



STATE AUDIT COMMITTEE

TUESDAY, APRIL 26, 2011, 10:00 A.M.
VERN RIFFE CENTER FOR GOVERNMENT AND THE ARTS
77 SOUTH HIGH STREET, 31ST FLOOR, West B & C
COLUMBUS, OHIO 43215

Members Present: Paolo DeMaria, Chair
William Keip
Beverly Vitaz
Robert Richardson
Richard Mueller (arrived at 11 am)

Call to Order

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

Approval of Minutes

Bev Vitaz moved for the minutes of the meeting held December 14, 2010, to be approved with no additions or corrections. Bill Keip seconded the motion and all members unanimously approved.

The OBM Chief Legal Counsel, Robin Rose, and OBM Associate Legal Counsel, Brianne Brown, performed a swearing in ceremony of the newly appointed Chairman, Paolo DeMaria. Chairman DeMaria was appointed to replace Bill Shkurti whose term ended in February 2011.

OBM Financial Reporting Process Update

Amy Hall, OBM Financial Reporting Administrator, provided the committee with an update of the OBM financial reporting area. Ms. Hall explained that OBM had met the FY 2010 timeline objectives and the Single Audit was issued by the Auditor of State in March 2011. The Financial Reporting unit is currently working with the Auditor of State's staff to set the timelines for the FY 2011 audit. Ms. Hall also explained they were currently working to fulfill updated requests by the external auditor as well as working on fiscal year end data.

Member Rob Richardson complimented Ms. Hall and OBM for doing a great job on meeting the required deadlines for the audit. Chairman DeMaria asked if there were any particular challenges for FY 2011. Ms. Hall answered this past year was the best in recent years and that state agencies and independent audits of universities were much better with meeting their deadlines. She also stated OBM is working to improve the process to ensure each year continues to get better.



Introduction of OBM Chief Legal Counsel

Newly appointed OBM Chief Legal Counsel, Robin Rose, introduced herself and her associate legal counsel, Brianne Brown. Ms. Rose explained the Auditor of State's office would be offering training sessions on open records and public meetings issues as they relate to state government. She and Ms. Brown could also make available to members a scaled-down version of the AOS training. In response to Member Rob Richardson's question regarding whether this was mandatory training for the committee, Ms. Rose indicated it is beneficial to attend but not mandatory. Members did not express interest in the OBM training and asked that AOS training dates be sent to them. Ms. Rose also explained that various training opportunities, such as fiduciary training, were available online or via conference call in.

Members inquired about upcoming Ethics training dates and Ms. Brown advised she would send information to Joe Bell to forward to members. She also advised that future financial disclosure forms would be mailed directly to members from the Ohio Ethics Commission and OBM would no longer gather the forms but would continue to pay for the filing fees for members.

Chairman DeMaria asked if OBM Legal would have a representative at future meetings. Ms. Rose assured Chairman DeMaria that either she or Ms. Brown would be in attendance to assist in motions or other matters as requested by the committee.

External Audit Update

Cynthia Klatt, Chief Auditor, State Region, Auditor of State's office, provided a summary of the FY 2010 State of Ohio Comprehensive Annual Financial Report (CAFR) and Single Audit. An unqualified opinion on the State's financial statements was issued on January 21, 2011 and an exit conference with OBM management was held on February 10, 2011. During this meeting, the auditors discussed the draft comments for the report on internal control over financial reporting and legal compliance, two management letter comments identified from the State CAFR audit, and several verbal issues of less significance. Ms. Klatt indicated that she communicated with those charged with governance as required by auditing standards on March 22, 2011. Through this communication, the audit team indicated that they did not experience any difficulties while performing the FY 2010 CAFR audit and did not identify any unadjusted differences exceeding amounts they deemed trivial.

On March 31, 2011, the Auditor of State released the FY 2010 State of Ohio Single Audit report; a summary of comments reported for the various state agencies was distributed to committee members. As a result of some changes implemented by the Auditor of State's office for the evaluation process to determine the placement of issues, some prior year management letter comments were upgraded to Single Audit comments. Ms. Klatt briefly explained the Office's methodology for assessing audit exceptions found and determining placement (significant deficiency, material weakness, etc.). Chairman DeMaria asked about comments that were repeated and requested more information about how long some of the comments have been repeated. Ms. Klatt indicated that the information was required to be included in the FY 2010 Single Audit report under the Schedule of Prior Audit Findings and Questions Costs. Chairman DeMaria requested OIA provide an update on their role in helping resolve repeat comments.

Ms. Klatt also stated the State Region is currently in the process of finalizing the FY 2010 management letters for the various state agencies included in the scope of the Single Audit. In addition, the audit team is planning to schedule a meeting with OBM's Financial Reporting section in May to determine the timeline for the FY 2011 State of Ohio audit. Chairman DeMaria requested an update on the audit timeline be provided at the June committee meeting. The audit team also hopes to obtain a status of OBM's implementation of GASB 54. The plan is to schedule the formal entrance conference in early July.

Ms. Klatt informed the Committee that representatives from the Auditor of State's Information Systems Audit group (ISA) met with Department of Administrative Services' OAKS personnel to begin the FY 2011 "SOC1" audit (formerly called SAS 70) of the state's accounting system. Fieldwork was scheduled to begin the first week of April; however, due to delays, the audit team has not yet received a significant portion of the documentation requested from the audit contact. Subsequently, the committee decided to have a representative (Member Rob Richardson) participate in status meetings to better understand delays and monitor timely deliverables.

Ms. Klatt made the Committee aware of delays with the Ohio Department of Job & Family Services to start IT-related fieldwork for FY 2011. ISA auditors were ready to start fieldwork the first week of March; however, they were not granted permission to start the audit until April 20th, approximately seven weeks after the intended start date. The region is hopeful that prompt cooperation from the Department will help to make up for the lost time.

CAE Update

Joe Bell provided members with an update to the 2011 annual audit plan. Over the past few months he has been reaching out to the new state agency directors to discuss the Office of Internal Audit as well as get their feedback on any areas or process they may need immediate assistance with. Mr. Bell explained that it was his desire to get in on the front end of new processes in order to add more value to the agencies.

Mr. Bell introduced the OIA staff who attended the meeting. He also updated members on staffing within OIA: Raj Subramanian, Chief of Business Process and IT Audit resigned to become the CIO for OBM; two senior IT staff vacancies and a financial audit staff vacancy. Interviews are underway to fill the IT audit staff vacancies and financial auditor staff positions will be posted soon.

Mr. Bell also informed members of recent staffing changes at BWC. He stated OIA will continue to rely on BWC's monitoring of their financial auditors while OIA will continue to perform IT audits and integrated audits at BWC. He will continue to attend the monthly BWC Board of Directors Audit Committee meetings as well.

Jim Kennedy updated members on current remediation efforts and the timeline for completing the remaining FY 11 audit projects. Chairman DeMaria asked if changes to the plan are appropriately noted throughout the year. Member Richardson explained that Mr. Kennedy and Mr. Bell have kept members updated quarterly as well as through conversations throughout the year.



Mr. Kennedy also updated members on the FY 12 annual audit plan approach and timelines. He explained that Mr. Bell had met with the 21 cabinet level agency directors and the chiefs were now in the process of reaching out to the agency Chief Financial Officers and the Chief Information Officers. The OIA management team will then review audit priorities and the number of hours allocated for those projects. Mr. Bell and Mr. Kennedy will coordinate audit efforts with the Auditor of State's office. Mr. Bell indicated coordination will also consider the Auditor of State's new performance unit. A draft of the FY 12 annual audit plan will be sent to members by June 15, 2011.

Mr. Kennedy also briefed members on OIA's Strategic Plan for FY 12 & 13. He explained that OIA was moving more into an operational efficiency and revenue enhancement engagements. OIA will also enhance staff performance feedback, implement a Quality Assurance Checklist to monitor working paper compliance, enhance monitoring of OIA billing percentages to maintain a sustainable business model, and strengthen the requirements for independence among the State Audit Committee members through legislative changes and changes to the committee charter.

The committee broke for lunch at 11:32 A.M.

The committee reconvened at 12:00 P.M.

Executive Session -- At 12:00 P.M. Chairman DeMaria moved the meeting into executive session for the purpose of discussing confidential matters exempted from public disclosure.

The committee moved out of Executive Session at 1:15 P.M.

Open Discussion

Committee members set the meeting schedule for the remainder of the 2011 calendar year. The dates are as follows:

June 23, 2011, 9:00 A.M.

September 29, 2011, 10:00 A.M.

December 15, 2011, 10:00 A.M.

Chairman DeMaria moved to end the meeting at 1:20 P.M. Member Bill Keip seconded the motion and all members were unanimous.

Open Items for Next Meeting

1. Open Meetings/Public Records/Fiduciary/Ethics training dates sent to members.

Responsible Party: OBM Legal Counsel (**completed**)

2. History of Single Audit management letter prior and repeat comments.

Responsible Party: Cynthia Klatt

3. OIA follow up on material issues noted in Single Audit.

Responsible Party: Joe Bell

4. Audit timeline for FY 2011 CAFR deliverables.

Responsible Party: Amy Hall

5. Update on SOC 1/SAS 70 audit deliverables.

Responsible Party: David Shaw, Rob Richardson

6. Performance audits scope.

Responsible Party: Auditor of State representative

7. OIA approach on proactive involvement with agencies on ITGC issues.

Responsible Party: Joe Bell

8. Current and future staff structure and budget.

Responsible Party: Joe Bell, Rob Richardson