



## Risk and Audit Committee

# Agenda Item 4c

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**June 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 December 31, 2025.

### **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**

Quarterly, OFAS updates the Risk and Audit Committee (RAC) on audit activity and resolution status.

### **Analysis**

#### Employer Compliance Reviews

During the second quarter, OFAS had 41 reviews in progress.

The Employer Account Management Division (EAMD), Member Account Management Division (MAMD), and Pension Contracts and Prefunding Programs Division (PCPP) reported 30 observations were resolved, of which:

- Two were aged four to five years
- One was aged three to four years
- 27 were aged one to two years

This leaves 143 observations open as of December 31, 2025, of which:

- Nine were aged two to three years
- 77 were aged one to two years
- 57 were aged less than one year

For open 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 36 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, resulting in three observations. The observations were in operational areas relating to the effectiveness of controls over the benefit calculations and investment performance.

As of December 31, 2025, there were three unresolved internal audit observations over one year old. Two observations are related to the Review of Compliance Programs, which we reported in the prior RAC meetings starting in November of 2023. The third is related to the PeopleSoft HCM User Access Management review and was reported in the prior RAC meetings starting in February of 2024. In each of the three cases, the divisions have provided corrective action plans 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 2025-26 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 the following audits resulting from recent program or process changes:

- Data Loss Prevention
- Liquidity and Treasury Management
- myCalPERS Appointments
- Reciprocity (Advisory)
- Recruitment
- Third Party Vendor Management: Non-Disclosure Agreements
- Third Party Vendor Management: System and Organization Controls (SOC) 2 Review Process

OFAS will continue monitoring risks associated with these programs and will consider them for possible inclusion in a future audit plan.

### **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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