



Risk and Audit Committee

Agenda Item 5c

June 15, 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 March 31, 2021.

Strategic Plan

This item is not a specific product of the Strategic Plan but is required by OFAS Audit Resolution Policy and Charter.

Background

OFAS updates the Risk and Audit Committee (RAC) on audit activity and audit resolution status on a quarterly basis.

Analysis

Employer Compliance Reviews

During the third quarter, OFAS completed 61 reviews. Currently, 120 reviews are in progress. The Employer Account Management Division (EAMD) reported 37 findings were resolved, leaving 41 findings open as of March 31, 2021. In addition, OFAS validated 120 resolved findings during the quarter. Please refer to Attachments 1 and 2 for additional information on the employer observations.

Internal Audits

A total of eight projects were completed in the quarter with 11 observations. The observations were in operational areas such as obtaining approvals within required timeframes, improving monitoring, oversight, and approval processes, defining roles and responsibilities, and maintaining supporting documentation.

As of March 31, 2021, there were no unresolved internal audit observations over one-year-old, continuing the enterprise's compliance with OFAS Audit Resolution Policy. During the quarter, 28 observations were resolved, leaving 18 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 is deferring the following reviews due to roles and program changes.

- Information Asset Management.
- Service Credit Purchase Costing and Elections
- CalPERS Parking & Rideshare Program

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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