



Consent

Agenda Item 4d

May 15, 2012

ITEM NAME: Office of Audit Services Quarterly Status Report

PROGRAM: Audit Services

ITEM TYPE: Consent Information

EXECUTIVE SUMMARY

In accordance with the International Standards for the Professional Practice of Internal Auditing, the Office of Audit Services presents its Quarterly Status Report of audit activity. The following provides the status of projects and activities as of March 31, 2012.

BACKGROUND

On a quarterly basis, the Office of Audit Services updates the Risk and Audit Committee on audit activity and audit resolution.

ANALYSIS

Public agency reviews

During the third quarter, 11 public agency reviews were completed with a total of 65 findings. Of the 65 findings, 37 percent were compensation findings, such as not reporting compensation earnable and erroneously reporting compensation that was not reportable. During the quarter, 62 findings were resolved, leaving 245 still open as of March 31, 2012. Detail on all public agency findings is available on file in the Office of Audit Services, upon request. Please see Attachment 1 for additional information on public agency findings. The table below shows the aging trend of all open public agency findings as of March 31, 2012.

Table 1 – Percentage trend of unresolved findings

Fiscal Year	Total Findings	At the End of the First Fiscal Year (Year Report was Issued)	At the End of the Second Fiscal Year	At the End of the Third Fiscal Year
2006-07	243	47%	25%	4%
2007-08	328	41%	9%	1%
2008-09	457	28%	8%	1%
2009-10	455	40%	14%	
2010-11	457	41%		
2011-12	184*			

*At third quarter

Internal audits

As of March 31, 2012, no internal findings over one year old remain, bringing the enterprise into compliance with the Board approved Audit Resolution Policy.

During the third quarter, two internal audits were completed with a total of 8 findings. Of the 8 findings, 50 percent were compliance findings, such as ensuring contract amendments and deliverables are submitted timely. During the quarter, 15 findings were resolved, leaving 45 still open as of March 31, 2012. Please see Attachment 1 for additional information on internal audit findings.

Real estate reviews

As of the third quarter, 14 current year findings remain open as well as one prior year finding. Please see Attachment 1 for additional information on real estate findings.

Financial statement audit

The status of the six current year management letter findings are shown in Attachment 2A, and the status of prior year findings are in Attachment 2B, except prior year technology related comments, which the auditor will report as part of the year 2012 audit with the implementation of PSR. The financial statement auditors, Macias Gini & O'Connell, determined that four of the six current year findings are significant deficiencies in internal controls over financial reporting, and therefore require immediate corrective action. Management's responses and planned corrective action are included on the attachment. All observations will be reported to the Risk and Audit Committee until each is fully resolved.

Status of Audit Plan

We anticipate successful completion of our Audit Plan. As part of our plan, to remain flexible and responsive to the fast-changing conditions in the current environment, and ensure OFAS's support of key enterprise initiatives and management requests, OFAS proposes the following to refresh our audit plan.

- Re-scoping six reconciliation projects in Fiscal Services to focus on the comprehensive Reconciliation Approach and Analysis consulting project, also in Fiscal.
- Switching the timing of an alternative investment management external partner review upon Investment Office request with Placement Agent Fees Compliance Review.
- Deferring Enterprise Security Roadmap and Protection Against Malicious Code. Due to staff vacancies, we needed to defer some planned IT audit projects. Preliminary work concluded it was best to defer these two projects into future audit plans.

ATTACHMENTS

Attachment 1 – Status of Audit Findings Dashboard

Attachment 2A – Status of Current Year Financial Statement Audit Management
Letter Comments

Attachment 2B – Status of Prior Year Financial Statement Audit Management Letter
Comments

MARGARET JUNKER, Chief
Office of Audit Services

PETER H. MIXON
General Counsel