CalOSHA Federal Compliance Audit Exit Conference

1/15/2015

Department of Industrial Relations
Agenda

- Introductions
- Audit Findings
  - Overview
  - Definitions and Impact on Opinion
- Other Matters
- Next Steps
- Contact Information
KPMG Engagement Team

Brett Hanselman
Lead Partner

Chris Chaquica
Manager

Brock Romano
Concurring Review Partner

Anthony Bretting
Senior Associate

KPMG Staff
Rachel Nesom
<table>
<thead>
<tr>
<th>Program</th>
<th>CFDA #</th>
</tr>
</thead>
<tbody>
<tr>
<td>California Occupational Safety and Health Administration</td>
<td>17.503</td>
</tr>
<tr>
<td>(CalOSHA)</td>
<td></td>
</tr>
</tbody>
</table>
Audit Findings Overview

- Current year findings:
  - No current year findings noted
Audit Finding Definitions: Internal Control Findings

Under section .510 of Circular A-133, we report in the Schedule of Findings and Questioned Costs all significant deficiencies and material weaknesses in internal control over compliance with major programs:

- A significant deficiency
  - is a deficiency, or combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

- A material weakness
  - is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis.

The severity of a control deficiency depends on the potential for noncompliance, not on whether noncompliance actually has occurred.
Audit Finding Definitions: Compliance Findings

- As stated in section .510(a)(2) of Circular A-133, any material noncompliance with the provisions of laws, regulations, contracts, or grant agreements related to a major program should be included in the Schedule of Findings and Questioned Costs.

- The determination of materiality is in relation to each compliance requirement tested for each major program or an audit objective identified in the Compliance Supplement.

**Compliance Findings are either Instances of Noncompliance or Material Instances of Noncompliance**
Findings Impact on Audit Opinion

Unqualified Opinion
- No Findings
- Or Findings Classified As:
  - Significant Deficiency
  - Instance of Non-Compliance

Qualified Opinion
- Findings Classified As:
  - Material Weakness
  - Material Instance of Non-Compliance

Scope Limitation
- A restriction on the audit that does not allow the auditor to complete all aspects of the audit procedures.
- Caused by the client or issues beyond the control of the client.

Adverse
- Excessive Findings of Material Weakness and/or Material Instances of Non-Compliance
Other Matters

- Final Fraud Inquires
  - Engagement team discussed with selected members of management
- Federal OSHA Financial Inquiry Report
  - Engagement team discussed with management and is not aware of any new information
- Reclassification of Federal and State Expenditures
- Corrective Action Plan
  - Not applicable as no findings identified
Next Steps

- Make final subsequent events inquiries prior to issuance of our reports.

- Issue Statewide A-133 Report and Report on Schedule of Expenditures of Federal Awards
  - Issue date to be determined but sometime in March 2015
Thank You!
KPMG Contact Information

**Brett Hanselman**
Partner, Audit
KPMG LLP
500 Capitol Mall, Suite 2100
Sacramento, CA 95814
Office: 916-554-1132
bhanselman@kpmg.com

**Chris Chaquica**
Senior Manager, Audit
KPMG LLP
500 Capitol Mall, Suite 2100
Sacramento, CA 95814
Office: 916-554-1684
cchaquica@kpmg.com

**Anthony Bretting**
Senior Associate, Audit
KPMG LLP
500 Capitol Mall, Suite 2100
Sacramento, CA 95814
Office: 916-554-1121
abretting@kpmg.com