



Risk and Audit Committee Agenda Item 6c

February 20, 2019

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 December 31, 2018.

Strategic Plan

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

Background

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

Analysis

Public Agency Reviews

During the second quarter, OFAS finalized 64 reviews with a total of 165 findings. In December 2018, these findings were submitted to the applicable CalPERS program areas for resolution. Currently, 118 reviews are in progress.

Of the 49 open findings reported as of September 30, 2018, the Employer Account Management Division and the Benefit Services Division reported that 20 findings were resolved. With the reviews finalized during the second quarter, there are 194 findings open as of December 30, 2018. In addition, OFAS validated 30 resolved findings during the quarter. Please refer to Attachment 1 for additional information on the public agency findings.

Internal Audits

During the second quarter, seven internal audits were issued with a total of 10 findings in operational areas relating to procedures, completion of required forms, and monitoring and timely follow-up on receivables.

As of December 31, 2018, 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, 17 findings were resolved, leaving 24 findings open. Please see Attachment 1 for additional information on internal audit findings.

Real Estate Reviews

During the second quarter, 10 real estate reviews were completed. One review was performed to assess the external manager's compliance with the operating agreement with one issue relating to the fee calculation. The other nine reviews were data input verifications with 28 findings primarily relating to distributions and contributions. Please see Attachment 1 for additional information on real estate audit findings.

Financial Statement Audit Report and Management Letter

The Board's financial statement auditor presented their Management Letter for the June 30, 2018 financial statement audit at the November 2018 Risk and Audit Committee. The financial statement auditor reported on five observations which require corrective actions. The current year observations and their status are summarized in Attachment 2.

Status of Audit Plan

The Fiscal Year 2018-19 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. In order to support key enterprise initiatives and management requests, the Office of Audit Services proposes deferring the internal audits of Legislators' Retirement System and Death Benefits Overpayment Receivables due to changes in the program area. However, we plan to add the following projects to the Audit Plan which we anticipate issuing final in Fiscal Year 2019-20:

- Department of General Services Blue Card
- Health Plan Contract
- Paid Family Leave
- Retired Annuitants

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

Attachment 2 – Summary of Financial Statement Audit Management Letter Comments Current Year Report

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