



## Risk and Audit Committee

# Agenda Item 5c

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**November 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 June 30, 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 fourth quarter, OFAS completed 119 reviews with a total of 134 findings. Currently, 61 reviews are in progress.

The Employer Account Management Division and Health Administration Division reported 67 findings were resolved, leaving 234 findings open as of June 30, 2020. In addition, OFAS validated 125 resolved findings during the quarter. Please refer to Attachments 1 and 2 for additional information on the employer findings.

#### Internal Audits

During the fourth quarter, 11 internal audits were issued with a total of 14 findings in compliance and operational areas such as compliance with maintaining policies and procedures, supporting documentation, monitoring, and communicating roles and responsibilities. Please see Attachment 1 for additional information on internal audit findings.

As of June 30, 2020, 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, 13 findings were resolved, leaving 32 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 draft management letter prepared by BDO USA, LLP for fiscal year ended June 30, 2020 will be presented in Agenda Item 6b. Observations in the Management Letter will be reported to RAC until each observation is fully resolved. The summarized status of prior year's observations are in Attachment 3.

#### Status of 2019-20 Audit Plan

- OFAS completed 239 employer compliance reviews.
- OFAS completed 38 internal audit projects and issued 4 draft reports by June 30, 2020. The draft reports will be issued as final after we receive the division's responses.

#### **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 Prior  
Year Report

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