



## Risk and Audit Committee

# Agenda Item 5c

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**February 20, 2024**

**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 September 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 first quarter, OFAS completed 27 reviews with a total of 12 observations and 25 reviews were in progress.

The Employer Account Management Division (EAMD), Pension Contracts and Prefunding Programs Division (PCPP) and Health Account Management Division (HAMD) reported 20 observations were resolved, of which 15 were aged one to two years and five were aged less than one year. This leaves 98 observations open as of September 30, 2023, of which one was aged two to three years, 36 were aged one to two years, and 61 were aged less than one year. In addition, OFAS validated 14 resolved observations during the quarter. Please refer to Attachment 1 for additional information on employer compliance observations.

#### Internal Audits

During the first quarter, OFAS completed five internal audits with five observations. The observations were in compliance and operational areas relating to controls to ensure accurate processing of post-retirement split transactions, oversight of the information asset management

process, granting access to the health care data warehouse, and assessment of the data warehouse vendor with their contractual performance measurements.

As of September 30, 2023, there were three unresolved internal audit observations over one year. Two observations are related to the Review of Compliance Program, which we reported in November 2023 QSR. The third is related to the PeopleSoft HCM User Access Management review. In each of the three cases, the divisions provided corrective action plans and will continue to monitor and report the resolution of these observations. During the quarter, four observations were resolved, leaving ten observations open.

#### Financial Statement Audit Report and Management Letter

The management letter prepared by BDO USA, LLP for the fiscal year ended June 30, 2023, was presented during the November 15, 2023 RAC. The observation in the Management Letter will be reported to RAC until it is resolved. The summarized status of the current year observation is in Attachment 2.

#### **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

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

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