



## M E M O R A N D U M

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**Date:** November 18, 2021

**To:** California State Lottery Commission

**From:** Alva V. Johnson   
Director

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Deputy Director Internal Audits

**Subject:** Item 8(b) Audit Committee Charter Approval

### **ISSUE**

With the reestablishment of the Audit Committee in 2020, the revised Audit Committee Charter requires review and approval.

### **BACKGROUND**

California Government Code section 13886(a) requires governing bodies overseeing a state agency that performs internal audits to establish an audit committee. The audit committee should generally meet the framework recommended by the American Institute of Certified Public Accountants' (AICPA) Audit Committee Toolkit: Government Organizations. Part of this framework includes establishing a charter.

On December 3, 2008, the California State Lottery's (Lottery) Audit Committee was established, and a charter was approved by the Audit Committee.

In September 2019, the California Association of State Auditors performed a peer review of the Lottery's Internal Audits' Office to ensure conformance with the International Standards for the Professional Practice of Internal Auditing. The peer review identified the last Audit Committee meeting was held in May 2016. They recommended to reestablish the audit committee.

At the September 24, 2020 California State Lottery Commission (Commission) meeting, the Lottery's Audit Committee was reestablished; however, the revised charter was never finalized and approved.

The AICPA and the Institute of Internal Auditors recommend the audit committee formation and activity be formalized in a charter; therefore, for transparency and accountability, Internal Audits is seeking the Commission's approval of the revised charter. Once approved by the Commission, the Audit Committee shall approve the charter.

### **DISCUSSION**

The attached charter includes the following components:

- **Purpose**--To assist the Lottery in fulfilling its oversight responsibilities.
- **Authority**--Government Code sections 13886(a) and 13887(b).
- **Membership**--Appointments are made by the Lottery Commission and will consist of two members. Two members are required to reach a quorum and two votes are required to pass action items.
- **Meetings**--The Audit Committee will meet at least two times per year, and additional times as necessary.
- **Charter**--The Audit Committee will review the charter and revise as necessary each year.
- **Responsibilities**--The Audit Committee members will carry out various responsibilities to provide oversight, input and assistance to ensure compliance and accountability.

The revised charter contains updated information to provide clarity to the Commission and the Audit Committee.

### **RECOMMENDATION**

Lottery staff recommends that the California State Lottery Commission approve the revised Audit Committee Charter.

Attachment