Risk and Audit Committee

Agenda Item 4c

September 16, 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 March 31, 2026.

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 and Audit Committee (RAC) on audit activity and audit resolution status.

Analysis

Employer Compliance Reviews

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

The Employer Account Management Division (EAMD), Member Account Management Division (MAMD), and Pension Contracts and Prefunding Programs Division (PCPP) reported 37 observations were resolved, of which:

- 7 were aged two to three years
- 28 were aged one to two years
- 2 were aged less than one year

This leaves 147 observations open as of March 31, 2026, of which:

- 2 were aged two to three years
- 49 were aged one to two years
- 96 were aged less than one year

In addition, OFAS validated 24 resolved observations during the quarter. Please refer to Attachment 1 for additional information on employer compliance observations.

Internal Audits

During the third quarter, OFAS completed three internal audit projects with a total of two observations. The observations were in operational areas relating to the effectiveness of controls over subscription services.

There were three 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. In each of the three cases, the divisions have provided corrective action plans and will continue working toward resolving the observations. During the quarter, two observations were resolved, leaving eight observations open.

Status of Audit Plan

The Fiscal Year 2026-27 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.

Quality Assurance and Improvement Program (QAIP)

The Institute of Internal Auditors (IIA) requires the chief audit executive (CAE) to develop and maintain a Quality Assurance and Improvement Program (QAIP) that covers all aspects of the internal audit activity. QAIP is designed to evaluate the internal audit activity’s conformance with the IIA’s auditing standards, assess its efficiency and effectiveness, and identify opportunities for improvement.

In January 2024, the IIA published revised standards titled the Global Internal Auditing Standards (Standards), effective January 2025. Recent QAIP updates have therefore focused on OFAS’ efforts to align its policies and procedures with those updated requirements. Currently, OFAS’s QAIP team is conducting an internal assessment to evaluate compliance with the Standards and the application of the new standards to selected audits. The results of the internal assessment will be communicated to senior management and the board upon completion. They will also serve as an important component of the external quality assessment that will begin later this year.

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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