports. The draft reports were issued as final after we received the divisions' responses.

Financial Statement Audit Report and Management Letter

The management letter prepared by BDO USA, LLP for the fiscal year ended June 30, 2022, was presented during the November 15, 2022, RAC meeting. FRAS reported the observation was resolved during the February 16, 2023, RAC meeting, pending the financial statement auditor's review. Please refer to the agenda item 5b, Review of Independent Auditor's Management Letter, for more details.

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 – Employer Compliance Review - Open Observations Over 1 Year

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