

Internal Audit Update

Presented By

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October 26, 2021

Agenda

1. 2021 Internal Audit Plan
2. Compliance Program Audit Report
3. Investment Operations Audit Report
4. Development of 2022/2023 Internal Audit plans
5. Summary of Internal Audit Findings
6. Other Internal Audit Activities

CY2021 Internal Audit Plan

CY2021 Internal Audit Plan

Audit	January	February	March	April	May	June	July	August	September	October	November	December
On-Boarding/Off Boarding of Contractors	Complete											
Capital Asset Management (1)		Complete	Complete	Complete	Complete							
Compliance Program (2)					Complete	Complete	Complete	Complete				
Procurement & Contract Management (3)						Moved to 2022	Moved to 2022	Moved to 2022	Moved to 2022			
Investment Operations Audit							Complete	Complete	Complete			
Insider Threat (4)											Planned	Planned
OED File Management and Record Retention										Planned	Planned	
Annual FISMA Audit				In Process	In Process	In Process	In Process	In Process	In Process	In Process		

Legend

Planned	Planned
In Process	In Process
Complete	Complete
Moved to 2022	Moved to 2022

1 - Audit picked up additional scope: Other Direct Costs (ODC) initial analysis.

2 - Compliance audit timing switched with Insider Threat audit timing.

3 - Procurement and Contract Management audit will be moved to 2022. This is a component of the FSM conversion which will be completed in October 2021.

4 - Insider Threat will be Test of Design only, Test of Effectiveness in 2022 or 2023.

Compliance Program Audit

- **Objective:**

- This audit was a follow up to the 2018 “Survey of Compliance with Laws and Regulations” and to assess FRTIB’s process controls over the Compliance Program

- **Scope:**

- May 1, 2020 through April 31, 2021

- **Findings:**

- One Medium risk rated related to the following:
 - No defined ownership of the end-to-end process for the Compliance program and Inconsistent application of controls such as the following:
 - Policy and Procedures have not been updated since 2018 (in process currently)
 - The Compendium is not sent to all Program Offices.

Investment Operations Audit

- **Objective:**

- To assess FRTIB's process controls over Investment Operations

- **Scope:**

- July 1, 2020 through June 30, 2021

- **Findings:**

- No Notice of Findings and Recommendations or Other Matters noted in audit report.
 - Audit field work and reporting completed earlier than planned.

Development of 2022/2023 Internal Audit plans

- Significant amount of time and effort put into developing the 2022-2023 proposed audit plans for proposed 11 audits plus the annual FISMA audit. (See Appendix for proposed scope of each audit)
- Development of these plans consisted of (but not limited to):
 - Risk assessment of potential auditable areas considering prior year audit findings, examining
 - Examining areas of high/medium risk from OERM,
 - Reviewing projects currently in flight,
 - FRTIB Financial Statements, Board Meeting Minutes, and CLA Audit Reports
- Socializing 2022/2023 Internal Audit plans with Senior Management and ELC

CY2022 Tentative Internal Audit Plan

Tentative: Subject to change based on timing
CY2022 Internal Audit Plan

Audit	January	February	March	April	May	June	July	August	September	October	November	December
Insider Threat Part 2 (1)												
Multiple Asset Manager												
Procurement & Contract Award (2)												
Vendor Management & Contract Closeout (3)												
Improper Payments												
Business Continuity Management												
Annual FISMA Audit												

Legend

	Planned
	In Process
	Complete

1 Insider Threat test of results, assuming test of design in 2021 passed

2 From identification of need to award of contract (Formally Procurement & Contract Management)

3 From award of contract to contract close out, may move to 2023 (Formally Vendor Management)

CY2023 Tentative Internal Audit Plan

Tentative: Subject to change based on timing
CY2023 Internal Audit Plan

Audit	January	February	March	April	May	June	July	August	September	October	November	December
Implementation of Converge												
3rd Party Risk Management												
Records Retention												
Human Capital Management												
FSM: PRISM/e-Travel (E2)/Accounts Payable (OFF - Ledger)												
FISMA												

Legend

	Planned
	In Process
	Complete

Status of Internal Audit Findings

Status of Internal Audit Findings by Audit Year							
Audit Year/ Status	2015	2017	2018	2019	2020	2021	Grand Total
Closed	52	7	29	5	3	0	96
In Process	0	0	0	0	0	0	0
Open	0	0	3	0	3	5	11
Grand Total	52	7	32	5	6	5	107

Other Audit Activities

- Annual FISMA audit – Underway. On track for mid October completion
- Insider Threat Audit – Test of Design underway
- Will be continuing risk assessment for purposes of developing the 2022-2023 Internal Audit plans and socializing draft plans
- Internal Audit Support – Blanket Purchase Agreement for IA services starting in 2022

Questions

Appendix

2022 and 2023 Tentative Audit Scope

Year	Audit	Scope
2022	Insider Threat Part 2	Test of Effectiveness of internal controls. Assuming that Test of Design passed in 2021.
2022	Multiple Asset Management Manager	Potential scope would be either test Office of Investment oversight or from OCFO Accounting point of view.
2022	Procurement & Contract Award	Testing controls around the Program Office identification of need for acquisition or service to the award of the contract. Would also follow up on prior audit findings.
2022	Vendor Management & Contract Closeout	Testing of controls of the award of contracts through contract close out. Would also follow up on prior audit findings. This audit may be moved to 2023.
2022	Improper Payments	Testing to determine if payments should have been made and if they were the right amounts (ex: duplicate payments, ineligible recipients, etc.). Improper Payment Act would guide the audit.
2022	Business Continuity Management	Testing procedures for operational not IT to recover operations after an incident.

Year	Audit	Scope
2023	Implementation of Converge	Testing would be a subset of the implementation of converge. Areas of testing would be on KPIs, Performance Management Plans, Implementation of Project Plans. Focus would be on Tests of Design.
2023	3rd Party Risk Management	Testing would focus on the Memorandum of Understanding FRTIB would have with Dept. of Education for new system used to help with comprehensive management of vendors and vendor performance.
2023	Records Retention	Potential areas of testing: Annual Inventory, NARA Annual Self-Assessment, Records Management Training, Implementation of File Plan.
2023	Human Capital Management	Testing operational model after implementation of Converge. OERM and OEP merging into Office of Planning and Risk.
2023	PRISM/e-Travel (E2)/Accounts Payable (OFF - Ledger)	Testing PRISM for e-Travel and Accounts Payable under new system. (Oracle Financials)