



Department of Veterans Services

Payroll Audit

Audit Period: October through December 2016

Results Summary:

Objective	Conclusion*
On-boarding/Off-boarding Process	Improvement Needed
Leave/Overtime/Disability Request Process	Improvement Needed
Payroll Submission Process	Improvement Needed
Payroll Based Journal (PBJ) Reporting	Improvement Needed

* Please refer to Appendix A for classification of audit objective conclusions.

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Executive Summary

Background

The Ohio Department of Veterans Services' (DVS) main objective is to actively identify, connect with, and advocate for Ohio veterans and their families. The Department also runs and operates two veterans homes within the state – one in Sandusky and one in Georgetown. In addition to staff at the Sandusky and Georgetown locations, DVS maintains a small staff within a Cleveland regional office, and most of the agency's administrative staff in the Columbus Office. In total, the agency has over 850 employees. DVS was appropriated \$103,468,955 for FY17, (a 16.9% increase from FY16), of which payroll-related expenditures make up approximately 60% of the appropriations and is the largest expense to the Department.

DVS utilizes the KRONOS time keeping software system to track employee payroll. Each employee has a set schedule within Kronos and in/out times are recorded via badge swipes. In the event a badge is forgotten, an employee can manually punch in/out using their badge number and fingerprint. The Georgetown facility approves its location's payroll while the Sandusky facility approves agency-wide payroll prior to submission to the State's accounting system for payment.

The Centers for Medicare and Medicaid Services (CMS) created new requirements for long-term care facilities, including DVS' Sandusky and Georgetown veterans homes, to report payroll and staffing-related information within a Payroll-Based Journal (PBJ) Report. This reporting is an effort by CMS to more accurately and effectively gauge the impact on quality of care in nursing homes. The first mandatory reporting period began July 1, 2016, with the PBJ reports required to be submitted to CMS within 45 days of the end of each quarter. DVS relies upon the employee payroll hours tracked within KRONOS for PBJ reporting.

During the audit, OIA identified opportunities for DVS to strengthen internal controls and improve business operations. This audit conforms to the *International Standards for the Professional Practice of Internal Auditing*. OIA would like to thank DVS staff and management for their cooperation and time in support of this audit.

This report is solely intended for the information and use of agency management and the State Audit Committee. It is not intended for anyone other than these specified parties.

Scope and Objectives

OIA staff was engaged to perform an assurance audit related to the controls over the agency's key payroll processes, for the audit period October 1, 2016 – December 31, 2016. This work was completed January through March 2017. The scope of this audit included the following areas:

- On-boarding/Off-boarding
- Leave/Overtime/Disability Requests
- Payroll Submission
- Payroll-Based Journal (PBJ) Reporting



The following summarizes the objectives of the review:

- Evaluate the design and effectiveness of the controls over the on-boarding and off-boarding process.
- Evaluate the design and effectiveness of controls over the leave/overtime/disability request process.
- Evaluate the design and effectiveness of controls over the payroll submission process.
- Evaluate the design and effectiveness of the controls over the Payroll-Based Journal (PBJ) Reporting process.

Detailed Observations and Recommendations

The Observations and Recommendations include only those risks which were deemed high or moderate. Low risk observations identified during the course of the engagement would be discussed with individual agency management and are not part of this report. However, there were no low risk observations identified for this engagement.

Due to the limited nature of our audit, we have not fully assessed the cost-benefit relationship of implementing the recommendations suggested. However, these recommendations reflect our continuing desire to assist your department in achieving improvements in internal controls, compliance, and operational efficiencies.



Observation 1 – Payroll Documentation and Best Practices

Best practices encourage utilizing all available resources to perform duties in an efficient manner with the most accurate information. Policies and procedures help to ensure processes and the associated activities are performed completely, accurately, timely and consistently. Procedures should define roles and actions necessary to guide an employee through the completion of a process. The policies and procedures should include the monitoring tools utilized by management to ensure the procedures are being completed in accordance with the policies.

Reviews and approvals should be consistently and formally documented. This is a standard business practice that promotes accountability and documents an audit trail in the applicable systems and provides management assurance the agency's objectives are being carried out.

During testing, walk-throughs, and discussions with the DVS staff, OIA noted the following:

- **Review of Payroll Reports**

DVS' payroll department completes several tasks during payroll processing week, including a review of each employee timesheet. This review consists of, but is not limited to: schedule review, shift differential pay, straight time, overtime, and leave usage. Payroll staff generates an "exceptions report" Tuesday through Thursday of payroll processing week in OAKS HCM that identifies any exceptions and lists the reason for the exception. Payroll staff address the exceptions and follow up with department supervisors, if necessary, to make the required adjustments prior to final processing.

DVS does not have procedures in place to list the specific payroll reports that shall be routinely run and reviewed each payroll period. Additionally, DVS payroll staff do not evidence their reviews of the biweekly payroll reports used to ensure employee timesheets are accurate and that the Kronos to OAKS interface was successful.

Not evidencing the reviews of biweekly payroll reports and not consistently documenting communication with department supervisors and staff regarding timesheet errors and adjustments increases the risk that discrepancies may occur in regular hours, overtime, shift differential, requests for leave, etc. Without documentation of issues and remediation steps, it is difficult to track past issues to ensure that these issues are not reoccurring.

- **Timesheet Adjustments**

DVS payroll staff and department supervisors have the ability to make adjustments to employee timesheets in order to correct time punch errors and discrepancies. Some of these adjustments include removing lunch, shift differentials, and adjusting in and out punches.

DVS does not consistently document explanations for timesheet adjustments or maintain support for adjustments made. Departments throughout the DVS Sandusky and Georgetown facilities are not required to maintain supporting documentation for timesheet adjustments. Employee approval of adjustments is also not required, nor is



there evidence that notice of the adjustments made is ever communicated to the employee(s).

Without documentation to support adjustments, it is difficult to evidence that adjustments are appropriate. Lack of documentation also does not allow for further review by others, including the employee of the timesheet that was adjusted.

- **Approval of Overtime and Leave Requests**

Department supervisors are required to review, reconcile, and approve employee timesheets for scheduling, regular time worked, overtime, leave requests, inaccurate or late punches, etc. It is encouraged that all requests for leave be submitted and approved electronically via Kronos; however, it is left up to each department how they wish to manage leave requests (i.e. electronically or hard copy). Depending on the department, overtime may be mandated based on the needs of the department; staff can also volunteer to work overtime if they choose before it is mandated. Although there is a separate approval process for leave requests, there is not a separate approval of overtime hours worked on employee timesheets.

OIA tested 26 timesheets, twelve (46%) of which included overtime worked. OIA was able to verify in ten of twelve (83%) timesheets that overtime was authorized. However, OIA could not conclude if overtime worked was authorized in the remaining two of twelve (17%) timesheets due to there being no evidence of authorization. In both of these timesheets, overtime was earned over several days, amounting to less than a full hour each day.

Fifteen of 26 (58%) timesheets tested included requests for leave. It was noted that departments are not consistent on how leave requests are submitted and approved. Three methods of requesting leave were identified: electronically via Kronos, paper form, and by hand writing names on calendars. OIA noted all fifteen instances were submitted by one of these methods and appeared to be approved by the supervisor in some manner.

Without having a uniform policy for all departments to formally submit and approve leave requests, management is unable to obtain assurance that all departments are maintaining compliance and meeting agency standards. Not having a separate approval function in the payroll process for overtime worked increases the risk that overtime is not authorized and abuse may occur.

- **Separation Payouts**

DVS does not ensure payouts made by the Department of Administrative Services (DAS) to separating (retired, terminated, resigned) employees are accurate and complete.

With no formal review of the separation reports, too much reliance is being placed on the DAS process. Not reviewing separation payouts increases the likelihood of an employee being compensated incorrectly and going undetected.



Recommendation

Consider creating a checklist of each report that shall be generated and reviewed by the payroll department prior to processing payroll each period. Payroll staff should check off each report as it is run, initial that it was completed, and make note of any errors and all follow up needed with supervisors or staff. Having a checklist containing all the tools/resources that have to be considered before processing payroll would be beneficial when payroll staff turnover occurs. DVS may also want to consider creating a repository for errors that need follow up to ensure they are addressed properly and to help determine if additional supervisor training is required for approving payroll.

Develop and implement a policy and procedure in which all departments, including payroll/fiscal, complete and maintain evidence that supports all timesheet adjustments. This could be achieved by requiring comments to be added in Kronos for all adjustments, or requiring that a timesheet adjustment form be completed and maintained when an adjustment is made that impacts an employee's hours or rate of pay. If changes to an employee's timesheet is evidenced by email correspondence, this should be saved in the employee's file for further reference if needed.

Implement a standard policy for all departments to adhere to for submission and approval of requests for leave. Consider requiring all departments to submit leave requests electronically through Kronos. If this is not possible for all employees, a single standardized process should be implemented and requests maintained electronically in a centralized location. DVS should also consider requiring all overtime on timesheets to be separately approved in Kronos, similar to leave requests. This would ensure all overtime has been reviewed, help to identify unauthorized overtime worked, and curb any potential abuse. Furthermore, requiring a formal approval of overtime should allow for additional Kronos reports to be generated that would assist the agency in identifying employees who continually work unapproved overtime; when instances of this occur, there is documentation management can then turn over to Labor Relations for remediation.

Develop and implement a policy and procedure in which the designated department (payroll, HR, fiscal, etc.,) evidences their review and recalculation of all employees separating from service to ensure final payouts are accurate. Any differences noted between the department's calculation and DAS' final payout to the employee should be discussed with DAS to determine where and why the variance exists.

Management Response

- **Review of Payroll Reports** - DVS will prepare a checklist of specific payroll reports to be run from OAKS HCM and Kronos. Payroll staff will also evidence their reviews on the checklist. Checklists shall be retained in electronic format.
- **Timesheet Adjustments** - DVS will develop a policy for timesheet adjustments. DVS will enter comments in Kronos when making adjustments to employees' timesheets. Any



supporting documentation such as emails will be retained.

- **Approval of Overtime** - The version of Kronos used by DVS does not allow for separate approval of overtime. DVS will need to update Kronos in order to have this capability. The DVS IT department is aware of this need and will work to schedule the update.
- **Approval of Leave Requests** - Leave requests are electronic or paper depending on the type of leave requested. DVS will develop policies to clarify how each leave type is requested. DVS will continue to utilize multiple methods of leave requests because events such as "Pick-a-Vacation", FMLA requests and disability leaves cannot be accomplished by electronic requests submitted in Kronos.
- **Separation Payouts** - DVS Fiscal and Human Resource departments will collaborate to develop a policy/procedure to review and recalculate final payouts for employees who separate from service.

Risk*	Remediation Owner	Estimated Completion Date
Moderate	DVS Fiscal / HR Director	December 2017

Observation 2 – Human Resources Best Practices and Inconsistencies

Disability Requests

Agencies must adhere to medical leave privacies administered by the government per the Health Insurance Portability and Accountability Act of 1996 (HIPAA). The Standards for Privacy of Individually Identifiable Health Information ("Privacy Rule") establishes a set of national standards for the protection of certain health information to implement the requirement of HIPAA. The HIPAA privacy rule protects most individually identifiable health information (PHI) held or transmitted by a covered entity in any form or medium (i.e. electronic, paper, oral). It is each organization's responsibility, in adhering to HIPAA, to limit any and all exposure of employees' PHI.

Currently, when a DVS employee submits paperwork requesting family medical leave act (FMLA) and/or disability leave, the employee is required to submit the documentation containing this protected information to their supervisor; the supervisor then reviews and signs off on the documentation prior to providing it to human resources for approval. Once proper approval is received, the paperwork is sent back to the supervisor and then to the employee. In the event of initial disability leave requests, the Department of Administrative Services (DAS) reviews the disability requests and either approves or denies it and a response letter is sent directly to the employee. Involving employee supervisors in the process of receiving and reviewing employees' forms containing HIPAA-related information is unnecessary.



On-Boarding and Off-Boarding

According to the DAS Personnel Action Manual, an electronic personnel action request (ePAR) is required to initiate and document action/reasons affecting an employee. These actions include new hires, reassignments, transfers, promotions, and demotions, certain types of discipline, terminations, and leaves. At the time of on-boarding a new employee, DVS is required to ensure there is clear documentation indicating the applicant meets all minimum qualifications, drug testing is cleared, and verification of licensure was obtained for appointments as required. Prior to submitting the ePAR through the approval workflow, DVS must confirm all elements of the pre-hire form have been completed, which management indicated was performed through completion of the Pre-Hire Review checklist.

OIA noted inconsistencies in the on-boarding practices, specifically between the Georgetown and Sandusky locations. Georgetown appeared to have an efficient practice for retaining documents related to the hiring of new employees, allowing them to provide requested information without delay. However, Sandusky was not able to provide all requested documentation in a timely manner. Based on the limited documentation provided for employees hired at Sandusky, it appears on-boarding documentation is not consistently retained across all new hires. OIA noted the following:

- Three of six (50%) New Employee Pre-Employment Paperwork checklists were not provided.
- Six (four at Georgetown and two at Sandusky) of six (100%) Pre-Hire Review checklists, signed by HR, were not provided. However, Georgetown indicated they do not utilize this checklist.

Sound off-boarding procedures help to ensure employees are properly and timely terminated. This includes having the required paperwork completed, terminating system access, collecting security badges, and ensuring final payouts are accurate. OIA noted the following issues:

- One of five (20%) off-boarding checklists were not provided.
- One of five (20%) Leave Conversion / Restoration Forms was not provided to evidence the form was completed, signed and dated by the employee and HR. According to management, the employee left without notice and did not return the mailed forms.

Although DAS provides a Personnel Action Manual, overarching on-boarding and off-boarding policies do not exist at the agency level to the extent of assigned DVS employees carrying out the HR requirements. Such a policy may outline objectives to retain employees' documentation and decision-making in the event of emergency terminations or unplanned employee turnover.

Inconsistent Human Resource on- and off-boarding processes increases the risk of inappropriate hiring and termination practices occurring which could result in increased workplace litigations.

Recommendation



Disability Requests

To ensure employee's individually identifiable health information is properly secured and only viewable by those in HR, DVS should remove supervisor approval from the disability process. Supervisors only need to know if there is an approved disability case and the expected frequency of use by the employee. Details of the disability should not be shared by the agency. DVS should consult with DAS on best practices regarding RFL procedures.

On-Boarding and Off-Boarding

Create a standardize method to store required employment information to ensure it is properly retained and can be easily accessed as needed. Consider storing files electronically so information at the Sandusky and Georgetown locations can be saved in a centralized location allowing for consistency across both locations. Appropriate access rights should be provided to the individuals which management deems appropriate based on their job duties. Also, ensuring the use of checklists which contain all required on- and off-boarding documentation, along with a periodic supervisory review of this information will provide management additional assurance all required documents have been secured.

Develop and implement written policies and procedures over the human resources processes related to payroll to include handling of disability requests, on-boarding, and off-boarding. Procedures should include sufficient detail so individuals not familiar with the processes can assist and perform tasks effectively and efficiently. Policies and procedures should be reviewed periodically by management to ensure they agree with current practices and should be easily available to all staff to reference as needed.

Management Response

Disability Requests - *The current DVS process for Disability application does insure that the only the appropriate HR personnel receive the private health information (PHI) from the employee. DVS will continue its **current practice** for employees submitting disability leave requests as follows:*

- ***Employee submits RFL (Request for Leave)***
 - *Employee submits request for leave (RFL) form (less medical documentation) to supervisor or department head for recommendation, informing supervisor that employee will be away from the workplace for an extended period of time due to medical reasons. Supervisor checks "recommended" on RFL, signs RFL, notes employee's absence on departmental schedule, and returns RFL to employee for submission to Human Resources.*
 - *Employee submits RFL (including medical documentation) to Human Resources for approval.*
 - *Human Resources approves (or disapproves) RFL pending approval (or denial) from the Department of Administrative Services (DAS).*



• **Disability Application**

- All disability applications are submitted directly to Human Resources at the applicable facility.
- Human Resources staff processes all disability requests in accordance to DAS process and procedures.
- Human Resources contacts the department head or supervisor to advise them of the dates that have been approved for the employee to be off work.

• **FMLA**

- All FMLA applications are submitted directly to Human Resources at the applicable facility for approval. Supervisors are not provided with copies or any information regarding the employee(s) reasons for FMLA.

In response to this observation, Human Resources will continue as outlined above, but will reissue the practice in writing to both employees and supervisors and reinforce that medical documentation is never to be submitted to any party other than Human Resources. This practice allows 1) supervisors to be aware of an impending extended absence in their department, 2) supervisors to request temporary employees to backfill said absence, and 3) confidential/private documentation to remain as such as it is submitted only to Human Resources.

Human Resources will develop and implement a written policy and procedure for the above and will ensure that all appropriate parties receive, understand, and acknowledge said policy and procedure.

On-Boarding and Off-Boarding - *To ensure consistency, utilizing the DAS checklist as a guide, Human Resources will develop a single on-boarding checklist that will be used agency wide. This on-boarding checklist will detail all of the required documents/forms that are necessary during the pre-employment hiring process. Human Resources management will periodically review the on-boarding checklist to ensure completion/compliance by Human Resources staff. Human Resources will also revise all required documents/forms to ensure that they are uniform in content and appearance, alleviating the chances of varying documents being used from one location to another. The same will be done for the off-boarding process.*

Human Resources will develop a list specifying which documents Human Resources staff will be required to scan into OnBase and will ensure that this list is utilized agency wide. Human Resources will also establish which Human Resources classifications should have access/permissions to these documents in OnBase. The same will be done for the off-boarding process.

Human Resources will develop and implement written department procedures for the above and will ensure that all appropriate parties receive, understand, and acknowledge said procedures.

Risk	Remediation Owner	Estimated Completion Date
Moderate	DVS HR Director	August 2017



Observation 3 – Payroll Based Reporting (PBJ)

The Centers for Medicare and Medicaid Services (CMS) has issued various documents related to the electronic submission of staffing and census information in an effort to promote greater accountability and transparency for long-term care facilities (both Skilled Nursing Facilities and Nursing Facilities). Staffing is considered by CMS to be one of the vital components of a nursing home's ability to provide quality care. Section 6106 of the Affordable Care Act (ACA) requires facilities to electronically submit direct care staffing information (including agency and contract staff) based on payroll and other auditable data. The data, when combined with census information, can then be used to not only report on the level of staff in each nursing home, but also to report on employee turnover and tenure, which can impact the quality of care delivered. The system utilized for reporting staffing and census information is the Payroll-Based Journal (PBJ) and the first mandatory reporting period began July 1, 2016 with submissions due quarterly.

CMS requires facilities to report only the hours paid for direct services performed onsite for the residents of the nursing home. Paid time off (i.e. non-direct care), which includes vacation, sick leave, training, etc. are excluded from the reported population. DVS recodes the non-direct care hours to an administrative or other department code in KRONOS prior to submission of payroll. Before uploading the data into the PBJ database, a data file is generated and negative values are to be removed. Instances of negative values are reported to the assigned department supervisor to be investigated and corrected within KRONOS. However, DVS does not regenerate the data file to ensure all corrections were made accurately and to ensure the final data file generated matches what is uploaded into PBJ. Once the data file is uploaded into the PBJ, DVS has the ability to make manual edits in the PBJ system prior to formally acknowledging submission; however, support for these manual adjustments, when made, is not being maintained. DVS also does not review the data file for reasonableness to provide additional assurance of its accuracy prior to final submission.

OIA reviewed the final monthly data files for October through December 2016 submitted to PBJ and noted six negative line items and two abnormal work values. During a review of these items to ensure they were properly adjusted prior to formal submission, OIA noted several issues and inconsistencies in KRONOS, including:

- PBJ deductions being made up to four months after the hours were worked.
- PBJ deductions were made on days the employee did not work.
- Seven of the eight (88%) items reviewed did not have comments indicating the reason for the PBJ deduction, nor was supporting documentation for the adjustments provided. This resulted in OIA being unable to validate the accuracy of PBJ deductions in most instances.
- Numerous PBJ deductions were entered; at times, multiple adjustments, including correcting adjustments that were previously made, are being made to a single day.



- Several different people made adjustments on a single time card.

Failure to validate that data errors have been corrected increases the risk of inappropriate adjustments being made and going undetected, impacting the accuracy of the data reported and could ultimately adversely impact the agency's nursing home five star quality rating and public reputation.

Recommendation

Create an audit or review process for the PBJ file prior to final submission. When negative numbers have been identified and corrected by supervisors, the data file should be regenerated to validate all errors were properly corrected. Once there are no errors, management should perform trending on the data to provide additional assurance that the data is accurate. Consider the following potential trending activities and reviews:

- Compare the total number of PBJ hours to previous months to determine if the hours match supervisors expectations based on staffing;
- Compare the total number of employees being included in the data;
- Review extreme hours reported (e.g. days with over 16 hours paid, days with under one hour paid, etc.)
- Pull a sample of employees and validate the hours reported on the data file agree to those within Kronos. For any non-direct care hours, ensure supporting documentation (i.e., leave requests, training requests, etc.) was retained.

Management should establish tolerable variance limits for all trending and reviews performed and investigate variances exceeding that limit. Manual adjustments made directly within PBJ should be extremely minimal and utilized only in emergency situations. In situations where this occurs, management should ensure the underlying agency data (i.e., KRONOS) is also updated to reflect the updates made within PBJ. Documentation should be maintained to support the results of any variance investigation completed.

Consider requiring supervisors to make all adjustments in KRONOS and maintain support for the adjustment; the Nursing Supervisor tasked with PBJ submission, or other designated employee, would then be able to pull a random sample of the adjustments to verify they were accurate and support was maintained.

Develop written policies and procedures over the PBJ reporting process. Policies and procedures should define management's expectations for submitting the PBJ and the details for carrying out those expectations, including but not limited to: reporting (file format, timing, etc.), communicating results, correcting data errors, and the roles and responsibilities of each individual involved in the process. The tasks should be adequately described so individuals not familiar with the process can assist and perform the tasks effectively and efficiently. Policies and procedures should be approved by management, reviewed periodically for updates to the process, and accessible to all employees.



Management Response

DVS will create an audit or review process for the PBJ file prior to final submission. This process will insure that negative numbers have been identified and corrected. The data file will be validated to check that all errors were properly corrected.

The process will perform trending on the data to:

- Use total Direct Care PBJ hours to determine hours of care per resident per day and compare the hours of care per resident to the state minimum care hours required in the Ohio Administrative Code section 3701-17-08 (c). DVS should not drop below this requirement.*
- Include the current process to compare the number of employees in the data to KRONOS;*
- Continue the current process of reviewing extreme hours reported (e.g. days with over 16 hours paid, days with under one hour paid, etc.)*
- Pull a sample of employees and validate the hours reported on the data file agree to those within Kronos. For any non-direct care hours, ensure supporting documentation (i.e., leave requests, training requests, etc.) was retained.*

Management will establish tolerable variance limits for all trending and reviews performed and investigate variances exceeding that limit.

Manual adjustments made directly within PBJ should be minimal and utilized only when necessary. Manual adjustments to the PBJ file and documentation for manual adjustments will be maintained in the PBJ folder on the facility network.

The process will require supervisors to make daily PBJ adjustments in Kronos and maintain documentation of the adjustments.

The Payroll Based Journal process is a relatively new federal requirement. To meet federal requirements, management will develop written policies, procedures, and detailed for the PBJ reporting process. Policies and procedures will define management’s expectations for submitting the PBJ and the details for carrying out those expectations, including: reporting (file format, timing, etc.), communicating results, correcting data errors, and the roles and responsibilities of each individual involved in the process. The tasks will be adequately described so individuals not familiar with the process can assist and perform the tasks effectively and efficiently. Policies and procedures will be approved by management, reviewed periodically for updates to the process, and accessible to all employees.

Risk	Remediation Owner	Estimated Completion Date
Moderate	Nursing Home Operations	August 2017



Appendix A – Classification of Conclusions and Observations

Classification of Audit Objective Conclusions

Conclusion	Description of Factors
Well-Controlled	The processes are appropriately designed and/or are operating effectively to manage risks. Control issues may exist, but are minor.
Well-Controlled with Improvement Needed	The processes have design or operating effectiveness deficiencies but do not compromise achievement of important control objectives.
Improvement Needed	Weaknesses are present that compromise achievement of one or more control objectives but do not prevent the process from achieving its overall purpose. While important weaknesses exist, their impact is not widespread.
Major Improvement Needed	Weaknesses are present that could potentially compromise achievement of its overall purpose. The impact of weaknesses on management of risks is widespread due to the number or nature of the weaknesses.

Classification of Audit Observations

Rating	Description of Factors	Reporting Level
Low	Observation poses relatively minor exposure to an agency under review. Represents a process improvement opportunity.	Agency Management; State Audit Committee (Not reported)
Moderate	Observation has moderate impact to the agency. Exposure may be significant to unit within an agency, but not to the agency as a whole. Compensating controls may exist but are not operating as designed. Requires near-term agency attention.	Agency Management and State Audit Committee
High	Observation has broad (state or agency wide) impact and possible or existing material exposure requiring immediate agency attention and remediation.	Agency Management and State Audit Committee