



# **Audits & Risk Management Committee**

## **Item Number 5 – Open Session**

**Subject:** 2022 Management Letter

**Presenter(s):** Cheryl Cervantes Dietz & Julie Underwood

**Item Type:** Information

**Date & Time:** November 2, 2022 – 10 minutes

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**Attachment(s):** Attachment 1 – 2022 Management Letter

**PowerPoint(s):** None

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### **Item Purpose**

This item's purpose is to provide the Management Letter for the year ended June 30, 2022, as prepared by Crowe LLP.

### **Recommendation**

This is an information item only.

### **Executive Summary**

During an audit, the auditor may become aware of deficiencies in an internal control while obtaining an understanding of the entity and its internal control environment. A deficiency in internal controls exists when the design or operation of a control does not allow management or staff, in the normal course of performing their assigned functions, to prevent, detect and/or correct misstatements on a timely basis. Any material and significant deficiencies are included in the Report on Internal Control over Financial Reporting. Otherwise, deficiencies not considered significant, or material are included in a Management Letter, which is not required to be reported to the Board by the auditor. However, to promote transparency, CalSTRS' management presents the 2022 Management Letter (Attachment 1).

While conducting the financial statement audit, Crowe LLP observed an opportunity to strengthen internal controls over financial reporting related to complete and accurate member data. The external auditor discussed the observation with related business area management and the executive team, who agree with the recommendations and have prepared a response to the observation.

CalSTRS management is responsible for implementing the corrective actions outlined in the management letter. Audit Services will provide the committee with periodic progress reports regarding corrective action implementation. The independent financial statement auditor, Crowe LLP, will provide an updated report on any identified deficiencies at the November 2023 ARM Committee meeting.

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Strategic Plan Linkage: – Goal 1: Trusted Stewards-ensure a well-governed, financially sound trust fund; Goal 2: Leading innovation and managing change-Explore advanced technology to securely gain business agility and enhance user interface experience.

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