



MEMORANDUM

TO: DEAN SCHEINERT, COMMITTEE CHAIRMAN AND ADMINISTRATION
COMMITTEE
SCOTT MCCARTY, BOARD CHAIRMAN AND BOARD OF TRUSTEES

FROM: CATHLEEN DAVIS, CHIEF AUDITOR

DATE: MARCH 18, 2025

RE: INTERNAL AUDIT OFFICE UPDATE

Agenda title:

Internal Audit Office Update

Purpose:

To provide Internal Audit Office updates for Committee and Board review and possible discussion.

Updates:

1. FY 2024/25 Annual Audit Plan Status

The Public Safety Personnel Retirement System's Internal Audit Office's Annual Audit Plan for FY 2024/25 was adopted by the Board of Trustees on May 29, 2024.

Tables detailing the status of audits, reviews, advisory services, projects and reports as of February 28, 2025 are provided on pages 2 and 3.

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Status of Audits, Reviews and Advisory Services as of February 28, 2025

Audits, Reviews and Advisory Services	Phase	Start Date ¹	Report Date ¹
Cancer Insurance Policy Program Audit	In Process	Nov 22	FY 25
Investment Policy Statement Audit	In Process	Mar 23	FY 25
Cash Receipt Process Internal Control Review	In Process	Jul 23	FY 25
IT Operations Assessment Follow Up	In Process	Oct 24	FY 25
NIST Cybersecurity Framework Assessment - Contracted	In Process	Dec 24	FY 25
IT Risk Assessment and Proposed Audit Plan - Contracted	In Process	Dec 24	FY 25
Cash Receipts	Not Started	--	--
Investment Policies and Procedures	Not Started	--	--
Pension Benefit Payments	Not Started	--	--
SOC 1 Type 2 Readiness Assessment - Contracted	FY 2025/26	--	--

¹ Start Date is estimated if “Not Started”; Report Date is estimated if “In Process” or “Not Started”.

Status of PSPRS Trust Employer and Local Board Audits as of February 28, 2025

Audits	Phase	Start Date ¹	Report Date ¹
State Agency (Fire) Audit ²	Complete	Mar 24	Nov 24
State Agency (Rangers) Audit ²	Complete	Mar 24	Nov 24
Fire District Audit	Complete	Feb 23	Feb 25
Fire District Audit	Hold ³	Dec 22	FY 25
State Agency (Investigators) Audit ²	Hold ³	Mar 24	FY 25
State Agency (Investigators) Audit ²	Hold ³	Mar 24	FY 25
State Agency (Wardens) Audit ²	Hold ³	Mar 24	FY 25
State Agency (Detention & Dispatch) Audit ²	Hold ³	Jun 24	FY 25
State Agency (Detention) Audit ²	Hold ³	Jun 24	FY 25
State Agency (Troopers, Detention & Dispatch) Audit ²	Hold ³	Jun 24	FY 25
State Agency (Elected Officials) Audit ²	In Process	Jun 24	Apr 25

¹ Start Date is estimated if “Not Started”; Report Date is estimated if “In Process” or “Not Started”.

² The Arizona Auditor General’s Office recommended* that the “System should continue including member data in employer and local board internal audits and implement its plans to expand the audit work to include comparing member data reviewed to the data provided to the actuaries to help identify inaccuracies in the data.” The Internal Audit Office started nine employer and local board audits from March 2024 to June 2024. Each audit has fieldwork objectives that include an expanded review of member census data, including comparing member census data reviewed to the data provided to the System’s actuaries.

³ The Internal Audit Office has seven employer and local board audits on hold pending pensionable compensation determinations.

Status of Projects and Reports as of February 28, 2025

Projects and Reports	Phase	Start Date ¹	Report Date ¹
Integrity Hotline FY 2023/24 Annual Report	Completed	Jul 23	Aug 24
Integrity Hotline FY 2024/25 1Q Update	Completed	Jul 24	Oct 24
Internal Audit Office Charter ²	Completed	Dec 23	Jan 25
Integrity Hotline FY 2024/25 2Q Update	Completed	Oct 24	Feb 25
Internal Audit Guidance (Manual) ³	In Process	Jan 24	n/a
FY 2023/24 Follow Up on Status of Audit Recommendations ⁴	Hold	Jul 24	FY 25
Integrity Hotline FY 2024/25 Annual Report	In Process	Jul 24	FY 26
Integrity Hotline FY 2024/25 3Q Update	In Process	Jan 25	Apr 25
Risk Assessment FY 2024/25 Report	In Process	Jan 25	Apr 25
FY 2025/26 Proposed Annual Audit Plan	In Process	Feb 25	Apr 25
STARS Implementation Testing and Training	Not Started	Mar 25	n/a
Workiva Audit Management Implementation	Not Started	Apr 25	n/a

¹ Start Date is estimated if “Not Started”; Report Date is estimated if “In Process” or “Not Started”.

² The Internal Office Charter is included as section 9.0 in the *Arizona Public Safety Personnel Retirement System Board of Trustees Governance Manual* approved by the Board of Trustees on January 29, 2025.

³ The Institute of Internal Auditor’s International Internal Audit Standards Board released the new Global Internal Audit Standards on Tuesday, January 9, 2024; the new Standards became effective in January 2025.

⁴ *FY 2023/24 Follow Up on Status of Audit Recommendations* is on hold pending pensionable compensation determinations.

* Public Safety Personnel Retirement System Performance Audit and Sunset Review, Report 23-109 (September 2023)

2. Professional Development

Cathleen Davis, Chief Auditor is attending the 2025 Arizona ALGA (Association of Local Government Auditors) Peer Review Regional Training in Avondale, Arizona on April 15, 2025. The training agenda includes objectives related to both Global Internal Audit Standards (Red Book) and Generally Accepted Government Auditing Standards (Yellow Book).

Ms. Davis is also attending the 2025 Association of Public Pension Fund Auditors (APPFA) Fall Conference in St. Louis, Missouri from April 29, 2025 to May 2, 2025. APPFA is organized by and dedicated to public pension internal audit professionals. The conference agenda includes 19 continuing professional education (CPE) credits in call center operations, cybersecurity, data privacy, derivative risk management, investigations, investment due diligence, relationship management and risk management.

Suggested motion:

No action is needed on these items.