

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Public Employees Retirement Association Board of Trustees

The Honorable Tim Walz, Governor

Doug Anderson, Executive Director, Public Employees Retirement Association

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements of the Public Employees Retirement Association (PERA) as of and for the year ended June 30, 2025, and have issued our report thereon dated December 23, 2025. PERA's basic financial statements consist of its Statements of Fiduciary Net Position and Changes in Fiduciary Net Position and the related notes to the financial statements.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered PERA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of PERA's internal control. Accordingly, we do not express an opinion on the effectiveness of PERA's internal control.

A deficiency in internal control 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. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control, described in the accompanying *Finding and Recommendations* section as Finding 1, that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether PERA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Public Employees Retirement Association's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on PERA's response to the findings identified in our audit and described in the accompanying *Finding and Recommendations* section. PERA's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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



Lori Leysen, CPA
Deputy Legislative Auditor



Jordan Bjonfald, CPA
Audit Director

December 23, 2025

Finding and Recommendations

FINDING 1

The Public Employees Retirement Association did not have adequate internal controls to ensure it accurately reported cash in its financial statements.

The Public Employees Retirement Association (PERA) potentially overstated cash in the General Employees Retirement Fund and the Statewide Volunteer Firefighter Fund by \$15.6 million and \$600,000, respectively. PERA manages and records cash transactions in its own accounting system and in the state's accounting system and prepares its financial statements from its own accounting system. The ending cash balance recorded in each system had an unresolved variance totaling \$16.2 million, and PERA reported the higher balance recorded in its accounting system in its financial statements.

PERA did not periodically reconcile cash between the two systems during the fiscal year and thus did not identify the variance until it completed an annual reconciliation in September 2025. However, PERA was not able to identify the underlying cause of the variance and make an appropriate correction before it issued its financial statements. Reconciling the cash balance between the two systems daily or monthly during the fiscal year would have likely allowed sufficient time for PERA to identify and correct the variance before it issued its financial statements.

RECOMMENDATIONS

- **The Public Employees Retirement Association should strengthen its internal controls to ensure the accuracy of cash reported in its financial statements.**
 - **The Public Employees Retirement Association should resolve the cash balance variance between its accounting system and the state's accounting system.**
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February 17, 2026

Judy Randall, Legislative Auditor
Office of the Legislative Auditor
Centennial Office Building
658 Cedar Street
St. Paul, Minnesota 55155

Dear Ms. Randall:

Thank you for the opportunity to respond to your office's audit finding in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters (ICCFR).

The Public Employees Retirement Association is committed to issuing high quality, accurate financial statements in compliance with Generally Accepted Accounting Principles (GAAP).

Response to the OLA's Finding and Recommendations

The OLA has reported the following audit finding and recommendations in the ICCFR Report.

Audit Finding

The Public Employees Retirement Association did not have adequate internal controls to ensure it accurately reported cash in its financial statements.

Recommendations

- The Public Employees Retirement Association should strengthen its internal controls to ensure the accuracy of cash reported in its financial statements.
- The Public Employees Retirement Association should resolve the cash balance variance between its accounting system and the state's accounting system.

Agency Response

The Public Employees Retirement Association acknowledges the audit finding. The conditions occurred primarily due to significant employee turnover which resulted in several new staff members assuming responsibilities while still becoming familiar with established processes and procedures. During this transition, existing controls were not consistently sufficient to identify the noted issue in a timely manner.

The Public Employees Retirement Association has implemented additional training, enhanced supervisory review, and updated written procedures to ensure consistency and compliance going forward. These actions are intended to strengthen controls during periods of staff transition and reduce the risk of recurrence.

Judy Randall, Legislative Auditor

February 17, 2026

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Person Responsible: Tracy Gebhard, Chief Financial Officer

Estimated Completion Date: October 2, 2026

We appreciated your staff's professionalism and dedicated efforts during this audit. Thank you again for the opportunity to respond to your office's report.

Sincerely,

A handwritten signature in black ink, appearing to read "Doug Anderson". The signature is fluid and cursive, with a large initial "D" and "A".

Doug Anderson, Executive Director