



STATE AUDIT COMMITTEE

TUESDAY, March 9, 2010, 10:00 A.M.
VERN RIFFE CENTER FOR GOVERNMENT AND THE ARTS
77 SOUTH HIGH STREET, 31ST FLOOR, SOUTH CONF. ROOM A
COLUMBUS, OHIO 43215

Members Present: William Shkurti, Chair
William Keip
Richard Mueller
Beverly Vitaz
Robert Richardson

Call to Order

Mr. Shkurti called the meeting to order at 10:05 A.M.

Approval of Minutes

The minutes of the meeting held December 1, 2009, were approved.

OBM Financial Reporting Process Update

Tom Holsinger, Director of OBM State Accounting, distributed a FY 09 timeline and opened by updating the committee on the progress of the Fiscal Year 2009 State of Ohio Financial Audit. He stated that the Auditor of State had received all of the needed financial information and that OBM had met the February 1, 2010 deadline. The FY09 information was submitted 180 days earlier than the FY 08 financial information. He stated it was OBM's goal to get back to the FY 04 timeline. They are currently working to gather the information for the FY 10 annual audit.

Mr. Shkurti asked if the FY 10 deadline would not quite be the FY 04 deadline and Mr. Holsinger stated that it would not be but that the agency was working to get back to that timeline. Mr. Mueller asked what it would take to get back to the FY 04 deadline and Amy Hall, Financial Reporting Administrator, stated that it would help to cut out duplicate processes or processes not needed. She and Tom Holsinger explained that Financial Reporting section would be engaging in a Kaizen project designed to identify ways to streamline the financial reporting process.

Mr. Shkurti asked Mr. Holsinger to provide a FY 10 timeline for submitting the financial information at the June meeting



External Audit Update

Financial Statement Audit Update

Cynthia Klatt from the Auditor of State's office provided an update to the Committee regarding the status of the FY 09 state audit, Auditor and OBM responsibilities regarding the audit, and audit timeline. She mentioned that the Letter of Arrangement for the audit was presented to OBM, and OBM provided a signed copy of the Letter of Arrangement to the Auditor on January 15, 2010. The auditors have received all requested documentation from OBM thus far, including the financial statements and notes. The intention is to issue the audit opinion by April 30, 2010. Ms. Klatt spoke about some of the Auditor/OBM responsibilities enumerated in the Letter of Arrangement, such as the auditing standards to be utilized and State management's responsibility for legal compliance and internal control. She stated that other required audit communications would be made at the end of the audit. In the previous year, audit communication to those charged with governance was necessary earlier in the audit process because of the concern of receiving financial statements. This has not been an issue for the FY 09 State audit.

SAS 70 Update

Sam Orth, CIO DAS, stated that progress continues on the OAKS SAS 70 recommendations. In FY 09, only seven of the comments issued resulted in unmet control objectives. He stated that remediation has been completed or in progress in the areas of Change Management, Security Management, Application Controls and Physical Security.

Mr. Orth also provided the members with his research results of performing unscheduled or unplanned disaster recovery testing. He stated that through research, he found that the National Institute of Standards and Technology (NIST) does not recommend these types of unscheduled testing as key elements in its testing and contingency strategies. He also canvassed members of NASCIO and found that in 20 states none are performing unplanned or unscheduled disaster recovery testing.

Mr. Orth concluded that research suggests non-production tests such as tabletop exercises are best practice methods for determining disaster recovery contingencies while minimizing impact to the business. DAS conducted a full recovery OAKS DR test on February 3, 2010 and are in the process of analyzing the results. Mr. Shkurti asked for a report of that analysis for the June State Audit Committee meeting.

Rob Richardson asked Mr. Orth if DAS OIT was able to stay current with updates of systems. Mr. Orth stated that they are able to stay up to date on the primary systems but are looking at funding for extended support. Mr. Richardson asked about business continuity plans and Mr. Orth informed him that BC plans are agency driven and the focus of DAS OIT is on disaster recovery. The committee asked if there was a centralized or decentralized BC person. Quentin Potter informed him that there are some forums that exist but it is mostly a decentralized process. Mr. Shkurti noted to Joe Bell that Business Continuity should be a made a part of the FY 11 annual internal audit plan as an area of focus.



Office of Internal Audit Charter

Additional minor changes were recommended and the committee will vote on those changes at the next meeting. The committee will also review their current State Audit Committee charter and recommend changes at the June meeting.

CAE Update

Joe Bell provided an update to the FY 10 annual internal audit plan and noted which planned audits had been changed from assurance to consulting and vice versa. He also noted that six previously issued comments had been remediated and one comment had been partially implemented.

Mr. Bell also noted that the federal OMB had issued guidance on December 18, 2009 regarding how jobs are estimated for federal stimulus programs. The guidance further requires jobs retained vs. jobs created and to now be reported as jobs funded on a quarterly basis and not cumulative.

Mr. Bell informed members that planning is underway for the FY 11 OIA Audit Plan and he will provide that plan at the June meeting. Additionally, he updated the members that OIA had posted two staff IT auditor positions with anticipation of April start dates for the new hires.

At 12:00 P.M. Chairman Shkurti moved the meeting into executive session for the purpose of discussing confidential matters exempted from public disclosure per Ohio Revised Code 126.48.

The committee ended executive session at 1:20 P.M. and the meeting was adjourned with no further discussion.

Open Items for June 15, 2010 Meeting

- Ensure that FY 11 Annual Audit Plan includes business continuity audit projects at the agency level.

Responsible party: Joe Bell

- OIA charter finalized and State Audit Committee charter updated.

Responsible party: Joe Bell, Committee Members

- OBM FY 10 Financial Statement timeline.

Responsible party: Tom Holsinger

- Results of February 2010 disaster recovery test

Responsible party: Sam Orth