



Consent

Agenda Item 4g

November 19, 2013

ITEM NAME: Office of Audit Services Quarterly Status Report

PROGRAM: Audit Services

ITEM TYPE: Information Consent

EXECUTIVE SUMMARY

In accordance with the International Standards for the Professional Practice of Internal Auditing, the Office of Audit Services presents its Quarterly Status Report of audit activity. The following provides the status of projects and activities as of September 30, 2013.

STRATEGIC PLAN

This item is not a specific product of the Strategic Plan, but is required by the Board approved Audit Resolution Policy and the Office of Audit Services Charter.

BACKGROUND

On a quarterly basis, the Office of Audit Services updates the Risk and Audit Committee on audit activity and audit resolution.

ANALYSIS

Public agency reviews

During the first quarter, 16 public agency reviews were completed with a total of 105 findings. Of the 16 completed reviews, 15 were issued in draft as of June 30, 2013. Of the 105 findings, 47 percent were compensation findings, such as members' regular earnings and special compensation not being correctly reported. In addition, 59 reviews were in progress for the current fiscal year, 56 full audits and another 3 reviews focused on single in-depth issues.

During the quarter, 54 findings were resolved, leaving 160 still open as of September 30, 2013. Detail on all public agency findings is available on file in the Office of Audit Services, upon request. Please see Attachment 1 for additional information on public agency findings. The table on the next page shows the aging trend of all open public agency findings as of September 30, 2013.

Table 1 – Percentage trend of unresolved findings

Fiscal Year	Total Findings	At the End of the 1 st FY (Yr Report was Issued)	At the End of the 2 nd FY	At the End of the 3 rd FY	At the End of the 4 th FY
2007-08	328	41%	9%	1%	0%
2008-09	457	28%	8%	1%	0%
2009-10	455	40%	14%	4%	0%
2010-11	457	41%	19%	0.4%	-
2011-12	304	67%	11%	-	-
2012-13	151	50%	-	-	-
2013-14	105*	-	-	-	-

*At first quarter

Internal audits

As of September 30, 2013, there are no unresolved internal findings over one year old, continuing the enterprise's compliance with the Board approved Audit Resolution Policy. During the quarter, 12 findings were resolved, leaving 33 still open as of September 30, 2013. Overall, we have noted a significant trend toward more timely resolution of internal findings over the past several years. Please see Attachment 1 for additional information on internal audit findings.

During the first quarter, 7 internal audits were completed with a total of 27 findings. Of the 27 findings, 70 percent were operational findings, such as maintaining accurate logs or/and records and enhancing policies and procedures. The remaining were compliance findings.

Status of Audit Plan

The fiscal year 2013-14 Approved Audit Plan is in progress. As part of our plan, to remain flexible and responsive to the fast-changing conditions in the current environment, and ensure the Office of Audit Services' support of key enterprise initiatives and management requests, we propose the following to refresh our audit plan:

- Add an employer contribution reporting review that includes a focus on manual overrides in my|CalPERS.

Real estate reviews

During the first quarter, 5 real estate reviews were completed which included a total of 92 findings. A majority of issues were related to property management such as incomplete tenant lease files, incomplete vendor or contractor files, and issues noted during physical inspection of properties.

Seventeen reviews are in progress, and we anticipate almost a third of these will be issued in the second quarter of fiscal year 2013-2014.

Financial statement audit management letter – Macias Gini & O’Connell LLP

The Board’s financial statement auditors, Macias Gini & O’Connell LLP, presented the Management Letter for the June 30, 2012 financial statement audit at the March 2013 Risk and Audit Committee. The auditor reported on three significant deficiencies in internal controls over financial reporting, which require immediate corrective action, as well as five additional observations.

The management responses and corrective action plans for the current year findings are shown in Attachment 2A, and the status of prior year findings is in Attachment 2B. All open findings will be reported to the Risk and Audit Committee until fully resolved.

BUDGET AND FISCAL IMPACTS

Not applicable.

ATTACHMENTS

Attachment 1 – Status of Audit Findings Dashboard

Attachment 2A – Status of Current Year Financial Statement Audit Management Letter Comments

Attachment 2B – Status of Prior Year Financial Statement Audit Management Letter Comments

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