

STATE AUDIT COMMITTEE

THURSDAY, JUNE 20, 2013, 10:00 A.M.
RHODES STATE OFFICE TOWER
30 EAST BROAD STREET, 35TH FLOOR, JUPITER/SATURN CONFERENCE ROOMS
COLUMBUS, OHIO 43215

Members Present: Paolo DeMaria
Kai Monahan
Robert Richardson
John Merchant
Beverly Vitaz

Call to Order

Chairman DeMaria called the meeting to order at 10:04 a.m.

Joe Bell, Chief Audit Executive, introduced new staff members from the Office of Internal Audit (OIA) and visiting members from the Ohio Lottery Commission's Internal Audit department.

Chairman DeMaria presented a House of Representatives' Resolution to Robert Richardson for his service to the Committee as his term ends on June 30, 2013. The Chairman thanked Mr. Richardson and stated that he has been a great public servant and his expertise has been beneficial to committee.

Approval of Minutes

Mr. Monahan moved for the minutes of the meeting held March 21, 2013 to be approved with no additions or corrections. Mr. Merchant seconded the motion and all members unanimously approved.

State Chief Information Officer

Chairman DeMaria introduced Stu Davis, State Chief Information Officer from the Department of Administrative Services' (DAS) Office of Information Technology (OIT). Mr. Davis provided a handout on IT Optimization to the Committee members and visitors.

Mr. Davis stated that significant dollars can be saved with IT consolidation. Individual state agencies have their own Information Technology (IT) departments and employees. This has led to redundancies and under-utilization of existing equipment and functions, such as servers, storage, network, hardware and monitoring. OIT is leading the movement of IT Optimization by focusing on enterprise, building expertise, considering job force changes (future significant number of retirees), appropriately utilizing current infrastructure, replacing older legacy systems, and reducing overall costs. In comparison to frontrunner states, Ohio's IT's costs are greater per citizen. IT consolidation is a long-term effort and requires a significant business culture

change. Mr. Davis emphasized that with this effort they are attempting to understand and mitigate risks and not create more risks in the IT environment.

Mr. Davis noted that the outsource model generated higher costs than current Ohio costs. He also stated that they cannot consolidate everything, only when and where it makes sense. A key component is their strategic plan, which has helped with the agency of health transformation (Department of Medicaid). Mr. Davis predicts that the State will decrease the work force needs and reduce contracts and consultants. OIT is estimating \$100 million to \$150 million in annual savings.

Mr. Davis stated that agencies are still acting independently but are starting to understand the culture shift. OIT formed a workforce group involving many agency personnel that contains nine functional IT areas, each with a solution architect to lead the effort for greater efficiency and lower costs. Deadlines have been established for these functional area teams to meet and prepare work plans. Customer needs will be taken into account and most likely will involve workforce transformation (moving staff from one state agency to another).

Mr. Richardson supported the IT Optimization efforts by stating it was great initiative in which change management will be the key. Chairman DeMaria asked how the Committee could help with this effort. Mr. Davis mentioned that OIA has been involved with the SOCC Remediation effort (consolidating the computer center) and appreciates OIA's assistance. Mr. Bell stated that IT Optimization is included in OIA's annual plan and that OIA will be reactive to any changes noted in the functional area work plans. Chairman DeMaria asked for periodic updates regarding the IT Optimization process. Mr. Richardson left the meeting at 10:30 a.m.

OBM Financial Reporting Update

Jim Kennedy, Deputy Director of State Accounting and Reporting, Office of Budget and Management (OBM), stated that the target for a complete audited CAFR (Comprehensive Annual Financial Report) is six months from the end of the fiscal year (December 31). This six month target was accomplished in the 1990s through 2004. Because of delays with the audit of the Bureau of Workers' Compensation in fiscal years 2005 and 2006, the CAFR fell behind. The implementation of the State's new ERP system made financial reporting for fiscal years 2008 and 2009 difficult; as a result, OBM could not issue as timely financial statements. For the last three years, the target has been January.

Mr. Kennedy stated that both OBM and the Auditor of State are interested in returning to the six month timeframe. OBM is going to prepare draft financial statements earlier and provide more interim information. The timeline has been revised but milestones are needed. Also, more importantly, issues identified in the audit reports need to be addressed more timely by the agencies. With the timeline just beginning for the FY 13 audit cycle, Mr. Kennedy will be better able to demonstrate progress in the September 2013 State Audit Committee meeting. He stated that there are components of the audit that are beyond the control of OBM.

Chairman DeMaria asked Mr. Kennedy about how he felt about potential roadblocks. Mr. Kennedy believes it will be an improved process and the three parties (OBM, AOS and OIA) will

work together on any information delays. Chairman DeMaria offered the Committee's assistance if needed.

Mr. Monahan complimented Mr. Kennedy on his timeline and requested a periodic (once a year) overview of the State's significant judgments and estimates, as well as OBM's process that drives those estimates and what controls are in place for developing those estimates. Mr. Kennedy mentioned tax receivables and the Medicaid liability as estimates in the State's financial statements and that they are monitored. Mr. Monahan is interested in the most financially material estimates and Chairman DeMaria asked which meetings would make sense to discuss that topic. Mr. Kennedy agreed that the September meeting would be an appropriate time to discuss.

External Audit Update

Debbie Liddil, Chief Auditor, State Region, Auditor of State (AOS) and her staff provided the committee with a financial audit update. Ms. Liddil stated that the AOS issued their opinion on the State of Ohio financial statements for the period July 1, 2011 through June 30, 2012 on March 21, 2013. The related Single Audit report was released on April 2, 2013. Communication with those charged with governance about the audit was sent out on April 23, 2013.

Ms. Liddil stated that the AOS audit team held their official entrance conference for the FY 13 financial audit on May 23, 2013. The AOS also met with OBM officials on May 13, 2013 to discuss the audit timeline, which AOS is working to improve. This timeline will be incorporated in the AOS Letter of Arrangement, which, when signed, will be distributed to those charged with governance, including the State Audit Committee. The timeline includes a targeted opinion date of December 16, 2013 for the financial audit opinion. February 18, 2014 is the projected date for the Single Audit report. The planning for the FY 13 financial audit is underway and testing has begun.

Ms. Liddil noted that for fiscal year 2013, JobsOhio will be included in the State's reporting entity, most likely as a discretely presented component unit. In addition, the clarity standards will be effective for the fiscal year 2013 audit. These clarity standards involve some changes such as the group audit process, additional communications with IPAs performing audits of component units, updated subsequent event requirements for all components of the organization, and will also change some of the AOS documents. This information will be included in the Letter of Arrangement.

Ms. Liddil also wanted the Committee to be aware that the U.S. Environmental Protection Agency requested additional information to be included in the FY 12 Single Audit report. USEPA has also requested this information be included in the FY 10 and FY 11 Single Audit reports, which will involve reissuing those two reports. Ms. Liddil stated that OBM would be responsible for notifying affected parties of the reissuance of these reports.

The significant issue from the FY 12 financial audit was getting information on MITS (information system for Medicaid). AOS is working to have a better process this year and met with personnel from the Departments of Job & Family Services and Medicaid in April/May. However,

due to other priorities at those departments, AOS is behind getting needed information. A follow-up meeting will be scheduled in the next few weeks.

Maria Jackson, Assistant Chief Auditor, State Region, AOS, provided a brief update on the FY 13 SOC 1 engagement on OAKS. AOS has held their entrance conference and started field work. Ms. Jackson stated that AOS has experienced some minor delays in receiving some documentation.

Chairman DeMaria stated that the Committee is willing to assist the AOS at their request and also expressed his appreciation for the AOS and OBM quarterly updates. Chairman DeMaria also requested that the AOS work with Mr. Bell regarding the changes in the auditing standards to help increase Committee awareness.

SAC Self-Assessment

Chairman DeMaria described the process employed for the State Audit Committee self-assessment in that all members provided input into the document. Chairman DeMaria stated that no formal action was required for this document.

Mr. Monahan asked when the SAC charter should be updated. Mr. Bell stated that he and the Chairman had discussed and decided to update the SAC charter in September due to pending legal changes which should be final by July 1, 2013. Chairman DeMaria stated he would ask staff to draft changes on the SAC charter in early August and send to Committee members for input. In the September meeting, the Committee will finalize the document. Mr. Bell affirmed this as an action item for the next meeting.

CAE/OIA Assessment

Chairman DeMaria spoke about the evaluation for Mr. Bell and the Office of Internal Audit and stated that he would include his comments in the form and send to members of the Committee for their input with discussion in September meeting.

Executive Session -- At 10:58 a.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. Mr. Merchant seconded the motion and a roll call vote was taken and, there being 4 yeas and 0 nays, the motion was approved.

The committee moved out of Executive Session at 12:02 p.m.

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

1. Department of Administrative Services – HR/Payroll Check-off
2. Budget and Management – Ohio Shared Services
3. Department of Commerce – Consumer Finance
4. Development Services Agency – Ohio Housing Trust Fund
5. Department of Developmental Disabilities – Gallipolis Development Center
6. Department of Developmental Disabilities – Tiffin Development Center
7. Department of Transportation – Change Orders

Mr. Merchant presented a motion to approve the seven public reports and Ms. Vitaz seconded. A roll call approval was made with four yeas and the reports were approved. Mr. Merchant left the meeting at 12:10 p.m.

CAE Update

Mr. Bell discussed the process of preparing the Office of Internal Audit's FY 14 draft Annual Audit Plan. Mr. Bell met with all 26 agency directors after first reviewing the director's budget testimony, which included changes that had occurred, new initiatives, changes to people, processes and technology, as well as their budget request. Mr. Bell also met internally with the OBM Director and Senior Deputy Director on the audit plan. Office of Internal Audit staff also met with OBM budget analysts and agency CIOs, CFOs and key management. In addition, questionnaires were sent to the agencies to determine stakeholder concerns and changes in people, processes and technology.

Mr. Bell stated that his office also met with internal auditors from the Bureau of Workers' Compensation and Lottery Commission and that Cindy Klatt (OIA's Chief of Quality Assurance) will review their audit workpapers. OIA also met with the AOS on the coordination of audit effort and coverage to minimize duplication.

Mr. Bell stated that the external peer review recommended extending OIA's relationship with the Governor's office. As such, he reviewed the draft plan with officials from the Governor's office, which provided feedback and stated that they would reach out to OIA if issues arose. Mr. Bell stated that he received valuable input from Committee members as well. Mr. Bell encouraged Committee members to provide their thoughts on improving the document.

Mr. Bell stated that the next step is to establish Memorandums of Understanding with the agencies; they have already been provided the heat maps and audit scope.

Mr. Bell said that he intends to improve the process of remediation for IT projects. He also mentioned that OIA focuses on the breakdown of assurance vs. consulting engagements. OIA typically has 30% consulting projects, which are value-added.

Mr. Bell highlighted several of the more prominent projects from the plan which his team will be performing. When OBM's consulting project on Debt Management was mentioned, Chairman

DeMaria asked about specifics on the scope, and Mr. Bell said that project would include new issuances, disclosures, and meeting ratios and limits. Regarding Department of Taxation's STARS Independent Verification and Validation project, Mr. Bell said that it is planned that Taxation will meet with the Committee in September and discuss progress on STARS (State Taxation Accounting and Revenue System) in executive session.

Mr. Monahan asked about OIA's responsibility to look at JobsOhio. Mr. Bell stated that JobsOhio is a separate organization that is not under OIA's oversight. It's possible that JobsOhio's external auditors could leverage OIA's work at the Department of Commerce.

The committee paused the meeting for lunch at 12:26 p.m. and reconvened at 12:58 p.m.

Open Discussion

Mr. Monahan asked about audit coverage for Payroll Deductions at the Department of Administrative Services. With medium risk areas, coverage should occur every four years; if not, comment as to why is needed. Mr. Bell stated that OIA would audit that area in FY 2015. Mr. Monahan also mentioned a concern about Department of Rehabilitation Services' high risk for IT General Controls and that it was not scheduled to be audited. After discussion it was determined that the draft plan would be modified to reflect the testing of DRC's IT General Controls in FY 14.

Members of Committee decided to review the SAC charter and submit to Chairman DeMaria any suggested updates for a vote in September, and the SAC planning calendar will be amended to reflect that. Chairman DeMaria suggested a rolling calendar to evaluate the adequacy of audit responsibilities covered during each meeting and suggested that Mr. Bell request Committee feedback when distributing the draft minutes.

Mr. Bell highlighted the FY 13 annual report: an external peer review rated OIA as "generally conforms", the highest rating to be achieved; OIA staff had an average of 55 hours of training per person (goal is 40 hours); OIA staff with professional certifications is 67%; OIA was able to complete 94% of the FY 13 audit plan; OIA received a 97% positive approval rating from surveys. The FY 13 annual report will be posted online in July.

Mr. Bell discussed the strategic plan for fiscal years 2014 and 2015 and stated it is not required but helps to drive continuous improvement in OIA. The plan, which is updated every two years along with the State's budget, is aligned with the Institute of Internal Auditors' capability maturity model. Many of OIA's current process areas are at a level where only maintenance is required. There are also stretch goals included on pp.10-11 in the document as well as the scorecard on p. 12 which displays more key process areas (green squares) in place as compared to the FY 12-13 Strategic Plan. A key component to attaining higher levels of maturity requires the involvement of management or legislature. Mr. Bell encouraged the Committee to provide any feedback or ask questions after they had time to absorb the contents. The status of items in yellow will be reported to Committee in OIA's Annual Reports.

Mr. Bell updated the Committee on progress on the OIA annual plan for the fourth quarter. OIA did experience some client delays which pushed back some of the work. However, referring to

page 2 of the annual plan status report, Mr. Bell praised the work of his staff and stated that OIA stayed on track as evidenced by data contained in report, including achieving 94% of the audit plan, even though the staffing levels were down throughout the year.

Mr. Monahan suggested tracking macro statistics related to audit issues which would include trending and response time of clients. Mr. Bell stated he would meet with Mr. Monahan to discuss macro statistics to consider in the annual plan status update. Chairman DeMaria pointed out that the annual plan status report for the September meeting would be a new fiscal year.

Regarding remediation activity, Mr. Bell stated that 11 prior audit comments were due during the fourth quarter; seven were closed and the remaining four comments were partially remediated and have updated completion dates. Mr. Bell will report back to the Committee on those four comments in the September meeting.

The Committee discussed the open items from the meeting (documented below under Open Items). Ms. Vitaz asked about the State's debt limit and whether there had been any benchmarking with other states and a determination of how much debt the State can support. Chairman DeMaria said it would be helpful to have an overview of the debt process. He also mentioned that the group should discuss dates for 2014 meetings in the next meeting after the new committee member is officially sworn in. It was also decided to reschedule the December 2013 meeting. The Committee would also like to invite OBM Director Keen to the September meeting if possible to discuss the State's health, budget, close of fiscal year 2013, financial picture, future looking prospects, and his perspective on risks.

Chairman DeMaria asked Mr. Bell how OIA could deliver more of the planned audits earlier in the fiscal year. Perhaps OIA could plan audits for a "fifth" quarter to keep work rolling. Mr. Bell stated that OIA attempts to plan to accommodate for possible gaps.

The meeting was adjourned at 1:50 p.m.

Open Items for September, 2013 meeting

1. Advise availability for future meetings.

Responsible Party: Members

2. Update State Audit Committee Charter

Responsible Party: Joe Bell/Members

3. Significant estimates for State of Ohio financial statements

Responsible Party: Jim Kennedy

4. Update Committee on new auditing standards

Responsible Party: Debbie Liddil/Joe Bell

5. Establish meeting dates for 2014

Responsible Party: Joe Bell/Members

6. Schedule OBM Director Tim Keen to September 2013 meeting

Responsible Party: Joe Bell

7. Schedule OBM Debt Manager Kurt Kauffman to September 2013 meeting

Responsible Party: Joe Bell

8. Schedule Janet Conkey, OBM Senior Deputy Director to December 2013 meeting to discuss OBM's Audit Oversight Work Group.

Responsible Party: Joe Bell

9. Schedule periodic IT Optimization updates with State Chief Information Officer Stu Davis

Responsible Party: Joe Bell

10. Develop macro statistics for previously issued audit issues

Responsible Party: Joe Bell



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
	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 smoother each year. There has been solid and steady progress.</p> <p>It may be helpful for the committee to become familiar with key controls applied by OBM's Financial Reporting Unit to ensure data integrity. External and internal auditors can discuss audit approaches involving the validation of these controls.</p>

Category	Status			Evidence of Action	SAC Comments
	X	P	O		
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>
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) 	<p>The committee did not address this responsibility this year.</p> <p>We will be more diligent in including it in the meeting calendar in the future.</p>
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) 	<p>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.</p>

Category	Status			Evidence of Action	SAC Comments
	X	P	O		
<p>2.2 OIA Work Plan: Annually, review and comment on the annual work plan, risk assessment process and results as prepared by the CAE.</p>	✓			<ul style="list-style-type: none"> OIA Annual Plan (June 2013) 	<p>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.</p>
<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>

Category	Status			Evidence of Action	SAC Comments
	X	P	O		
<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>
<p>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.</p>				<ul style="list-style-type: none"> Pending – SAC Chair to coordinate with committee and OBM 	<p>The committee is expecting to provide feedback on the performance of the CAE.</p>

3.0 External Audit				
<p>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.</p>	✓		<ul style="list-style-type: none"> 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 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.</p>
<p>3.2 Auditing Policies and Practices: Review with the Auditor of State that performs the State of Ohio financial statement audit:</p> <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, receiving an overview of areas that require significant judgment from an accounting perspective and associated policies/practices.</p>
<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> <ul style="list-style-type: none"> a. The annual financial statements, related footnotes, and management’s discussion and analysis; b. The Auditor of State’s audit of the financial statements and their report thereon; c. 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>
<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>

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>
<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>
<p>5.3 Performance Assessment: Annually assess the Committee’s performance of the responsibilities delineated in this charter.</p>	✓		<ul style="list-style-type: none"> Committee to conduct self-assessment (June 2013) 	<p>The committee is satisfied with the way this responsibility is being met.</p>

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 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.
6.4 Meeting agendas include unresolved items and issues raised at prior meetings.					Committee is satisfied 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.