

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

**AUDIT COMMITTEE MEETING  
December 17, 2020  
10:00 A.M.**

**Members of the Committee**

Frank Eley, Chair  
Shari Freidenrich, Vice Chair  
Charles Packard  
Jeremy Vallone

**Pursuant to Executive Order N-29-20, certain provisions of the Brown Act are suspended due to a State of Emergency in response to the COVID-19 pandemic. Consistent with the Executive Order, this meeting will be conducted by video/teleconference only. None of the locations from which the Committee members will participate will be open to the public.**

**Members of the public who wish to observe and/or participate in the meeting may do so via the Zoom app or via telephone. 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.**

<b>OCERS Zoom Video/Teleconference information</b>	
<p><b>Join Using Zoom App (Video &amp; Audio)</b></p> <p><a href="https://ocers.zoom.us/j/97097583255">https://ocers.zoom.us/j/97097583255</a></p> <p><b>Meeting ID: 970 9758 3255</b> <b>Password: 217145</b></p> <p>Go to <a href="https://www.zoom.us/download">https://www.zoom.us/download</a> to download Zoom app before meeting Go to <a href="https://zoom.us">https://zoom.us</a> to connect online using any browser.</p>	<p><b>Join by Telephone (Audio Only)</b></p> <p>Dial by your location</p> <ul style="list-style-type: none"> <li>+1 669 900 6833 US (San Jose)</li> <li>+1 253 215 8782 US (Tacoma)</li> <li>+1 346 248 7799 US (Houston)</li> <li>+1 929 436 2866 US (New York)</li> <li>+1 301 715 8592 US (Germantown)</li> <li>+1 312 626 6799 US (Chicago)</li> </ul> <p><b>Meeting ID: 970 9758 3255</b> <b>Password: 217145</b></p>
<p>A <a href="#">Zoom Meeting Participant Guide</a> is available on OCERS website <a href="#">Board &amp; Committee meetings page</a></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.

**PUBLIC COMMENT**

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. Members of the public who wish to provide comment at this time may do so by “raising your hand” in the Zoom app, or if joining by telephone, by pressing \* 9 on your telephone keypad.

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

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

**CONSENT AGENDA**

**C-1 APPROVE AUDIT COMMITTEE MEETING MINUTES**

Audit Committee Meeting Minutes

October 13, 2020

**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.**

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

**A-2 EXTERNAL AUDITOR PERFORMANCE REVIEW AND CONTRACT EXTENSION**

*Presentation by Brenda Shott, Assistant CEO, Finance and Internal Operations and Jim Doezie, Contracts, Risk and Performance Administrator*

**Recommendation:** Approve an amendment to the MGO contract to exercise the one year optional extension for auditing the financial statements of OCERS for the year ending December 31, 2020. The one year extension has a cost not to exceed \$128,011.

**CLOSED SESSION**

**A 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 \*\*\*\*\***

**COMMITTEE MEMBER COMMENTS**

**CHIEF EXECUTIVE OFFICER/STAFF COMMENTS**

**COUNSEL COMMENTS**

**ADJOURNMENT**

**NOTICE OF NEXT MEETINGS**

**REGULAR BOARD MEETING**

**January 19, 2021  
9:30 A.M.**

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

**REGULAR BOARD MEETING**

**February 16, 2021  
9:30 A.M.**

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

**INVESTMENT COMMITTEE MEETING**

**February 24, 2021  
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](mailto: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  
October 13, 2020  
9:00 a.m.**

**MINUTES**

**OPEN SESSION**

The Chair called the meeting to order at 9:00am.

Attendance was as follows:

Present via Zoom Video conference pursuant to Executive Order N-29-20 issued by Governor Newsom on March 17, 2020:

Frank Eley, Chair; Shari Freidenrich, Vice Chair; Charles Packard;

Also Present via Zoom:

David Kim, Director of Internal Audit; Steve Delaney, Chief Executive Officer; Gina Ratto, General Counsel; Suzanne Jenike, Assistant CEO, External Operations; Brenda Shott, Assistant CEO, Internal Operations; Matt Eakin, Director of Information Security; Jenny Sadoski, Director of Information Technology; Mark Adviento, Internal Auditor; Sonal Sharma, Recording Secretary; Anthony Beltran, Audio Visual Technician.

**PUBLIC COMMENT**

None.

**C-1 APPROVE AUDIT COMMITTEE MINUTES**

Updated Audit Committee Meeting Minutes	January 13, 2020
Audit Committee Meeting Minutes	June 4, 2020

**MOTION** was made by Packard, **seconded** by Vallone to approve the minutes.

The motion passed **unanimously**.

**A-2 REVIEW OF CLOUD RISK AND READINESS ASSESSMENT**

Presentation by David Kim, Director of Internal Audit and RSM

**Recommendation:** Receive and file.

**MOTION** was made by Packard, **seconded** by Vallone to receive and file.

Audit Committee Meeting  
October 13, 2020

The motion passed **unanimously**.

**A-3 ACTUARIAL EXTRACT AUDIT**

*Presentation by David Kim, Director of Internal Audit*

**Recommendation:** Receive and file.

**MOTION** was made by Packard, **seconded** by Freidenrich to receive and file.

The motion passed **unanimously**.

**A-4 QUARTERLY AUDIT OF FINAL AVERAGE SALARY CALCULATIONS**

*Presentation by David Kim, Director of Internal Audit and Mark Adviento, Internal Auditor*

Audit Committee directed Member Services to review a sample of the remaining Q1/Q2 population not reviewed by Internal Audit.

**Recommendation:** Receive and file.

**MOTION** was made by Freidenrich, **seconded** by Packard to receive and file.

The motion passed **unanimously**.

**A-5 REVIEW OF CONTROLS IMPACTED BY TELECOMMUTING**

*Presentation by David Kim, Director of Internal Audit*

**Recommendation:** Receive and file.

**MOTION** was made by Packard, **seconded** by Vallone to receive and file.

The motion passed **unanimously**.

**A-6 ETHICS, COMPLIANCE, AND FRAUD HOTLINE UPDATE**

*Presentation by David Kim, Director of Internal Audit*

**Recommendation:** Receive and file.

**MOTION** was made by Packard, **seconded** by Freidenrich to receive and file.

The motion passed **unanimously**.

**INFORMATION ITEMS**

**I-1 AUDIT COMMITTEE AGENDA - INTERNAL AUDIT REPORT PRESENTATIONS**

*Presentation by David Kim, Director of Internal Audit*

Audit Committee Meeting  
October 13, 2020

**I-2 MANAGEMENT ACTION PLAN VERIFICATION**

*Written Report*

**I-3 STATUS UPDATE OF 2020 AUDIT PLAN**

*Written Report*

*The Committee recessed into Closed Session at 11:46am.*

*The Committee resumed at 12:16am.*

**CLOSED SESSION**

**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; Matthew Eakin, Director of Information Security; Jenny Sadoski, Director of Information Technology; Jon Gossard, Information Security Manager; and Gina M. Ratto, General Counsel

**Recommendation:** Take appropriate action.

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

**COMMITTEE MEMBER COMMENTS**

**CHIEF EXECUTIVE OFFICER/STAFF COMMENTS**

**COUNSEL COMMENTS**

**ADJOURNMENT**

The Chair adjourned the meeting at 11:15 am.

Submitted by:

Approved by:

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Steve Delaney  
Secretary to the Board

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Frank Eley  
Chair



## Memorandum

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**DATE:** December 17, 2020  
**TO:** Members of the Audit Committee  
**FROM:** Jim Doezie, Contracts, Risk and Performance Administrator , Brenda Shott Assistant CEO  
Finance and Internal Operations  
**SUBJECT:** **Macias, Gini & O’Connell LLP (MGO) Performance Review and Contract Extension**

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### Recommendation

Approve an amendment to the MGO contract to exercise the one year optional extension for auditing the financial statements of OCERS for the year ending December 31, 2020. The one year extension has a cost not to exceed \$128,011.

### Background/Discussion

#### 1. Performance Review Guidelines

According to the Procurement & Contracting Policy (Section II.D., page 5), contracted service providers need to have a performance review conducted every three years.

*“The performance of every contracted provider will be reviewed at last every three years.”*

#### 2. Contracts with Named Service Providers

The performance of Named Services Providers (as defined in the Procurement & Contracting Policy (Section V.A., page 8) will be solicited from and reported to the Board of Retirement (Section V.C.2, page 9).

*“Performance reviews of Named Service Providers will include opinions solicited from Board of Retirement or designated sub-committee members, and/or selected staff members. The results of the review will be summarized and reported to the Board of Retirement.”*

#### 3. Review of the General Investment Consultant - MGO

Pursuant to the above referenced policies, a performance survey was conducted for Macias, Gini & O’Connell (aka “MGO”), during May and June of 2020. MGO provides independent financial statement auditing services. The notes below summarize the results:

- There was a 90% response rate for this survey. Thank you everybody that provided a response.
- MGO personnel are extremely knowledgeable and easy to work with.
- MGO is extremely reliable and is responsive to requests and inquiries.
- MGO is also effective in guiding the Board and OCERS’ staff members through decisions.



## Memorandum

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- The overall performance of rating for MGO is very high with the majority of those surveyed rating MGO as an "A".

#### **4. Performance Review Action Item(s)**

- There are no corrective action steps that need to be taken due to this review.
- The contract with MGO is set to expire December 31, 2020. The contract has a one year option to extend to include an audit for the period ending December 31, 2020.
- It is recommended to exercise the one year option to extend the MGO contract.
- A procurement process for independent auditing services will be conducted at the conclusion of the 2020 audit.

Submitted by:

Jim Doezie  
Contracts, Risk and Performance Administrator

Brenda Shott  
Assistant CEO, Finance and Internal Operations