



Risk and Audit Committee

Agenda Item 4c

June 17, 2025

Item Name: Quarterly Status Report – Office of Audit Services

Program: Office of Audit Services

Item Type: Information Consent

Executive Summary

In accordance with the International Standards for the Professional Practice of Internal Auditing (Standards), the Office of Audit Services (OFAS) presents its Quarterly Status Report of audit activity. The following provides the status of projects and activities as of December 31, 2024.

Strategic Plan

This item is not a specific product of the Strategic Plan but is required by the OFAS Audit Resolution Policy and Charter.

Background

On a quarterly basis, OFAS updates the Risk and Audit Committee (RAC) on audit activity and audit resolution status.

Analysis

Employer Compliance Reviews

During the second quarter, OFAS completed 47 reviews with a total of 134 observations and started 28 new projects.

The Employer Account Management Division (EAMD), and Pension Contracts and Prefunding Programs Division (PCPP) reported 18 observations were resolved, of which one was aged three to four years, two were aged two to three years, six were aged one to two years, and nine were aged less than one year. This leaves 296 observations open as of December 31, 2024, of which four were aged three to four years, 16 were aged one to two years, and 276 were aged less than one year. For observations aged more than one year, EAMD and PCPP have provided their annual corrective action plans and will continue working toward resolving the observations. In addition, OFAS

validated 26 resolved observations during the quarter. Please refer to Attachment 1 for additional information on employer compliance observations.

Internal Audits

During the second quarter, OFAS completed two internal audits with three observations. The observations were in compliance and operational areas relating to the responsiveness of reporting the cost and fees associated with investment related advisory services as required by State law, and the effectiveness of controls and oversight of the System Investigation Request (SIR) process.

As of December 31, 2024, three unresolved internal audit observations were over one year old. Two observations are related to the Review of Compliance Programs, which we reported in the prior RAC meetings beginning in November of 2023. The third is related to the PeopleSoft HCM User Access Management review and was reported in the prior RAC meetings beginning in February 2024. The divisions have provided corrective action plans for each of the three outstanding observations and will continue working toward resolving the observations. During the quarter, three observations were resolved, leaving eight observations open.

Status of Audit Plan

The Fiscal Year 2024-25 Board-Approved Audit Plan is in progress. As required by the Standards, we review and adjust the audit plan, as necessary, in response to changes in the organization's business, roles, operations, programs, systems, and controls.

OFAS will defer its review of Member Separations because EAMD is currently revising its processes in this area. OFAS will review the risks associated with this process once the new process is in place.

Budget and Fiscal Impacts

Not Applicable.

Benefits and Risks

The Quarterly Status Report of audit activity provides periodic reporting to the Board regarding performance relative to the audit plan and other matters needed or requested. The periodic reporting of this information to the Board is in accordance with the Standards, OFAS Audit Resolution Policy, and OFAS Charter. The risk of not reporting periodically is non-compliance with the Standards.

Attachments

Attachment 1 – Employer Compliance Review - Open Observations Over 1 Year

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