



Risk and Audit Committee

Agenda Item 4c

November 19, 2024

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 June 30, 2024.

Strategic Plan

This item is not a specific product of the Strategic Plan but is required by OFAS' Audit Resolution Policy and 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 4th quarter, OFAS completed 47 reviews with a total of 152 observations and 47 reviews are currently in progress.

The Employer Account Management Division (EAMD), Retirement Benefit Services Division (RBSD), and Pension Contracts & Prefunding Programs Division (PCPP) reported 33 observations were resolved, of which nine were aged two to three years and 24 were aged one to two years. This leaves 203 observations open as of June 30, 2024, of which 12 were aged two to three years, 27 were aged one to two years, and 164 were aged less than one year. In addition, OFAS validated 22 resolved observations during the quarter. Please refer to Attachment 1 for additional information on employer compliance observations.

Internal Audits

During the fourth quarter, OFAS completed three internal audit projects with five observations. The observations were in compliance and operational areas relating to the effectiveness of controls over unclaimed benefits and dormant accounts, overtime monitoring practices, and the management of the business continuity process.

During the quarter, one observation was resolved, leaving eight observations open. There were three unresolved internal audit observations that were over one year old. Two observations are related to the Review of Compliance Program, which we first reported in the November 2023 RAC meeting. The third is related to the PeopleSoft HCM User Access Management review and was first reported in the February 2024 RAC meeting. For each of the three recommendations, the divisions have provided corrective action plans and will continue working toward resolving the observations.

Status of Audit Plan

As of June 30, 2024, OFAS completed 74 employer compliance reviews, 11 internal audits reviews, and issued two draft reports. The draft reports were issued as final after we received the division's responses.

Financial Statement Audit Report and Management Letter

The management letter prepared by BDO USA, LLP for the fiscal year ended June 30, 2023, was presented during the November 14, 2023, RAC meeting. FRAS reported the observations were resolved during the February 20, 2024, RAC meeting, pending the financial statement auditor's review. Please refer to the agenda item 5b, Review of Independent Auditor's Management Letter for more details.

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, OFAS' Audit Resolution Policy, and OFAS' Charter. The risk of not reporting periodically is non-compliance with the Standards.

Attachments

Attachment 1 – Employer Compliance Review - Open Observations Over 1 Year

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