



## Risk & Audit Committee

# Agenda Item 5c

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February 17, 2026

**Item Name:** Quarterly Status Report – Office of Audit Services

**Program:** 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 September 30, 2025.

### **Strategic Plan**

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

### **Background**

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

### **Analysis**

#### Employer Compliance Reviews

During the first quarter, OFAS completed 25 reviews, started 21 new reviews, and 20 reviews are currently in progress.

The Employer Account Management Division (EAMD), Pension Contracts and Prefunding Programs Division (PCPP) and Member Account Management Division (MAMD) reported 22 observations were resolved, of which 4 were aged one to two years, and 18 were aged less than one year. This leaves 169 observations open as of September 30, 2025, of which 1 was aged three to four years, 9 were aged two to three years, 8 were aged one to two years, and 151 were aged less than one year. 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 first quarter, OFAS completed one internal audit project with 2 observations. The

observations were in an operational area relating to the effectiveness of controls over the service credit purchase process.

There were four unresolved internal audit observations over one year old. Two observations are related to the Review of Compliance Program, which we first reported in the RAC meeting in November of 2023. The third is related to the PeopleSoft HCM User Access Management review and was first reported in the RAC meeting in February of 2024. The fourth is related to Special Compensation and Reporting review. For each of the four recommendations, the divisions have provided corrective action plans and will continue working toward resolving the observations. During the quarter, three observations were resolved, leaving nine observations open.

#### Financial Statement Audit Report and Management Letter

The management letter prepared by BDO USA, LLP for the fiscal year ending June 30, 2025, was presented during the November 18, 2025, RAC meeting. The observation in the Management Letter will be reported to RAC until it's fully resolved. The summarized status of the current year observation is in Attachment 2.

#### **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

Attachment 2 – Summary of Financial Statement Audit Management Letter Comments Current Year Report

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Office of Audit Services

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