



Risk and Audit Committee

Agenda Item 5c

June 17, 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 March 31, 2020.

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 third quarter, OFAS completed 60 reviews with a total of 89 findings. Currently, 121 reviews are in progress.

The Employer Account Management Division and Health Administration Division reported 146 findings were resolved, leaving 167 findings open as of March 31, 2020. In addition, OFAS validated 56 resolved findings during the quarter. Please refer to Attachments 1 and 2 for additional information on the employer findings.

Internal Audits

During the second quarter, 12 internal audits were issued with a total of 21 findings in compliance and operational areas such as compliance with contractual terms, maintaining supporting documentation, monitoring, and communicating roles and responsibilities. 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, 17 findings were resolved, leaving 31 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 3. Summarized status of prior year observations are in Attachment 4.

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 Event Planning due to a change in the business process.

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 – Employer Compliance Review - Open Findings Over One Year

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

Attachment 4 – Summary of Financial Statement Audit Management Letter Comments Prior
Year Report

Beliz Chappuie
Chief Auditor
Office of Audit Services

Matthew G. Jacobs
General Counsel