



Consent

Agenda Item 4i

September 16, 2015

ITEM NAME: External Audit Fees

PROGRAM: Audit Services

ITEM TYPE: Information Consent

EXECUTIVE SUMMARY

Each year, the Office of Audit Services presents to the Risk & Audit Committee the external audit fees for the annual audit, attest, and all other audit services allowed and provided by audit firms. Services provided by external audit firms for Fiscal Year 2013-14 included the annual financial statement audit, Governmental Accounting Standard Board (GASB) Statement No. 67 audit, and agreed-upon procedures engagements which are described below.

STRATEGIC PLAN

This item is not a specific product of the Strategic Plan, but is in alignment with the Risk and Audit Committee powers reserved to approve, as required, and oversee actuarial, external, financial, internal, and real estate audits and reinsurance.

BACKGROUND

The Office of Audit Services serves as the contract administrator for the Board of Administration's (Board) independent financial statement auditor and other external audit resources.

ANALYSIS

The Board's independent financial statement auditor, Macias, Gini & O'Connell, LLP, (MGO) performed the audit of CalPERS financial statements and GASB 67 for the Fiscal Year ending June 30, 2014 (FY 2013-14), and the agreed-upon procedure review. These services were performed under the American Institute of Certified Public Accountants (AICPA) generally accepted auditing standards and attestation standards. All audit work and fees were calculated and approved in accordance with the contract terms. In addition, the External Investment Audit Specialty Pool of auditors conducted agreed-upon procedure reviews of real estate compliance and cash flow verification reviews.

BUDGET AND FISCAL IMPACTS

The fees for the basic financial statement audit and implementation of GASB 67 totaled \$805,269 and were paid to MGO over two fiscal years. The MGO's agreed-upon procedure fee was \$38,660 and the total external audit fees were \$843,929.

Additionally, Table 1 below illustrates the schedule of fees totaling \$445,560 invoiced for agreed-upon procedures performed by the Investment Audit Specialty Pool auditors during Fiscal Year 2014-15. The Investment Audit Specialty Pool has an annual Board approved budget of \$1.5 million. All audit work and fees were in accordance with the auditors' contracts with CalPERS. The amounts are presented on a cash basis.

Table 1 – Investment Audit Specialty Pool Auditors

AUDIT FIRM	AMOUNT PAID
Conrad LLP	\$ 288,020
KNL Support Services	\$ 42,648
KPM & Associates LLP	\$ 114,892
Total for Investment Audit Specialty Pool Activities for Fiscal Year 2014-15	\$ 445,560

Funding for these audit activities have been identified within existing budgetary resources. There is no additional budget and fiscal impact.

BENEFITS/RISKS

The Board's fiduciary responsibility ensures reasonable expenses of administering the System and the external audit costs.

The primary risk is the audit costs incurred by external auditors do not adequately support the execution of the audit contract.

ATTACHMENT

None

BELIZ CHAPPUIE, Chief
Office of Audit Services

MATTHEW G. JACOBS
General Counsel