

Overview for State Audit Committee
 December 9, 2013

Topic: Flow of Communication and Risk for Ohio's Bureau of Workers' Compensation (BWC) and Lottery Commission (LOT)

The Office of Internal Audit (OIA) leverages audit work performed by auditors at BWC and LOT. In addition, BWC and LOT have their own audit committees which oversee the ongoing internal audit activities. The State Audit Committee (SAC) requested clarification to aid their December 2013 discussion on the flow of risk and communication between the SAC and BWC/LOT's audit committees.

SAC Charter Responsibilities	BWC	LOT
<p>1. Review and comment on the OBM Office of Internal Audit's (OIA) annual internal audit plan before the beginning of each fiscal year that identifies the scheduled internal audits of state agencies. This plan may be revised at any time the Director of OBM believes there is a reason to modify the previously submitted plan for a fiscal year.</p>	<p><i>Risk: A risk-based, annual plan is not timely prepared; planned audit activities are not coordinated with OIA; and annual plan and subsequent changes are not sufficiently communicated to State Audit Committee.</i></p> <p><u>Communication Activities:</u></p> <ul style="list-style-type: none"> • Detailed risk-based plan presented to BWC audit committee for approval (June) • Overview of BWC's plan reviewed by OIA and included in OIA's annual plan to SAC; OIA currently provides IT audit activities (June) • OIA attends monthly audit committee meetings and presents results of OIA audit activities to BWC's audit committee and the SAC on a quarterly basis • Plan amendments communicated during monthly audit committee meetings • OIA's Chief of Quality Assurance conducts annual review and issues assurance letter in accordance with IIA Standards for OIA reliance on other assurance providers (provided to BWC and SAC) 	<p><i>Risk: A risk-based, annual plan is not timely prepared; planned audit activities are not coordinated with OIA; and annual plan and subsequent changes are not sufficiently communicated to State Audit Committee.</i></p> <p><u>Communication Activities:</u></p> <ul style="list-style-type: none"> • Detailed risk-based plan presented to LOT audit committee for approval (June) • Overview of LOT's plan approved by OIA and included in OIA's annual plan to SAC; OIA currently provides IT audit activities and Video Lottery Terminal audits (June) • OIA attends audit committee meetings and presents results of OIA's audit activities to LOT's audit committee and the SAC on a quarterly basis • Plan amendments communicated during quarterly audit committee meetings • OIA's Chief of Quality Assurance conducts annual review and issues assurance letter in accordance with IIA Standards for OIA reliance on other assurance providers (provided to LOT and SAC)

SAC Charter Responsibilities	BWC	LOT
<p>2. Review all preliminary reports of OIA's observations and recommendations and the ensuing final reports. Determine an appropriate method for making the preliminary and final reports available for public inspection in a timely manner.</p>	<p><i>Risk: Final reports not reviewed by oversight body and reports not available to public.</i></p> <p><u>Communication Activities:</u></p> <ul style="list-style-type: none"> • Final reports are presented by BWC's Internal Audit Director in an open, public meeting to the BWC audit committee quarterly. • All BWC audit reports are available for public inspection (except those deemed confidential – e.g. MCOs) and reports are posted each quarter to the BWC audit committee website 	<p><i>Risk: Final reports not reviewed by oversight body and reports not available to public.</i></p> <p><u>Communication Activities:</u></p> <ul style="list-style-type: none"> • Final reports are presented by LOT's Internal Audit Director in an open, public meeting to the LOT audit committee quarterly. • All LOT audit reports are available for public inspection (except any deemed confidential) • LOT's internal audit director issues an annual report recapping their annual audit activities and the report is issued to OIA for review.
<p>3. Review and comment on results of internal and external assessments of OIA's audit activities focused on conformance to the Institute of Internal Auditors' International Professional Practices Framework and to the Institute of Internal Auditors' Code of Ethics.</p>	<p><i>Risk: BWC's internal audit activities do not align with the IIA Standards which permit OIA to rely upon BWC as an other assurance provider.</i></p> <p><u>Communication Activities:</u></p> <ul style="list-style-type: none"> • OIA's Chief of Quality Assurance conducts annual review and issues assurance letter in accordance with IIA Standards for OIA reliance on other assurance providers (provided to BWC and SAC) 	<p><i>Risk: LOT's internal audit activities do not align with the IIA Standards which permit OIA to rely upon LOT as an other assurance provider.</i></p> <p><u>Communication Activities:</u></p> <ul style="list-style-type: none"> • OIA's Chief of Quality Assurance conducts annual review and issues assurance letter in accordance with IIA Standards for OIA reliance on other assurance providers (provided to BWC and SAC)
<p>4. Review and comment on the timing of financial statements audited by the Auditor of State and communicate with external auditors as required by government auditing standards.</p>	<p><i>Risk: BWC's external audit results in delays to State of Ohio's audit; audit identifies significant internal control/compliance weaknesses.</i></p> <p><u>Communication Activities:</u></p> <ul style="list-style-type: none"> • OBM's financial reporting unit tracks the timely reporting of BWC's financial statements and reports any delays to the SAC • Reported internal control/<i>compliance</i> weaknesses tracked by either OBM's State Accounting or Audit Oversight Work Group. - Results are reported periodically to the SAC. 	<p><i>Risk: LOT's external audit results in delays to State of Ohio's audit; audit identifies significant internal control/compliance weaknesses.</i></p> <p><u>Communication Activities:</u></p> <ul style="list-style-type: none"> • OBM's financial reporting unit tracks the timely reporting of LOT's financial statements and reports any delays to the SAC • Reported internal control/<i>compliance</i> weaknesses tracked by either OBM's State Accounting or Audit Oversight Work Group. Results are reported periodically to the SAC.