

## Internal Audit Finding Progress Update

Of the 24 in-progress findings, 17 are considered key findings. Key findings focus on controls that are not fully addressing key risks or working effectively and consistently; instances of noncompliance with laws, regulations, or policies; or occurrences of inefficient or ineffective processes.

### **Key audit findings greater than 1 year old**

#### ➤ **Audit: Application Incident Management**

**Finding 1:** Comprehensive monitoring and logging of incidents is not performed for sampled applications.

**Status:** Current monitoring criteria for web apps and ECMS is under review and will be included in the comprehensive monitoring plan.

**Original/Revised Target Completion Date:** December 2022/December 2024

#### ➤ **Audit: Cloud Computing & Security – Phase 2 & 3**

**Status:** Eight key findings in progress. Due to the nature of the audit, audit results and resolution are confidential.

**Target Completion Date:** December 2024

#### ➤ **Audit: Disaster Recovery**

**Status:** Five key findings in progress. Technology Services is making incremental progress in remediating these findings. Due to the nature of the audit, audit results and resolution are confidential.

**Target Completion Date:** June 2027

### **Key audit findings less than 1 year old**

#### ➤ **Audit: Procurement Compliance**

**Finding 1A:** Although Procurement Management has a process to ensure the timely update of a state required form (600-H), the process does not extend to include other required contract forms, including the Certification of Contractor's Employee Background Investigation; Personal History Statement; and Confidentiality, Non-Disclosure and Acceptable Use Agreement. Most of the contract files we reviewed were missing current, required forms.

**Status:** SAP Fieldglass will be procured as part of the update to SAP Ariba. Fieldglass will manage the compliance process for all forms related to contract administration.

**Original/Revised Target Completion Date:** July 2025/July 2026

**Finding 1B:** While the Business Contract Manager (BCM) Handbook and training modules include the BCM responsibility over contract forms, BCMs are not adequately trained and do

not have sufficient guidance to fulfill their responsibilities of contract form maintenance to ensure compliance. Specifically, with the exception of 600-H, reminders are not provided throughout the year to ensure contractors and BCMs are updating applicable contract forms in a timely manner.

**Status:** The BCM handbook has been enhanced. Computer-based training will be provided to BCMs for guidance on their responsibilities for contract form maintenance in July 2026.

**Original/Revised Target Completion Date:** November 2024/July 2026

➤ **Audit: Global Equity**

**Finding 1A:** Members of the Investments function have the ability to override all investment restrictions, including restricted lists, when placing orders in Aladdin. While Investment Compliance partially mitigates this risk by performing daily reviews of restriction overrides, this review occurs post order execution, after a potential violation has occurred. Although no instances of inappropriate trading were identified during the Audit period, certain rules are higher risk and typically, Investments functions would not have the ability to override them in Aladdin.

**Status:** Investment Compliance will work with Aladdin client support team to identify the subset of eight existing rules that only Investment Compliance can override and implement changes appropriately.

**Finding 1B:** There is no rule in place to monitor or restrict the daily cumulative trading limit of 10% set by the Investment Policy Statement (IPS) within each public market portfolio. The IPS delegates a 10% daily trading limit to the Chief Investment Officer, who has subdelegated thresholds to certain members of the Investment team. However, the rule structure would allow daily turnover of the portfolio to exceed 10%.

**Status:** Investment Compliance will determine the appropriate path forward through analysis and discussion with the Investment Committee consultant, as necessary. Either a compliance rule will be added to the order management system or language in the IPS will be vetted and recommended to the Investment Committee or a combination of both.

**Finding 1C:** A number of duplicate rules are applied to the same investment strategy, and rules with an implementation status of “Approved – Review Required” are in place.

**Status:** The Aladdin system design may have rules that appear to be duplicate in the same strategy. Not all rules can be coded at the top level of the strategy and may need to be added to multiple portfolios within the same strategy, appearing duplicate. As part of the periodic Aladdin rule library review, duplicate rules, rules in test status, and unassigned rules are reviewed and deleted as appropriate. Investment Compliance is currently conducting the periodic review. Once complete, Investment Compliance will determine which duplicate rules should be retained or deleted and will work with Blackrock to complete the outstanding rules needing approval.

**Target Completion Date:** June 2025