

**ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM
2223 E. WELLINGTON AVENUE, SUITE 100
SANTA ANA, CALIFORNIA**

**AUDIT COMMITTEE MEETING
Tuesday, December 12, 2023
1:00 P.M.**

Members of the Committee

Richard Oates, Chair
Charles Packard, Vice Chair
Adele Tagaloa
Shari Freidenrich

Members of the public who wish to observe and/or participate in the meeting may do so (1) from the OCERS Boardroom or (2) via the Zoom app or telephone (information below) from any location.

OCERS Zoom Video/Teleconference information	
<p>Join Using Zoom App (Video & Audio)</p> <p>Join Zoom Meeting https://ocers.zoom.us/j/86928811110</p> <p>Meeting ID: 869 2881 1110 Passcode: 443118</p> <p>Go to https://www.zoom.us/download to download Zoom app before meeting Go to https://zoom.us to connect online using any browser.</p>	<p>Join by Telephone (Audio Only)</p> <p>Dial by your location</p> <ul style="list-style-type: none"> +1 669 900 6833 US (San Jose) +1 253 215 8782 US (Tacoma) +1 346 248 7799 US (Houston) +1 929 436 2866 US (New York) +1 301 715 8592 US (Germantown) +1 312 626 6799 US (Chicago) <p>Meeting ID: 869 2881 1110 Passcode: 443118</p>
<p>A Zoom Meeting Participant Guide is available on OCERS' website Board & Committee meetings page</p>	

AGENDA

This agenda contains a brief general description of each item to be considered. The Committee may take action on any item included in the agenda; however, except as otherwise provided by law, no action shall be taken on any item not appearing on the agenda. The Committee may consider matters included on the agenda in any order, and not necessarily in the order listed.

OPEN SESSION

1. **CALL MEETING TO ORDER AND ROLL CALL**
2. **BOARD MEMBER STATEMENT REGARDING PARTICIPATION VIA ZOOM (IF NECESSARY)
(Government Code section 54953(f))**
3. **PUBLIC COMMENTS**

Members of the public who wish to provide comment during the meeting may do so by “raising your hand” in the Zoom app, or if joining by telephone, by pressing * 9 on your telephone keypad. Members of the public who participate in the meeting from the OCERS Boardroom and who wish to provide comment during the meeting may do so from the podium located in the OCERS Boardroom. When

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addressing the Committee, please state your name for the record prior to providing your comments. Speakers will be limited to three (3) minutes.

At this time, members of the public may comment on (1) matters not included on the agenda, provided that the matter is within the subject matter jurisdiction of the Committee; and (2) any matter appearing on the Consent Agenda.

In addition, public comment on matters listed on this agenda will be taken at the time the item is addressed.

CONSENT AGENDA

C-1 AUDIT COMMITTEE MEETING MINUTES

Audit Committee Meeting Minutes

October 11, 2023

Recommendation: Approve minutes.

ACTION ITEMS

NOTE: Public comment on matters listed in this agenda will be taken at the time the item is addressed, prior to the Committee’s discussion of the item. **Members of the public who wish to provide comment in connection with any matter listed in this agenda may do so by “raising your hand” in the Zoom app, or if joining by telephone, by pressing * 9, at the time the item is called. Persons attending the meeting in person and wishing to provide comment on a matter listed on the agenda should fill out a speaker card located at the back of the Boardroom and deposit it in the Recording Secretary’s box located near the back counter.**

A-1 INDIVIDUAL ACTION ON ANY ITEM TRAILED FROM THE CONSENT AGENDA

CLOSED SESSION

E-1 PUBLIC EMPLOYEE PERFORMANCE EVALUATION (GOVERNMENT CODE §54957(b))

Title: Director of Internal Audit

Adjourn pursuant to Government Code section 54957(b) to evaluate the performance of the Director of Internal Audit

Recommendation: Take appropriate action.

******* END OF CLOSED SESSION AGENDA *******

WRITTEN REPORTS

The following are written reports that will not be discussed unless a member of the Committee requests discussion.

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R-1 STATUS UPDATE OF 2023 AUDIT PLAN
Written Report

COMMITTEE MEMBER COMMENTS

CHIEF EXECUTIVE OFFICER/STAFF COMMENTS

COUNSEL COMMENTS

ADJOURNMENT

NOTICE OF NEXT MEETINGS

**DISABILITY COMMITTEE MEETING
JANUARY 17, 2024
8:30 A.M.**

**ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM
2223 E. WELLINGTON AVENUE, SUITE 100
SANTA ANA, CA 92701**

**REGULAR BOARD MEETING
JANUARY 17, 2024
9:30 A.M.**

**ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM
2223 E. WELLINGTON AVENUE, SUITE 100
SANTA ANA, CA 92701**

AVAILABILITY OF AGENDA MATERIALS - Documents and other materials that are non-exempt public records distributed to all or a majority of the members of the OCERS Board or Committee of the Board in connection with a matter subject to discussion or consideration at an open meeting of the Board or Committee of the Board are available at the OCERS' website: <https://www.ocers.org/board-committee-meetings>. If such materials are distributed to members of the Board or Committee of the Board less than 72 hours prior to the meeting, they will be made available on the OCERS' website at the same time as they are distributed to the Board or Committee members. Non-exempt materials distributed during an open meeting of the Board or Committee of the Board will be made available on the OCERS' website as soon as practicable and will be available promptly upon request.

It is OCERS' intention to comply with the Americans with Disabilities Act ("ADA") in all respects. If, as an attendee or participant at this meeting, you will need any special assistance beyond that normally provided, OCERS will attempt to accommodate your needs in a reasonable manner. Please contact OCERS via email at adminsupport@ocers.org or call 714-558-6200 as soon as possible prior to the meeting to tell us about your needs and to determine if accommodation is feasible. We would appreciate at least 48 hours' notice, if possible. Please also advise us if you plan to attend meetings on a regular basis.

**ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM
2223 E. WELLINGTON AVENUE, SUITE 100
SANTA ANA, CALIFORNIA**

**AUDIT COMMITTEE MEETING
Wednesday, October 11, 2023
9:30 A.M.**

MINUTES

OPEN SESSION

Chair Oates called the meeting to order at 9:31 a.m.

Recording Secretary administered the Roll Call attendance.

Attendance was as follows:

Present: Richard Oates, Chair (via Zoom); Charles Packard, Vice Chair (via Zoom); Adele Tagaloa, Board Member; Shari Freidenrich, Ex-Officio Member

Also Present: Steve Delaney, Chief Executive Officer; Suzanne Jenike, Assistant CEO, External Operations; Brenda Shott, Assistant CEO, Internal Operations; Manuel Serpa, General Counsel; David Kim, Director of Internal Audit; Jeff Lamberson, Director of Member Services; Matthew Eakin, Director of Information Security; Jon Gossard, Information Security Manager; Mark Adviento, Senior Internal Auditor; Jenny Davey, Internal Auditor; Esther Hong, Internal Auditor; Marielle Horst, Recording Secretary; Anthony Beltran, Audio Visual Technician

2. BOARD MEMBER STATEMENT REGARDING PARTICIPATION VIA ZOOM

Mr. Packard and Chair Oates provided a statement regarding their attendance via zoom, pursuant to AB2449.

3. PUBLIC COMMENT

None

CONSENT AGENDA

C-1 APPROVE AUDIT COMMITTEE MEETING MINUTES

Audit Committee Meeting Minutes

June 1, 2023

MOTION by Mr. Packard, **seconded** by Ms. Tagaloa, to approve the Minutes.

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Audit Committee Meeting

The motion passed unanimously.

ACTION ITEMS

A-1 INDIVIDUAL ACTION ON ANY ITEM TRAILED FROM THE CONSENT AGENDA

None

A-2 ORANGE COUNTY IN-HOME SUPPORTIVE SERVICES PUBLIC AUTHORITY EMPLOYER AUDIT
Presentation by Mark Adviento, Senior Internal Auditor

Recommendation: Receive and file.

After discussion, Ms. Freidenrich suggested to staff to provide an annual report of the audit findings to the employers. Ms. Jenike agreed to provide an annual report of the audit findings.

Ms. Freidenrich would like the IHSS to review the overcollections that were found in the audit and consider communicating the audit reports to the governing boards of the respective Employer. Staff will conduct additional research and provide an outcome to the committee.

MOTION by Mr. Packard, **seconded** by Ms. Tagaloa to adopt staff's recommendation to receive and file.

The motion passed unanimously.

A-3 ORANGE COUNTY FIRE AUTHORITY EMPLOYER AUDIT
Presentation by Mark Adviento, Senior Internal Auditor

Recommendation: Receive and file.

Mr. Delaney shared positive feedback received from OCFA management regarding the Internal Audit team.

After discussion, **MOTION** by Ms. Tagaloa, **seconded** by Mr. Packard to adopt staff's recommendation to receive and file.

The motion passed unanimously.

A-4 AUDIT OF REMAINING SAMPLES ALAMEDA BENEFIT RECALCULATIONS
Presentation by David Kim, Director of Internal Auditor

Recommendation: Receive and file.

After discussion, **MOTION** by Ms. Freidenrich, **seconded** by Mr. Packard to adopt staff's recommendation to receive and file.

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The motion passed **unanimously**.

A-5 AUDIT OF OCERS HIRING PRACTICES

Presentation by David Kim, Director of Internal Auditor

Recommendation: Receive and file.

After discussion, **MOTION** by Mr. Packard, **seconded** by Ms. Tagaloa to adopt staff's recommendation to receive and file.

The motion passed **unanimously**.

The Committee recessed for break at 10:27 a.m.

The Committee reconvened from break at 10:43 a.m.

Recording Secretary administered the Roll Call attendance.

CLOSED SESSION ITEMS

The Committee adjourned to closed session at 10:44 a.m.

E-1 THREAT TO PUBLIC SERVICES OR FACILITIES (GOVERNMENT CODE SECTION 54957)

Adjourn into Closed Session pursuant to Government Code section 54957 to consult with Steve Delaney, CEO, Brenda Shott, Asst. CEO; Suzanne Jenike, Asst. CEO; Manuel Serpa, General Counsel; David Kim, Director of Internal Audit, Mark Adviento, Senior Internal Audit, and Jenny Davey, Internal Auditor.

Recommendation: Take appropriate action.

The Committee reconvened to open session at 11:38 a.m.

REPORT OF ACTIONS TAKEN IN CLOSED SESSION

No reportable action was taken during Closed Session.

WRITTEN REPORTS

R-1 MANAGEMENT ACTION PLAN VERIFICATION REPORT

Written Report

R-2 STATUS UPDATE OF 2023 AUDIT PLAN

Orange County Employees Retirement System
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Audit Committee Meeting

Written Report

COMMITTEE MEMBER COMMENTS

Mr. Packard remarked he is pleased with the progress Internal Audit is making. Chair Oates agreed that Mr. Kim and the team are making great progress. Ms. Tagaloa is appreciative of the work both the IT and Audit teams have provided.

Ms. Freidenrich noted the 2023 Audit Plan should have a formatting change to include columns of actual vs. planned hours.

STAFF COMMENTS

Mr. Kim informed the committee that Mr. Delaney has asked Internal Audit's help in an advisory capacity on the Master Repository Project. The tasks will include previewing procedure documents to verify the logic. Mr. Kim noted the Internal Audit Charter has a provision which allows Internal Audit to provide advisory type services. Additionally, the 2023 Audit Plan would not be affected as there 84 hours in *Ethics Hotline Reporting* that have not been used. The MRP advisory will take up to 80 hours of Mr. Kim's time.

The Committee gave Mr. Kim direction to participate in the MRP and report back in December.

CHIEF EXECUTIVE OFFICER

None

COUNSEL COMMENTS

None

ADJOURNMENT

Chair Oates adjourned the meeting at 11:56 p.m.

Submitted by:

Submitted by:

Approved by:

David Kim
Committee Liaison

Steve Delaney
Secretary to the Board

Richard Oates
Chair



Memorandum

DATE: December 12, 2023
TO: Members of the Audit Committee
FROM: David Kim, Director of Internal Audit
SUBJECT: STATUS UPDATE OF 2023 AUDIT PLAN

Written Report

Background/Discussion

Attached is a comparison of budgeted 2023 audit plan hours versus the completed program actual hours, by project. Please note a "Variance" column has been added along with explanations in the "Comments" column for audits over budget.

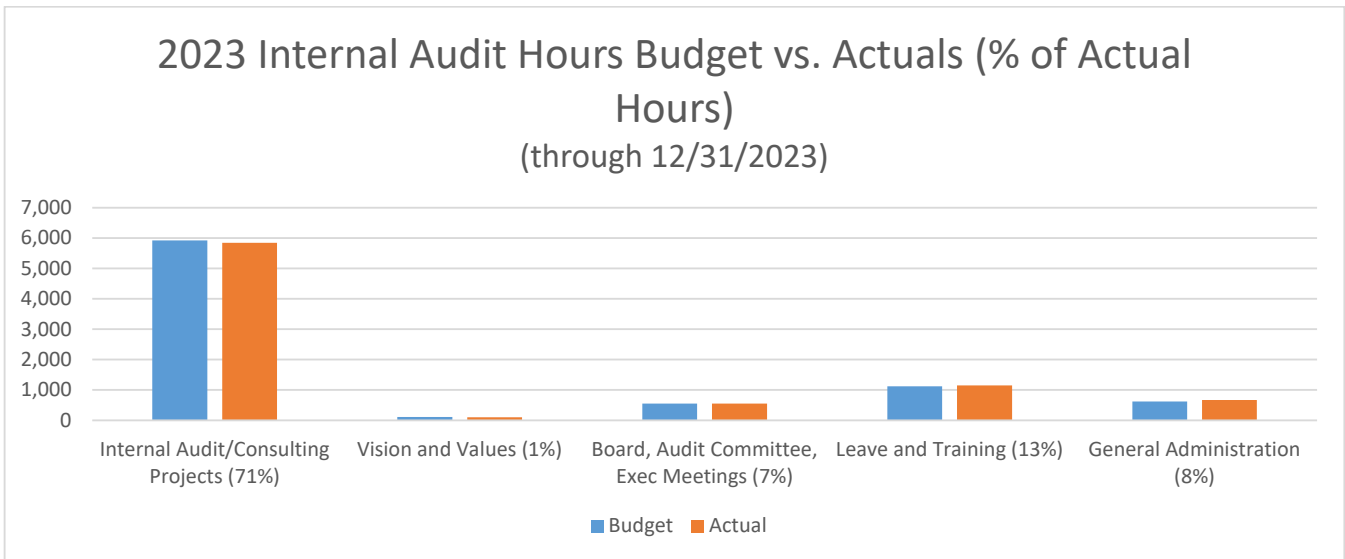
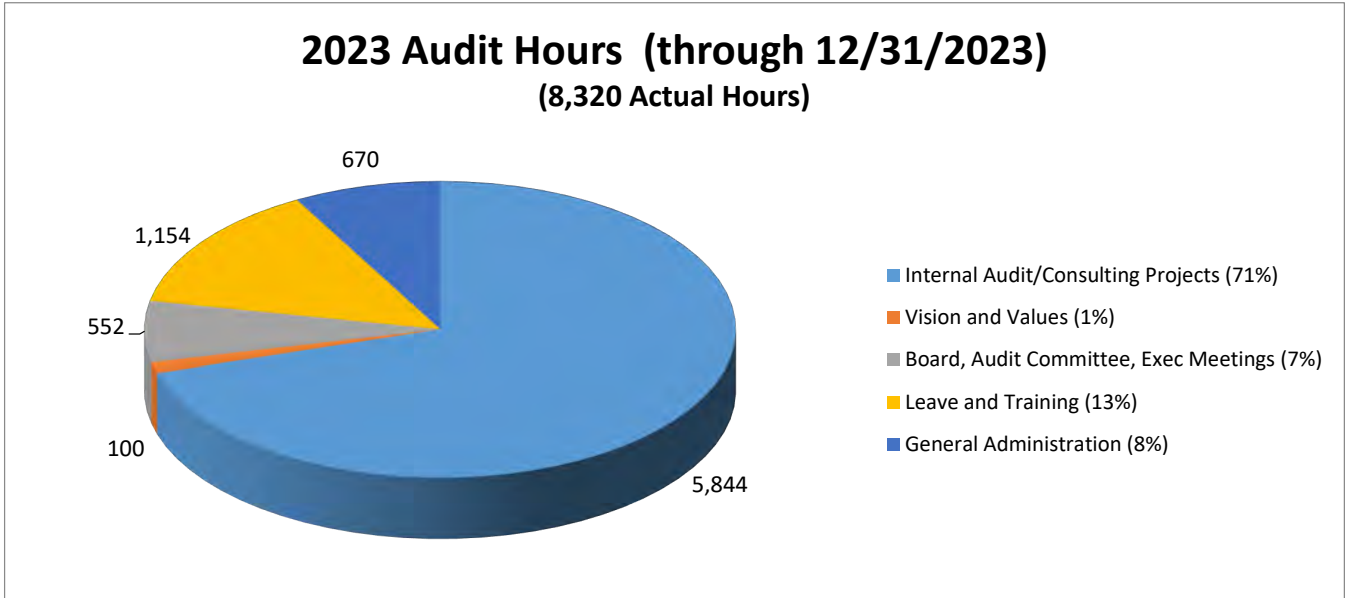
Submitted by:



DK - Approved

David Kim
Director of Internal Audit

2023 Internal Audit Plan



**Orange County Employees Retirement System
2023 Internal Audit Plan**

Audit Activity	Description	Planned Hours	Actual Hours	Variance	Comments
Internal Audit/Consulting/Planning/QAIP		5,920	5,844	168	
Internal Audits - Assurance		4,860	4,768	92	
IT Automated Controls (carryover from 2022 audit plan)	Validate the policies and procedures over V3 System calculations of the Percent of Final Average Salary and Base Final Average Salary prior to management's manual adjustment process, as well as the calculation of the Plan Benefit after the manual adjustment process. Performed by RSM.	10	14	-4	Complete - performed additional discussions with management
Employer Audit (Transportation Corridor Agency)	Review employer's supporting documentation to verify accuracy and completeness of payroll data transmitted to OCERS pension administration system; review employer's controls to ensure compliance with OCERS Membership Eligibility Requirements Policy.	30	34	-4	Complete - performed additional review with management Last audited in 2013
Member Data Maintenance (Bank account changes)	Review the controls over member data to ensure unauthorized changes are not made to the members' information, specifically the member's bank account information.	340	364	-24	Complete - additional test work to create a new report to identify changes via Go button - First Time audit
Employer Audit (OC Superior Court)	Review employer's supporting documentation to verify accuracy and completeness of payroll data transmitted to OCERS pension administration system; review employer's controls to ensure compliance with OCERS Membership Eligibility Requirements Policy.	330	330	0	Complete Last audited in 2018
Employer (Children and Families Commission)	Review employer's supporting documentation to verify accuracy and completeness of payroll data transmitted to OCERS pension administration system; review employer's controls to ensure compliance with OCERS Membership Eligibility Requirements Policy.	330	330	0	First time audit - Complete
Hiring Practices	Review controls over the hiring process, from initial job requisition through start of employment.	340	350	-10	Complete - additional time to discuss records management process (new audit test area)
Employer (OCFA)	Review employer's supporting documentation to verify accuracy and completeness of payroll data transmitted to OCERS pension administration system; review employer's controls to ensure compliance with OCERS Membership Eligibility Requirements Policy.	330	350	-20	Complete - personnel changed during audit, alternative audit procedures performed to complete audit testing Last audited in 2018
Accounts Payable	Review of controls over the account payable process, from payment request through payment of invoice.	340	340	0	First time audit - testing to be completed by end of month
Transmittal Processing	Review the Employer Payroll team's controls over the processing of payroll transmittals in V3.	340	340	0	First time audit - testing to be completed by end of month
Employer (In Home Support Services)	Review employer's supporting documentation to verify accuracy and completeness of payroll data transmitted to OCERS pension administration system; review employer's controls to ensure compliance with OCERS Membership Eligibility Requirements Policy.	330	370	-40	Complete - additional hours based on follow-up direction from Audit Committee Last audited in 2015
Governance - Asset Allocation/Rebalancing	Review of controls ensuring OCERS asset allocation/rebalancing activities are reviewed and fully reported to the Investment Committee as per Investment Policy Statement.	330	156	174	Last audited in 2018 - testing underway
Employer Audit (OCTA)	Review employer's supporting documentation to verify accuracy and completeness of payroll data transmitted to OCERS pension administration	330	290	40	Last audited in 2015 - testing underway

**Orange County Employees Retirement System
2023 Internal Audit Plan**

Audit Activity	Description	Planned Hours	Actual Hours	Variance	Comments
Continuous Audit - Final Average Salary (FAS) Calculation	Continuous audit of FAS calculations. Sample on quarterly basis for Q1 and Q3	480	480	0	Q1 audit complete Q3 sample testing complete
Alameda Implementation	Perform an independent review of the controls in place to ensure the recalculation of contribution refunds and retirement benefits related to the Alameda decision are complete and accurate; member information updated in V3 are reviewed and approved; and recording to the General Ledger is supported and authorized.	640	660	-20	Initial testing of 30 samples complete. Additional 36 samples testing complete. Complexity of Alameda calculations along with refund calculations
IT/InfoSec Audit Program	Azure Active Directory and MS365 Security – review the state of services deployed and determine if the current configuration aligns with leading practices (200 hours from RSM). Center of Internet Security (CIS) - evaluate Information Security's implementation of the CIS Controls, and provide recommendations on management's assessment of the department's implementation status and maturity level as appropriate.	100	100	0	Audit complete - to report in 2024
Internal Audit - Management Action Plan Follow-up	Action Plan Follow-up - Perform MAP follow-ups with management.	260	260	0	Ongoing review of implemented MAPs from completed audits.
Internal Audits - Consulting		240	380	-140	
Consulting/Ad-hoc projects	Open for any ad-hoc project TBD	240	380	-140	Investment Incentive review, training for annual employer report, RPA first use case for Initial FAS Calculation, assist Master Repository Project (MRP)
Internal Audits - Planning		500	460	40	
Annual Audit Planning	Review and update Risk and Control Matrix.	200	160	40	
	Annual preparation of the Audit Plan, updates to the current Audit Plan.	300	300	0	
Internal Audits - Quality Assurance and Improvement Program		320	236	84	
Quality Assurance and Improvement Program	IA Quality Review- self assessment - QAIP program and external peer review	220	220	0	Includes external peer auditor selection (RFP), QAIP data requests and response
	Use of hotline reporting system.	100	16	84	Potential for volume increase due to Alameda - reallocate to Ad-hoc for MRP
Vision and Values		110	100	10	
	Vision and Values - Continuous Improvement Program	50	40	10	Help with transition to Vision and Values Committee
	Vision and Values Committee (Internal OCERS Committee)	60	60	0	Internal committee to promote a positive culture at OCERS - Committee Vice Chair.
Board, AC, OCERS Executive Meetings		552	552	0	
	Board meetings, Audit Committee, Personnel Committee, Governance Committee, Executive meeting	470	470	0	
	Weekly meetings with CEO	26	26	0	
	Monthly meeting with Audit Committee Chair	56	56	0	
General admin time		620	670	-50	
	General admin time	620	670	-50	8% of total hours - to account for additional time of Sr Internal Auditor to assist with transition of new team members
Leave (Holiday/Annual) and Training		1,118	1,154	-36	
	Holidays (12 days), Annual Leave (15 days)	918	792	127	
	Training and Continuing Education	200	362	-162	
Grand Total Hours		8,320	8,320	0	