



Risk and Audit Committee Agenda Item 5g

September 25, 2018

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 the Fiscal Year ending June 30, 2017 (FY 2016-17) included the annual financial statement audit, Governmental Accounting Standard Board (GASB) Statement No. 67, 68, and 75 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

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 performed the audit of CalPERS financial statements and GASB 67, 68, and 75 audits for FY 2016-17. 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 including GASB 67 for FY 2016-17 totaled \$648,184. The audit fees for the audit of participating employers' data as required by GASB 68 and GASB 75 for FY 2016-17 totaled \$1,695,485 and \$358,941, respectively. Table 1 illustrates the breakdown of audit fees on an accrual basis.

Table 1 – Basic Financial Statements, GASB 67/68, and GASB 75 Audit Fees

AUDIT TYPE	AMOUNT PAID
Basic Financial Statements (including GASB 67)	\$ 648,184
GASB 68	\$ 1,695,485
GASB 75	\$ 358,941
Total	\$ 2,702,610

Additionally, Table 2 below illustrates the schedule of fees totaling \$64,687 for agreed-upon procedures performed by the Investment Audit Specialty Pool auditors for FY 2016-17. The Investment Audit Specialty Pool has an annual Board approved budget of \$1.5 million. The amounts are presented on an accrual basis.

Table 2 – Investment Audit Specialty Pool Audit Fees

AUDIT FIRM	AMOUNT PAID
Conrad LLP	\$ 6,000
KPM & Associates LLP	\$ 58,687
Total	\$ 64,687

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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Chief Auditor
Office of Audit Services

Mathew G. Jacobs
General Counsel