

Office of Audit Services

# Proposed Audit Plan for Fiscal Year 2016-17



June 2016

**Table of Contents**

**FY 2016-17 Audit Plan by CalPERS Branch\***

Actuarial Office.....	1
Benefit Programs Policy and Planning.....	1
Customer Services and Support.....	1
Financial Office.....	2
Information Technology Services Branch.....	2
Investment Office.....	3
Office of Audit Services.....	3

\*Only the primary Division has been identified within the audit plan for each auditable activity; additional Divisions may be impacted.

Auditable Activity	Audit Objectives
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<b>ACTUARIAL OFFICE</b>	
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Census Data Reconciliation (GASB 67)	Assess the completeness and accuracy of member data extracted from my CalPERS and used for actuarial valuations.
Coordination for Actuarial Parallel Valuation and Certification Services	Coordinate activities related to contracted parallel valuation and certification services for public agency, state, and school pension plans.
Coordination for Long-Term Care (LTC) Actuarial Parallel Valuation and Certification Services	Coordinate activities related to contracted parallel valuation and certification services for LTC program.

<b>BENEFIT PROGRAMS POLICY AND PLANNING</b>	
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<b>Health Plan Administration Division</b>	
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Health Plan Contract Compliance (2)	Assess health plan compliance with specific provisions of Public Employees' Medical and Hospital Care Act (PEMHCA) and its agreement with CalPERS.
Long Term Care (LTC) program administration (finalize prior year)	Assess the adequacy and effectiveness of controls implemented to mitigate operational, reporting, and compliance risks associated with the LTC program.
Review of Sharp (finalize prior year)	Assess Sharp's compliance with provisions of Public Employees' Medical and Hospital Care Act (PEMHCA) and its agreement with CalPERS, and review Sharp's membership data for accuracy and consistency with CalPERS membership data.

<b>Health Policy Research Division</b>	
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Health Care Decision Support System (HCDSS)	Assess the system's implementation aligned with contract and RFP requirements, and the controls for monitoring data submissions from carriers, data extracts for ad hoc requests, and rate development.
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<b>CUSTOMER SERVICES AND SUPPORT</b>	
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Public Agency Finding Validation	Monitor the resolution of outstanding public agency audit issues.
Public Agency Compliance Reviews	Assess the accuracy and completeness of membership, payroll, and census data reported to CalPERS by employers contracting with CalPERS.

<b>Auditable Activity</b>	<b>Audit Objectives</b>
<b>CUSTOMER SERVICES AND SUPPORT (continued)</b>	
<b>Benefit Services Division</b>	
Death Benefits	Assess the adequacy and effectiveness of controls over the death benefit process.
Retirement Benefits	Assess the adequacy and effectiveness of controls over the retirement benefit payment process.
<b>Customer Service and Outreach Division</b>	
Customer Service and Outreach	Assess the adequacy and effectiveness of controls over the customer service and outreach processes.
<b>Member Account Management Division</b>	
Health Eligibility and Enrollment for Members	Evaluate the enrollment reconciliation process for health plan information to assess the accuracy of data.
<b>FINANCIAL OFFICE</b>	
<b>Financial Reporting &amp; Accounting Services</b>	
Investment Commitment Disclosures	Assess the adequacy of controls implemented to mitigate financial reporting risks associated with investment commitment disclosures.
Management of Administrative Expenses (finalize prior year)	Assess the adequacy and effectiveness of controls implemented to mitigate operational, reporting, and compliance risks associated with administrative expenses.
Treasury Management	Assess the adequacy of controls over the cash management process for projecting cash needs and compliance with CalPERS policies.
Contingency Reserve Fund (CRF) and Health Care Fund (HCF) (expanded scope from prior year)	Assess the adequacy and effectiveness of controls implemented to mitigate reporting and compliance risks associated with CRF and HCF.
<b>INFORMATION TECHNOLOGY SERVICES BRANCH</b>	
Change Process Management	Assess the adequacy and effectiveness of controls over the change management process.
Health Insurance Portability and Accountability Act (HIPAA) Data Assessment	Assess the process flow of HIPAA data in the organization.

Auditable Activity	Audit Objectives
<b>INFORMATION TECHNOLOGY SERVICES BRANCH (continued)</b>	
Software License Count (Consulting)	Identify existing software licenses owned and used by CalPERS and determine any variances with the agreements.
System Development Life-Cycle (SDLC)	Evaluate the adequacy and effectiveness of controls over SDLC's process.
VMware License Count (finalize prior year)	Identify existing VMware licenses owned and used by CalPERS and determine any variances with the agreement.
Wireless Network Security (finalize prior year)	Evaluate the effectiveness of wireless network security management.
<b>INVESTMENT OFFICE</b>	
RFP for Specialty Investment Audits	Coordinate activities related to the request for proposal (RFP) for specialty investment audit services spring-fed pool.
Private Equity External Manager	Evaluate the external manager's compliance with CalPERS investment policies and specific provisions of its agreement with CalPERS.
Global Equity Program	Assess the adequacy and effectiveness of controls implemented to mitigate operational, reporting, and compliance risks associated with the global equity program.
Specialty Investment Audits	Manage the specialty investment audits covering letter of engagement, reporting, and payments.
<b>OFFICE OF AUDIT SERVICES</b>	
<b>Multi-Divisional Projects/Audits</b>	
Consulting Engagements	Perform consulting engagements based on management's adhoc requests.
Coordination of Financial Audits	Coordinate activities related to the audit of CalPERS Basic Financial Statements performed by the Board's Independent Auditor.
Enterprise-wide Risk Assessment and Audit Planning	Conduct and prepare a risk-based audit plan for Fiscal Year 2017-18.

Auditable Activity	Audit Objectives
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Government Accounting Standards Board (GASB) Statement No. 68  
Audit Coordination

Coordinate activities related to GASB 68 audit (GASB 68 audit is performed by the Board’s Independent Auditor, covering contributions, benefit payments, census data, and pension liabilities).

**OFFICE OF AUDIT SERVICES (continued)**

**Multi-Divisional Projects/Audits**

Review of Contract Management

Assess the adequacy and effectiveness of program’s controls over the process of managing and monitoring contracts.

Quarterly Status Reports/Finding Validation

Monitor audit progress and resolution of outstanding audit findings and prepare quarterly status reports to the Risk and Audit Committee.

**Internal Activities**

Quality Assurance and Improvement Program-External Assessment

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.

Training

Provide training to OFAS staff.

OFAS other internal activities

Resources set aside for other internal activities.