

ATTACHMENT ONE: PROJECT REQUIREMENTS AND SPECIAL PROVISIONS
PART ONE: PROJECT REQUIREMENTS

This attachment describes the Project and what the Contractor must do to get the job done. It also describes what the Offeror must deliver as part of the completed Project (the "Deliverables"), and it gives a detailed description of the Project's schedule.

SCOPE OF WORK. The State of Ohio's Office of Budget and Management (OBM) is requesting assistance in establishing the Office of Internal Auditing (OIA) within OBM to perform internal audits in state agencies and in evaluating the enterprise risks to the state. Establishing the OIA will entail acquiring the people, outlining the internal audit processes, and technology support.

1. Establishing the Office of Internal Auditing. This will be comprised of the people, processes, and technology to support OIA. Offeror shall:

- a. Develop a plan for the OIA workforce including assistance in acquiring, aligning, deploying, training and communicating strategy to the workforce.
- b. Develop the policies and procedures for internal auditing, controls and governance. Policies and procedures will set the guidelines for conducting internal audits across state agencies and should include standard templates to assist with performing these reviews. These policies and procedures need to reflect current industry best practices and allow for flexibility for specifics related to the State of Ohio.
- c. Evaluate and recommend technology tools to:
 - 1) support the management of OIA, to include time reporting, accountability, reporting and billing
 - 2) support the management, maintenance, and retention of audit workpapers
 - 3) support the risk assessment and audit universe maintenance function
 - 4) organize and drive governance, risk, and compliance initiatives (e.g. Control Self-Assessments (CSAs) by IT Departments)
 - 5) support the auditing of key financial and operational controls for critical application systems
 - 6) provide continuous and automated monitoring of controls
- d. Identify process mapping capabilities for documentation and education purposes.
- e. Meet the following technology requirements:
 - 1) Solutions must be able to support a large and distributed workforce (approx. 125 auditors in various locations w/ remote capability (Web-based), custom reporting, & centralized QA monitoring needs)
 - 2) Solutions must be cost effective
 - 3) Solutions would benefit by incorporating existing OIA tools and technology (e.g., Sharepoint, Web architecture, etc.)
 - 4) Solutions must have adequate security measures to safeguard audit evidence
 - 5) Web-based for customer usage (e.g., comment tracking) and improved transparency for the public (e.g., final reports)
 - 6) Facilitates record retention requirements & timely public record requests
 - 7) Software vendor must have stability & provide adequate training/support
 - 8) Disseminate audit reports to maximize the attention to significant internal control weaknesses and provide an increased likelihood of appropriate follow-up to control weaknesses that have been identified.
 - 9) Evaluate and provide recommendations for a comprehensive Internal Audit charter and State Audit Committee charter that covers the required scope of this legislation.
 - 10) Determine alternate approaches to comply with new legislative requirements that may include a layered, functional or tiered approach to integration. This may include the centralization of select departments or functions over a lengthened transition period.

Offeror's Work Plan shall clearly address how it will accomplish all requirements for establishing the Office of Internal Auditing.

2. Addressing the Enterprise Risks

The results of the OIA Implementation Plan identified four enterprise-wide risks involving critical processes that need to be evaluated and, if necessary, identify corrective action for the State of Ohio. These enterprise-wide risks include payroll, financial reporting, procurement/expenditure management, and information technology. Summaries of the specified risk areas follow.

- a. **Payroll.** Human Resources management processes relate to the key activities related to the employment and compensation activities within an organization. The process includes defining human resource policies, strategies, and organizational structures, recruiting, hiring and training employees, managing the termination of employment through retirement, leave, or involuntary dismissal, providing employee evaluations and maintaining employee data,

administering compensation and benefits (such as medical, dental pension, flexible spending plans and after tax deferred and defined compensation programs (403b and 457) common to government agencies), maintaining relationships with bargaining units, and ensuring compliance with health and safety, regulatory and EEOC laws.

Payroll management specifically includes the collection of time and attendance and accounting data; collection and calculation of gross pay, deductions, and net pay; leave balance and account maintenance; links to accounts payable and general ledger; and required payroll audit reports including 941 and W-2.

Objectives:

- 1) To determine if the agencies are complying with system policies and procedures when hiring, terminating and authorizing payment to employees.
- 2) To determine if the agencies are complying with provisions of the Federal grants and other agreements regarding payroll budgets, pay and fringe benefits.
- 3) To determine that employee leave balances are accurately calculated and recorded.
- 4) To determine that the payroll is accurately calculated and recorded in the accounting records and only administered by valid employees within payroll departments.
- 5) To determine that the OAKS payroll system is properly processing input information resulting in correct output.

Possible Areas of Focus:

- 1) New Hires/Additions
- 2) Terminations & Deletions
- 3) Recording time and payroll calculations
- 4) Salary deductions
- 5) Distributing payroll
- 6) Master file management
- 7) Ghost employees
- 8) Changes to pay rates/salary adjustments
- 9) Manual or automated payments
- 10) Recording in general ledger
- 11) Reconciliations
- 12) Management reporting

- b. Financial Reporting. Financial Closing and Reporting is the link between information gathered and processed in all the business processes of an organization and the published financial statements. It includes the determination of the financial reporting framework, the capturing of information from various routine and non-routine sources of information, the evaluation and analysis of such information, and the financial close process at the end of a reporting period. This process culminates in the preparation of financial statements in accordance with generally accepted accounting principles

Objectives

- 1) To determine if the financial month-end and fiscal year closing and reporting processes are well-established and documented, including the identification and updating of internal and external financial reporting requirements and deadlines; the methodology, format, and frequency of required analyses; and the content of reporting packages from departments and subsidiaries.
- 2) To determine if each subledger is regularly reconciled to the general ledger, and exceptions identified are resolved and recorded in the general ledger in the appropriate accounting period.
- 3) To determine that relevant, sufficient, and reliable data necessary to record, process, and report each routine or nonroutine event is captured.
- 4) To determine if all required analyses are prepared accurately and consistently in accordance with the entity's defined closing process and in the appropriate accounting period. Necessary adjustments and all related journal entries are identified and documented during the period-end accounting close process.
- 5) To determine if all required financial-statement disclosure reporting packages and analyses are prepared, independently reviewed, and received by the financial reporting department.
- 6) To determine if management reviews the draft financial statements and related disclosures in the format that is to be released to the public and filed with regulatory agencies.

Possible Areas of Focus:

- 1) Financial and reporting processes
- 2) Capturing and processing transactions (routine and non-routine)
- 3) The accounting close processes
- 4) Financial statement review process

- c. Procurement/Expenditure Management. The Procurement process centers on identifying, qualifying and contracting with suppliers, as well as obtaining their materials and services in accordance with customer needs. It includes performing the full range of Pre- and Post-Award functions, monitoring overall success of the State's partnerships with key suppliers, and evaluating and executing payment processes.

Objectives:

- 1) To determine if the agencies are complying with state procurement policies and procedures.
- 2) To determine if the agencies are properly monitoring state contracts.
- 3) To determine proper approvals and security levels have been established and maintained.

Possible Areas of Focus:

- 1) Management of Purchase Requisitions
- 2) Management of solicitations
- 3) Receipt and Evaluation of offers/quotes
- 4) Preparation of Award and Processing of Release Order
- 5) Administration of the Award
- 6) Management of Suppliers
- 7) Management of Accounts Payable

- d. Information Technology. This includes the Office of Information Technology – OAKS (PeopleSoft Financials & HRMS modules). The evaluation will require identifying information privacy and security risks with the agencies' networks and core applications, assessing agency change control processes with regard to state standards and industry best practices, and determining if the agency systems are available for business at all times with proper job processing, backups, and disaster recovery.

Objectives:

- 1) To identify information privacy and security risks with the agencies' networks and core applications.
- 2) To assess agency change control processes with regard to state standards and industry best practices.
- 3) To determine if the agency systems are available for business at all times with proper job processing, backups, and disaster recovery.

Recommended areas of focus for each agency:

- a) Information privacy and security (e.g., compliance with federal, state and agency law, policy, standards, and procedures, including administrative access, passwords, data security, etc.)
- b) Application
- c) Database
- d) Operating System
- e) Network
- f) Change control (e.g., request and approval of changes, testing, conversions, etc.)
- g) Computer operations (e.g., job processing, backups, etc.)

- e. Testing Program for enterprise risks. Testing for each area of enterprise risk shall cover the following:

- 1) Perform a micro risk assessment of the process
- 2) Flowchart the processes at a detailed level and analyze for design deficiencies.
- 3) Use tool such as ACL to analyze data targeted from problem areas (relational testing)
- 4) Test areas which are properly designed for operating effectiveness.
- 5) Facilitate workshops for problems areas or areas which the design does not appear appropriate.
- 6) Document observations and propose recommendations for areas of improvement.

Offeror's Work Plan shall clearly address how it will evaluate the enterprise risks and determine if corrective actions are needed.

CONTRACTOR RESPONSIBILITIES AND DELIVERABLES. The Contractor must meet all RFP requirements and perform the Work as defined in the Scope of Work.

Contractor shall furnish its own support staff as necessary for the satisfactory performance of the Work described in Scope of Work. Unless otherwise specified in the contract, OBM will not provide any staff, services, or material to the Contractor for the purpose of assisting the Contractor in the performance of the contract.

OBM may, if deemed appropriate, communicate specific instructions and requests to the Contractor concerning the performance of the Work as described in this Scope of Work. Upon such notice and within ten (10) days after receipt of instructions, the Contractor shall comply with such instructions to the satisfaction of OBM. The parties expressly understand that these instructions and requests are for the sole purpose ensuring satisfactory completion of the Work described in this document. They are not intended to amend or alter the contract or the Scope of Work. All such instructions and requests shall be communicated to the OBM contract manager.

Subsequent to award, Contractor shall consult with the OBM contract manager as necessary to assure mutual understanding of the Work to be performed and the satisfactory completion thereof.

MEETING ATTENDANCE AND REPORTING REQUIREMENTS. The Contractor's project management approach must adhere to the following Project meeting and reporting requirements:

1. A pre-performance meeting may be required to select the reporting format, review performance requirements and method of reporting.
2. The successful Offeror may be required to attend meetings during the course of this Contract.
3. The OBM may require information and/or data be provided at different frequencies of time based on the Work being performed and the schedule of performance.
4. Monthly reports shall be required to be submitted to the OBM.
5. Immediate Reporting – The project manager or his or her designee must immediately report any certified Project Team staffing changes to the Agency Project Representative (See: Attachment Three: Part Two: Replacement Personnel).