Audits and Risk Management Committee

Item number 6 – Open session

Subject: 2026 Management Letter

Presenter(s): Julie Underwood / Cheryl Cervantes Dietz

Item type: Information

Date and time: November 5, 2026 – 10 minutes

Attachment(s): Attachment 1 – 2026 Management Letter

PowerPoint presentation(s): None

Item purpose

This item's purpose is to present the Management Letter for the year ended June 30, 2026, as prepared by Crowe LLP.

Recommendation

This is an information item only.

Executive summary

During an audit, the external independent financial statement auditor may identify internal control deficiencies while obtaining an understanding of the entity and its internal control environment. A deficiency exists when the design or operation of a control does not allow management or staff, in the normal course of performing their assigned functions, to prevent, detect and/or correct misstatements on a timely basis. Any material and significant deficiencies are included in the Report on Internal Control over Financial Reporting. Otherwise, deficiencies not considered significant, or material are included in a Management Letter, which is not required to be reported to the Board by the independent auditor. However, CalSTRS' management is required to present any management letter issued by its independent financial statement auditor as outlined in the ARM Committee Charter. In connection with the fiscal year ended June 30, 2026, Crowe LLP, CalSTRS independent financial statement auditor, issued a Management Letter addressing certain information technology general controls (Attachment 1).

Crowe LLP observed opportunities to strengthen change management and logical access controls over CalSTRS pension administration and financial accounting systems. Crowe LLP discussed

the observation with related business area management and the executive team, who agree with the recommendations and have prepared a response to the observations.

CalSTRS management is responsible for implementing the corrective actions outlined in the management letter. Audit Services will provide the committee with periodic progress reports regarding corrective action implementation. Crowe LLP will provide an updated report on any identified deficiencies at the November 2027 ARM Committee meeting.

Strategic Plan linkage: Strategic Plan - CalSTRS

Board Policy linkage: Board Governance Manual (calstrs.com)
