

Summary of Financial Statement Audit Management Letter Comments
Prior Year Report
As of June 30, 2021

Audit Management Letter Comments for the Year Ended 06/30/20

Fiscal Year 2019-20

Observation #1: Review of Financial Statement Classifications

BDO observed that a portion of the Government issued Treasury Bills that had short term maturities were inappropriately recorded in Global Debt Securities instead of Short-Term Investments. Also, BDO observed that a non-employer contribution made was classified inappropriately as an employer contribution. Although these classification errors were not material either quantitatively or qualitatively, both reclassifications were proposed by BDO and corrected by management. The errors appear to be as a result of a lack of internal control in place to review all financial statement categories for proper classification for financial reporting purposes. These errors and the subsequent corrections had no impact on total investments or total additions but only a change within the correct financial statement line item.

In order to record correct classification of each type of financial statement category, CalPERS management should implement a control during year end to review all financial statement categories to assess whether reclassifications are necessary including for investments and additions to ensure each financial statement area is properly classified.

Financial Office's Current Update: RESOLVED. The classification errors discovered during last year's closing of our books were all corrected and had no material effect on our statements. The Investment Office worked with State Street to record assets upon receipt and subsequent position categorization in Fund Accounting. These changes were implemented prior to the end of last fiscal year. As the independent verifier of investment holdings, the Financial Office has developed a process through Bloomberg to look up classifications separately at year end.