

2022 Internal Audit Year End Results

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AUDIT OF BENEFIT OVERPAYMENT RECEIVABLES AND WRITE-OFFS

Objective: To evaluate the adequacy and effectiveness of the accounts receivable process related to the modifications resulting in benefit payment decreases.

Effective Practices: Accounting has procedures for recovery and collection efforts as well as manual creation of accounts receivables; automated creation of accounts receivables; and separation of duties supported by authorization and approval policy and procedure.

Strategic Plan: Goal 1: Trusted Stewards - Ensure a well governed, financially sound trust fund.


Risk: The loss of confidentiality, integrity, or availability of the information or information systems could have a severe or catastrophic adverse impact on CalSTRS' mission, safety, finances, or reputation.

1. Rating/Results:  One of Accounting's procedures contains member personal identification information (PII) that is rated high, per CalSTRS Policy 17-022 Data Risk Classification.

Management Action: Accounting will review all procedures for PII and update procedures as necessary.

Target Completion Date: Resolved


Risk: Insufficient recovery and collection efforts on receivables may lead to CalSTRS not collecting all monies owed and excessive bad debt write-off.

2. Rating/Results:  Accounting issues late notices for amounts owed at 30, 60, 90-day intervals following the initial demand. Of the notices sampled, one 90-day notice was sent almost five months after the required time.

Management Action: Actions taken to ensure the safety of staff in response to the pandemic may have impacted the consistent, timely issuance of late notices. Accounting will ensure adherence to the policy and send timely collection notices to impacted parties.

Target Completion Date: Resolved

Risk: Account receivables with inaccurate data can cause CalSTRS to not collect all monies owed and inaccurate financial reporting.

3. Rating/Results:  The business areas must submit a request to Accounting via a work order to create a manual receivable when the State Teachers' Automation Redesign Team (START) system cannot create the appropriate receivable account. Internal Audit noted some opportunities to ensure consistency with the procedures.

Management Action:

A. Actions taken to ensure the safety of staff in response to the pandemic may have impacted the consistent, timely issuance of late notices. Accounting will ensure adherence to the policy and send timely collection notices to impacted parties.

Target Completion Date: Resolved

BENEFIT OVERPAYMENT RECEIVABLES AND WRITE-OFFS (continued)

B. Accounting will collaborate with the different business areas to improve the process to ensure work orders are completed accurately.

Target Completion Date: July 2023

C. Accounting will coordinate with Facilities Management to design a control to reconcile the work orders processed and total work orders imaged.

Target Completion Date: July 2023

D. Accounting will seek opportunities to improve efficiency and ensure work orders are processed timely.

Target Completion Date: Resolved

E. Accounting will collaborate with the different business areas to improve the process to ensure write-off request review sheets are completed accurately.

Target Completion Date: July 2023

4. ***Rating/Results:*** ● The most recent annual report of accounts receivable balances and activities did not include account receivable activities and age, as required by Accounting Policy 19-139.

Management Action: SCO had revised their requirements on what information to submit. Activities and age of accounts receivable are no longer required. Accounting will revise Policy 19-139 The Establishment and Maintenance of Accounts Receivable to be broader about requirements that are included in the annual report.

Target Completion Date: January 2024

Risk: Insufficient recovery and collection efforts on receivables may lead to CalSTRS not collecting all monies owed and excessive bad debt write-off.

5. ***Rating/Results:*** ● Accounting has procedures for bad debt write-off though the required write-off period has not been formalized.

Management Action: Accounting uses a standard 30-day timeframe for completing a write-off request which will be added into the procedures. This timeframe is used in a Key Performance Indicator measure presented to the Chief Financial Officer on a quarterly basis.

Target Completion Date: March 2023

AUDIT OF TRAVEL MANAGEMENT

Objective: To assess the adequacy and effectiveness of the travel management process.

Effective Procurement Management

- Practices:**
- Has established a process whereby the travel request and expense reports go through Concur configured workflows.
 - Provides weekly virtual office hours for employees. In addition, employees can access the Travel & Expense Reimbursement Manual (Travel Manual), training, and job aids on the travel forum SharePoint site.
 - Reviews and periodically updates travel policies and procedures.

Strategic Plan: Goal 2: Leading innovation and managing change.

Risk: Inappropriate and/or excess access/permissions assigned to Concur administrators.

- 1. Rating/Results:** ▲ Internal Audits identified over 40% of administrative users can perform tasks that should be segregated, such as creating a new user and assigning their roles and permissions.

Management Action: BusinessDirect System Support (BDSS) modified the Concur system administrator user accounts that were identified and will further assess the recommendations provided in collaboration with Concur Support at SAP. BDSS will also develop a process to periodically perform access reviews to ensure Concur system administrator users do not have roles that conflict with each other, and all Concur users are assigned the minimum roles/permissions necessary to accomplish their tasks.

Target Completion Date: February 2023

Risk: Travel may take place without proper approval.

- 2. Rating/Results:** ▲ Of the travel requests sampled, some were not approved prior to travel. Internal Audit noted improvement after the release of the newly revised Travel Manual

Management Action: The trips not approved prior to travel is mainly due to the Concur system being new and the associated learning curve. The issue has largely been remediated as indicated above. However, Procurement Management will add a control to monitor these approvals by reporting key performance indicators quarterly in the Administrative Services Business Review and Operational Performance Review with Branch percentages.

Target Completion Date: July 2023

Management Action: In addition, Procurement Management will work with BDSS to add a control to generate a quarterly report with a list of travelers, emphasizing the approval requirement prior to travel. A copy of the report will be distributed to the directors/executives of the identified employees as an exception report.

Target Completion Date: April 2023

AUDIT OF TRAVEL MANAGEMENT (continued)

Risk: Expense reimbursement requests are not properly approved, and the process may be inefficient or ineffective.

3. **Rating/Results:** Although a manual process exists to identify and respond to travel reimbursement exceptions, the process is not well defined and documented in the Travel Manual. Internal Audits noted a travel exception that did not adhere to the process.

Management Action: Procurement Management currently tracks all exceptions and provides exception reports to business areas, as requested. Although the one exception noted occurred prior to the launch of the new travel manual, Procurement Management will reassess the current exception process and determine opportunities for additional controls and enhancements.

Target Completion Date: June 2023

Management Action: Procurement Management will work with BDSS to add an indicator in Concur to track all travel expense reports with an exception.

Target Completion Date: December 2023

4. **Rating/Results:** The Travel Manual addresses certain process requirements that are not necessarily consistent with business practices.

Management Action: Although an exception process is followed for these types of requirements, Procurement Management will review the Travel Manual and determine if any revisions are needed. In addition, Procurement Management recognizes that the Travel Manual does need to be revised to accommodate scenarios where the cost outweighs benefits of providing cost comparisons, such as when certain air travel is used.

Target Completion Date: June 2023

Management Action: Procurement Management recognizes the importance of an employee entering or verifying their home address if claiming mileage. However, identifying the home address in the system as a default may cause Personally Identifiable Information issues. Procurement Management will work with Human Resources and BDSS to explore possible Concur solutions to ensure the home address requirement continues to be met and will modify the Travel Manual as needed.

Target Completion Date: December 2023

Risk: Program policies and procedures do not align with industry best practices.

5. **Rating/Results:** The travel program does not have fraud awareness elements, such as travel and expense fraud awareness training.

Management Action: Procurement Management will incorporate fraud awareness elements and best practices in the Travel Forum SharePoint site, Travel computer-based-training, Travel Policy, and Travel Manual.

Target Completion Date: July 2023

AUDIT OF INTERGOVERNMENTAL TRANSFERS

Objective: To assess the adequacy and effectiveness of the intergovernmental transfer process.

Effective Practices: The cost owner of the affected accounts reviewed and approved the journal entry prior to its release. This control ensures that business areas review and confirm each time a direct transfer was posted to their budget. In addition, manual entries for sampled direct transfers were adequately supported and reviewed.

Strategic Plan: Goal 2: Leading innovation and managing change

Risk: Direct transfers may not receive adequate monitoring or management review from the appropriate business area or staff level.

1. Rating/Results: 

Internal Audits reviewed a sample of direct transfers and found that although the cost owner of the affected accounts must approve the journal entry with supporting documentation before it is released, the business area's role and responsibilities in reviewing and approving the journal entries is not formally documented.

Management Action:

Financial Planning, Accounting and Reporting will work with Enterprise Compliance Services to ensure that the business areas' role and responsibilities in reviewing journal entries is documented in existing policy.

Target Completion Date: April 2023

AUDIT OF CONTRACT MANGEMENT

Objective: To assess the adequacy and effectiveness of the contract management process.

Effective Practices: Procurement Management has various resources to support the Business Contract Managers (BCM). BCMs, Technology Services and Facilities Management, are aware these resources are available. In addition, Technology Services and Facilities Management indicated that the BusinessDirect Procurement computer-based training courses provide effective guidance to support them in their role as contract managers.

Strategic Plan: Goal 2: Leading innovation and managing change

Risk: Contract change management is inadequate or ineffective.

1. Rating/Results: ▲

While “key personnel” is defined in some contract documents, the definition differs. As a result, BCMs may be unclear about which contract compliance forms and recertifications are required and for whom and when to process amendments for personnel changes.

Management Action:

Procurement Management will work with the Office of Legal Ethics and Accountability to define contractor key personnel. The information will be updated in the Business Contract Manager Handbook (Handbook) to facilitate effective contract monitoring regarding contract compliance and contract amendments.

Target Completion Date: December 2023

Risk: Contract may be inadequately or ineffectively monitored.

2. Rating/Results: ■

Although some of the sampled contract files contained the relevant contract information, some did not have documents, per the Handbook, such as records of meeting discussions and project status, and notification to the contractor of the start date.

Management Action:

Technology Services and Facilities Management will each develop a process to maintain complete contracting records and ensure compliance with the business areas’ Record Retention Schedule.

Target Completion Date (Facilities Management): August 2023

Target Completion Date (Technology Services): December 2023

3. Rating/Results: ■

Internal Audits identified opportunities to improve requirement language in the Handbook and two contract forms.

Management Action:

Procurement Management will assess contractor compliance requirements and update the Handbook, as needed.

Target Completion Date: December 2023

AUDIT OF SOFTWARE MANAGEMENT

Objective: To assess the adequacy and effectiveness of the software management process.

Strategic Plan: Goal 2: Leading innovation and managing change

Risk: Non-enterprise software may not be licensed or authorized for use by CalSTRS in accordance with the terms of the software license and may not be retained, resulting in financial and reputational loss.

1. Rating/Results: ▲

Enterprise IT Governance (EITG) is not adhering to the policy as written. Specifically, EITG tracks some but not all of the below which may result in financial and reputational loss:

- Software licenses residing on CalSTRS computers and electronic systems.
- Software to know if sufficient quantities of licenses exist.
- Software related items, such as certificates of authenticity, registration cards, original software media. Some items are no longer in use, such as software media and certificates of authenticity.

Management Action:

EITG will review and update the Policy to consider current requirements from business areas, best practices, and value added for tracking of non-enterprise software. The changing technology environment (i.e., cloud, subscription, etc.) along with the following will be considered:

- A. The need and feasibility of centralized tracking and monitoring of software licenses.
- B. The need to track and monitor software licenses for sufficient quantities on CalSTRS authorized equipment.
- C. What software license and user information should be maintained and if applicable in a secure location.

In addition, EITG will communicate and educate on the revised Policy and staff's software needs.

Target Completion Date: December 2023

AUDIT OF HEADQUARTERS EXPANSION COSTS

Objective: To assess the accuracy of headquarter expansion costs.

Effective Facilities Management

Practices:

- Reviews invoices prior to payment and acknowledges on construction manager’s monthly invoice summary sheet.
- Retains copies of invoice approval emails and supporting documentation for HQE invoices.
- Maintains a separation of duties between reviewing invoices and entering in BD for payment.
- Consistently forwards invoices received directly by CalSTRS to the construction manager to be included in the project budget spreadsheet

Strategic Plan: Goal 3: Sustainable organization.

Risk: Invoices were paid for services not yet completed, not included in the contract, or not properly authorized.

1. Rating/Results: 

Facilities Management has an agreement with the construction manager to review project-related invoices and submit to CalSTRS for approval and issuance of payment warrants. Other invoices, such as utilities and furniture, are submitted directly to Facilities Management. Although many of the invoices had evidence of review, some did not. If invoices are not adequately reviewed, CalSTRS may be paying for services not rendered or authorized, however, no such incidents occurred within our audit.

Management Action:

Facilities will implement a process and update procedures to:

1. Ensure all invoices are signed/initialed by the construction manager as evidence of their review prior to payment and
2. Review and signoff all invoices submitted directly to CalSTRS.

Target Completion Date: February 2023

AUDIT OF SECURITIES LENDING - GRANT THORNTON


Objective: Assess the adequacy and effectiveness of internal controls over CalSTRS' securities lending process

Effective Practices: CalSTRS effectively performs the following:

- Manages a network of vetted lending agents that find qualified borrowers and execute securities lending transactions
- Generates additional income for CalSTRS through the lending of fixed income and equity securities
- Shifts certain reporting and compliance tasks to the lending agents, alleviating burden on CalSTRS' staff
- Ensures daily and monthly reporting from lending agents are timely and accurately


Strategic Plan: Goal 1: Trusted stewards - Ensure a well governed, financially sound trust fund.

Risk: A documented review and approval process may not exist to ensure the governance processes are followed and decisions are documented.

1. **Rating/Results:**  While Securities Lending discussed the acceptable non-cash collateral types in the master Securities Lending Program Guidelines, the review and approval was not documented. Recording the decisions and approvals provides up-to-date clarity on acceptable non-cash collateral types.

Management Action: Securities Lending will formally document in writing the review and approval of updates to the permitted non-cash collateral types and any other relevant section of the Securities Lending Program Guidelines going forward.

Target Completion Date: April 2023

2. **Rating/Results:**  In June 2016, Securities Lending received Board approval to change the method by which the Securities Lending Program Annual Report is provided. Although the Securities Lending Policy was revised in April 2017 and March 2019, the change in reporting method was not reflected. An opportunity exists to maintain a list of changes that need to be made to the policy to be included in the next revision.

Management Action: Securities Lending will maintain a list of changes that need to be made to the policy in the next iteration. In addition, Securities Lending will update the language concerning the presentation of the Annual Report to the Board in the policy through the appropriate approval process.

Target Completion Date: April 2023

AUDIT OF CURRENCY MANAGEMENT – GRANT THORNTON


Objective: Assess the adequacy and effectiveness of internal controls over the currency management process.

Effective Currency Management:

- Practices:**
- Uses a consistent process to review and report performance
 - Consistently reports results up to the Investment Committee
 - Adheres to performance objectives
 - Utilize the tools to analyze and obtain best execution prices

Strategic Plan: Goal 1: Trusted stewards - Ensure a well-governed, financially sound trust fund.


Risk: Due diligence may not exist to provide adequate oversight over third parties.

1. Rating/Results:  While a qualitative review of external advisor due diligence questionnaires exists, an opportunity exists to strengthen the review process. For example, one of the questionnaires received from an external advisor did not include complete and adequate responses. Robust due diligence processes assist CalSTRS in maintaining compliance with laws, regulations and CalSTRS policies.

Management Action: Currency Management Program (CMP) will be adopting the standard questionnaire and review process that is currently utilized and approved by CalSTRS Investment Branch and is consistent with existing regulations and CalSTRS policy.

Target Completion Date: September 2023

Risk: Currency Management procedures may not be up-to-date.

2. Rating/Results:  Procedures to perform portfolio management, fund transactions, and external manager oversight initially did not exist. During the audit, Currency Management developed procedures. Although the procedures outline workflows, we identified opportunities for improvement. Specifically, the procedures did not clearly identify which positions perform the steps over the internal manager trading functions and external manager oversight. Industry best practices require procedures for investment trade desks to ensure consistency of the process and compliance with policy requirements.

Management Action: The current desk manual procedures and review will be enhanced to include general personnel oversight and directive responsibilities according to classification for internal trading desk activities and operations as well as external manager oversight responsibilities and review.

Target Completion Date: June 2023

AUDIT OF SYSTEM IMPLEMENTATION (SOFTWARE DEVELOPMENT LIFECYCLE) – WEAVER AND TIDWELL

Objective: To assess the adequacy and adherence to the software development life cycle (System Implementation).

Effective Practices:

1. The Technology Services’ Project Management Program and Financial Services’ BusinessDirect System Support implemented the HR Link and Concur applications that are in production and are used with positive results by end users.
2. The Technology Services’ Project Management Program and Financial Services’ BusinessDirect System Support Project managers and other individuals in roles with responsibilities related to system implementation understand the need to follow appropriate policies and procedures.
3. The Technology Services Project Management Program developed templates for a variety of deliverables supporting the system implementation process.

Strategic Plan: Goal 2: Leading innovation and managing change.

Risk: Project Managers and additional individuals who have critical roles as part of system implementations may not have clear and current guidance available for their work performance, potentially resulting in deliverables not being created in line with expectations or the needs of CalSTRS.

1. **Rating/Results:** ▲ Project management policies, standards, and guidelines need to be aligned and updated. Available policies, standards, and guidelines do not provide clear guidance to project managers regarding project deliverable requirements.

Management Action: Technology Services’ Project Management Program (PMP) agrees with the finding. PMP policies, standards, and guidelines will be updated and aligned to ensure clear guidance on project deliverable requirements.

Target Completion Date: December 2023

AUDIT OF SYSTEM IMPLEMENTATION (SOFTWARE DEVELOPMENT LIFECYCLE) – WEAVER AND TIDWELL (continued)

Risk: Steps associated with an implementation may not be performed at the expected level of completeness and accuracy, potentially allowing the application to be implemented with defects impacting its functionality or data completeness and accuracy. Deliverables may not be available as reference for future changes, potentially impacting the ability to implement future upgrades in a timely and accurate manner.

2. **Rating/Results:** ▲ Select required deliverables were not created, available, or complete in support of the HRLink and Concur implementations.
- 10 of 32 required deliverables for HRLink implementation and 10 of 32 for the Concur implementation were not available for review.
 - 13 deliverables for HRLink and 8 deliverables for Concur did not include all required information or approvals.

Management Action: For the sampled projects, vendors were contracted to plan, manage, implement, and maintain their Software as a Service (SaaS) products. Contracted vendors brought with them, their expertise, project management methodologies, tools, and documents. Minimum SaaS project document expectations had not yet been documented by CalSTRS. The new implementation type as contracted resulted in CalSTRS' reliance on vendor documentation of which not all was downloaded and saved to CalSTRS controlled repositories.

Technology Services' Project Management Program (PMP) agrees with the finding. The PMP will update processes to ensure future PMP deliverables are created, approved, and available for review.

Target Completion Date: December 2023

Risk: Expected deliverables for completed projects may not be available. Adequate support and references may not be available for future projects in need of information and data related to the implementation of past projects.

3. **Rating/Results:** ■ Final project deliverables were not retained in central repositories. HRLink and Concur project deliverables were not retained in CalSTRS Project Archive and Technology Services' central repositories at completion.





Management Action: Technology Services' Project Management Program (PMP) agrees with the finding. PMP will update processes to ensure future PMP project deliverables are retained in a central repository

Target Completion Date: December 2023

FOLLOW UP ON INTERNAL AUDIT FINDINGS

Following is a corrective action status summary for internal audit findings as of December 31, 2022. Any audit findings over one year that are in progress and with the highest rating (◆), if any, will have additional information on the management actions. Resolved findings are reported to the committee upon corrective action implementation and do not appear in subsequent status reports. Each finding is rated using the following Finding Significance Rating Scale.

FINDING SIGNIFICANCE RATING SCALE

	Design of controls is adequate in addressing key risks, providing a reasonable level of assurance that objectives are being achieved. Controls/policies/procedures are documented, up-to-date, and monitored. Controls are fully implemented and operating effectively and efficiently. Identified high level of compliance with laws/regulations/policies/procedures. Some improvement opportunities have been identified but not yet actioned.
	Design of controls is adequate and effective in addressing key risks, but do not provide complete assurance that all objectives will be achieved. Controls/policies/procedures are documented, up-to-date, and monitored, but there are some gaps in the documentation relied upon to provide evidence that the key controls are operating effectively. Controls are operating as intended, but there is opportunity to improve the effectiveness or efficiency of the control. Identified general compliance with laws/regulations/policies/procedures with a few minor exceptions. There are some opportunities to improve existing controls, strengthen compensating controls and/or awareness of the controls.
	Design of controls only partially address key risks, but do not provide adequate assurance that all objectives will be achieved. Controls/policies/procedures documentation is incomplete, unclear, or outdated, and not monitored. Controls are not operating consistently and/or effectively or have not been fully implemented. Unable to confirm the effective operation of key controls. Examples of non-compliance with laws/regulations/policies/procedures and there are opportunities to develop new controls to provide a more appropriate level of assurance. There is a cost/benefit advantage to implement improvement opportunities.
	Design of controls is ineffective in addressing key risks or no process exists to manage the risk. Controls/policies/procedures documentation does not exist. Controls are not in operation or have not yet been implemented. There are significant breaches of compliance with laws/regulations/policies/procedures. Immediate need for corrective and/or improvement actions to be undertaken.

SUMMARY OF INTERNAL AUDIT FINDINGS

Resolved – Audit Services validated finding is resolved by management’s corrective actions.

In Progress – Management is in the process of addressing the audit finding.

FINDINGS OVER ONE YEAR OLD

AUDIT: Data Governance

Finding 2B: Data owner and data steward training and communication to new and existing staff could be formalized.

Significance Rating:  Resolution Status: **Resolved**

AUDIT: Workforce and Succession Planning

Finding 2: A documented methodology for assessing the talent pipeline’s current competencies and overall readiness was not included within the workforce and succession plan.

Significance Rating:  Resolution Status: **Resolved**

AUDIT: Production Data and Application Development Access

Finding 1: Two staff and two contractors (Release Managers) have authority to release projects into production, and all four staff have access to develop systems.

Significance Rating:  Resolution Status: **Resolved**

Finding 2: The SDLC is silent on testing requirements for Content changes.

Significance Rating:  Resolution Status: **Resolved**

Finding 3: Developers have unlimited access to check out codes from the TFS repository to make changes/edits. Code change activities in the repository are not monitored.

Significance Rating:  Resolution Status: **In Progress**

AUDIT: Sustainable Investments and Stewardship Strategies (SISS)

Finding 3: The annual audit of Viewpoint by SISS, which evaluates whether eligible Portfolio accounts have been added, can be strengthened.

Significance Rating:  Resolution Status: **In Progress**

Finding 4: SISS could further strengthen monitoring controls over proxy voting and the Glass Lewis – Viewpoint application used to administer proxy voting.

Significance Rating:  Resolution Status: **In Progress**

AUDIT: Account Management and Performance Reporting

Finding 3: Incident memos do not consistently include relevant information and a centralized process to monitor and report remediation status after memo released to CalSTRS does not exist.

Significance Rating:  Resolution Status: **Resolved**

FINDINGS LESS THAN ONE YEAR OLD

AUDIT: Audit of Third-Party Vendor – Genesys Cloud Services, Inc.

Finding 1: Genesys did not always include important elements in the Work Authorization forms, and Internal Audits was unable to determine if the work authorizations were received prior to Genesys beginning work.

Significance Rating:  Resolution Status: **In Progress**

Finding 3: Genesys does not retain all documentation to support the Design, Development, and implementation of projects.

Significance Rating:  Resolution Status: **In Progress**

Finding 4: The CalSTRS approving officials did not sign the Deliverable Acceptance Form, and the Deliverable Acceptance Form was not provided with Genesys' monthly invoices. In addition, Genesys did not provide a Deliverable Expectation Document for each project deliverable.

Significance Rating:  Resolution Status: **In Progress**

Finding 5: Genesys did not show full conformance with the Americans with Disabilities Act (ADA)/Web Content Accessibility Guidelines (WCAG) 2.0 AA success criteria.

Significance Rating:  Resolution Status: **In Progress**

Finding 6: Genesys does not provide the Service Level Agreement monthly performance report by the 10th calendar day of the following month.

Significance Rating:  Resolution Status: **In Progress**

Finding 7: Genesys submitted invoices with two missing required elements.

Significance Rating  Resolution Status: **In Progress**

AUDIT: Death and Survivor Benefits

Finding 1: DaSB does not have an established process to actively manage and monitor suspended accounts. One-third of the cases sampled had errors that were not properly documented in event tracking, where all account activity should be documented.

Significance Rating:  Resolution Status: **In Progress**

Finding 3.1: A discrepancy was noted in the number of deaths reported and cases assigned. Although all cases were set up as needed, discrepancies were not consistently documented.

Significance Rating  Resolution Status: **Resolved**

Finding 4: Based a sample review of case summaries, DaSB did not always complete all steps in preparing the case summary as required by the documented procedures.

Significance Rating  Resolution Status: **Resolved**

Finding 5: DaSB does not require the completion of certain forms or steps mentioned in the detailed procedures to process death and survivor benefits. As a result, actual practices and documented procedures do not agree in some areas.

Significance Rating:  Resolution Status: **Resolved**

AUDIT: Mail & Receiving

Finding 1: Many Information Technology (IT) goods were not asset tagged and entered into BusinessDirect (BD) due to an unexpected large shipment of goods. In addition, the IT goods were located in more than one unsecured location.

A. Designate a secure location for applicable equipment to be asset tagged and entered into BD.

Significance Rating:  Resolution Status: **In Progress**

B. Consider establishing a policy requiring business areas to inform Facilities Management of large purchase orders so appropriate resources are available to process and secure the orders.


Significance Rating:  Resolution Status: **In Progress**

C. Re-assess the process to ensure focus on asset tagging of goods and entry into BD timely.

Significance Rating:  Resolution Status: **Resolved**

Finding 2: An opportunity exists to improve the recordkeeping of Purchase Orders (POs).

A. Written initials and receipt date designating receipt of goods were not on the hard copy PO.

Significance Rating  Resolution Status: **Resolved**

B. Some valuable goods are not included in the procedures to be asset tagged.

Significance Rating:  Resolution Status: **In Progress**

C. Completed POs were not scanned and entered in Corporate Imaging, as required in the procedures.

Significance Rating  Resolution Status: **Resolved**

Finding 3: Checks received as part of incoming mail should be secured until delivered to Accounting:

A. Evidence of the transfer of custody of checks was not available.

Significance Rating:  Resolution Status: **Resolved**

B. The combination to the safe utilized to store checks was not periodically changed.

Significance Rating:  Resolution Status: **In Progress**

C. Copies of checks with protected personally identifiable (PII) information were unsecured overnight within the mail room.

Significance Rating:  Resolution Status: **Resolved**

D. A secondary review of checks received by Facilities Management does not exist.

Significance Rating:  Resolution Status: **Resolved**

Finding 5: Equipment used to generate postage was not secured to prevent improper use as noted:

A. Equipment to prepare postage for shipping - postage meter, weight machine, and postage printer, as well as the password to access the postage meter are readily accessible to all staff.

Significance Rating:  Resolution Status: **Resolved**

B. Access to the mail room, where a postage meter is located, is not limited to authorized staff and approved contractors.

Significance Rating:  Resolution Status: **Resolved**

AUDIT: Transfer Employees System Access

Finding 1: ITI&O does not have a required process to document completion of user access changes. In addition, ITI&O does not perform quality reviews of completed tickets for user access changes.

Significance Rating:  Resolution Status: **Resolved**

Finding 2: When an employee transfers within CalSTRS, supervisors may request extended access either on the service request ticket or by using the optional supervisor questionnaire. ITI&O relies on the supervisor to request removal of the extended access. Internal Audit identified the following opportunities to improve the process:

A. The current supervisor questionnaire has outdated verbiage, is infrequently used by supervisors, and may be a redundant process. Of the service requests sampled, requests for extended access were done via the service request tickets instead of the supervisor questionnaire.

Significance Rating:  Resolution Status: **In Progress**

B. Instruction to supervisors of their responsibility to request the removal of the employee's temporary access once it is no longer needed is absent.

Significance Rating:  Resolution Status: **In Progress**

Finding 3: The Separation/Transfer Policy states HR is responsible for reviewing and filing the completed AD 1021 form for separating and transferring employees. HR did not consistently retain the form as required by policy and procedures in the employee's Official Personnel File.

Significance Rating:  Resolution Status: **In Progress**

AUDIT: Strategic & Business Planning

Finding 1: For the strategic and business planning processes, ESM does not have formalized procedures for some key activities.

Significance Rating:  Resolution Status: **In Progress**

AUDIT: Application Incident Management

Finding 1: Comprehensive monitoring of events is not performed for web applications, and Electronic Content Management Solution (ECMS) automated end-to-end monitoring, tracing of transactions, and middleware status monitoring was not available for the sampled web applications. Availability of application servers, web servers, and database servers was checked periodically throughout the day, with communication regarding status being sent out to appropriate managers and staff.

Significance Rating:  Resolution Status: **In Progress**

Finding 2: Events (incidents, alarms, and alerts) identified by the current level of server monitoring were not logged and maintained for a pre-determined period of time. Notifications of server- related events were sent to managers and staff responsible for maintaining the applications; however, retention of such information was dependent of the managers and staff storing email messages.

Significance Rating:  Resolution Status: **In Progress**

Finding 3: Alerts associated with routine incidents that can be resolved quickly did not always result in the creation of a service ticket. Alarm and alert logging data was not available to quantify the number of potential incidents not associated with a service ticket.

Significance Rating:  Resolution Status: **In Progress**

Finding 4: The Incident Ticket Management Expectations document did not provide sufficient specific guidance for how tickets should be documented. Statements were not descriptive enough to provide clear direction regarding how tickets should be documented.

Significance Rating:  Resolution Status: **In Progress**

Finding 5: The application incidents handling process did not consistently include elements, such as identification and documentation of technology weaknesses, single points of failure and errors; development of response templates, playbooks, or scripts; formalization of the decision-making authority to initiate the incident response plan in response to application incidents.

Significance Rating:  Resolution Status: **In Progress**