



Briefing Document

Meeting with the Committee on Oversight and Ethics

Jeff Bankowski
Chief Internal Auditor

Office of Internal Audit Services
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My Background

- Hired as the Chief Internal Auditor and Director of the Office of Internal Audit Services (OIAS) for the State of Michigan on January 12, 2015
- Previously, I spent over 20 years in the private sector in various roles including finance, audit, accounting, and strategy
 - Graduated from the University of Michigan in 1993
 - Completed MBA from DePaul University in 2000
 - Registered Certified Public Accountant
 - Certified Internal Auditor
- My focus during the first 30 days in the role has been a high level assessment regarding people, process, tools, and data



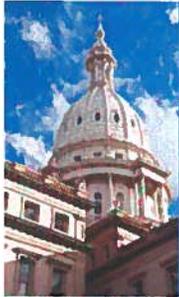
Mission and Authority

- OIAS is an independent, objective assurance and consulting activity designed to add value and improve operations of the State of Michigan's Executive branch departments
- OIAS assists the Executive branches by bringing a systematic, disciplined approach to evaluate and improve risk management, internal control, and governance processes
- Michigan Compiled Laws Section 18.46 and the OIAS audit charter define the scope of services, the methods of operation, the authority to access records, and related protocol



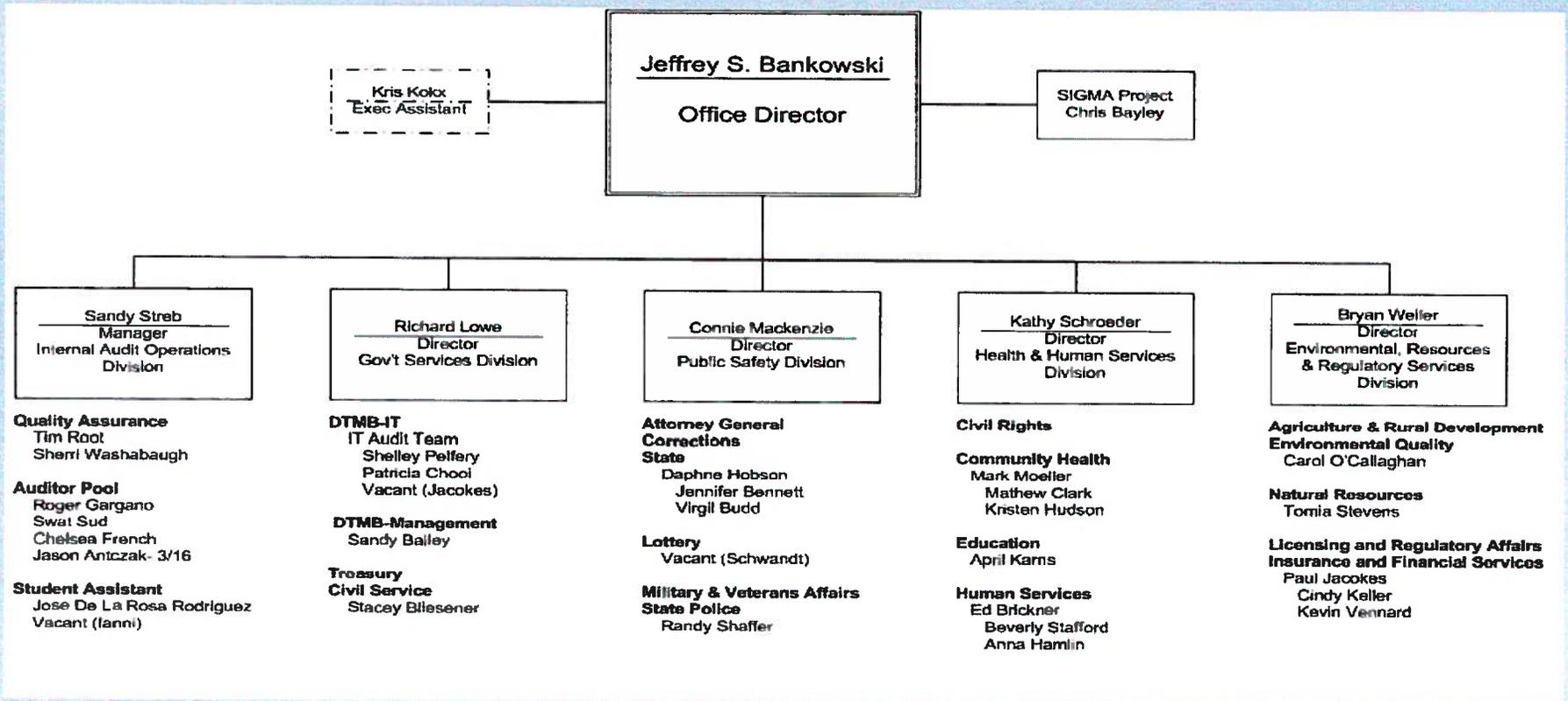
Scope of Services

- Conduct financial, performance, compliance, and IT audit engagements of Executive branch departments by directing resources to the areas of greatest risk
- Confidential consulting to address operating concerns
- Assistance with developing/monitoring corrective action plans
- On a biennial basis, responsible for independently verifying every department performs an internal control evaluation in accordance with the General Framework and Management and Budget Act (Public Act 431 of 1984, as amended)



Service Delivery Model

Five Divisions with departmental assignments similar to the Organizational Structure of the Executive Branch





Oversight Duties – Corrective Action Plans

- Review departmental corrective actions plans, which are due to OIAS 60 days after release of an audit report. OIAS ensures each plan:
 - Clearly identifies whether the department agrees or disagrees with the findings
 - Indicates the specific actions taken to date or intends to take to foster compliance
 - Detailed timeline for implementation
- OIAS sends notices to departments every six months until the department indicates compliance and/or OIAS follow up performed. Refer to Appendix listed on pg. 10 for workflow



Value Driven Services

Risk Assessment and Prioritization:

- Perform a state-wide risk assessment by evaluating the State's major programs
- Assess nine risk factors and assign scores
- Develop an annual plan for each department with review and revision at 6 months
- Plans provide flexibility to address emerging issues

Quality Assurance:

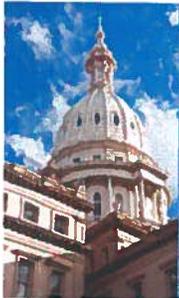
- Strict Adherence to IIA Standards for Professional Practice of Internal Auditing – including external validation every 5 years
- Performance metrics and transparency dashboard leveraged



Appendix

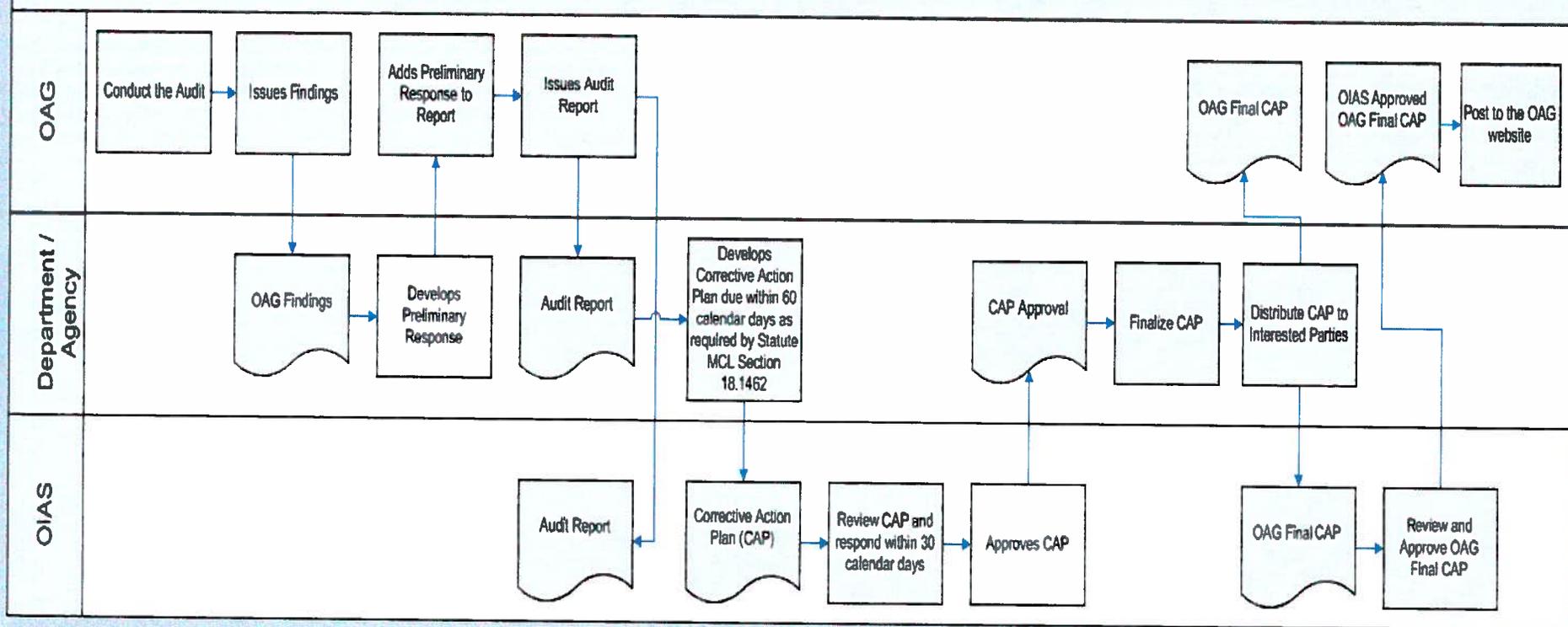
Corrective Action Workflow

Snapshot Comparison Table
Office of Auditor General and OIAS



Appendix – Corrective Action

OAG Corrective Action Plan Process





Appendix – Snapshot Comparison Table Office of Auditor General and OIAS

Dimension	Office of Auditor General (OAG)	Office of Internal Audit Services (OIAS)
Reporting Structure	Legislative Branch- considered external audit	Executive Branch- considered internal audit
Size of Entity	140 including administrative support, HR, and print service	37- includes one clerical staff and three vacant positions
Mission	To improve the accountability for public funds and to improve State government operations for the benefit of Michigan’s citizens. The OAG best accomplishes its mission by committing to total quality; by adhering to professional standards of the auditing profession; and by promoting an atmosphere of mutual trust, honesty and integrity among staff and the people they service	To provide independent and objective assurance and consulting services to State of Michigan Executive Branch departments and agencies, designed to add value and improve operations. OIAS assists the State to attain its objectives by bringing a systematic, disciplined approach to examine, evaluate, and improve the effectiveness of the risk management, internal control and governance processes
Auditees	Conducts audits of departments and agencies within the Executive, Legislative and Judicial branches of State government	Conducts audits of departments and agencies within the Executive branch, excluding MDOT
Audit Planning	Utilizes risk-based audit planning	Utilizes risk-based audit planning
Types of Engagements	<p>Financial audits</p> <p>Performance audits, including information technology (IT), compliance and follow-up audits</p> <p>Statutorily required to complete a number of audits including the annual audit of the State’s Comprehensive Annual Financial Report (CAFR), and the Statewide Single Audit (SWSA)</p>	<p>Performance audits, including information technology (IT), compliance, financial, and follow-up audits (including fraud)</p> <p>Consulting engagements are roughly 30% of allocation</p> <p>Provide tools and assistance to departments on the evaluation of internal controls and biennially review and certify these practices</p>



Appendix – Snapshot Comparison Table Office of Auditor General and OIAS

Dimension	Office of Auditor General (OAG)	Office of Internal Audit Services (OIAS)
Report Distribution	Engagement reports are posted online, available to the public	Engagement reports are distributed internally to applicable departments. However, reports are subject to FOIA
Corrective Action	Provide recommendations for assurance engagements, require responses and formal Corrective Action Plans (CAPs)	Provide recommendations for assurance engagements, require responses and formal Corrective Actions Plans (CAPs)
Operational Areas	<p>The Bureau of Audit Operations</p> <ul style="list-style-type: none"> - Conducts audit engagements of departments and agencies - Conducts specific reviews requested by the legislature 	<p>Environment, Resources and Regulatory Services Division (ERRSD)</p> <p>Government Services Division (GSD)</p> <p>Health and Human Services Division (HHSD)</p> <p>Public Safety Division (PSD)</p>
	<p>The Office of Professional Practice</p> <p>QA of reports and work papers, edit reports, conduct accounting and auditing research</p>	<p>Internal Audit Operations Division (IAOD)</p> <ul style="list-style-type: none"> - QA of reports and work papers, edit reports, and conduct limited accounting and auditing research
	<p>The Office of Administration</p> <p>Performs human resource management, accounting and budgeting, audit report production, purchasing and clerical support</p>	<ul style="list-style-type: none"> - Performs human resource management, accounting and budgeting, and purchasing
Information Technology - Infrastructure	The Office of Information Technology Maintain network, computer support, and data analysis for OAG staff	IAOD provides computer support and limited network maintenance GSD provides data analysis assistance to OIAS staff



Appendix – Snapshot Comparison Table Office of Auditor General and OIAS

Dimension	Office of Auditor General (OAG)	Office of Internal Audit Services (OIAS)
External Validation	Peer reviews and subject to review by the federal government	Internal quality assessments with external validation every five years
Staff Development	Staff requires audit, IT and soft skill training; audit standard requires 40 hours of continuing professional education annually	Staff requires audit, IT and soft skill training; goal that staff attend 20 hours of continuing professional education annually
Software	Utilize TeamMate software for audits and ACL for data analyses	Utilize TeamMate software for audits and ACL for data analyses
Standards	<p>OAG audits are performed in accordance with the following professional standards:</p> <ul style="list-style-type: none"> • Generally accepted auditing standards of the American Institute of Certified Public Accountants • Government Auditing Standards issued by the Comptroller General of the United States • The federal Single Audit Act Amendments of 1996 and implementing regulations <p>The OAG also utilizes the COBIT IT governance framework</p>	<p>OIAS performs audits in accordance with the following professional standards:</p> <ul style="list-style-type: none"> • IIA Redbook Standards (Red book) • COSO Internal Control Framework (Committee of Sponsoring Organizations of the Treadway Commission) • COBIT IT governance framework
Professional Organizations	National State Auditors Association	Institute of Internal Auditors