

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

**AUDIT COMMITTEE MEETING  
December 15, 2022  
9:30 A.M.**

**MINUTES**

**OPEN SESSION**

Chair Eley called the meeting to order at 9:30 a.m.

Recording Secretary administered the Roll Call attendance.

Attendance was as follows:

Present: Frank Eley, Chair; Sheri Freidenrich, Vice Chair; Richard Oats; Charles Packard

Also Present: Steve Delaney, Chief Executive Officer; Suzanne Jenike, Assistant CEO, External Operations; Brenda Shott, Assistant CEO, Internal Operations; Gina Ratto, General Counsel; Tracy Bowman, Director of Finance; David Kim, Director of Internal Audit; Jeff Lamberson, Director of Member Services; Jenny Sadoski, Director of Information Technology; Mark Adviento, Internal Auditor; Esther Hong, Internal Auditor; Jenny Davey, Internal Auditor; Carolyn Nih, Recording Secretary; Anthony Beltran, Audio Visual Technician.

**PUBLIC COMMENT**

None.

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

Audit Committee Meeting Minutes

October 3, 2022

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

The motion passed **unanimously**

**CLOSED SESSION ITEMS**

*Adjourned to closed session at 9:33 a.m.*

**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

Orange County Employees Retirement System  
December 15, 2022  
Audit Committee Meeting

**Recommendation:** Take appropriate action.

*Returned to open session at 10:55 a.m.*

*No reportable action taken*

*The Board recessed for break at 10:55 a.m.*

*Ms. Freidenrich left the meeting at 11:05 a.m.*

*The Board reconvened from break at 11:07 a.m.*

*Recording Secretary administered the Roll Call attendance.*

**A-2 CONSIDERATION OF 2023 RISK ASSESSMENT AND 2023 AUDIT PLAN**

*Presentation by David Kim, Director of Internal Audit*

Mr. Kim noted that the number of proposed assurance audits have nearly doubled from the prior year.

**Recommendation:** Receive and file.

**MOTION** by Mr. Oates, **SECONDED** by Mr. Packard to adopt staff's recommendation.

The motion passed **unanimously.**

**A-3 CONTINUOUS AUDIT OF FINAL AVERAGE SALARY CALCULATIONS (Q3 2022)**

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

Chair Eley acknowledged all the hard work of Member Services to achieve 100% accuracy for the quarter.

**Recommendation:** Receive and file

**MOTION** by Mr. Oates, **SECONDED** by Mr. Packard to adopt staff's recommendation.

The motion passed **unanimously.**

**I-1 PROPOSED FINAL AVERAGE SALARY CALCULATIONS AUDIT REPORT EXAMPLE**

*Presentation by David Kim, Director of Internal Audit*

Mr. Kim presented an example of the *Continuous Audit of Final Average Salary Calculations Report*, in which the \$10.00 reportable threshold was implemented. Chair Eley noted the reportable errors will not include the errors that are under \$10.00. Mr. Kim confirmed errors under \$10.00 would not be discussed at the Audit Committee meetings unless they are

Orange County Employees Retirement System  
December 15, 2022  
Audit Committee Meeting

systematic or there is an increase in the number of errors. Ms. Jenike noted all errors are corrected, even if they are below the reportable threshold.

**A-4 REPORTABLE THRESHOLD FOR BENEFIT CALCULATIONS**

*Presentation by Suzanne Jenike, Assistant CEO of External Operations and Jeff Lamberson, Director of Member Services*

**Recommendation:** Staff recommends the Audit Committee approve the establishment of a Reportable Threshold of \$10.00 or more for reporting errors found during the Final Average Salary audits.

**MOTION** by Mr. Packard, **SECONDED** by Mr. Oates to adopt staff's recommendation.

The motion passed **unanimously**.

**A-5 MANAGEMENT RESPONSE TO PROCUREMENT AND CONTRACTING AUDIT**

*Presentation by Steve Delaney, CEO*

**Recommendation:** Receive and file

**MOTION** by Mr. Packard, **SECONDED** by Mr. Oates to adopt staff's recommendation.

The motion passed **unanimously**.

**I-2 PROPOSED INTERNAL AUDIT KEY PERFORMANCE INDICATORS**

*Presentation by David Kim, Director of Internal Audit*

Mr. Kim presented 5 key performance indicators (KPI) Internal Audit will use to measure staff performance. The KPIs will be monitored by the Director of Internal Audit and presented to the Audit Committee on an annual basis.

**WRITTEN REPORTS**

**R-1 MANAGEMENT ACTION PLAN VERIFICATION**

*Written Report*

**R-2 STATUS UPDATE OF 2022 AUDIT PLAN**

*Written Report*

**COMMITTEE MEMBER COMMENTS**

Chair Eley thanked the Committee for a great year and is looking forward to great things from Mr. Kim and the Audit Team. Chair Eley also thanked staff for their hard work.

Orange County Employees Retirement System  
December 15, 2022  
Audit Committee Meeting

**STAFF COMMENTS**

None

**CHIEF EXECUTIVE OFFICER**

Mr. Delaney thanked Mr. Kim and Mr. Adviento, as well as Chair Eley for his many years of service.

**COUNSEL COMMENTS**

None

**ADJOURNMENT**

Chair Eley adjourned the meeting at 11:34 a.m.

Submitted by:

Approved by:

DocuSigned by:  
  
C00D5744FF39463...  
Steve Delaney  
Secretary to the Board

DocuSigned by:  
  
9ADAC097006B48E...  
Richard Oates  
Chair