



Crowe LLP
Independent Member Crowe Global

Members of Management
California State Teachers' Retirement System
West Sacramento, California

In planning and performing our audit of the financial statements of California State Teachers' Retirement System (the "System" or "CalSTRS") as of and for the year ended June 30, 2026, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we considered the System's internal control over financial reporting ("internal control") as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain matters that we wish to communicate to you. Matters communicated in this letter are classified as follows:

- Deficiency – A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis.

Deficiency – BenefitConnect IT General Controls

Control Deficiency:

While CalSTRS effectively designed and implemented various controls, including many manual and business process level controls, for the implementation of BenefitConnect, certain IT general controls over software change management and logical access were either not fully implemented or implemented but not operating effectively for the BenefitConnect application during the audit period. Specifically:

- Access controls enforcing segregation of duties over software change management processes were not implemented at Go-live. Specifically, eight individuals were able to both develop code and deploy code into production from Go-live in September 2025 through May 2026. Further, management did not have a formal monitoring control over changes during that period. After recognizing the absence of a formal review, management successfully performed a formal lookback review of software changes for the period of the segregation of duties issue and confirmed there were no unauthorized changes. In May 2026, management implemented a control configuration to force segregation of duties over development and production access, resulting in successful remediation of the control deficiency.
- A documented review of database access was not performed for all account groups with access to the database. Specifically, membership of certain groups did not have a documented review.

- Review of system administrator access provisioning activities was completed to confirm provisioning was being performed by an authorized administrator. However, monitoring of administrator activities to confirm access provisioned by the administrator was accurate and appropriate was not included in the monitoring procedure. No formal lookback was completed to confirm that provisioned access by administrators was appropriate.

Potential Effect:

Deficiencies in the software development process, specific to segregation of duties over change management, may result in inaccurate system processing and functionality, affecting system output including member reporting and financial reporting.

Deficiencies in system access may result in inaccurate or unauthorized input of financial data, member data or modification to system processing settings.

These deficiencies may also impair the effectiveness of manual controls that rely on system-generated data. If an individual intentionally or inadvertently performed an unauthorized or inappropriate action, the absence of these controls would allow the action to occur without being prevented or detected, potentially resulting in inaccurate or unauthorized system processing and financial reporting. These deficiencies, either individually or in aggregate, may lead to inaccurate financial reporting, absent other manual financial controls implemented in the environment.

Recommendation:

We recommend the following enhancements to the precision of management's controls activities over BenefitConnect:

- Document the review of all users and groups for the database access review monitoring control.
- Monitor administrator activities to confirm access provisioned by the administrator was accurate and appropriate.

Management's Response:

CalSTRS agrees with Crowe's recommendation to enhance certain software change management and logical access controls. As part of CalSTRS' implementation of its new pension administration system, BenefitConnect, management designed and implemented information technology general and compensating controls to address risks associated with the new system and strengthen the overall security and technology environment. These controls are intended to support the confidentiality, integrity, and availability of data and services provided to our members. Specifically, CalSTRS designed and performed the following software change management and logical access controls:

- Formal policies and procedures exist to track, test, approve and securely deploy code modifications (Change Management)
- Production environment and test environments are logically separated (Change Management)
- CalSTRS utilizes a variety of dedicated tools, processes and workflows to continuously monitor software development, updates and changes to the BenefitConnect system. (Change Management)
- User provisioning follows a ticketing process that requires approval by management prior to providing all new system access (Logical Access)
- System permissions are assigned based on a structured defined approval process (Logical Access)
- Independent vulnerability assessments are performed annually to identify and remediate any potential internal security weaknesses (IT Operations and Security Management)
- User access reviews are performed and approved by management for the following systems; BenefitConnect Application, Amazon Web Services, and Operating Systems (Logical Access)
- Business process controls are in place over benefit eligibility, payment disbursement, and actuarial liability (Compensating Controls)

As a result of these multilayered controls, no unauthorized transactions or code deployment, data breaches, or system misstatements occurred during the audit period. CalSTRS is committed to enhancing our IT controls. Specifically, while a review of database access was performed, ISO will ensure it retains documentation to evidence the group-level review and update its procedures in fiscal year 2026-27.

Additionally, CalSTRS will enhance its monitoring over system administrators provisioning beyond the existing enterprise logging. ISO will create an automated process in fiscal year 2026-27 and provide a logging report to Technology Services and Audit Services' Data Solutions for a periodic administrator provisioning review to enhance monitoring controls for accuracy and appropriateness.

Deficiency – BusinessDirect IT General Controls

Control Deficiency:

Certain implemented controls over software change management and logical access were not operating effectively for the BusinessDirect application during the audit period. Specifically:

- As part of the BenefitConnect implementation, a new BusinessDirect data mapping table (GL Summary transactions) was not configured correctly for activity logging, as other key data tables are configured. As a result, management's existing monitoring control over mapping table changes was unable to identify changes to the table during the period. Subsequently, management remediated this identified deficiency by enabling logging in April 2026.
- Management performed a review of BusinessDirect application access. However, formal documentation to identify the following was not present or available.
 - The generated and parsed reports sent to departments to facilitate the user access review were not evaluated for completeness and accuracy.
 - The review facilitator did not maintain evidence demonstrating that the appropriate manager performed the review of users assigned to their respective department or area of responsibility.
 - Users' corresponding permissions associated with their assigned roles were not evaluated as part of the review process.
 - The review facilitator did not verify that requested user access changes were completed.

Potential Effect:

Lack of monitoring of changes to the GL Summary transactions mapping table may result in the missed identification of inaccurate data mapping configurations of financial data during the audit period, ultimately affecting the processing of financial reporting limited to the specific mapping table.

Lack of risk-based monitoring of administrator provisioned system access to detect high risk provisioned access may result in inaccurate or unauthorized input of financial data or system processing settings.

These deficiencies, either separate or combined, may lead to inaccurate financial reporting, absent other manual financial controls implemented in the environment.

Recommendation:

For the BusinessDirect user access review, validate completeness and accuracy of parsed manual reports and retain documented evidence, retain evidence demonstrating that the appropriate manager performed the review of users assigned to their respective department or area of responsibility, evaluate users' corresponding permissions associated with their assigned roles, and verify that requested user access changes by the reviewer were completed.

Management's Response:

CalSTRS agrees in part with Crowe's comments. Automated audit logging was enabled in April 2026 and serves as a detective control to help mitigate the risk of unauthorized changes to financial records. In addition, CalSTRS has maintained other system and business process controls for many years to support the accuracy and integrity of its financial records, including account reconciliations, management review of reports, and user access management.

CalSTRS maintains procedures for conducting periodic user access reviews. These procedures were enhanced before June 30, 2026. Although the January 2026 BusinessDirect (BD) review was conducted under prior procedures, it identified eight users across three business areas requiring access remediation.

Additionally, the user access reviews performed and documented during the audit period were supported by the following documentation:

- A service desk ticket requesting the generation of a BD system user listing
- A service desk ticket requesting a listing of active CalSTRS employees identified through the CalSTRS Active Directory
- Emails to branches requesting confirmation that user access remained necessary
- Responses and service desk ticket numbers documenting the remediation of access changes or removals
- Memoranda communicating the results of the user access review to branch executives, with copies provided to the applicable directors
- Identification of users whose access had not been appropriately remediated and continued to appear on subsequent listings

Based on the existing technology and business controls, no unauthorized financial transactions or financial misstatements were identified during the audit period.

CalSTRS will further enhance its controls and documentation to demonstrate that each user account, permission, and entitlement is appropriately accounted for and accurately reflected in the system.

The purpose of this letter is solely to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control over financial reporting and compliance. This letter is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance. Accordingly, this letter is not suitable for any other purpose.

The System's written response to the deficiency identified in our audit was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.


Crowe LLP

Sacramento, California
October 7, 2026