



State of Ohio
State Audit Committee Self-Assessment
State Fiscal Year 2013 – (6/20/2013)

Status Key:

X – Task accomplished
P – Partially accomplished
O – No activity

| Category | Status | | | Evidence of Action | SAC Comments |
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| | X | P | O | | |
| 1.0 Financial Reporting Responsibilities | | | | | |
| 1.1 Financial Reporting Process: Review, in consultation with the OBM Financial Reporting Unit, Auditor of State and the CAE, the integrity of the state agencies' financial reporting processes. | ✓ | | | <ul style="list-style-type: none"> OBM financial statement timelines (Dec. 2012) AOS verbal updates (Dec. 2012, Mar. 2013) OBM 2012 Ohio CAFR highlights (Mar. 2013) | <p>The committee is satisfied with the way this responsibility is being met. Regular engagement with the financial reporting staff is highly appreciated. The process is getting more timely and smooth each year. There has been solid and steady progress</p> <p>It may be helpful to add an annual review of the control environment for financial reporting.</p> |
| 1.2 Accounting Principles and Financial Disclosure Practices: Inquire as to the Auditor of State qualitative judgment about the appropriateness, not just the acceptability, of the accounting principles and clarity of financial disclosures practices used or proposed to be adopted. | ✓ | | | <ul style="list-style-type: none"> AOS meeting prior to SAC meeting (Mar. 2013) | <p>The committee is satisfied with the way this responsibility is being met. This year's presentation was timely and had the appropriate level of detail.</p> <p>It may be helpful to include an opportunity at the beginning of the audit/financial reporting process to brief the committee on changes in principles and disclosure practices.</p> |



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| 1.3 Material Legal and Regulatory Matters: Review legal and regulatory matters that, in the opinion of the State’s management, may have a material impact on the financial statements and compliance with federal, state, and local laws and regulations. | | | ✓ | <ul style="list-style-type: none"> Not presented (management change – move to SFY14) | The committee did not address this responsibility this year. We will be more diligent in including it in the meeting calendar in the future. |
| 2.0 Internal Audit | | | | | |
| 2.1 OIA Plans and Processes: Annually, review and comment on the following: <ul style="list-style-type: none"> OIA Charter, policies & procedures, Audit plans and audit activities, Budget, staffing, and organizational structure The independence and objectivity of the OIA. | ✓ | | | <ul style="list-style-type: none"> OIA Charter (Dec. 2012) OIA Annual Plan (June 2013) OIA quarterly plan, budget & staffing updates (all qtrs.) OIA independence statement (Dec. 2013) | The committee is satisfied with the way this responsibility is being met. The support of OIA staff is very good and responsive. The committee is active in asking questions and probing the plans and processes. Staff is always prepared and open to discussion and challenges presented by the committee. |
| 2.2 OIA Work Plan: Annually, review and comment on the annual work plan, risk assessment process and results as prepared by the CAE. | ✓ | | | <ul style="list-style-type: none"> OIA Annual Plan (June 2013) | The committee is satisfied with the way this responsibility is being met. Staff invests a great deal of time and effort in the preparation of the plan. The committee is effective in asking questions and probing decisions. Each meeting includes a discussion of the plan status and progress – as well as emerging changes to the plan. There is a good balance of Assurance and Consulting engagements included. |



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| <p>2.3 Internal Audit Reports: Receive from the CAE, prior to each meeting, each final internal audit report and a progress report on the approved annual work plan, with explanations from any deviations from the original plan.</p> | ✓ | | | <ul style="list-style-type: none"> OIA Annual Plan status updates (all qtrs.) OIA draft reports and summary of IT and consulting activities (all qtrs.) | <p>The committee is satisfied with the way this responsibility is being met. Staff preparation and presentation is very good. The committee is effective in asking questions and probing the implications of findings. The committee makes requests (and staff recommends) having agency representatives make presentations from time to time about specific issues or concerns. This is an effective strategy for the committee as well as the agencies involved.</p> |
| <p>2.4 Internal Audit Processes: Review OIA's compliance with applicable standards, which includes a quality assurance review every fifth year. Determine that all internal auditing is conducted only by employees or designees of the OIA. Review any difficulties the internal audit team encountered in the course of their audits, including any restrictions on the scope of their work or access to required information.</p> | | ✓ | | <ul style="list-style-type: none"> External QA Peer Review (Dec. 2013) <p>NOTE: Internal assessments not performed since peer review year and change in Chief of QA.</p> | <p>The committee is satisfied with the way this responsibility is being met. The peer review conducted this year was very beneficial and provided useful feedback for the work of OIA and the committee. A number of the recommendations have been incorporated into the OIA plan for next year.</p> <p>The committee would like to stay apprised of progress on implementation of the recommendations from the peer review report.</p> |
| <p>2.5 Management Action Plans: Monitor the status of management action plans for significant recommendations.</p> | ✓ | | | <ul style="list-style-type: none"> Audit comment remediation updates (all qtrs.) | <p>The committee is satisfied with the way this responsibility is being met. The regular reporting and review of outstanding remediation issues has been effective. The committee has been diligent in asking questions and seeking more aggressive actions in those cases where recommendations linger.</p> |



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| 2.6 Chief Audit Executive: Provide input to the OBM Director for the annual evaluation of the CAE. Review and comment on the appointment, replacement, reassignment, or dismissal of the CAE. | | | | <ul style="list-style-type: none"> Pending – SAC Chair to coordinate with committee and OBM | The committee is expecting to provide feedback on the performance of the CAE. |
| 3.0 External Audit | | | | | |
| 3.1 Scope and Approach: Meet, as needed, with representatives of the Auditor of State, or their designee, regarding the proposed scope and approach of their auditing functions and subsequently the results of their audits of state agencies. | ✓ | | | <ul style="list-style-type: none"> AOS updates to annual State of Ohio audit, Single Audit, and OAKS SOC1 report (all qtrs.) | The committee is satisfied with the way this responsibility is being met. The interactions with the AOS at every meeting are an effective way to understand and monitor the scope and approach of the external audit, and the results of the audit. The process seems to work well. |
| 3.2 Auditing Policies and Practices: Review with the Auditor of State that performs the State of Ohio financial statement audit: <ul style="list-style-type: none"> All critical accounting policies and practices used All alternative treatments of financial information within generally accepted accounting principles that have been discussed with OBM, the ramifications of each alternative, and the treatment preferred by OBM. | ✓ | | | <ul style="list-style-type: none"> AOS meeting prior to SAC meeting (Mar. 2013) AOS required communication letter (April 17, 2013) | <p>The committee is generally satisfied with the way this responsibility is being met. The AOS has been very helpful in communicating with the committee about important elements of policies and practices.</p> <p>The committee should explore, in the coming year, having an annual review of significant account judgments and associated policies/practices.</p> |



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| <p>3.3 Significant communications: Review all significant written communications between the Auditor of State and OBM, such as any management letter or schedule of unadjusted differences.</p> | ✓ | | | <ul style="list-style-type: none"> AOS required communication letter (April 17, 2013) | <p>The committee is generally satisfied with the way this responsibility is being met. The committee is not entirely sure that it sees everything that falls into this category of “significant communications.”</p> <p>The committee may want to revisit this responsibility to ensure a shared understanding about the types of communications of which it should be informed.</p> |
| <p>3.4 Review of Financial Statements and Audits: Review with OBM management and the Auditor of State:</p> <ol style="list-style-type: none"> The annual financial statements, related footnotes, and management’s discussion and analysis; The Auditor of State’s audit of the financial statements and their report thereon; The Auditor of State’s single audit of the federal awards administered by state agencies and their reports thereon; | ✓ | | | <ul style="list-style-type: none"> AOS meeting prior to SAC meeting (Mar. 2013) AOS required communication letter (April 17, 2013) OBM 2012 Ohio CAFR highlights (Mar. 2013) | <p>The committee is generally satisfied with the way this responsibility is being met. Clearly the committee receives the final audits.</p> <p>The committee may want to discuss the level of review that it wants to perform. At this time, review is fairly perfunctory. The committee should decide if it wants to conduct a deeper review of any elements of the statements, and for what purpose.</p> |



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| <p>3.5 Audit Processes: Periodically review issues that relate to the process of developing the financial statements and the conduct of audits including:</p> <ul style="list-style-type: none"> Any significant changes in the audit plan; Any serious difficulties or disputes with management encountered during the audit; and Matters required to be discussed by Statement on Auditing Standards; U.S. Government Accountability Office's Government Auditing Standards; and the U.S. Office of Management and Budget's Circular A-133 related to the conduct of the audits | ✓ | | | <ul style="list-style-type: none"> AOS meeting prior to SAC meeting (Mar. 2013) AOS required communication letter (April 17, 2013) – included MITS audit difficulties OBM 2012 Ohio CAFR highlights (Mar. 2013) AOS updates to annual State of Ohio audit, Single Audit, and OAKS SOC1 report (all qtrs.) | <p>The committee is satisfied with the way this responsibility is being met. The updates provided by the AOS at each meeting are informative and allow the committee to stay apprised of obstacles and challenges to the external audit work as they arise. In turn, this gives the committee an opportunity to engage in rectifying such issues (which happened on a few items this past year). The process generally works well.</p> <p>The committee continues to be somewhat unclear about how best to handle on-going issues, and getting entities to react appropriately remains one of our challenges.</p> |



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| 4.0 Reporting Responsibilities | | | | | |
| <p>4.1 Overall Audit Scope and Plans: Review with the Auditor of State, the OBM Director, and the CAE, the audit scope and plan of the internal auditors and the external auditors. Review the coordination of audit efforts to assure the completeness of coverage, reduction of redundant efforts, and the effective use of audit resources.</p> | ✓ | | | <ul style="list-style-type: none"> OIA Annual Plan (June 2013) – includes heat maps of audit coordination with OIA & AOS | <p>The committee is satisfied with the way this responsibility is being met. The process of planning and coordination appears to be working well. Improvements have been made in timeliness of these processes and meeting reporting deadlines. All parties seem to be collaborating effectively to ensure effective use of audit resources.</p> <p>It would be useful to have the OBM director share perspectives with the committee on occasion.</p> |
| <p>4.2 Suspected Fraud and Abuse: In accordance with the Suspected Fraud, Abuse or Reported Wrongdoing process (September 2009), review any suspected fraud or other illegal activity discovered by the OIA during the conduct of an internal audit.</p> | ✓ | | | <ul style="list-style-type: none"> Matters discussed in executive session. | <p>The committee is satisfied with the way this responsibility is being met.</p> |
| <p>4.3 CAE Annual Report: Review and comment on the CAE’s annual report. Ensure that OBM makes available the report to the public by posting it on the office’s web site before the first of July of each year.</p> | ✓ | | | <ul style="list-style-type: none"> OIA Annual Report (June 2013) | <p>The committee is generally satisfied with the way this responsibility is being met. Committee members have made suggestions to improve and streamline the annual report. The committee feels that the quality of reporting continues to improve.</p> |



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| <p>4.4 Other Reports: Report, as the Committee may deem appropriate, to the Governor and OBM Director about Committee activities, issues, and related recommendations.</p> | ✓ | | | <ul style="list-style-type: none"> Quarterly letter from SAC Chair on OIA reports deemed to be public reports (all qtrs.) | <p>The committee is satisfied with the way this responsibility is being met. It appears that the committee and OIA have the appropriate level of transparency, and of sharing important information with appropriate stakeholders.</p> |
| <p>4.5 Other Communications: Communicate on a regular basis with other state agency audit committees regarding audit issues that may impact the business of the Committee.</p> <p>Provide an open avenue of communication between the Committee, external auditors, internal auditors, state agency management, legislature, and other constituencies as needed.</p> | ✓ | | | <ul style="list-style-type: none"> Quarterly summary reports issued by OIA to BWC Board of Directors Audit Committee (all qtrs. – executive session) | <p>The committee is generally satisfied with the way this responsibility is being met. It appears that the level of communication is sufficient and effective.</p> <p>The committee may want to explore the extent to which it is informed of the public work of other state agency audit committees or offices.</p> |
| 5.0 Other Responsibilities | | | | | |
| <p>5.1 Committee Charter and Processes: Review the Committee’s charter annually, reassess the adequacy of this charter, and recommend any proposed changes.</p> | ✓ | | | <ul style="list-style-type: none"> SAC Charter review (June 2013) | <p>The committee is expecting to review the SAC charter at the June meeting and adopt changes at the September 2013 meeting.</p> |
| <p>5.2 Changes and Updates: Consider changes that are necessary as a result of new laws, regulations, or accounting and auditing standards, including <i>Government Auditing Standards</i> (Yellow Book) issued by the Comptroller General of the United States.</p> | ✓ | | | <ul style="list-style-type: none"> SAC Charter review (June 2013) <p>NOTE: HB59 (proposed Budget Bill) modifies SAC’s ORC code sections to align with current SAC charter.</p> | <p>The committee is satisfied with the way this responsibility is being met. Staff should continue to be diligent in bringing changes in law, rule, the Yellow Book, etc. to the committee’s attention.</p> |



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| 5.3 Performance Assessment: Annually assess the Committee's performance of the responsibilities delineated in this charter. | ✓ | | | <ul style="list-style-type: none"> Committee to conduct self-assessment (June 2013) | The committee is satisfied with the way this responsibility is being met. |
| 6.0 Conduct of Committee Business | | | | | |
| 6.1 Committee meeting agendas and appropriate read-ahead materials are provided sufficiently in advance to allow members to participate effectively. | | | | | The committee is satisfied with the way this element of its business is being conducted. Sufficient time is provided to be prepared for the meetings. Pre-reads are received with plenty of time to review and develop comments/ questions Periodic one-on-one information sharing calls with OIA staff are also very valuable. |
| 6.2 Committee meetings are conducted in a manner that allows for sufficient discussion and well-reasoned decision making. | | | | | The committee is satisfied with the way this element of its business is being conducted. Discussion levels are good, and the time allotted is appropriate. Often times the committee will ask for follow-up discussions in subsequent meetings to stay abreast of a situation |
| 6.3 The annual meeting plan covers the full range of committee responsibilities. | | | | | The committee is satisfied with the way this element of its business is being conducted. Suggestions contained in this self-assessment should be incorporated into the meeting plan for next year. |



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| 6.4 Meeting agendas include unresolved items and issues raised at prior meetings. | | | | | The committee is satisfied with the way this element of its business is being conducted. Some unresolved items are resolved in other ways. |
| 6.5 Meetings are not just pro-forma, but allow members and the committee as a whole to impact policies and practices. | | | | | The committee is satisfied with the way this element of its business is being conducted. Committee members feel as if they are able to have an impact on policies and practices. |
| 6.6 Follow-up to questions raised in meetings are answered effectively and timely. | | | | | The committee is satisfied with the way this element of its business is being conducted. Follow-up is timely and comprehensive. |