



Risk and Audit Committee Agenda Item 4i

September 20, 2016

Item Name: External Audit Fees

Program: Audit Services

Item Type: Information Consent

Executive Summary

Each year, the Office of Audit Services (OFAS) presents to the Risk and Audit Committee the external audit fees for the annual audit, attest, and all other audit services allowed and provided by external audit firms. Services provided by external audit firms for Fiscal Year 2014-15 included the annual financial statement audit, Governmental Accounting Standard Board (GASB) Statement No. 67 and 68 audits, and real estate audits.

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 oversee audit activities including actuarial, external, financial, internal, and real estate audits.

Background

The OFAS 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 and 68 audits for the Fiscal Year ending June 30, 2015 (FY 2014-15). 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, audit firms from the Investment Audit Specialty Pool conducted agreed-upon procedures reviews for real estate compliance and cash flow verification.

Budget and Fiscal Impacts

The fees for the basic financial statements audit and implementation of GASB 67 for FY 2014-15 totaled \$580,495. The audit fees for the audit of participating employers' data related to the implementation of GASB 68 for FY 2014-15 totaled \$2,969,050. Table 1 on the following page illustrates the breakdown of MGO audit fees on an accrual basis.

Table 1 – Basic Financial Statement and GASB 67/68 Audit Fees

AUDIT FIRM	AMOUNT PAID
Basic Financial Statements (including GASB 67)	\$ 580,495
GASB 68	\$ 2,969,050
Total	\$ 3,549,545

Additionally, Table 2 below illustrates the schedule of fees totaling \$546,918.28 for agreed-upon procedures performed by the Investment Audit Specialty Pool auditors for 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 an accrual basis.

Table 2 – Investment Audit Specialty Pool Audit Fees

AUDIT FIRM	AMOUNT PAID
Conrad LLP	\$ 211,347
KPM & Associates LLP	\$ 335,572
Total	\$ 546,919

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

Benefits and 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.

Attachments

None

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