



## Risk and Audit Committee

# Agenda Item 4c

---

September 18, 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 March 31, 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

The Employer Account Management Division (EAMD) and Pension Contracts and Prefunding Programs Division (PCPP) reported 32 observations were resolved, of which three were aged two to three years, 11 were aged one to two years, and 18 were aged less than one year. This leaves 63 observations open as of March 31, 2024, of which 21 were aged two to three years, 21 were aged one to two years, and 21 were aged less than one year. In addition, OFAS validated 8 resolved observations during the quarter. Please refer to Attachment 1 for additional information on employer compliance observations.

#### Internal Audits

There were three unresolved internal audit observations over one-year-old. Two observations are related to the Review of Compliance Program, which we first reported in the RAC meeting in November of 2023. The third is related to the PeopleSoft HCM User Access Management review and was first reported in the RAC meeting in February of 2024. In each of the three cases, the divisions have provided corrective action plans and will continue working toward

resolving the observations. During the quarter, three observations were resolved, leaving six observations open.

### Status of Audit Plan

The Fiscal Year 2023-24 Board Approved Audit Plan is in progress. As required by the Standards, we review and adjust the audit plan, as necessary, in response to changes in the organization's business, roles, operations, programs, systems, and controls.

### 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 15, 2023, RAC meeting. FRAS reported the observations were resolved during the February 20, 2024, RAC meeting. The observations in the Management Letter will be reported to RAC until BDO reviews and validates the improvements implemented. The summarized status of the current year observation is in Attachment 2.

### **Quality Assurance and Improvement Program (QAIP)**

The Institute of Internal Auditors (IIA) requires the Chief Auditor to develop and maintain a Quality Assurance and Improvement Program (QAIP) that covers all aspects of the internal audit activity. A QAIP is designed to enable an evaluation of the internal audit activity's conformance with the standards. The QAIP also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

In March 2023, the IIA issued proposed new audit standards, titled the Global Internal Audit Standards (Standards), for public comment. In preparation for adopting these new Standards, the QAIP committee completed a readiness assessment of two of the five domains in the proposed Standards:

- Domain IV: Managing the Internal Audit Function
- Domain V: Performing Internal Audit Services

The objective of the readiness assessment was to complete a review of OFAS' policies, practices, and procedures and compare them against the proposed Standards. Through this assessment, the QAIP committee identified gaps in our documentation. In January 2024, OFAS began revising our policies, practices, and procedures to ensure that it will be able to conform with the revised Standards by January 2025.

### Definition of Internal Auditing, the Code of Ethics, and the Standards

The Standards require the Chief Auditor to discuss the Mission of Internal Auditing and the mandatory elements of the International Professional Practices Framework with senior management and the Board. The mission of Internal Audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The Core Principles, taken as a whole, articulate internal audit effectiveness. The definition of internal auditing states that internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations.

Internal auditing helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. The Code of Ethics states the principles and expectations governing the behavior of individuals and organizations in the conduct of internal auditing.

It describes the minimum requirements for conduct and behavioral expectations rather than specific activities. The Standards are a set of principles-based, mandatory requirements to provide a framework for performing and promoting internal auditing.

### **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

Attachment 2 – Summary of Financial Statement Audit Management Letter Comments  
Current Year Report

---

Beliz Chappuie  
Chief Auditor  
Office of Audit Services

---

Marcie Frost  
Chief Executive Officer