



STATE AUDIT COMMITTEE

TUESDAY, June 15, 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

Chairman Shkurti called the meeting to order at 10:00 A.M.

Approval of Minutes

The minutes of the meeting held March 9, 2010, were approved.

OBM Financial Reporting Process Update

Amy Hall, OBM Financial Reporting Administrator, gave an update on the FY 2009 financial statements. An unqualified audit opinion on the comprehensive annual financial report (CAFR) was issued by the Auditor of State (AOS) on April 30, 2010. On May 5, 2010, OBM submitted audit data to GFOA for the certificate of excellence award. The CAFR was released on May 7, 2010 on the OBM website. The AOS continues to perform single audit testing with an expected release date of June 30, 2010.

Tom Holsinger, Director of OBM State Accounting, distributed a FY 2010 Joint AOS and OBM CAFR Preparation timeline which reflects planned improvements to reporting timelines. He is working on the timeline with AOS and will finalize after completion of the 2009 audit. The federal government has discontinued extensions on single audit reporting timelines. To assist in meeting the 2010 audit deadline of March 31, 2011, OBM Financial Reporting participated in a week long Kaizen event. Resulting changes included establishing materiality thresholds and incorporating new technology to facilitate compilation. Mr. Richardson asked about consequences if the deadline is not met. Mr. Holsinger responded federal funding would ultimately be at risk; however, historically the federal government has not imposed sanctions. Tom Holsinger explained the timeline

SAS 70 Management Remediation Update

David Shaw, DAS Interim State CISO, indicated two comments resulting in unmet control objectives remain open from the 2009 OAKS SAS 70 audit. The comment on Application Controls is fully remediated through shifting of staffing and resources. On Security Management, proper signoffs are



remediated and what remains open is the auditing of the entire environment. Mr. Richardson asked clarification on the environment. Mr. Shaw explained that it is all systems and environments. Mr. Shaw discussed disaster recovery testing performed on February 2 – 5, 2010. This first test was not an end-to-end test but rather a “stopwatch” where they analyzed activity during certain points of the day and ended the test at the end of the business day. They plan to have their next test be an end-to-end which may entail calling in resources for early morning activities.

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. An unqualified opinion was issued on the financial statements on April 30, 2010. The exit conference was held with the Office of Budget and Management on May 11, 2010. The Required Audit Communication was released on May 28, 2010 to the Governor, Legislative leadership, and State Audit Committee Chairman. Auditor of State is planning to begin fieldwork for the FY 10 audit engagement in August and will provide the letter of arrangement to the Office of Budget and Management shortly thereafter. Ms. Vitaz asked when the management letter will be released. Ms. Klatt stated that the management letter will be released with the single audit report. Jim Swonger from the Auditor of State’s office conveyed that they are working with David Shaw at DAS for the current SAS 70 engagement. Mr. Shaw and his team have a new approach as they have taken the responsibility of realigning the control objectives. The AOS audit team has performed some testing and will be progressing to full testing in a couple of week. Mr. Swonger expects the report to be issued by October 2010. A question was raised on how the AOS timeline fits with the OBM Financial Reporting timeline. Ms. Klatt expressed that AOS have worked together in creating the timelines. AOS feels that they could meet the March 31, 2011 deadline and feels confident that AOS leadership will approve their proposed timeline.

State Audit Committee Charter Update

Discussion commenced on the proposed changes to the charter. In order to track and measure performance, Joe Bell, Chief Audit Executive OBM Office of Internal Audit, will track Committee’s fulfillment of responsibilities through the meeting agendas. Mr. Richardson made the suggestion to include language in the composition section of the charter stating having a member with information technology systems/services knowledge and experience. Committee discussion turned to the State Audit Committee planning calendar. The Committee concluded to breakdown items in section 2.C. individually with discussion on audited financial statements and single audit reports as well as legal and regulatory matters once a year. The Committee approved changes to the Charter and the planning calendar. Mr. Richardson asked whether the Committee will perform its self assessment in September. Chairman Shkurti asked Mr. Bell to help compile a draft self assessment form in a few weeks. Discussion on self assessment and finalization of framework will take place during the September meeting. The Committee will complete as much as they can during the September meeting and complete self assessment during the December meeting. For the assessment on the Chief Audit Executive, Mr. Bell will send a template along with the draft of the committee self assessment.



Evaluation of the Chief Audit Executive should be coordinated with the OBM Director's performance evaluation timeline.

SFY 2010 Annual Report

Mr. Bell presented a draft Annual Report for review and discussion with the Committee. On page 3 of the annual report, it was suggested to change the wording from "variance" to "balance/surplus". There was discussion on revenue depicted as check off charges or charges to agencies. It was stated that net revenue should be zero. Jim. Kennedy, OBM OIA Chief of Quality Assurance, stated any charges to agencies greater than expected would be reduced through adjusted check off rates. The annual report will be revised to include the committee's suggested changes and sent out to the members for final comments.

SFY 2011 Annual Audit Plan

Mr. Kennedy provided background information on the compilation of the audit plan. Meetings were held with agency leadership to determine their audit priorities. and with Auditor of State management to get a sense of their planned engagements. In Fiscal Year 2011, OIA is planning to perform audit work for all 21 agencies in its purview. For the smaller agencies, OIA will focus on IT areas. Chairman Shkurti stated that it is important for the plan to point out themes for special attention (e.g. red items deemed high risk, ARRA, general IT controls, integrated audits). An updated annual audit plan will be provided by Mr. Bell and each quarterly meeting will include a one page summary on progress against those key themes.

CAE Update

Minor changes made to the Office of Internal Audit charter were approved. Mr. Bell spoke briefly about OIA's involvement in the Kaizen review of the financial reporting process. Mr. Bell discussed OIA's status update on the 4th quarter 2010 audit plan and any audit plan changes.

At 12:36 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 1:22 P.M. and the meeting was adjourned with no further discussion.



Open Items for September 14, 2010 Meeting

- Update on SFY10 financial statement status.

Responsible party: Tom Holsinger

- Include revised implementation dates for open items on remediation.

Responsible party: Joe Bell

- Send draft templates for State Audit Committee self-assessment and Chief Audit Executive assessment to Committee members for review.

Responsible party: Joe Bell

- Provide updated SFY 2010 Annual Report and SFY 2011 Annual Audit Plan

Responsible party: Joe Bell

- Provide updates to 4Q 2010 audit project delays for DAS and DPS

Responsible party: Joe Bell

- Provide link to issued SFY 2009 financial statement audit

Responsible party: Joe Bell