



## Risk and Audit Committee

# Agenda Item 5c

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**April 19, 2021**

**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 December 31, 2020.

### **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

During the second quarter, OFAS completed 59 reviews and is awaiting Executive Team feedback to issue the final reports. Currently, 62 reviews are in progress.

The Employer Account Management Division reported 94 observations were resolved, leaving 78 observations open as of December 31, 2020. In addition, OFAS validated 49 resolved findings during the quarter. Please refer to Attachments 1 and 2 for additional information on the employer observations.

#### Internal Audits

During the second quarter, 10 internal audits were issued with a total of 11 observations in operational areas, such as establishing or strengthening processes and oversight, maintaining documentation, and developing procedures.

As of December 31, 2020, there were no unresolved internal audit observations over one-year-old, continuing the enterprise's compliance with OFAS Audit Resolution Policy. During the

quarter, eight observations were resolved, leaving 35 observations open. Please refer to Attachment 1 for additional information on internal audit observations.

#### Financial Statement Audit Report and Management Letter

The Management Letter prepared by BDO USA, LLP for the fiscal year ended June 30, 2020, was presented during the November 17, 2020 RAC. The observation in the Management Letter will be reported to RAC until fully resolved. The summarized status of the current year observation is in Attachment 3.

#### Status of Audit Plan

The Fiscal Year 2020-21 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. OFAS will defer Vacation and Annual Leave Balances as CalHR temporarily suspended employee leave reduction policies.

#### **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 – Status of Audit Observations Dashboard

Attachment 2 – Employer Compliance Review - Open Observations Over 1 Year

Attachment 3 – Summary of Financial Statement Audit Management Letter Comments Current Year Report

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