CalPERS

Risk and Audit Committee

Agenda Item 4c

November 17, 2026

Item Name: Quarterly Status Report – Office of Audit Services

Program: Audit Services

Item Type: Information Consent

Executive Summary

In accordance with the Global Internal Audit Standards (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 June 30, 2026.

Strategic Plan

This item is not a specific product of the Strategic Plan but is required by the Global Internal Audit Standards (Standards), and OFAS' Charter and Audit Resolution Policy.

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 4th quarter, OFAS completed 42 reviews and started 22 new reviews.

The Employer Account Management Division (EAMD), Member Account Management Division (MAMD), Retirement Benefits Services Division (RBSD), Health Account Management Division (HAMD), and Pension Contracts & Prefunding Programs Division (PCPP) reported 40 observations were resolved, of which:

- 4 were aged two to three years
- 33 were aged one to two years
- 3 were aged less than one year

This leaves 181 observations open as of June 30, 2026, of which:

- 14 were aged one to two years
- 167 were aged less than one year

In addition, OFAS validated 49 resolved observations during the quarter. Please refer to Attachment 1 for additional information on employer compliance observations.

Internal Audits

During the fourth quarter, OFAS completed one internal audit project with 2 observations. The observations were in operational and strategic areas relating to the effectiveness of controls over the System Change Request process.

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. For each of the three recommendations, the divisions have provided corrective action plans and will continue working toward resolving the observations. During the quarter, two observations were resolved, leaving ten observations open.

Status of Audit Plan

As of June 30, 2026, OFAS completed 87 employer compliance reviews and 7 internal audit reviews.

Financial Statement Audit Report and Management Letter

The management letter prepared by BDO for the fiscal year ending June 30, 2025, was presented during the November 18, 2025, RAC meeting. FRAS reported the observations were resolved during the February 17, 2026, RAC meeting, pending the financial statement auditor's review. Please refer to the agenda item 5b, Review of Independent Auditor's Management Letter, for more details.

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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