



Audit Committee

Open Session

Agenda Item #4

Completed Closed Audits

January 20, 2011

AGENDA ITEM #4

COMPLETED CLOSED AUDITS

**California Department of Insurance
State Compensation Insurance Fund
2010 Operational Review Report
October 2010**

The CDI completed its State Compensation Insurance Fund Operational Review and issued a final report on December 16, 2010. A total of 145 findings were identified during the course of the review. The final report concluded that 114 of them were fully remediated and 30 were partially remediated. One finding remained unremediated. New processes and procedures are in place or plans drafted with future implementation dates for full remediation. As summarized in the report, "State Fund has continued to make improvements that have strengthened corporate governance, internal controls, and financial/business planning throughout the organization."

The CDI advises it will post the final report to their website during the week of January 10, 2011.

PAO 573 E-Commerce Audit

State Fund conducted an audit to review and evaluate the internal controls related to State Fund's e-commerce activities. State Fund adopted the Information Systems Audit and Control Association's (ISACA) definition of e-commerce as "...the processes by which organizations conduct business electronically with their customers, suppliers, and other external business partners, using the internet as an enabling technology." The overall audit objective was to ensure that State Fund's e-commerce processes have effective internal controls, including inclusion of e-commerce initiatives in the strategic plan, online content is appropriately reviewed (including Legal Notices and California Privacy Policy), and user identification and authentication is appropriately controlled. The business owners have developed action plans for all issues identified and those action plans have been fully implemented for a majority of the issues. The programs have committed to completing implementation of the remaining action plans in 2011.