



## Risk and Audit Committee Agenda Item 6c

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**February 14, 2022**

**Item Name:** Quarterly Status Report – Office of Audit Services

**Program:** Audit Services

**Item Type:** Information Consent

### **Executive Summary**

In accordance with the International Standards for the Professional Practice of Internal Auditing (Standards), the Office of Audit Services (OFAS) presents its Quarterly Status Report of audit activity. The following provides the status of projects and activities as of September 30, 2021.

### **Strategic Plan**

This item is not a specific product of the Strategic Plan, but is required by the Board of Administration (Board) approved Audit Resolution Policy and OFAS Charter.

### **Background**

On a quarterly basis, OFAS updates the Risk and Audit Committee (RAC) on audit activity and audit resolution status.

### **Analysis**

#### Employer Compliance Reviews

During the first quarter, OFAS completed 60 reviews with a total of 86 findings. Currently, 121 reviews are in progress.

The Employer Account Management Division (EAMD), Pension Contracts and Prefunding Programs Division (PCPP) and Health Account Management Division (HAMD) reported 10 findings were resolved, leaving 85 findings open as of September 30, 2021. In addition, OFAS validated 32 resolved findings during the quarter. Please refer to Attachments 1 and 2 for additional information on employer compliance findings.

### Internal Audits

During the first quarter, six internal audits were issued with a total of six findings in operational areas such as improving monitoring, defining roles and responsibilities, and maintaining supporting documentation. Please see Attachment 1 for additional information on internal audit findings.

As of September 30, 2021, there was one unresolved internal audit finding over one year old related to the Review of Mobile Devices. The division provided a corrective action plan and continues to resolve the observation. During the quarter, ten findings were resolved, leaving 16 findings open.

### Financial Statement Audit Report and Management Letter

The management letter prepared by BDO USA, LLP for the fiscal year ended June 30, 2021, was presented during the November 16, 2021 RAC. The observation in the Management Letter will be reported to RAC until its fully resolved. The summarized status of the current year observation is in Attachment 3.

### Status of Audit Plan

The Fiscal Year 2021-22 Board Approved Audit Plan is in progress. As required by the Standards, we review and adjust the audit plan, as necessary, in response to changes in the organization's business, roles, operations, programs, systems, and controls. OFAS is deferring two reviews, Retired Annuitant Reinstatement Calculations and Retired Annuitant Employer Fees, due to legislative changes.

### **Budget and Fiscal Impacts**

Not Applicable.

### **Benefits and Risks**

The Quarterly Status Report of audit activity provides periodic reporting to the Board regarding performance relative to the audit plan and other matters needed or requested. The periodic reporting of this information to the Board is in accordance with the Standards, the Board approved Audit Resolution Policy, and OFAS Charter. The risk of not reporting periodically is non-compliance with the Standards.

**Attachments**

Attachment 1 – Status of Audit Findings Dashboard

Attachment 2 – ECR Open Observations Over 1 year old

Attachment 3 – Summary of Financial Statement Audit Management Letter Comments Current Year Report

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