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**November 14, 2017****Item Name:** Quarterly Status Report – Office of Audit Services**Program:** Audit Services**Item Type:** Information Consent**Executive Summary**

In accordance with the International Standards for the Professional Practice of Internal Auditing (Standards), the Office of Audit Services (OFAS) presents its Quarterly Status Report of audit activity. The following provides the status of projects and activities as of September 30, 2017.

**Strategic Plan**

This item is not a specific product of the Strategic Plan, but is required by the CalPERS Board of Administration (Board) approved Audit Resolution Policy and OFAS Charter.

**Background**

On a quarterly basis, OFAS updates the Risk and Audit Committee on audit activity and audit resolution status.

**Analysis****Public Agency Reviews**

During the first quarter, OFAS completed 55 reviews and is waiting for executive feedback to issue the final reports. Currently, 202 reviews are in progress, 60 being finalized and 142 started during the quarter.

The Employer Account Management Division, Benefit Services Division, and Financial Office reported that 101 findings were resolved, leaving 328 findings open as of September 30, 2017. In addition, OFAS validated 91 resolved findings during the quarter. Please refer to Attachment 1 for additional information on public agency findings.

**Internal Audits**

During the first quarter, three internal audits were finalized with a total of 12 findings in operational areas such as documenting peer reviews, timely reporting, and obtaining policy approvals by appropriate levels of management. Please see Attachment 1 for additional information on internal audit findings.

As of September 30, 2017, there were no unresolved internal audit findings over one year old, continuing the enterprise's compliance with the Board approved Audit Resolution Policy. During the quarter, 12 findings were resolved. Overall, we have noted a significant trend toward more timely resolution of internal findings over the past several years.

### Real Estate Reviews

During the first quarter, one real estate review was completed. The review was performed to assess the external manager's compliance with the operating agreement. The four findings noted during the review were related to questioned expenses, unexecuted vendor contracts, approval of invoices, and support of insurance certificates. Real estate reviews are available upon request from OFAS. Please see Attachment 1 for additional information on real estate findings

### Financial Statement Audit Report and Management Letter – Macias Gini & O'Connell LLP

The draft management letter prepared by Macias Gini & O'Connell LLP (MGO) for fiscal year ended June 30, 2017 as well as the status of prior years' observations, will be presented in Agenda Item 5b. Observations in the Fiscal Year 2016-2017 Management Letter, as well as and remaining observations from prior years, will be reported to the Risk and Audit Committee until each observation is fully resolved and MGO concurs that corrective action has been implemented.

### Status of Audit Plan

The Fiscal Year 2017-18 Approved Audit Plan is in progress. As required by the Standards, we review and adjust the audit plan, as necessary, in response to changes in the organization's business, roles, operations, programs, systems, and controls.

### **Budget and Fiscal Impacts**

Not Applicable.

### **Benefits and Risks**

The Quarterly Status Report of audit activity provides periodic reporting to the Board regarding performance relative to the audit plan and other matters needed or requested. The periodic reporting of this information to the Board is in accordance with the Standards, the Board approved Audit Resolution Policy, and OFAS Charter. The risk of not reporting periodically is non-compliance with the Standards.

### **Attachments**

Attachment 1 – Status of Audit Findings Dashboard

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**BELIZ CHAPPUIE**

Chief Auditor  
Office of Audit Services

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**MATTHEW G. JACOBS**

General Counsel

