

**ACTUARIAL OFFICE**

**Audit Objectives**

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Actuarial Valuation System

Evaluate the adequacy and effectiveness of controls over the system and the transfer of data from upstream system(s) to the Actuarial Valuation System.

**AFFILIATE PROGRAM SERVICES DIVISION**

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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**

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Death benefits (finalize prior year)

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

Review of internal controls over benefit disbursements (finalize prior year)

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

**CUSTOMER ACCOUNT SERVICES DIVISION**

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Community property

Evaluate the adequacy of internal controls over processing community property transactions in the new my | CalPERS environment.

Complementary Annuitant Premium Program (CAPP)

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

Employer payroll reporting

Review the process for handling delinquent payments and payroll reporting.

Service credit purchase (finalize prior year)

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.

**CUSTOMER ACCOUNT SERVICES DIVISION**  
**(continued)**

**Audit Objectives**

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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.

**ENTERPRISE COMPLIANCE DIVISION**

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Compliance administration – internal management of program

Assess the effectiveness of CalPERS compliance program and management.

Ethics helpline inquiries (consulting)

Research and respond to complaints received from the Ethics helpline.

**ENTERPRISE RISK MANAGEMENT DIVISION**

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Enterprise Risk Management Division (reassurance)

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

**FISCAL SERVICES DIVISION**

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Coordination of annual CalPERS financial statements

Coordinate the financial audit of CalPERS financial statements.

Coordination of management letter from external auditor

Coordinate responses to the management letter from the external auditor.

Financial Reporting Committee

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

Internal controls over financial reporting (Phase I)

Evaluate whether internal controls are adequately maintained over selected financial reporting cycles using a risk-based approach. Future phases will address other cycles of financial reporting.

Review and analysis of CalPERS financial statements

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

**HEALTH PLAN ADMINISTRATION DIVISION**

**Audit Objectives**

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Financial ratio analysis of HMOs and PPOs contracting with CalPERS	Review and summarize the quarterly financial reports of HMOs and PPOs.
Long Term Care contract administration and oversight	Assess oversight of third party administrator contract for Long Term Care program.
Review of HMO 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 self-funded program (finalize prior year)	Evaluate whether Anthem Blue Cross complies with specific provisions of PEMHCA and the agreement with CalPERS.

**INFORMATION TECHNOLOGY SERVICES BRANCH**

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Computer operations management	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 (finalize prior year)	Evaluate the adequacy and effectiveness of controls over changes, releases, and management of system configuration items.
Data administration (finalize prior year)	Evaluate the adequacy and effectiveness of controls over changes to production data by administrators.
Management of system incidents and problems	Evaluate the adequacy and effectiveness of controls over managing system incidents and problems.
Mobile computing (finalize prior year)	Evaluate the adequacy and effectiveness of controls over usage of mobile computing devices.
my CalPERS member self-services	Evaluate the adequacy and effectiveness of controls over member self-service.
PeopleSoft Financials	Evaluate the adequacy and effectiveness of controls over the application, and the transfer of data from upstream system(s) to PeopleSoft and between its modules.
Physical and environmental security	Evaluate the adequacy and effectiveness of physical security and environmental controls.

**INFORMATION TECHNOLOGY SERVICES**  
**BRANCH (continued)**

**Audit Objectives**

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Security event and incident management (finalize prior year)	Evaluate the adequacy and effectiveness of controls over managing security events and incidents.
Service level management	Evaluate the adequacy and effectiveness of controls over service level management, including monitoring and timely reporting of service level accomplishments.
Technology security improvement – Configuration Baseline Standard Compliance	Evaluate workstation security configurations for compliance with the United States Government Configuration Baseline.

**INVESTMENT OFFICE**

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Automated Real Estate Investment System (AREIS) (finalize prior year)	Assess whether real estate partnerships are in compliance with their agreements and data input into the AREIS real estate system is accurate.
Coordination of Specialty Investment Audit Services Spring-Fed Pool	Coordinate real estate compliance audits and other investment specialty audits.
Corporate Governance (Proxy voting)	Evaluate the internal processes of the corporate governance program primarily related to proxy voting.
External manager reviews (global equity/fixed income)	Evaluate whether selected external partners comply with specific CalPERS Investment policies.
ING (Third Party Administrator for Affiliate Investment Programs)	Assess the accuracy and reliability of the supporting accounting records and the associated fees for the plans. Assess the third party administrator’s (TPA) compliance with specific contractual obligations.
Investment internal control framework	Identify the internal control framework utilized by the Investment Office for private equity to ensure effective and efficient operations, reliable reporting of investment assets, and adherence to relevant laws, regulations, and policies.
Monitoring the resolution of real estate compliance audit findings	Monitor and resolve real estate outstanding findings.

**INVESTMENT OFFICE**  
**(continued)**

**Audit Objectives**

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Private equity external partner review	Review private equity external managers which includes contributions, distributions, reporting, and performance monitoring efforts.
Private equity external partner review (finalize prior year)	Review to ensure that the General Partner is in compliance with specific provisions of the limited partnership agreement.
Real estate compliance audits (co-sourced)	Ensure compliance with specific provisions within the limited liability agreements between CalPERS and real estate partners, advisors, or managers. In addition, evaluate whether property managers under the general partners comply with terms of the property management agreements. Further, to ensure real estate general partners, managers, advisors, and property managers are in compliance with CalPERS investment policies and guidelines.

**OFFICE OF AUDIT SERVICES**

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**Public Agency Reviews**

Public agency compliance reviews (93 reviews in 2013-14)	Evaluate the accuracy of membership and payroll data reported to CalPERS by business partners that contract for retirement and health benefits.
Public agency risk assessment	Conduct a public agency risk assessment to identify high, medium, and low risk entities for developing the audit plan.
Public agency special projects and requests	Respond to public agency special requests and consulting projects.

**Multi-Divisional Projects**

Cash management	Evaluate the process for projecting cash needs and ensuring adequate liquidity for financial obligations and to assess the controls over the cash management process end-to-end within the Investment Office and Fiscal Services Division.
Cloud computing (finalize prior year)	Evaluate the adequacy and effectiveness of security management over cloud computing.

**OFFICE OF AUDIT SERVICES**  
**(continued)**

**Audit Objectives**

**Multi-Divisional Projects**

Coordination of management representation letter	Coordinate management representation statements and facilitate as needed.
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.
FISMA subcycles	Conduct periodic reviews of FISMA subcycles such as payroll, and administrative and benefit revolving funds.
Fraud risk assessment	Evaluate fraud risks and controls and recommend action to mitigate risks and improve controls.
Management Governance Overview (required by the International Standards for the Professional Practice of Internal Auditing Practice Advisory 2110) (finalize prior year)	Assess whether CalPERS has implemented governance processes and structures that promote ethics and ensure achievement of its objectives.
Internal management of governance process (finalize prior year)	Evaluate the adequacy and effectiveness of controls over internal enterprise governance processes.
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 requests that arise during the fiscal year.
Monitor and resolve audit findings	Conduct ongoing follow up on outstanding audit findings.
my CalPERS user access controls (finalize prior year)	Assess the adequacy of and effectiveness of controls over user access to my CalPERS application.
Quarterly status report to the Board of Administration	Prepare quarterly status reports to the Risk and Audit Committee and review outstanding audit findings.

**OFFICE OF AUDIT SERVICES**  
**(continued)**

**Audit Objectives**

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**OFAS Internal Activities**

Auditor onboarding	Onboarding of new staff.
Capability maturity model	Gap analysis, path going forward.
Computer assisted audit techniques	Provide staff training on audit techniques and generate specialized scripts for various projects.
Diversity representative	Participate in diversity workgroup.
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.
Policy and procedures	Maintaining OFAS policies and procedures.
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.
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.

**OPERATIONS SUPPORT SERVICES DIVISION**

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Board election (consulting)	Serve as an independent observer during ballot processing and counting activities. Identify opportunities to strengthen the process.
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**TOTAL HOURS BY AUDIT PROGRAM**

<b>Staffing Resources by Program</b>	<b>Audit hours in 2013-14</b>
Assurance and Consulting Services	28,950
Public Agency Reviews and Other Projects	33,250
Total <sup>(1)</sup>	62,200

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

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