
AFFILIATE PROGRAM SERVICES DIVISION

Audit Objectives

Other Post Employment Benefits (OPEB) (consulting)

Participate in discussions with program and external auditors on Governmental Accounting Standards Board statement implementation and other areas as needed.

BENEFIT SERVICES DIVISION

Death benefits processing

Assess the adequacy of controls over death benefit process and compliance with specific laws, rules, and regulations in the new my|CalPERS environment.

Benefit disbursements and calculations

Assess the accuracy of benefit calculations and compliance with specific laws, rules, and regulations in the new my|CalPERS environment.

CUSTOMER ACCOUNT SERVICES DIVISION

Complementary Annuitant Premium Program (CAPP)

Assess the adequacy of the CAPP (formerly A.B. 592) oversight in the new my|CalPERS environment.

Service credit purchase

Evaluate whether the calculations based upon the actuarial formulas are properly approved and service credit purchases comply with specific laws, rules, and regulations in the new my|CalPERS environment.

Update and maintain health plan eligibility

Review the enrollment reconciliation process for health plan information and assess the accuracy of data in the new my|CalPERS environment.

CUSTOMER SERVICE AND OUTREACH DIVISION

Customer service business processes

Review customer service levels and evaluate the accuracy of business performance metrics.

ENTERPRISE COMPLIANCE DIVISION

Audit Objectives

Ethics helpline inquiries
(consulting)

Research and respond to complaints
received from the Ethics helpline.

ENTERPRISE RISK MANAGEMENT DIVISION

Enterprise risk and business plan
reassurance (consulting)

Provide reassurance on risk levels and
business plan objectives in support of
agenda items submitted to the Risk &
Audit Committee.

FISCAL SERVICES DIVISION

Budget management (finalize prior year)

Evaluate whether the budget process is
aligned with existing policies, procedures,
and state processes.

Cash management

Evaluate the process for projecting cash
needs and ensuring adequate liquidity for
financial obligations and assess the controls
over cash.

Coordination of annual CalPERS financial
statements

Coordinate the financial audits of CalPERS
financial statements.

Review and analysis of CalPERS financial
statements

Evaluate the quality of the annual financial
report and suggest improvements in the
presentation and disclosures.

Coordination of management letter from
external auditor related to the financial
statement audit

Coordinate responses to the management
letter from the external auditor.

Financial Office initiatives

Participate in Financial Office Steering
Committee and provide advice and
assistance.

Financial Reporting Committee

Participate in ongoing meetings and provide
information and advice as needed.

**FISCAL SERVICES DIVISION
(continued)**

Audit Objectives

Management representation letter
accountability (finalize prior year)

Evaluate whether accountability is properly
assigned for each representation and
adequate supporting relevant
documentation exists.

Year-end accounting reconciliation and
closing

Consult with Fiscal Services staff in the
preparation of the financial statement audit
and identify a systematic approach to
demonstrate my | CalPERS impacted general
ledger account reliability.

HEALTH PLAN ADMINISTRATION DIVISION

Contract development for Health
Maintenance Organizations (HMOs), Third
Party Administrators (TPAs), and Pharmacy
Benefit Managers (PBMs)

Assess adequacy and effectiveness of
contracting process for HMOs, TPAs, PBMs.

Financial ratio analysis of HMOs and PPOs
contracting with CalPERS

Review and summarize the quarterly
financial reports of HMOs and PPOs.

Review of HMO and Association Plans
performance and contract compliance

Evaluate whether HMOs comply with
specific provisions of Public Employees'
Medical and Hospital Care Act (PEMHCA)
and the agreement with CalPERS.

Review of third party administrator of Long
Term Care Program

Assess oversight of third party administrator
contract for Long Term Care program.

Review of third party administrator of Self-
funded Program

Evaluate whether Anthem Blue Cross
complies with specific provisions of
PEMHCA and the agreement with CalPERS.

Self-funded health plan administration
internal management of program

Assess the adequacy and effectiveness of
internal management over the self-funded
health plan program.

HEALTH POLICY RESEARCH DIVISION

Dependent eligibility initiative (consulting)

Consult with management in developing the
scope of work for an external auditor to
recertify dependent eligibility.

Early Retiree Reinsurance Program

Assess whether the program complies with
Federal guidelines and specific laws that

govern this program.

INFORMATION TECHNOLOGY SERVICES BRANCH *Audit Objectives*

Computer operations management (finalize prior year)	Evaluate the adequacy and effectiveness of controls over scheduled system processing, sensitive output protection, infrastructure performance, and maintenance of hardware.
Configurations, change, and release management	Evaluate the adequacy and effectiveness of controls over configuration, change, and release management processes.
Data administration	Evaluate the adequacy and effectiveness of controls over changes to production data by administrators.
IT human resources management	Assess whether CalPERS staff transitioning into supporting my CalPERS positions have the necessary skill sets and capabilities to accomplish their roles and responsibilities.
Management of system incidents and problems	Evaluate the adequacy and effectiveness of controls over system incident handling and problem resolution process, covering incident escalation, trend and root cause analysis, and resolution.
Service level management	Evaluate the adequacy and effectiveness of management over service delivery.
Security event and incident management	Evaluate the adequacy and effectiveness of controls over security events and incidents management process.

INVESTMENT OFFICE

Audit Objectives

Alternative investment management (AIM) external partner review

Review private equity external managers including contributions and distributions, reporting, and performance monitoring efforts.

Alternative Investment Management Investment Book of Record (IBOR) portfolio management solution (consulting)

Consult with management on design documents and controls for the request for proposal for the IBOR portfolio management solicitation.

Automated Real Estate Investment System (AREIS)

Assess whether real estate partnerships are in compliance with their agreements and data input into the AREIS real estate system is accurate.

Compliance with California Code of Regulations Section 559 (CCR 559), disclosure of placement agent fees, gifts, and campaign contributions (finalize prior year)

Assess compliance with CCR 559 regarding placement agent fees, gifts, and campaign contributions.

Coordinate contract real estate compliance audits

Coordinate real estate compliance audits and other investment specialty audits.

External manager partner review (global equity/fixed income)

Evaluate whether selected external partners comply with specific CalPERS Investment policies.

Monitor and resolve real estate audit findings

Monitor and resolve real estate outstanding recommendations.

Real estate compliance audits

Assess compliance with established limited liability agreements between CalPERS and real estate partners, advisors or managers. In addition, evaluate whether real estate general partners, managers, advisors, and property managers are in compliance with specific provisions of the contract with CalPERS.

OFFICE OF AUDIT SERVICES

Audit Objectives

Public Agency Reviews

Review of contracting agencies
(47 reviews in 2012-13)

Evaluate the accuracy of membership and payroll data reported to CalPERS by business partners that contract for retirement and health benefits.

Public agency special projects and requests

Respond to public agency special requests and consulting projects.

Public agency risk assessment

Conduct a public agency risk assessment to identify high, medium, and low risk entities for developing the audit plan.

Multi-Divisional Projects

Audit follow-up and resolution

Conduct ongoing follow up on outstanding audit findings.

Cloud computing

Evaluate the adequacy and effectiveness of security management over cloud computing.

Enterprise-wide risk assessment and audit plan

Conduct the internal audit and information technology risk assessment process used to develop the audit plan.

Financial Integrity and State Manager's Accountability (FISMA) (SAM 20060)

Facilitate the periodic reporting to the Department of Finance regarding the status of high risk areas discussed in the FISMA report. In addition, to conduct periodic reviews of FISMA sub-cycles such as payroll, cash receipts, cash disbursements, fixed assets, petty cash, and other areas as determined.

Fraud risk assessment

Evaluate fraud risks and controls and recommend action to mitigate risks and improve controls.

Governance process
(required by Institute of Internal Auditors Standard 2110)

Assess and make appropriate recommendations; promote appropriate ethics and values within the organization; ensure effective organizational performance management and accountability; communicate risk and control information to appropriate areas of the organization; and coordinate the activities and communicating information among the board, external and internal auditors, and management.

OFFICE OF AUDIT SERVICES
(continued)

Audit Objectives

Multi-Divisional Projects

IT project and quality management

OFAS participation in KPMG Independent Project Oversight Consulting (IPOC) meetings, review IPOC reports, and discuss issues related to project schedule, resource management, and application quality.

Management consulting projects and ad hoc requests

Consult with management on ad hoc requests as needed. OFAS allocates a block of hours on the audit plan to respond to ad hoc request that arise during the fiscal year.

my|CalPERS user access controls

Assess the adequacy of and effectiveness of controls over user access to my|CalPERS application.

Mobile computing

Evaluate the adequacy and effectiveness of controls over usage of mobile computing devices.

Validate corrective actions for Special Review

Evaluate whether appropriate steps taken to resolve all issues and recommendations reported in the Special Review.

OFAS Internal Activities

Data Analytics

Provide training to OFAS staff and generate specialized scripts for various audit projects.

Auditor onboarding

Onboarding of new staff.

Diversity representative

Participate in diversity work group.

Division legislative representative

Participate in tracking and providing input on proposed legislative issues that may impact CalPERS.

PC Contact

Provide technical assistance to OFAS staff on PC issues.

Professional organizations

Participate in professional audit organizations.

Quality Assurance and Improvement

Review OFAS' compliance with the International Standards for the Professional Practice of Internal Auditing Practice Advisory 1310, which recommends that the internal audit activity adopt a process to monitor and assess the overall effectiveness of the quality program.

OFFICE OF AUDIT SERVICES
(continued)

Audit Objectives

Quarterly status report	Prepare quarterly status reports to the Risk & Audit Committee.
TeamMate audit software facilitation	Provide technical assistance to staff on TeamMate auditing software issues.
United Way California State Employees Campaign	Assist and audit the CalPERS United Way Campaign.

TOTAL HOURS BY AUDIT PROGRAM

Audit hours in 2012-13

Staffing Resources by Program

Assurance and Consulting Services	29,860
Public Agency Reviews and Other Projects	21,515
Total ⁽¹⁾	51,375

(1) Total hours are adjusted to reflect vacations, leave, training, and other hours unavailable for audit activities.