



## Risk and Audit Committee Agenda Item 6c

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**February 18, 2020**

**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 December 31, 2019.

### **Strategic Plan**

This item is not a specific product of the Strategic Plan, but is required by the Board of Administration (Board) approved Audit Resolution Policy and OFAS 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 second quarter, OFAS completed 60 reviews with a total of 27 findings. Currently, 121 reviews are in progress.

The Employer Account Management Division and Health Account Management Division reported 42 findings were resolved, leaving 221 findings open as of December 31, 2019. In addition, OFAS validated 56 resolved findings during the quarter. Please refer to Attachment 1 for additional information on the employer findings.

#### Internal Audits

During the second quarter, three internal audits were issued with a total of three findings in compliance and operational areas such as compliance with contractual terms, guidelines, and maintaining supporting documentation. Please see Attachment 1 for additional information on internal audit findings.

As of December 31, 2019, there were no unresolved internal audit findings over one year old, continuing the enterprise's compliance with the Board approved Audit Resolution Policy. During the quarter, 15 findings were resolved, leaving 27 findings open. Overall, there is a significant trend toward more timely resolution of internal findings over the past several years.

#### Financial Statement Audit Report and Management Letter

The Board's financial statement auditor, BDO USA, LLP (BDO), presented their Management Letter for the June 30, 2019 financial statement audit at the November 2019 Risk and Audit Committee. BDO reported on two observations which require corrective action. The observations and their status are summarized in Attachment 2. Summarized status of prior year observations is in Attachment 3.

#### Status of Audit Plan

The Fiscal Year 2019-20 Approved Audit Plan is in progress. As required by the Standards, we review and adjust the audit plan, as necessary, in response to changes in the organization's business, roles, operations, programs, systems, and controls. OFAS will defer Contract Management and Non-Disclosure Agreement due to changes in business processes and custodianship.

#### **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, the Board approved Audit Resolution Policy, and OFAS Charter. The risk of not reporting periodically is non-compliance with the Standards.

#### **Attachments**

Attachment 1 – Status of Audit Findings Dashboard

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

Attachment 3 – Summary of Financial Statement Audit Management Letter Comments Prior  
Year Report

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