

# California State Teachers Retirement System



Audits and Risk Management Committee Presentation  
Financial Statement Audit –  
Client Service Plan  
Year Ending June 30, 2024

Crowe LLP  
March 7, 2024

# Agenda

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- Crowe Client Service Team
- Roles and Responsibilities
- Scope and Deliverables
- Approach
- Timeline
- Planning Communications and Considerations
- Questions and Discussion

# Crowe Client Service Team

Role	Name	Definition of Role
<b>Signing Engagement Partner</b>	<b>Kevin Smith</b>	Kevin is the auditor in charge of the audits of the CalSTRS financial statements as well as the Other Pension Information (OPI).
<b>Engagement Partner</b>	<b>Jen Aras</b>	Jen oversees management of the overall engagement working closely with the other Engagement Partners.
<b>Investment Risk Assessment and Valuation Partner</b>	<b>Chris Moore</b>	Chris serves as the investment risk assessment and valuation partner and work closely with the engagement team in the role. Additionally, Chris is Crowe's Investment Valuation Specialist and Partner-in-Charge of Crowe's Pricing Desk.
<b>Certified Information Systems Audit Partners</b>	<p><b>Rich Perilloux</b></p> <p><b>Sean Katzenberger</b></p>	<p>Rich oversees the portion of the audit work related to information technology and financially significant systems. He oversees a team that includes other certified information systems auditors.</p> <p>Sean is the subject matter specialist over the information technology and systems portion of the audits and has experience with the CalSTRS engagement.</p>

# Crowe Client Service Team (continued)

Role	Name	Definition of Role
<b>Audit Senior Managers</b>	<b>Dane O'Malley</b>  <b>Hamzeh Qattan</b>  <b>Ron Gasink</b>	<p>Dan is a senior manager who oversees the execution of the audit of investments and is our data analytics specialist assigned to the engagement.</p> <p>Hamzeh is the on-site engagement senior manager overseeing the day-to-day progress of all significant areas of the audits. He performs direct review and supervision of seniors and staff assigned to the audit.</p> <p>Ron is a senior manager who oversees the execution of certain procedures required to be performed over contributing entities and assists with the OPI.</p>
<b>Certified Information Systems Audit Managers</b>	<b>Cassandra Taylor</b>  <b>Josh Silo</b>	<p>Cassandra and Josh assist Rich in overseeing the portion of the audit work related to information technology and financially significant systems.</p>
<b>Other Specialists and Contractors</b>	<b>Gabriel Roeder Smith &amp; Company</b>  <b>Harvest Investments</b>	<p>The engagement team will draw upon other specialists as needs arise and continue to utilize the services of our DVBE subcontractor in accordance with CalSTRS' goals.</p>

# Roles and Responsibilities

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## Those Charged with Governance

### (ARM Committee)

- Oversight of external auditor, including scope, approach and planned timeline
- Oversight of the reporting and integrity of published financial information

## Management

- Preparation and fair presentation of financial statements in accordance with Generally Accepted Accounting Principles (GAAP)
- Design, implementation and maintenance of internal control structure related to the preparation and fair presentation of the financial statements

## Crowe

- Performance of audits under *Generally Accepted Auditing Standards* and *Government Auditing Standards*
- Component auditor reporting to the State Auditor's Office, the group auditor for the State of California

# Scope and Deliverables

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- Independent Auditor's Reports
  - California State Teachers' Retirement System
  - Other Pension Information – specified captions
- Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
- Required Communications to Those Charged with Governance (ARM Committee)
- Management Comment Letter, if applicable

# Approach



- At all times acting with
  - PROFESSIONAL SKEPTICISM
  - INDEPENDENCE
  - OBJECTIVITY



- Auditing in phases with a continuous risk assessment and commitment to audit quality



- Performing inquiries with ARM Committee members, CalSTRS' executives and other System staff
- Corroborating and testing internal controls over financially significant IT systems and key accounts



- Performing substantive testing over significant risks and key audit areas
  - Existence and fair value of investments
  - Total pension liability
  - Contributions
  - Potential management override of controls

**Accumulation and Evaluation of Results**

# Approach

Significant Audit Area	Identified Risk(s)	Summarized Planned Audit Approach	Risk of Material Misstatement
Investments	Valuation Accuracy and Classification	<p>Investment balances will be confirmed, and individual holdings will be independently price tested using Crowe Pricing desk and other appropriate methods based on the nature of the investment. Holdings will be evaluated for OTTI. Additionally, a rollforward of annual activity will be tested for accuracy and support for income recognized.</p> <p>Classification and leveling of investments as disclosed in the financial statements will be evaluated against GASB 72, <i>Fair Value Measurement and Application</i></p>	High
Contributions	Revenue recognition	Individual employers will be selected and tested through confirmation. Substantive analytics will be performed over various balances.	Not High
Total and Net Pension Liability, including deferred inflows and outflows	Valuation and Completeness	Examine the valuation reports prepared by independent actuaries, including testing of assumptions and underlying substantive data.	High
Financial reporting	Management Override of Controls	Pervasive – reviewed continuously	Not High



# Timeline

## Planning

October 2023 – March 2024

## Reporting to Management

September – October 2024



## Execution

December 2023 – September 2024

## ARM Committee Presentation

November 2024

Continuously Evaluating Impact of Pandemic on Risk Assessment, Execution and Timing of the Audit

# Planning Communications and Considerations

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- Concept of materiality in planning and executing the audits
- Addressing significant risks of material misstatement, whether due to fraud or error
- Crowe's responsibility to communicate evidence of fraud
- Use of the work of internal audit
- Views of the ARM Committee and areas that warrant particular attention
- Key considerations for FY2024 audit
  
- Not currently in scope of the audit
  - Benefit Connect

# Independence Considerations

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## Non-Attest Services Performed by Crowe:

- None

We wish to report that we are not aware of any relationship between Crowe LLP and the California State Teachers Retirement System that, in our professional judgment, may reasonably be thought to impair our independence.

Accordingly, and relating to our audit of the June 30, 2024 financial statements of CalSTRS, we are independent certified public accountants with respect to the System within the meaning of the applicable pronouncements of the Independence Standards Board under Rule 101 of the American Institute of Certified Public Accountants' Code of Professional Conduct, its interpretations and rulings and Government Accounting Standards Yellow Book Independence Standards.

# Questions and Discussion



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