



Audits and Risk Management Committee

Item number 5 – Open session

Subject: 2024 Six-Month Audit Plan Results and Fiscal Year 2024-25 Audit Services Update

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

Item type: Information

Date and time: September 25, 2024 – 15 minutes

Attachment(s): Attachment 1 – Employer Audit 2024 Six-Month Plan Results

Attachment 2 – Internal Audit 2024 Six-Month Plan Results

Attachment 3 – 2024 Internal Audit Finding Progress Update

PowerPoint presentation: 2024 Six-Month Audit Plan Results

Item purpose

The purpose of this item is to present Audit Services' 2024 Six-Month Audit Plan results and Fiscal Year (FY) 2024-25 Audit Services update.

Executive summary

The Audits and Risk Management (ARM) Committee approved the 2024 Six-Month Audit Plan (Six-Month Plan) at the November 2023 meeting. In accordance with the Audit Services' Charter and *the Global Internal Audit Standards* (IIA Standards), the Chief Auditor presents periodic reports to inform the Committee on the status and results of the audit plan.

The Six-Month 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 Six-Month 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 Six-Month 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.

2024 Six-Month Audit Plan results

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. During the Six-Month Plan the employer audit team completed 65 audits. The goal in the audit plan was to complete 50 to 70 audits. Of the 65 audits completed 2 were full-scope audits and 63 were limited-scope audits. The audits consisted of a combination of K-12, Charter Schools, County Offices of Education, Community College Districts, and a Regional Occupational Program. A summary of the employer audit results is included as Attachment 1.

Employer Audit findings:

As a result of the 65 audits completed, the employer audit team identified 97 new findings. During the same period, 102 employer audit findings from both previous and current years were resolved. Overall, 235 findings remain in progress, which consists of the following:

- 141 findings from the prior years
- 94 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 2024 Six-Month Plan. A summary of the internal audit results is included as Attachment 2.

Internal Audit findings:

As a result of internal audits completed for the Six-Month Plan, the internal audit team reported 16 new audit findings. During this reporting period, a total of 14 internal audit findings from both previous and current years were resolved. Overall, 32 findings remain in progress, which consists of the following:

- eight audit findings over one year old
- 24 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.

FY 2024-25 Audit Services updates

IIA Standards

Staff performed an analysis of the revised IIA Standards and identified gaps that are needed to comply with the new standards, such as updates to the Audit Services Charter and procedures, development of Audit Services strategic plan and performance objectives and expanded communications to the ARM Committee. Audit Services will begin addressing the identified gaps in September to ensure adoption by the January 9, 2025, effective date.

Data Solutions Team

To address Audit Services Quality Assurance Review recommendations, remain current with industry leading practices, provide value to the organization, and ensure compliance with the new IIA Standards, Audit Services is working with Human Resources to establish a dedicated audit data solutions and operations unit. The unit will have staff dedicated to data solutions, analytics, and visualization.

Employer Audits:

The FY 2024-25 Audit Plan provides for the completion of 110 employer audits. The Employer Audit team is on track to meet this goal with 14 audits completed as of August 30, 2024.

Internal Audits:

Internal Audits currently has six audits in progress from the FY 2024-25 Audit Plan. Due to the Investment Strategy and Risk restructure, Audit Services will postpone the audit until the following fiscal year. The Headquarters Expansion Closeout from the 2023 Audit Plan remains in progress.

Strategic Plan linkage: [Strategic Plan - CalSTRS](#)

Board Policy linkage: [Board Governance Manual \(calstrs.com\)](#)

Optional reference material: [Global Internal Audit Standards \(theiia.org\)](#)