

**STATE AUDIT COMMITTEE**

**THURSDAY, JUNE 21, 2012, 10:00 A.M.  
RHODES STATE OFFICE TOWER  
30 EAST BROAD STREET, 35<sup>TH</sup> FLOOR, JUPITER/SATURN CONFERENCE ROOMS  
COLUMBUS, OHIO 43215**

Members Present: Paolo DeMaria  
William Keip  
Beverly Vitaz  
Robert Richardson  
Richard Mueller

**Call to Order**

Chairman DeMaria called the meeting to order at 10:02 A.M.

**Approval of Minutes**

Rich Mueller moved for the minutes of the meeting held March 22, 2012, to be approved with no additions or corrections. Rob Richardson seconded the motion and all members unanimously approved.

**OBM Financial Reporting Update**

Tom Holsinger, Deputy Director, Accounting Administration advised the members that OBM held the entrance conference with the AOS on May 16, 2012. They are still early in the process of gathering fiscal year end information.

Amy Hall stated that her group sent out information requests in April to agencies that are independently audited and are due back by June 30. Colleges and university information requests were sent in May. Agency Generally Accepted Accounting Principles (GAAP) and Schedule of Federal Financial Assistance (SFFA) requests went out in early June with the first part due in early July (payroll and Treasurer of State). Final 12/31 year-end Independently Audited Organizations are due by the end of June.

Chairman DeMaria asked if there were any other things done differently and if they were on schedule. Ms. Hall stated they were a little ahead of schedule and in a better position this year than previously. Mr. Holsinger indicated OBM was consolidating processes and moving to an online solution. The goal is to have the entire process automated for the FY 13 audit.

## External Audit Update

### Financial Update

Cynthia Klatt, Chief Auditor, State Region, Auditor of State's office (AOS), indicated the FY 2011 State of Ohio Single Audit was released on March 29, 2012. Ms. Klatt informed the committee that an entrance conference regarding the FY 2012 audit was held with the Office of Budget and Management on May 16, 2012, and that a letter of arrangement for the current audit is in process and will be provided to the Committee once all signatures are obtained. She also indicated planning for the FY 2012 audit is underway, that letters to the Independent Public Accountants will be going out in July, and that staff is expected to move onsite in late September or early October, 2012.

### SOC 1 Update

Jim Swonger, Senior Audit Manager for Information Systems Audit (ISA), Auditor of State's office, provided the Committee with an update on the State of Ohio's SOC 1 report for the period July 1, 2011 through March 31, 2012. Mr. Swonger reminded the Committee about the change in audit period and indicated the audit is currently on track to be finalized in late July or early August. He did indicate the audit team has experienced some delays in receiving information, but the team is working through these issues. None of the delays were considered noteworthy at this point.

Mr. Swonger also provided the Committee with an update on the status of obtaining transaction data files from OAKS. As mentioned in the prior Audit Committee meeting, the AOS is now receiving OAKS transaction files on a quarterly basis to hopefully reduce delays experienced in prior years and allow for audit efficiencies going forward. Data files have now been received for the first three quarters of FY 12 and data integrity testing has been completed. Mr. Swonger indicated that issues similar to those experienced in prior years have been identified in the data integrity process; some minor variances were noted for a few agencies. Data for the fourth and final quarter is expected in mid-July. The AOS hopes to have the files finalized by mid-August.

The Committee asked the Auditor of State representatives about the process for follow-up on prior comments. Ms. Klatt and Mr. Swonger informed the Committee that standard AOS policies require a follow-up on all prior audit comments as part of the subsequent audit. The Committee indicated it is their goal to focus on the issues that languish and to determine why. Joe Bell mentioned that the Office of Internal Audit follows up on significant comments on a regular basis.

### CAE Update

Joe Bell explained that OIA's approach this year in determining the audit projects and scope for FY 13 involved more conversations with agency senior management to solicit agency input in developing the agency's risk profile. He and Jim Kennedy also met with AOS and planned FY 13 audit coordination and audit priorities.

Mr. Bell explained that based on the audit prioritization process OIA identified audit areas that focused on rotational audit coverage over a four year span for high and moderate risk areas. OIA will focus on three areas for the FY 13 plan; state payment card audits, including the overall program administration at OBM; tax credit programs at the Department of Development and Department of Taxation; and a larger effort at the Department of Administrative Services to provide audit support for the consolidation and changes at the State of Ohio Computer Center. OIA will also continue to audit IT systems at the Ohio Department of Job and Family Services.

Jim Kennedy explained the planned audit hours of the project as they relate to staffing and any unforeseen fluctuation in staffing. Jim stated the FY 13 plan will have internal audit staff going to more of state agencies' decentralized locations such as state parks, mental health facilities and developmental disability facilities.

Rich Mueller asked why OIA would engage in projects that are in the "green" areas of the heat map when they are low risk. Mr. Bell responded that OIA needed to maintain a presence at all agencies to ensure risks were properly assessed. Those projects are limited and have low OIA involvement.

Mr. Bell then reviewed the draft FY 12 OIA Annual Report. Committee member Rob Richardson stated the survey results seemed positive with helpful suggestions for improvement. Rich Mueller suggested that future reports lead off with why the state is better off for the work performed by OIA. Bev Vitaz suggested a "value-added" section for the report where savings could be quantified if possible.

Jim Kennedy reviewed the FY12 Quarter 4 audit activities with the members. He stated that five public reports, four IT security reports and four consulting engagements would be discussed in executive session. Two previously issued audit comments had been partially remediated but were still open.

Joe Bell reported that a vendor had been selected for the OIA peer review scheduled for Fall 2012. OBM Legal is currently working on a contract. He also advised members that they would be contacted by the vendor for interviews/questionnaires.

Mr. Bell provided a staffing update to the members explaining that one financial audit chief was set to retire at the end of June and that a very qualified replacement would start employment on 7/2. OIA has one staff vacancy and will have three employees off for extended leave for FMLA.

Mr. Bell provided an update on the Department of Taxation's STARS project. He stated the project had been delayed due to vendor issues. Management is working to resolve the issues and OIA will continue to monitor the status of the project.

The committee broke for lunch at 11:30 A.M.

The committee reconvened at 12:00 P.M.

*Executive Session* -- At 12:00 P.M. Chairman DeMaria asked for a motion to move the meeting into executive session for the purpose of discussing confidential matters exempted from public disclosure under Ohio Revised Code Sections 126.48 and 149.433. Bill Keip seconded the motion and a roll call vote was taken and, there being 5 yeas and 0 nays, the motion was approved.

The committee moved out of Executive Session at 1:26 P.M.

The Committee determined the following six reports to be final public reports in accordance with Revised Code Section 126.48:

1. Department of Youth Services – Payment Card Audit Report
2. Department of Commerce – State Fire Marshal Code Enforcement Audit Report
3. Department of Administrative Services – eBid System Audit Report
4. Department of Development – Percentage of Income Payment Plan Plus Program Audit Report
5. Department of Development – Payment Card Audit Report

Rich Mueller made the motion to finalize the above reports and Bill Keip seconded the motion. All members were in favor.

### **Open Discussion**

Members and Joe Bell reviewed the open items list and determined that all had been resolved with the exception of the FY 12 Ethics Training which has been rescheduled to the September 27 meeting and the presentation of OBM's Fiscal Academy which has also been moved to September.

Chairman DeMaria reviewed the committee charter and explained that a few minor modifications had been made and that the charter was considered finalized at the last meeting so there was no need to vote.

Chairman DeMaria reviewed the committee self-assessment stating that it was now linked to the charter responsibilities and numbered. The assessment would not be completed this year but moving forward it would be completed on a fiscal year basis instead of a calendar year.

Mr. DeMaria then reviewed the committee's annual calendar and again noted that it is also linked to the charter responsibilities. Next he reviewed the revised format of the CAE/OIA Assessment and noted the removed weightings and numeric scoring. Instead, he added measures from OIA's annual report. This evaluation would also be completed on a fiscal year basis beginning with FY 13.

Mr. DeMaria then recognized Bill Keip and Rich Mueller for their service on the committee for the past four years as their terms expire June 30. He also informed the members that two new members had been appointed, Kai Monahan and John Merchant. Joe Bell stated he and Jim Kennedy would be meeting with the new members to familiarize them with the committee.

At 1:38 P.M. the motion to adjourn the meeting was brought forth by Rich Mueller and seconded by Bill Keip. All members agreed.

**Open Items for September 27, 2012 Meeting**

1. FY 2012 Ethics training for committee members for September 27 at 8:30am.

Responsible Party: Brianne Brown

2. Presentation of OBM's Fiscal Academy.

Responsible Party: Janet Conkey

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