

2024 Audit Services Six-Month Audit Plan

The Audit Services Six-Month Audit Plan (Audit Plan) covers the period from January 1, 2024 through June 30, 2024. The Audit Plan is designed to provide coverage of key risks, considering the existing staff and approved budget. Audit Services completed a risk assessment for the purpose of developing this Audit Plan of CalSTRS' operations and employers, as required by the International Standards for the Professional Practice of Internal Auditing (Standards).

Proposed audits are designed to provide assurance that management has identified key risks, and that management is sufficiently mitigating those risks to an acceptable level. In alignment with the Standards, Audit Services performs engagement-level risk assessments to finalize the scope of work and objectives for each internal audit activity.

EMPLOYER AUDITS

Employer Audits perform audits to ensure employers comply with CalSTRS Teachers' Retirement Law and the Public Employee's Pension Reform Act in areas such as:

- Remuneration in addition to salary (special compensation)
- Pay rate and base salary (base compensation)
- One-time bonus
- Unused sick leave
- Membership eligibility
- Post-retirement earnings

Employer Audits plans to complete between 50 to 70 audits in the period of January 1, 2024 through June 30, 2024.

INTERNAL AUDITS

Internal Audits perform audits in a systematic, disciplined approach to ensure the adequacy and effectiveness of risk management, control, and governance processes to assist in the achievement of CalSTRS objectives. Below are listed the proposed audits.

- Procurement Compliance
- Internal Control over Member Data
- Global Equity
- Fixed Income
- Information Security – Phase I
- Pension Solution – Data Migration

- myCalSTRS Online Member Resource
- Third-Party Vendor Compliance

ADVISORY SERVICES AND OTHER AUDIT ACTIVITIES

- Appeals: *Prepare and review administrative hearing documents and act as subject matter witness in audit process.*
- ARM Committee and Management Requests: *Respond to ARM Committee and management requests for audit services.*
- Audit Follow Up: *The Standards require follow-up as part of each audit to determine the status of resolving previous audit findings.*
- Pension Solution: *Participate in the Pension Solutions work group as Subject Matter Experts.*
- Board Document Development: *Analytics, design, and review of Board agenda items.*
- Continuing Professional Education & Training: *Obtain 40 required hours of continuing professional education per year.*
- Contract Management: *Prepare, distribute, and manage vendor pool to perform audits in the areas of Investments and Information Technology & Security.*
- Enterprise-wide Cross Organizational Projects: *Supports organizational projects in an advisory capacity*
- Legislative Analysis & Review: *Participate on CalSTRS' legislation team and provide consultation and analysis on pending legislation.*
- Quality Assurance Improvement Program: *Continue to conduct a Quality Improvement Program and implement initiatives to ensure conformity with Standards and leading practices.*
- Risk Assessment & Audit Plan: *Annual/continuous risk assessment for developing/updating the annual audit plan.*
- TeamMate Champion: *Subject matter expert for TeamMate functionality and issues.*

ACCEPTABLE LEVEL OF RISK

Although this Audit Plan contemplates a wide-ranging scope of activities, it does not provide coverage for all CalSTRS operations of systems. Audit Services has tried to maximize the limited resources to provide reasonable coverage for activities believed to require the most attention based on risk assessment results. Management is responsible for determining an acceptable level of risk. If the Chief Auditor determines management has accepted a level of risk that may be unacceptable to the organization, the Chief Auditor must discuss the matter with senior management. If the decision regarding the matter has not been resolved, the Chief Auditor must communicate the matter to the ARM Committee.

AUDIT ORGANIZATION AND CHARTER

Audit Services' mission is to provide independent, objective assurance and consulting services designed to add value and improve CalSTRS operations. To maintain independence and objectivity, the Chief Auditor functionally reports to the ARM Committee and administratively to the Chief Operating Officer.

The Audit Services Charter authorizes Audit Services to perform auditing and consulting services of CalSTRS' governance, risk, and controls. Additionally, Audit Services conducts reviews of school districts, county offices of education, and any employer that has employees who may perform creditable service subject to coverage by CalSTRS. The Charter also defines reporting relationships, objective and scope of audit work, along with the roles and responsibilities of the Chief Auditor.

QUALITY ASSURANCE

Audit Services is required to comply with the Standards, Code of Ethics, and Definition of Internal Auditing. The Standards require a quality assurance and improvement program that covers all aspects of the internal audit activity. As part of that program, an external quality assurance review is required every five years. The last external quality assurance review of Audit Services was performed in 2021.

PLAN PROGRESS

Interim changes to the Audit Plan will occur from time to time due to changes in business risks, timing of CalSTRS' initiatives, and staff availability. Audit Services will report on the Audit Plan and progress against the plan to executive management and the ARM Committee. Amendments to the approved the Audit Plan deemed to be significant will be submitted to the ARM Committee for approval in advance.

PROFESSIONAL ORGANIZATIONS

Audit Services staff are members of several professional auditing and accounting organizations. These groups are excellent sources for obtaining information on auditing, accounting, business management, and other professional issues and concerns. The Audit Plan anticipates staff training provided by the following organizations:

- Association of Public Pension Fund Auditors (APPFA)
- Institute of Internal Auditors (IIA)
- American Institute of Certified Public Accountants (AICPA)
- Association of Government Accountants (AGA)
- Information Systems Audit and Control Association (ISACA)
- Association of Certified Fraud Examiners (ACFE)

CERTIFICATIONS

Audit Services staff have multiple certifications and/or licenses issued by sponsoring professional organizations. Audit Services staff are required to obtain Continuing Professional Education (CPE) each year to maintain certifications and /or licenses and remain up to date on professional knowledge and practices. The CPE hours provide the Audit Services staff with new and/or updated skills for performing audits. The Audit Plan anticipates staff obtaining required CPE and training.