



Risk and Audit Committee

Agenda Item 4c

June 12, 2024

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, 2023.

Strategic Plan

This item is not a specific product of the Strategic Plan but is required by OFAS Audit Resolution Policy and Charter.

Background

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

Analysis

Employer Compliance Reviews

During the second quarter, OFAS had 47 employer compliance reviews in progress.

The Employer Account Management Division (EAMD) and Pension Contracts and Prefunding Programs Division (PCPP) reported 17 observations were resolved, of which 6 were aged two to three years, 2 were aged one to two years, and 9 were aged less than one year. This leaves 86 observations open as of December 31, 2023, of which 23 were aged two to three years, 10 were aged one to two years, and 53 were aged less than one year. For observations aged more than one year, the associated division has provided a corrective action plan and will continue working toward resolving the observations. In addition, OFAS validated 29 resolved observations during the quarter.

Please refer to Attachment 1 for additional information on employer compliance observations.

Internal Audits

During the second quarter, OFAS completed three internal audits with two observations. The observations were in compliance and operational areas relating to timely issuance of the performance measures results reports for HMO carriers, and documenting the criteria used for reviewing employer data requests.

As of December 31, 2023, there were three unresolved internal audit observations over one year old. Two observations are related to the Review of Compliance Program, which we reported in the prior QSR Report in November 2023. The third is related to the PeopleSoft HCM User Access Management review and was reported in the prior QSR Report in February 2024. In each of the three cases, the divisions have provided corrective action plans and will continue working toward resolving the observations. During the quarter, one observation was resolved, leaving 12 observations open.

Financial Statement Audit Report and Management Letter

The management letter prepared by BDO USA, LLP for the fiscal year ended June 30, 2023, was presented during the November 15, 2023, RAC meeting. The observation in the Management Letter will be reported to RAC until it is resolved. The summarized status of the current year observation is in Attachment 2.

Status of Audit Plan

The Fiscal Year 2023-24 Board 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. OFAS will defer the following internal audits due to organizational changes:

Beneficiaries of Death/Survivor Benefits – DSBD is currently reviewing its processes under new leadership. We will review those processes after they have been reviewed and any changes have been implemented.

Compliance with Regulatory Requirements – ECOM is reviewing compliance requirements for the enterprise. We will review this process once it is further underway.

myCalPERS Access Provisioning – Due to sustained high vacancy rate in our audit and IT audit classifications, we need to defer this audit.

Private Debt Program – Based on current-year risk assessment and our vacancy rates, we are deferring this audit and replacing it with a higher-risk process.

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, OFAS Audit Resolution Policy, and OFAS Charter. The risk of not reporting periodically is non-compliance with the Standards.

Attachments

Attachment 1 – Employer Compliance Review - Open Observations Over 1 Year

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

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