Summary of Financial Statement Audit Management Letter Comments
Current Year Report
As of September 30, 2025

Audit Management Letter Comments for the Year Ended 06/30/25

Fiscal Year 2024-25

Observation #1: Automated Real Estate Investment System (AREIS) Approver has Inappropriate Access to the Developer Role

BDO observed that an approver of changes to be released to production had inappropriate access to the developer role of the Automated Real Estate Investment System (AREIS). The development access allowed this user to develop code modifications to AREIS.

We observed a user had the developer role access which grants the ability to develop logic or code and then access to approve/commit this code for release to production. This results in a segregation of duties conflict because it provides the individual with the potential ability to modify the report logic without a secondary approval. Although CalPERS has segregated developers and deployers on the application level, having access to the development and be an approver could bypass Azure DevOps system functionality, which results in a segregation of duties conflict. Additionally, no audit is being performed of the system change log nor database log-in access report to check for and investigate anomalies. CalPERS does have a configuration that requires code changes to be approved by a second user that was observed to be set to require the second approver, but there was no audit log to prove that this configuration was not changed during the audit period.

Management has removed the developer access from the user who had inappropriate access to the development environment. To strengthen the change management control environment, it is recommended that the change logs be reviewed on a regular basis for appropriateness by an individual who does not have approver access to AREIS.

About Financial Reporting & Accounting Services Division (FRAS) Current Update:
Management acknowledges the control deficiency identified regarding inappropriate access for one user having both the developer and approver roles within AREIS. We recognize that this combination presents a segregation of duties conflict and presents a potential ability to modify the report logic without a secondary approval. Upon notification, management immediately removed the developer role access from the affected user, ensuring that no individual currently holds both developer and approver roles within AREIS. Additionally, management performed a lookback analysis and determined that no changes were pushed to production by this user. Management also conducted a comprehensive review of all user access rights in AREIS to confirm no other users have conflicting roles in the AREIS production application.

Going forward, in the absence of system-generated audit logs, management will perform user access reviews biannually along with a review of all users/roles in the AREIS application to identify and promptly remediate any segregation of duties conflicts. These reviews will be conducted by an individual independent of the development and approval processes to ensure objectivity. Any anomalies or unauthorized changes identified during these reviews will be investigated and documented.