



Risk & Audit Committee

Agenda Item 4d

February 17, 2026

Item Name: OFAS External Quality Assessment (EQA) Vendor Selection

Program: Audit Services

Item Type: Action Consent

Recommendation

Approve the selection of the proposed vendor to conduct OFAS' EQA in accordance with the Institute of Internal Auditor's (IIA) Global Internal Audit Standards.

Executive Summary

The OFAS leadership team applied the board-approved criteria to identify an independent and qualified EQA vendor. The proposed vendor has the necessary specialized skills and experience required to perform the EQA of OFAS.

Strategic Plan

This item is not a product of the Strategic Plan as it is required by Audit Standards. The EQA will, however, support OFAS' strategic objective to enhance standards, performance, and improvement.

Background

Government Code section 13886.5 requires all state agencies that have their own internal auditors or conduct internal audits to conduct internal audit activity under the standards of the Institute of Internal Auditors or the Government Auditing Standards issued by the Comptroller General of the United States, as appropriate.

Section 8.4 of the IIA Standards requires an EQA of the internal audit function to be performed at least once every five years by a qualified, independent assessor or assessment team, or through a self-assessment with independent evaluation. The use of an independent assessor provides an opportunity for additional alignment with best practices.

The chief auditor must develop an EQA plan and solicit the board for input and approval. When evaluating the proposed plan, the essential conditions defined for the board are:

- Discuss with the chief audit executive the plans to have an EQA of the internal audit function conducted by an independent, qualified assessor or assessment team.
- Collaborate with senior management and the chief audit executive to determine the

scope and frequency of the EQA.

- Consider the responsibilities and regulatory requirements of the internal audit function and chief audit executive, as described in the internal audit charter, when defining the scope of the EQA.
- Review and approve the chief audit executive's plan for the performance of an EQA. Such approval should cover, at minimum:
 - The scope and frequency of assessments.
 - The competencies and independence of the external assessor or assessment team.
 - The rationale for choosing to conduct a self-assessment with independent validation instead of an external quality assessment, if applicable.
- Require receipt of the complete results of the EQA or self-assessment with independent validation directly from the assessor.
- Review and approve the chief audit executive's action plans to address identified deficiencies and opportunities for improvement, if applicable.
- Approve a timeline for completion of the action plans and monitor the chief audit executive's progress.

In September 2025, the CalPERS Board of Administration (board) approved the qualification criteria for OFAS' EQA vendor.

Analysis

Conducting EQAs is a highly specialized service conducted by a small group of well-known vendors. OFAS identified Baker Tilly Advisory Group, LP as the independent firm that meets the qualification criteria approved by the board to conduct OFAS' 2026 EQA. Baker Tilly's qualifications related to the board-approved criteria are listed below:

At least one member of the EQA team is required to hold an active Certified Internal Auditor designation.

Baker Tilly's four-person assessment team includes two Certified Internal Auditors.

Confirmation that the EQA team does not have a conflict of interest of any kind with the CalPERS organization.

Baker Tilly has not previously contracted with CalPERS for any services and has confirmed that its team does not have any conflicts of interest with the CalPERS organization.

Experience with and knowledge of the IIA's Global Internal Audit Standards and International Professional Practices Framework (IPPF).

Baker Tilly has extensive experience with the IIA's Global Internal Audit Standards and International Professional Practices Framework. In addition to conducting numerous EQA's under the IIA standards, and holding Certified Internal Audit designations, the EQA team is also actively involved with the IIA, including delivering numerous professional education presentations. Additionally, Further Baker Tilly has applied their experience and knowledge

of the Global Internal Audit Standards and IIA's Professional Practices Framework by serving as the outsourced internal auditors for numerous public sector clients.

Experience as a chief audit executive or at a comparable level of internal audit management.

Baker Tilly's three of the four engagement personnel have experience serving as chief audit executives or internal audit directors across both public and private sectors.

Previous experience performing EQAs.

Baker Tilly has conducted more than 60 EQAs based on the IIA's Global Internal Audit Standards and International Professional Practices Framework over the past decade and has identified opportunities to improve the efficiency and effectiveness of internal audit activities.

Experience performing EQAs for governmental entities and/or public pension funds.

Baker Tilly has experience performing EQA's for governmental entities at both the State and local level. The EQA team that would conduct OFAS's assessment works exclusively with public sector-clients year-round. Additionally, the EQA team has experience working with public sector retirement system clients in various capacities.

Completion of EQA trainings that are recognized by IIA.

Baker Tilly has completed EQA training through a variety of nationally recognized audit and accounting agencies, including the Association of Local Government Auditors and the Association of Government Accountants.

Any other active professional audit-related certifications.

The EQA team members hold several audit-related certifications, including Certified Internal Auditor, Certified Public Accountant, Certified Information System Auditor, and Certified Fraud Examiner.

Budget and Fiscal Impacts

In September 2025, OFAS communicated the anticipated cost of its EQA to be between \$60,000 and \$100,000. Baker Tilly will conduct the assessment for a \$65,000 fixed fee, not including travel. OFAS included these costs in its fiscal year 2026-27 budget request.

Benefits and Risks

An EQA provides an independent and unbiased evaluation of the audit team's performance and adherence to the Standards. It enhances stakeholders' confidence in the audit function, showcasing its commitment to transparency and continuous improvement, and reinforces the team's commitment as a strategic partner in governance and risk management. Further, an EQA is required to maintain compliance with the Standards.

The risk to the organization should be minimal. There should not be a significant disruption to operations from staff needing to support the assessment process by conducting interviews, providing procedural documentation, etc. Any identified gaps in conformance with the Standards would represent an opportunity for OFAS to improve and strengthen its processes and trust within the organization.

Beliz Chappuie
Chief Auditor
Office of Audit Services

Marcie Frost
Chief Executive Officer