

Employer Audit Reports Issued from January 1, 2020, to October 8, 2020

No.	Employer	Date Issued	Systemic Reporting Error	Number of Findings
1	Ednovate-USC Hybrid High	1/9/2020	YES	2
2	Bakersfield City SD	1/9/2020	YES	2
3	Kings River-Harwick Union Elementary	1/9/2020		1
4	Thermalito Union Elementary	1/9/2020	YES	2
5	Snowline Joint USD	1/9/2020	YES	2
6	Linden USD	2/20/2020	YES	1
7	Education for Chance @ Cox El	2/20/2020	YES	2
8	Dry Creek Joint Elementary	2/20/2020	YES	2
9	Barstow USD	2/20/2020	YES	1
10	Baldy View Regional Occupation	2/20/2020	YES	2
11	Gateway High Charter	2/20/2020	YES	3
12	Santa Rosa	2/20/2020		2
13	Century Community Charter	2/20/2020	YES	4
14	Glenn County Office of Education	2/27/2020		0
15	Hermosa Beach City Elementary	2/27/2020	YES	2
16	Mendocino-Lake CCD	2/27/2020	YES	2
17	Travis Unified School District	2/27/2020	YES	4
18	Carpinteria USD	3/5/2020		0
19	Marin County Office of Education	3/5/2020		0
20	Sunol Glen USD	3/5/2020	YES	2
21	San Juan USD	3/12/2020		1
22	Alliance Leadership Middle Academy	6/4/2020	YES	4
23	Alliance Margaret M. Bloomfield	6/4/2020	YES	4

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24	Alliance Alice M Baxter College-Ready HS	6/4/2020	YES	5
25	Alliance College-Ready Middle	6/4/2020	YES	3
26	Millbrae Elementary	6/18/2020	YES	2
27	San Diego USD	6/18/2020	YES	1
28	Atascadero USD	7/23/2020	YES	2
29	Campbell Union Elementary	7/23/2020	YES	1
30	Pomona USD	7/30/2020	YES	1
31	Sierra Joint CCD	7/30/2020		0
32	Calaveras County Office of Education	8/6/2020	YES	1
33	Sacramento City USD	8/6/2020	YES	5
34	Wilsona Elementary	8/13/2020	YES	5
35	Susanville Elementary	8/13/2020	YES	2
36	East Side Union High	8/13/2020	YES	3
37	Klamath-Trinity Joint USD	8/20/2020	YES	4
38	Redding School of Arts #2	8/20/2020	YES	3
39	Vallecito USD	8/27/2020	YES	2
40	Berkeley USD	9/3/2020	YES	3
41	Byron Union Elementary	9/3/2020	YES	2
42	Mt. Pleasant Elementary SD	9/3/2020		0
43	Placer COE	9/10/2020		0
44	Imperial County Office of Education	9/17/2020	YES	1
45	Yolo County Office of Education	9/17/2020		2
46	Butte CCD	9/17/2020	YES	2
47	Central Union High	9/17/2020	YES	3
48	Hanford Joint Union High	9/17/2020	YES	1
49	Monterey Peninsula USD	9/24/2020		1

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50	Alameda COE	9/24/2020	YES	8
51	Calipatria USD	9/24/2020	YES	2
52	River Delta JUSD	10/1/2020	YES	1
53	San Joaquin COE	10/1/2020		0
54	Palomar CCD	10/1/2020	YES	2
455	Tahoe Truckee USD	10/8/2020	YES	3
56	Oxnard Elementary	10/8/2020	YES	1
57	Amador County USD	10/8/2020	YES	2
58	Inyo COE	10/8/2020		1
59	Imperial CCD	10/8/2020		0
60	East Whittier City ESD	10/8/2020		2
	Totals:	60	45	122
<p><u>Notes:</u> Yes - 45 audits disclosed a high risk of systemic reporting errors related to incorrect reporting of compensation or sick leave data which could potentially impact the district and member accounts.</p> <p>8 No Finding Audits</p>				

Limited Scope & Full Scope Audits – Employers with Systemic Findings			
	Audits	Employers with Systemic Findings	Percentage of Employers with Systemic Findings
Limited-Scope Audits	49	38	78%
Full-Scope Audits	11	7	64%
Totals	60	45	75%

2020 Internal Audit Plan – Internal Audit Mid-Year Progress Report

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OPERATIONS PERFORMANCE REPORTING









Objective: To evaluate the adequacy of the Operations Performance Review (OPR) Report.









- Effective Practices:**
- Enterprise Strategy Management (ESM) has a process that includes:
 - o Password protected spreadsheets that restrict data entry to appropriate business areas.
 - o Business areas and Executives’ final reviews for quality assurance.
 - ESM and HR have processes and procedures in place to ensure their respective KPIs are accurately calculated, consist of a sound methodology, and have a title that adequately represents the measure: Percent of Mandatory Separation Activities, Percent of HISS Packets, Percent of Probation Reports, Business Plan Initiatives, CalSTRS Time to Fill.

Strategic Plan: Organizational Strength: Grow capacity and enhance efficiency in alignment with the mission and vision.
Objective B: Improve business processes and reduce costs.

RISK: THE MEASURE MAY NOT ADDRESS THE RISK, BE CALCULATED CONSISTENTLY OR BE REPORTED ACCURATELY.

<i>Results</i>	<i>Management Action</i>
<p> 1. The naming description does not reflect the data calculation method for two Key Performance Indicators (KPIs) included in the OPR Report.</p> <p>A. The KPI “Percent of Changes Required for Final Trip Reimbursement Settlement” implies we are measuring changes, not individual trips which require changes before reimbursement, as used in the calculation.</p> <p>B. The KPI “Percent of New Supervisors Completing Mandatory Training within 12 Months” states new supervisors. However, the actual calculation includes both new supervisors and existing managers who self-certify. Additionally, Training Services does not have written procedures for this KPI.</p>	<p>Business areas will work with ESM to establish the following:</p> <p>A. Accounting will revise the description.</p> <p>Target Completion Date: Complete but not validated by Audit Services.</p> <p>B. Human Resources will revise the KPI descriptions and calculation method to these three measures:</p> <ul style="list-style-type: none"> • “% of New Supervisors Completing Mandatory Training within 12 Months.” • “% of New Managers Completing Mandatory Training within 12 Months.” • “% of New CEAs Completing Mandatory Training within 12 Months.” <p>Additionally, Training Services will develop written procedures.</p> <p>Target Completion Date: Complete and validated by Audit Services.</p>

SUMMARY - Findings Less Than One Year Old			
Audit Projects	Significance Rating	Resolution Status	Findings
BusinessDirect		In Progress	Finding 2A: Policies (Information Security, Password Security, & BD Access) relevant to security administration are not reviewed, updated and approved to reflect the current related processes and procedures. Additionally, policies did not contain the key aspects of security administration.
		In Progress	Finding 2B: Change Management Policy is not reviewed, updated and approved on a periodic basis.
		In Progress	Finding 2C: Batch process procedures have not been reviewed, approved and updated since November 2015.
		In Progress	Finding 2D: The data recovery plan is within the disaster recovery plan and was last reviewed in April 2015. The schedule listed in the Data Retention Policies do not reflect the current configuration settings that CalSTRS has data retention processes occurring.
		In Progress	Finding 3A: The BD password settings for administrators, contractors and vendors are not in line with the password policy.
		Resolved	Finding 5: Activities performed by those assigned temporary elevated access (firefighter role) are not consistently monitored.
		In Progress	Finding 9C: User access review is not performed for the 000 client; unauthorized users could potentially move changes to the production environment.
Real Estate Investments		Resolved	Finding 1: Grant Thornton noted evidence of review for management fees is not consistently documented. The Real Estate Investments team indicated it plans to hire an independent consultant to review and reperform management fee calculations for accuracy in 2020. Documentation of review and/or re-calculation of management fees may prevent over payments to investment managers/general partners.

SUMMARY - Findings Less Than One Year Old			
Audit Projects	Significance Rating	Resolution Status	Findings
Real Estate Investments (cont.)		Resolved	Finding 2: Current processes do not require the Real Estate Investments team to provide individual specific explanation for pricing variances. The Real Estate Investments team provides a single high-level explanation of pricing variances noted. Explanation and documentation to support the variances, would allow Investment Operations to determine the reasonableness of individual variances to prevent errors. Having identified potential gaps with the current process, Investment Operations developed a plan in October 2018, to adjust the roles and responsibilities to enhance the review authority. This may require training the Operations team to ensure proper knowledge and understanding of valuations.
Incentive Comp		In Progress	Finding 1: HR relies on a key experienced staff for processing of incentive compensation. Ensuring more than one staff has the knowledge to process incentive compensation increases operational efficiency and effectiveness.
		Resolved	Finding 2A: The review by a Personnel Specialist of the incentive compensation spreadsheet.
		In Progress	Finding 2B: The notification of the HR Director about low Annual Performance Reviews (APR) scores.
		In Progress	Finding 2C: The notification of total award amount to Cash Accounting.
Employer Reporting		Resolved	Finding 1A: Correspondence to employers for late reporting was not retained.
		Resolved	Finding 1B: Documentation of communication and retention of correspondence to new charter schools that did not select CalSTRS for retirement.
		Resolved	Finding 2: To retain the history of missing units, the reviewer can notate the date of receipt of the contributions to the original extract.

High Rated Findings Over One Year Old

IA19-02 On-Site Contractors
Branch: Administrative Services

Report Date: June 1, 2019

Finding 1: CalSTRS' Code of Ethics and Business Conduct discusses potential instances of conflicts. Although personal history statements are checked for completeness and signature, a process on how to record, review, respond, and monitor a contractor disclosure of a potential conflict of interest has not been developed. Establishing a process would further protect CalSTRS from unethical operations. - In Progress

Management Action

Procurement Management (Procurement) will identify who is responsible to review contractor personal history statements. Once decided, Procurement will work with Human Resources to develop written procedures on recording, reviewing of these statements across the organization, responding and monitoring any disclosures. Procedures will include when and how to implement safeguards, if necessary.

Status Per Management

Procurement Management has developed a checklist for CPAs to review and verify for potential conflicts of interest; however, a formal escalation process has not been implemented. Collaboration with HR to determine the process flow and point of contact will need to be established; still in infancy stage as of June 2020. Target completion date was updated from June 2020 to December 2020.

Finding 2: Procurement does not have an established process to guide Business Contract Managers on the collection, review, and retention of contractor background investigation certifications and personal history statements submitted after the originally approved contract package. Collection, review and retention of amended forms provides CalSTRS with the necessary knowledge to adequately address any risks or concerns disclosed. – In Progress

Management Action

Procurement Management will work with Human Resources to develop written procedures on the collection, review, and retention of amended contractor background investigation forms and amended personal history statements to ensure both are reviewed and processed timely.

Status Per Management

There is not a revised Background Investigation Policy (Policy) and procedures. A process will be developed when the Policy is approved. The Policy needs to be reviewed and placed in the new policy format. Target completion date was updated from June 2020 to December 2020.

IA19-06 Vendor Registration Audit
Branch: Administrative Services

Report Date: June 19, 2019

Finding 1: Procurement does not validate the legitimacy of the vendor by confirming existence. Vendors are only required to complete a Business Partner Form to register with CalSTRS. Vendor validation provides greater assurance that appropriate payments are made to legitimate vendors. - In Progress

Management Action

Procurement Management will research and implement the best approach to validate vendor legitimacy for the highest risk vendors outside of the solicitation process.

Status Per Management

Procurement Management does not have the resources currently to work on this item. Target completion date was updated from June 2020 to December 2020.

Finding 6: A procedure to monitor and maintain the vendor master file within BusinessDirect does not exist. As a result, the current vendor database includes inconsistent naming conventions, incomplete information, and potential inactive or duplicate vendors. Monitoring and maintaining the vendor master file reduces the risk of inaccurate vendor data and potential unauthorized payments. – In Progress

Management Action

Procurement Management will document current processes to update the vendor master file and establish an ongoing periodic review schedule.

Status Per Management

Partners only maintains part of the data, but this will be included in the Vendor Management Policy. Target completion date was updated from June 2020 to December 2020.