



Risk and Audit Committee Agenda Item 5d

September 17, 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 June 30, 2019.

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 on audit activity and audit resolution status.

Analysis

Public Agency Reviews

During the fourth quarter, OFAS finalized 177 reviews with a total of 196 findings. These findings were submitted to the applicable CalPERS program areas for resolution. Currently, 61 reviews are in progress.

Of the 151 open findings reported as of March 31, 2019 and the additional 196 findings reported in the fourth quarter, the Employer Account Management Division and the Benefit Services Division reported that 75 findings were resolved leaving 272 findings open as of June 30, 2019. In addition, OFAS validated 90 resolved findings during the quarter. Please refer to Attachment 1 for additional information on the public agency findings.

Internal Audits

During the fourth quarter, five internal audits were issued with a total of 11 findings in operational areas such as improving processes, documenting or updating procedures, and

maintaining proper documentation. Please see Attachment 1 for additional information on internal audit findings.

As of June 30, 2019, 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, two findings were resolved, leaving 27 findings open. Overall, we have noted a significant trend toward more timely resolution of internal findings over the past several years.

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 2018-19 Audit Plan

- OFAS completed 241 public agency reviews.
- OFAS completed 30 internal projects and issued 2 in draft by June 30, 2019. The draft reports will be issued as final after we receive the division's responses.

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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