



Audits & Risk Management Committee

Item Number 5 – Open Session

Subject: 2023 Audit Services Plan Final Progress Report

Presenter(s): Cheryl Cervantes Dietz, Roseanne Oyoung, Chris Wall

Item Type: Information

Date & Time: March 7, 2024 – 15 minutes

Attachment(s): Attachment 1 – 2023 Employer Audit Year End Results

Attachment 2 – 2023 Internal Audit Year End Results

Attachment 3 - Internal Audit Finding Progress Update

PowerPoint(s): 2023 Audit Services Audit Plan Results

Item Purpose

The purpose of this item is to present the Audit Services' Calendar Year 2023 Audit Plan results.

Executive Summary

The Audits and Risk Management (ARM) Committee approved the 2023 Audit Plan (Plan) at the November 2022 meeting. In accordance with the Audit Services' Charter and *International Standards for the Professional Practice of Internal Auditing* (IIA Standards), the Chief Auditor presents periodic reports to inform the Committee on the status and results of the Plan.

The Plan was designed to provide coverage of key risks, given the existing staff and approved budgets. Audit Services completed an annual risk assessment of employers and CalSTRS operations to develop the Plan, as required by the IIA Standards. The audits were designed to provide assurance that management identified key risks in achieving CalSTRS strategic goals and objectives and sufficiently mitigated those risks to an acceptable level.

The Plan results provide an overview of the accomplishments, audit results and audit findings of both the Employer Audit and Internal Audit programs within Audit Services. The detailed results are summarized in Attachments 1 through 3.

IIA Standard 1320 requires the Chief Auditor to communicate the results of the Quality Assurance and Improvement Program (QAIP) to senior management and the board. As part of QAIP, Audit Services performs internal quality assessments to enhance audit quality through ongoing reviews and periodic self-assessments. We recently completed an internal quality assessment that covered July 2022 through December 31, 2023. In addition to the internal quality assessments, an external peer review is performed every five years. The most recent external peer review on Audit Services was conducted in 2021 with the highest rating of Generally Conforms.

Annual Audit Plan Highlights

Employer Audits:

The employer audit team conducts audits of employer payroll reporting for compliance with the Teachers' Retirement Law and the Public Employee's Pension Reform Act regarding eligible membership and creditable compensation reported to CalSTRS. The employer audit team completed 115 audits, of which 16 were full-scope audits and 99 were limited-scope audits. The limited-scope audits focused on special compensation, base compensation, and unused sick leave. A summary of the employer audit results is included as Attachment 1.

Employer Audit Findings:

As a result of the 115 audits completed, the employer audit team reported 243 new findings. During the same period, 189 employer audit findings from both previous and current years were resolved. Overall, 239 findings remain in progress, which consists of the following:

- 36 findings from the prior years
- 203 audit findings from the current year

Internal Audits:

The internal audit team assesses the CalSTRS' governance, risk management and control processes to add value and improve the organization's operations. Internal Audits contracts with external service providers to perform internal audits that require specialized knowledge, such as investments and information technology and security.

The internal audit team completed its 2023 audit plan apart from the Headquarters Expansion Closeout. A summary of the internal audit results is included as Attachment 2.

Internal Audit Findings:

As a result of internal audits completed for the 2023 audit plan, the internal audit team reported 40 new audit findings. During the 2023 calendar year, a total of 42 internal audit findings from both previous and current years were resolved. Overall, 32 findings remain in progress, which consists of the following:

- five audit findings over one year old
- 27 audit findings less than a year old

Audit Services has an established follow-up process to monitor audit finding resolution. Without timely and effective resolution, management is essentially accepting the risks associated with those findings that are in progress of being resolved. The status of management’s corrective actions is summarized in Attachment 3.

Board Policy Linkage: [Board Governance Manual \(calstrs.com\)](https://www.calstrs.com)
