

Office of Audit Services  
Summary of State Controller Office's Review Report on  
Pension Controls and Mechanisms  
Current Update as of June 30, 2016

**Audit (Report Issue Date): Pension Controls and Mechanisms (9/09/14)**

**Finding:** CalPERS lacks sufficient oversight of reporting entities

**Recommendation 1:** Increase the frequency with which its reporting entities are reviewed by increasing the number of audit staff. With limited resources, CalPERS should enhance pension spiking monitoring through enhanced technology-based analysis.

**Management's Current Update:** RESOLVED. The Office of Audit Services hired additional positions and completed 25 focused reviews utilizing technology-based analytics in Fiscal Year 2015-16. In Fiscal Year 2016-17 the Office of Audit Services will utilize technology-based analytics to perform all of its reviews.

**Recommendation 3:** Perform an analysis to determine the additional types of resources needed in order to provide more effective and adequate oversight of the entities reporting to CalPERS for active employees.

**Management's Current Update:** Employer Account Services Division: OPEN. The Employer Account Management Division documented an analysis of alternatives, identifying several solutions to enhance controls and mechanisms used to review active members. The Employer Account Management Division moved the analysis forward in the budget process, requesting resources to increase oversight in this area. The Employer Account Management Division received board approval for five additional resources. Recruitments have been initiated and the positions should be filled by August 2016.

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**Recommendation 4:** Require procedures to review active employees' pay amounts for material increases in compensation and special compensation amounts.

**Management's Current Update:** OPEN. The Employer Account Services Division is enhancing already existing procedures to review a broader scope of member compensation. The procedures are to be finalized by December 31, 2016.

**Recommendation 6:** Request additional analytical staff and/or auditors for the Compensation Review Unit to aid in the review of potential spiking by active employees.

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